



SENATE FISCAL OFFICE  
REPORT

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**GOVERNOR'S FY2022  
AND  
FY2021 SUPPLEMENTAL  
BUDGET**

**2021-H-6122 AND 2021-H-6121**

**BUDGET ANALYSIS**

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MAY 18, 2021

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## EXECUTIVE SUMMARY

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## Executive Summary

The Governor's FY2022 Budget recommendation totals \$4,371.3 million in general revenue; \$218.0 million greater than the FY2021 Budget as Enacted. The recommendation includes \$11,170.5 million in all funds; a decrease of \$1,560.0 million from the FY2021 Budget as Enacted. The large reduction is attributable to the inclusion of the federal CARES Act COVID-19 stimulus funding appearing in FY2021. The proposed additional federal stimulus, which was signed into law on the same date that the Governor was required to submit the proposed FY2022 Budget, was not technically available to be included in the Governor's budget submittal.

<b>Expenditures by Source</b>	<b>FY2020 Final</b>	<b>FY2021 Enacted</b>	<b>FY2021 Governor</b>	<b>Change to Enacted</b>	<b>FY2022 Governor</b>	<b>Change to Enacted</b>
General Revenue	\$3,937.4	\$4,153.3	\$3,881.6	(\$271.6)	\$4,371.3	\$218.0
Federal Funds	4,475.1	5,812.9	7,059.1	1,246.2	4,129.5	(1,683.4)
Restricted Receipts	332.1	322.3	353.2	30.9	341.9	19.6
Other Funds	2,273.1	2,442.0	2,456.3	14.3	2,327.8	(114.1)
<b>Total</b>	<b>\$11,017.7</b>	<b>\$12,730.4</b>	<b>\$13,750.2</b>	<b>\$1,019.8</b>	<b>\$11,170.5</b>	<b>(\$1,560.0)</b>

<b>Expenditures by Function</b>						
General Government	\$2,832.1	\$3,418.2	\$4,177.0	\$758.8	\$2,081.3	(\$1,336.9)
Human Services	4,143.0	4,994.1	5,151.4	157.3	4,730.6	(263.4)
Education	2,674.8	2,947.6	2,953.3	5.7	2,855.6	(92.0)
Public Safety	669.2	648.7	662.3	13.6	622.0	(26.8)
Natural Resources	89.9	114.5	115.0	0.5	110.2	(4.3)
Transportation	608.7	607.3	691.3	83.9	770.7	163.3
<b>Total</b>	<b>\$11,017.7</b>	<b>\$12,730.4</b>	<b>\$13,750.2</b>	<b>\$1,019.8</b>	<b>\$11,170.5</b>	<b>(\$1,560.0)</b>
<b>FTE Authorization</b>	<b>15,074.7</b>	<b>15,124.7</b>	<b>15,124.7</b>	<b>-</b>	<b>15,089.2</b>	<b>(35.5)</b>

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

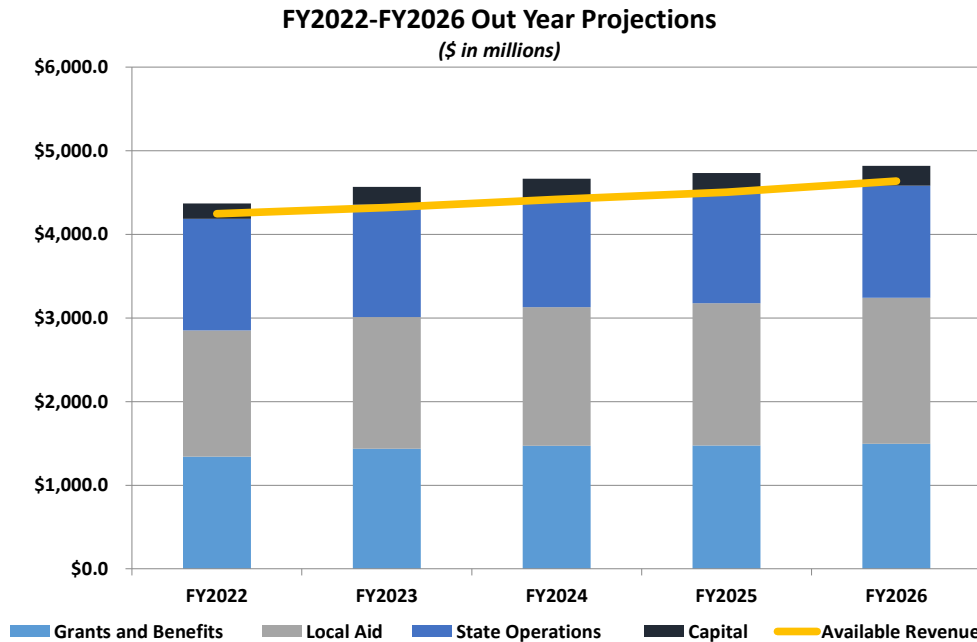
The Governor submitted two budget bills this year: the FY2022 proposal and a distinct FY2021 Supplemental Budget. The Governor's proposal for the current year (FY2021) increases the estimated year-end surplus from \$12.2 million, to \$265.4 million. The increased surplus is primarily driven by a shift of general revenue costs to federal FEMA funding based on recent guidance that allows for 100.0 percent cost reimbursement for eligible COVID response costs; and an increase in Federal Medicaid Assistance Percentage (FMAP) match rates for Medicaid costs. This surplus is carried forward to help close the FY2022 deficit. Inclusive of the solutions mentioned above, the major drivers of the Governor's FY2022 budget solution are as follows:

<b>FY2022 Deficit Solution</b>	
Projected deficit (OMB)	(\$336.0)
FEMA 100% Reimbursement	118.0
Enhanced FMAP	84.0
Defer RICAP payback (from FY2020 rainy day fund withdrawal)	70.0
Maximize Hospital License Fee (FY2021 and FY2022)	62.0
Eleanor Slater Hospital Transformation	38.7
Net Voluntary Retirement Incentive Savings	6.0
Lottery "Pause" Adjustment	5.7
Net PPP Tax Advantages	(65.0)
Net other revenue changes	11.3
Net other expenditure changes	10.3
<b>Projected Ending Balance</b>	<b>\$5.0</b>

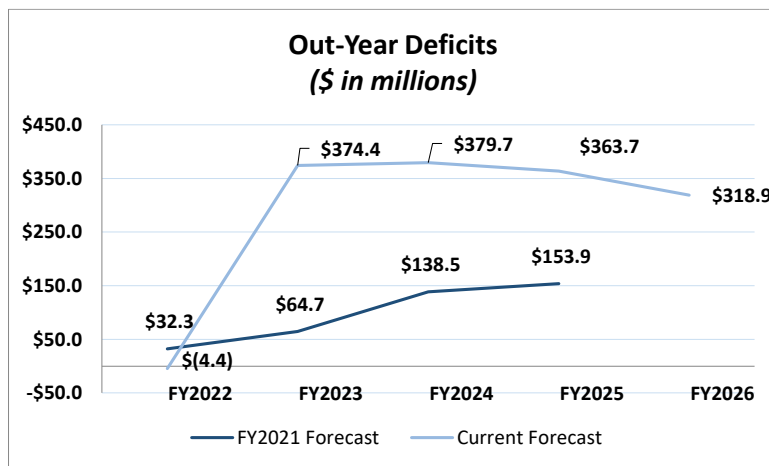
*\$ in millions. Totals may vary due to rounding.*

**FIVE-YEAR FORECAST**

The Budget projects out-year deficits increasing from \$374.4 million in FY2023 to \$318.9 million in FY2026 (6.6 percent of spending). Projected average annual revenue growth of 2.2 percent, coupled with a projected average annual increase in expenditures of 2.5 percent, creates the State's projected deficit. Actual out-year performance could vary significantly if growth rates used for both revenue and expenditure forecasts are inaccurate. Drivers of the forecast include Medicaid and education inflation and increasing motor vehicle excise tax payments. The deficit projections do not account for positive impacts from the likely forthcoming American Rescue Plan Act of 2021, nor from potential significant additional costs from the consent decree for services to those with developmental disabilities.



Out-year deficit projections increased significantly from what was forecast one year ago. The immediate impacts from the COVID-19 pandemic on state revenues, coupled with a projected slower recovery, exacerbate the deficit projections. Deficits grow by \$309.7 million in FY2023, absent additional federal intervention.

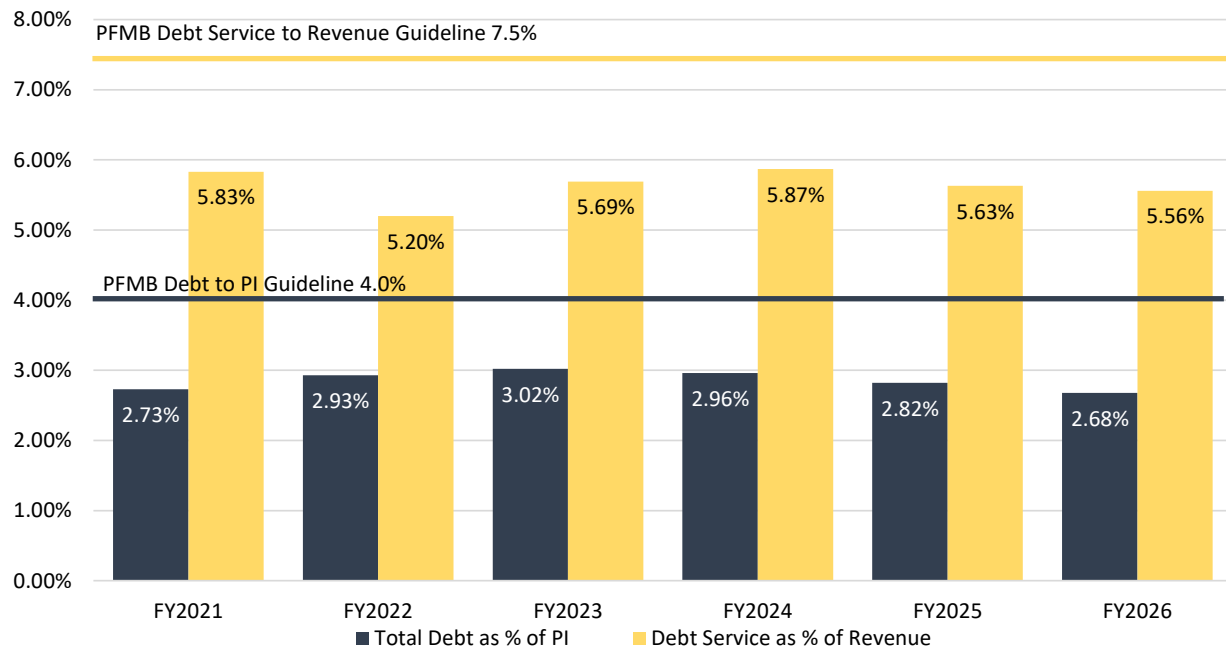


## TAX-SUPPORTED DEBT

The Public Finance Management Board (PFMB) provides advice and assistance to all state departments, authorities, agencies, boards, commissions, and public and quasi-public corporations having authority to issue revenue or general obligation bonds or notes.

The PFMB issues guidelines to monitor state debt: tax-supported debt should not exceed 4.0 percent of total personal income for Rhode Islanders, and debt service on tax-supported debt should not exceed 7.5 percent of state general revenue. Over the next five years, the State is projected to remain below the PMFB guidelines as it relates to debt as a percent of personal income (PI); additionally, it is anticipated to remain below the PMFB debt service as a percent of general revenue threshold of 7.5 percent.

The following chart shows current and projected debt service metrics from FY2021 through FY2026. It is probable that these figures will change as projects and issuance timelines are adjusted.



## RAINY DAY FUND

In 1990, the Budget Reserve and Cash Stabilization Account, or Rainy Day Fund, was created to establish a fiscal cushion for the State when actual revenues received are less than State expenditures (deficit). The account is funded by limiting annual State general revenue appropriations to a percentage (currently 97.0 percent) of available revenues. Excess funds are deposited into the Rainy Day Fund. The spending limitation, Rainy Day Fund, and the disposition of excess funds are governed by provisions in the RI Constitution and General Laws.

RIGL 35-3-20 institutes a cap on the balance of the Rainy Day Fund, which gradually increased between FY2007 and FY2013. Since FY2013, the balance of the Fund has been capped at 5.0 percent of general revenues. When the limit is reached, excess funds are transferred to the Rhode Island Capital Plan (RICAP) fund for capital improvement projects.

FY2019 closed with \$203.9 million in the Rainy Day Fund. In FY2020, the State used \$120.0 million from the fund to balance the budget. Rhode Island General Law requires that the repayment be made to the Rhode Island Capital Plan fund in the following fiscal year. The FY2021 Budget as Enacted included a \$90.0 million repayment and legislation under Section 18 of Article 1 to delay the full payback until FY2022.

#### 4 | GOVERNOR'S FY2022 AND FY2021 SUPPLEMENTAL BUDGETS

The Governor's budget, through Article 1 of the FY2021 Supplemental Budget, reduces the \$90.0 million payback to \$7.5 million in FY2021, and includes \$42.5 million in FY2022. The remainder of the RICAP fund repayment (\$70.0 million) is delayed until FY2023. The Governor's proposal projects a rainy day fund balance of \$225.6 million at the end of FY2022.

#### GENERAL REVENUE SURPLUS STATEMENT

	FY2019 Audited	FY2020 Audited	FY2021 Enacted	FY2021 Governor	FY2022 Governor
<b>Opening Surplus</b>					
Free Surplus	\$52,525,379	\$30,502,912	\$180,395,600	\$156,188,375	\$265,441,846
Adjustment to Opening Surplus			\$70,000,000	\$110,877,242	
Reappropriated Surplus	10,057,409	10,296,451	5,336,652	5,336,652	
<b>Subtotal</b>	<b>\$62,582,788</b>	<b>\$40,799,363</b>	<b>\$255,732,252</b>	<b>\$272,402,269</b>	<b>\$265,441,846</b>
<b>Total Revenues</b>					
	<b>\$4,024,579,618</b>	<b>\$4,183,713,406</b>	<b>\$4,038,425,000</b>	<b>\$3,999,338,264</b>	<b>\$4,245,587,573</b>
To Cash Stabilization Fund	(122,313,150)	(126,426,490)	(128,664,618)	(124,665,799)	(135,330,883)
From Cash Stabilization Fund					
<b>Total Available Resources</b>	<b>\$3,964,849,256</b>	<b>\$4,098,086,279</b>	<b>\$4,165,492,634</b>	<b>\$4,147,074,734</b>	<b>\$4,375,698,536</b>
<b>Total Expenditures</b>					
	<b>3,924,049,893</b>	<b>3,936,561,251</b>	<b>4,153,269,709</b>	<b>3,881,632,888</b>	<b>4,371,272,821</b>
<b>Total Surplus</b>	<b>40,799,363</b>	<b>161,525,028</b>	<b>12,222,925</b>	<b>265,441,846</b>	<b>4,425,715</b>
<b>Free Surplus</b>	<b>\$30,502,912</b>	<b>\$156,188,375</b>	<b>\$12,222,925</b>	<b>\$265,441,846</b>	<b>\$4,425,715</b>
Rainy Day Fund	\$203,855,250	\$90,710,816	\$210,941,030	\$207,776,332	\$225,551,471

## Revenue Changes

The Governor's FY2022 Budget increases general revenue collections by an estimated \$200.6 million above the November 2020 revenue estimate. New revenue initiatives include reauthorizing the State's hospital license fee, partially decoupling from the federal paycheck protection program loan forgiveness law, parking fee increases at Misquamicut and Galilee, tax and licensing revenue associated with a new adult-use marijuana program, and changes to the real estate conveyance tax to support affordable housing.

<b>Governor's Recommended Revenue Change:</b>	<b>FY2022</b>
EOHHS Revenue Changes	\$178.1
PPP Tax Policy Revenue Changes	17.1
DEM/CRMC Revenue Changes	3.2
DBR Revenue Changes	2.8
DOR Revenue Changes	(1.9)
Adult Use Marijuana Program Revenue	1.7
Real Estate Transfer Tax Change	(1.3)
DOH Revenue Changes	0.7
Pawtucket Economic Activity Tax Agreement	(0.7)
Other Departmental Revenue Changes	0.6
<b>Total</b>	<b>\$200.2</b>

*\$ in millions*

### EOHHS Revenue Changes

**\$178.1 million**

The Budget includes a net \$178.1 million increase related to revenue changes associated with the following EOHHS initiatives:

- Hospital License Fee:** Article 6 reauthorizes the collection of the hospital license fee in FY2022. The article includes a fee of 3.78 percent of patient revenues for hospitals located in Washington County and 6.0 percent of patient revenues for all other non-psychiatric community hospitals, including the State-run Eleanor Slater Hospital. These rates are consistent with the fee structure used in FY2019 and FY2020 and with the Governor's proposed revision to the fee in FY2021. The Governor's Budget includes \$178.2 million in new revenues that were not included in the November 2020 adopted revenue estimate. This represents a \$15.6 million reduction relative to FY2021 collections because the FY2022 fee will be based, in part, on patient revenues generated during CY2020, when hospitals saw a significant reduction in patient care activity due to the COVID-19 pandemic and mandatory suspension of elective procedures.

*Analyst Note: The Governor's Budget Amendment dated April 19, 2021, includes an adjustment to patient revenues from Eleanor Slater Hospital, increasing the FY2022 revenue assumption by \$596,363 to \$178.8 million.*

- Medicaid Revenue Changes:** The Budget reduces revenue collections by \$360,515 to reflect the impact of a number Medicaid expenditure changes which affect collections from the 2.0 percent insurance premium tax and 5.5 percent nursing home tax. These initiatives are described in the FY2022 Expenditures section of this report.

<b>Medicaid Revenue Changes</b>	
LTSS Resiliency and Rebalancing	(\$504,313)
Enhanced FMAP	290,000
MCO Profit Margin	(79,045)
Rite Share Enhancements	(54,000)
Community Health Workers Investment	(18,717)
Perinatal Doula Services	5,560
<b>Total</b>	<b>(\$360,515)</b>

- **Rlte Share Penalty:** The Governor increases general revenue collections by \$165,675 to reflect the impact of a new penalty established in Article 15 which will be assessed against employers who do not comply with the reporting requirements of the Rlte Share program, either by failing to report data or by falsifying information to get around the program's requirements.

**PPP Tax Policy Changes****\$17.1 million**

Article 2 partially decouples Rhode Island law from federal tax statutes governing how Paycheck Protection Program (PPP) loans are treated relative to income for purposes of personal and business income taxes. The purpose of the initiative is to preserve pandemic relief for those smaller businesses that received PPP loans of \$150,000 or less, while mitigating the significant state revenue loss that would result by remaining completely in alignment with federal law.

PPP Tax Policy Revenue Changes	FY2021		FY2022		Total 2 Year Impact
	Personal Income Tax	Business Taxes	Personal Income Tax	Business Taxes	
Federal PPP Loan Forgiveness	(\$28,788,938)	(\$57,489,763)	(\$15,678,451)	(\$31,308,915)	(\$133,266,067)
Decoupling from Federal PPP Loan Forgiveness ≥ \$150,000	969,731	2,630,262	19,480,908	44,597,887	67,678,788
<b>Total</b>	<b>(\$27,819,207)</b>	<b>(\$54,859,501)</b>	<b>\$3,802,457</b>	<b>\$13,288,972</b>	<b>(\$65,587,279)</b>

- **Background:** In response to devastating impacts that the COVID-19 pandemic has had on businesses, Congress enacted a series of supports and relief measures. The CARES Act, enacted in March 2020, established the federal PPP program, which provides loans to help businesses keep their workforce employed during the pandemic. Eligible costs for the PPP program include certain payroll, operating, supplier, property, and worker protection costs. The CARES Act also permitted these loans to be forgiven if the business conforms to the program. In December 2020, Congress enacted the Consolidated Appropriations Act (CAA), with the purpose of providing further pandemic relief, including for businesses. The CAA allowed businesses to deduct expenses paid for with PPP loans. This amounts to a double tax benefit.

Rhode Island income tax statutes conform to federal tax statutes and regulations, particularly as it relates to what constitutes income, adjusted for deductions and other modifications. Any significant change in these modifications affects how income is determined for purposes of Rhode Island taxes. These include the PPP expense deductions. Based on the recent federal tax changes and expansion of the PPP program, the Office of Management and Budget projects a \$133.3 million combined loss in State revenue in FY2021 and FY2022

- **Proposal:** Article 2 proposes to decouple from the federal treatment of forgiven PPP loans. Specifically,
  - The article exempts the first \$150,000 of a PPP loan from State taxation.
  - Loan amounts over \$150,000 would be taxed, impacting around 13.0 percent of businesses with loans.
  - The proposal would preserve \$67.7 million in general revenue.

**DEM/CRMC Revenue Changes****\$3.2 million**

The Governor increases fees related to several Department of Environmental Management (DEM) and Coastal Resources Management Council (CRMC) programs and requires the transfer of reserves from the Underground Storage Tank Account.

<b>DEM/CRMC Revenue Changes</b>	<b>Impact</b>
DEM - Pesticide/Fertilizer Fee Increase	\$1,407,532
Transfer - Underground Storage Tank Account	1,000,000
DEM - Beach Fee Increase	621,634
DEM - Parking Lot Fee Increase	112,188
CRMC - Fines Increased	15,000
<b>Total</b>	<b>\$3,156,354</b>

- **DEM – Pesticide/Fertilizer Fee Increase:** The Budget includes \$1.4 million in new revenue generated from several registration fee increases related organic/chemical products used in the State. The changes and revenue impact are outlined in the following table:

<b>Category</b>	<b>Registration Fee</b>		
	<b>Current</b>	<b>FY2022 Governor</b>	<b>FY2022 Revenue</b>
Pesticide Product	\$200	\$300	\$842,900
Commercial Feed	60	100	460,640
Commercial Fertilizer	72	100	103,992
<b>Total</b>			<b>\$1,407,532</b>

- **Transfer – Underground Storage Tank (UST) Account:** The Budget requires the transfer of \$1.0 million from the UST restricted receipt fund to the general revenue fund by June 30, 2021. Rhode Island currently has 500 facilities with 1,350 underground storage tanks, all of which pose a potential environmental threat if leakage should occur. The Underground Storage Tank (UST) Clean-up Fund was created in 1994 to provide an effective mechanism for USTs owners to comply with financial responsibility requirements, and to insure that the environmental and public health impacts of UST leaks are addressed in an effective and timely manner.
- **DEM – Beach Fee Increase:** The Budget includes \$621,634 in new revenue from an increase in the beach parking fees at Misquamicut State Beach in Westerly. Article 6 empowers the Department of Environmental Management to charge “reasonably determined” fees for beaches, parks, and recreation areas in Westerly. The supplemental materials provided by the Office of Management and Budget indicate that the beach parking fees would increase from \$6 to \$15 for resident weekday and \$7 to \$15 for resident weekend. Non-resident fees would increase from \$12 to \$20 for weekday and \$14 to \$30 for weekend parking. The estimate revenue increase of \$621,634 includes \$453,793 in general revenue and \$167,841 in host community payments to Westerly.

*Analyst Note: A Governor’s Budget Amendment, dated April 19, 2021, adjusted the revenue estimate downward by \$26,262, from a total of \$621,634 to \$595,372. This adjustment results in projected revenue of \$434,622 to the State and \$160,750 for the host community.*

- **DEM – Parking Lot Fee Increase:** The Budget includes \$112,188 in new revenue from increases in the parking fees at the Port of Galilee in Narragansett. The fees will range from \$10 to \$300 depending on the type of pass purchased.
- **CRMC – Fines Increased:** Article 7 of the Budget increases the maximum penalties the Chair or Executive Director of the Coastal Resources Management Council can assess for various violations. The revenue impact for this change is \$15,000 annually.

**DBR Revenue Changes****\$2.8 million**

The Governor recommends several revenue changes related to the Department of Business Regulation's (DBR) programming, including increasing the fee for a Broker Dealer license and expanding the eligibility for an engineer license in the State.

<b>DBR Revenue Changes</b>	<b>Impact</b>
DBR - Broker Dealer License Fee Increase	\$2,715,925
DBR - Engineer License Eligibility Expansion	90,000
<b>Total</b>	<b>\$2,805,925</b>

- **DBR – Broker Dealer License Fee Increase:** The Budget increases general revenues by \$2.7 million to reflect an increase in the broker dealer license fee. The fee increases by \$25 from \$75 to \$100. The fee was last increased in FY2012. Broker dealers are individuals or firms that buy, sell, and trade financial securities.
- **DBR – Engineer License Eligibility Expansion:** Article 9 of the Budget expands eligibility for a professional engineer's license to include individuals who have an engineering technology degree and meet experience requirements. Currently, individuals with undergraduate degrees in engineering technology are only eligible for a professional engineer's license if they also earn a master's degree in engineering. The expansion generates an additional \$90,000 in general revenues.

**DOR Revenue Changes****(\$1.9 million)**

The Governor recommends several initiatives related to the activity and responsibilities of the Department of Revenue (DOR) that result in a \$1.9 million revenue reduction in FY2022.

<b>DOR Revenue Changes</b>	<b>Impact</b>
DOR - License Plate Reissuance Delay	(\$3,440,000)
DOR - Permanent Authorization of the Collections Unit	1,377,299
Lottery - Reduced Marketing Costs	360,000
DOR - Sales Tax Permit Fee Elimination	(331,585)
DOR - CDL Testing Administration	100,000
<b>Total</b>	<b>(\$1,934,286)</b>

- **DOR – License Plate Reissuance Delay:** Article 3 of the Budget delays the license plate reissuance from June 1, 2020, to July 1, 2022. Under RIGL 33-3-33, the DMV is required to issue new reflective license plates for all registered vehicles every 10 years. This would be the ninth time the mandated reissuance has been delayed since it was first required in 2011. The delay is estimated to reduce general revenue collections by \$3.4 million in FY2022.
- **DOR – Permanent Authorization of the Collections Unit:** Article 3 permanently authorizes the Department of Revenue's Collections Unit by eliminating its statutorily proscribed June 30, 2021, sunset date. The Collections Unit was established in July 2018 to assist state agencies in the collection of debts owed to the State. Based on the growth rate of collections by the Unit in FY2020 and data from the first six months of the FY2021, the Office of Management and Budget (OMB) estimates \$1.4 million in additional revenue in FY2022. To date, the Unit has underperformed relative to projections.
- **Lottery – Reduced Marketing Costs:** The Budget includes a \$360,000 reduction in marketing and print advertising costs from the Lottery Fund for FY2022. According to OMB, the Lottery Division is eliminating or reducing several media campaigns in the coming fiscal year (but unlikely to negatively impact overall gaming activity). There is a corresponding increase in the transfer from the Lottery Fund to the General Fund.
- **DOR – Sales Tax Permit Fee Elimination:** Article 6 of the Budget eliminates the \$10 fee charged for the annual permit the State requires retail and lodging businesses to obtain for the right and obligation to



collect and remit Rhode Island sales and use taxes. Article 6 also provides the Tax Administrator with the discretion to set the permit expiration date, currently set at one year. The \$10 reinstatement fee for revoked/suspended permits is also eliminated. These changes are estimated to reduce general revenue by \$331,585 in FY2022.

- **DOR – CDL Road Test Administration:** Article 3 transfers the administration of skills testing for commercial driver licensing (CDL) from the Community College of Rhode Island to the Division of Motor Vehicles (DMV). The Budget provides \$132,961 in personnel and operating expenses to the DMV in FY2022 for this new responsibility. These costs are offset by a \$32,101 reduction in payments made by the DMV to CCRI and \$100,000 in expected general revenue from testing fees.

#### **Adult Use Marijuana Program Revenue**

**\$1.7 million**

The Budget includes \$1.7 million in tax and license fee revenue attributable to the implementation of an adult-use marijuana market under Article 11, based on an anticipated retail sales start date in April 2022.

#### **Adult Use Marijuana Program Revenue**

<b>Revenue Item</b>	<b>FY2022</b>
Adult-Use Marijuana Program - Licensing Fees	\$590,561
Adult-Use Marijuana Program - Cultivator Excise Tax	451,684
Adult-Use Marijuana Program - Retail Excise Tax	369,550
Adult-Use Marijuana Program - Sales Tax	258,685
<b>Total</b>	<b>\$1,670,480</b>

#### **Real Estate Transfer Tax Change**

**(\$1.3 million)**

- **Real Estate Conveyance Tax – Value > \$700,000:** Article 16 increases the real estate conveyance tax on the portion of real estate valued over \$700,000. The rate applied to this portion doubles from 0.46 percent to 0.92 percent. Revenue from this increase would be deposited into the Housing Production Fund, a new restricted receipt account, to be administered by RI Housing in consultation with a new Housing Resources Steering Committee. The funds would be used for affordable and workforce housing initiatives, including the construction of new units and incentives to municipalities. Based on a January 1, 2022, effective date, the Office of Revenue Analysis estimates that these changes will generate \$1.7 million for the new Housing Production Fund in FY2022.
- **Real Estate Conveyance Tax – Value < \$700,000:** Article 16 modifies the allocation of revenue generated from the State’s real estate conveyance tax applied to the portion of real estate valued below \$700,000. The article reduces General Fund deposits by 17.7 percent and dedicates those revenues to the Housing Production Fund.

#### **Real Estate Conveyance Tax Revenue Distribution**

	<b>Current Law</b>	<b>Article 16</b>
State	\$0.90	\$0.74
General Fund	0.60	0.44
Distressed Community Relief Program	0.30	0.30
Municipality	1.10	1.10
Housing Resources Commission	0.30	0.30
Housing Production Fund	0.00	0.16
<b>Total</b>	<b>\$2.30</b>	<b>\$2.30</b>

Based on a January 1, 2022, effective date, the Office of Revenue Analysis estimates that these changes will generate \$1.3 million for the new Housing Production Fund, with an equivalent loss in general revenues in FY2022. The initiative is expected to generate \$2.9 million in FY2023, based on a full year of activity.

**DOH Revenue Changes****\$746,281**

The Budget includes a net general revenue increase of \$746,281 within the Department of Health (DOH).

<b>Department of Health</b>	<b>Amount</b>
Data Request Fee	\$438,900
Dockside Shellfish Program	366,300
Interstate Medical Licensure Compacts	(58,919)
<b>Total</b>	<b>\$746,281</b>

- **Data Request Fee:** The Budget authorizes DOH to establish a fee for data requests from the Center for Health Data and Analysis (CDHA). The fee would only apply to for-profit special data requests that require CDHA to analyze, calculate, and/or interpret data and is expected to generate \$438,900.
- **Dockside Shellfish Program:** The Budget authorizes DOH to establish a dockside program that allows licensed shellfish processors to harvest and assure the sanitary quality of shellfish. License fees are estimated to generate \$366,300 in general revenue in FY2022.
- **Interstate Medical Licensure Compacts:** Article 15 provides the statutory framework to allow the State to enter into several medical interstate licensure compacts that allow reciprocity and expedited licensure for health care professionals. The initiative is anticipated to reduce licensing revenue by \$58,919 based on an April 1, 2022, effective date.

**Pawtucket Economic Activity Tax Agreement****(\$652,300)**

The Budget includes a \$652,300 reduction in general revenue related to the economic activity taxes generated in Pawtucket's Downtown Redevelopment Zone. The fiscal impact by tax type is shown below.

<b>Pawtucket Economic Activity Tax Agreement</b>	<b>Revenue Impact</b>
Sales Taxes	(\$352,024)
Business Taxes	(24,238)
Personal Income Taxes	(276,038)
<b>Total</b>	<b>(\$652,300)</b>

RIGL 45-33.4-4 requires the Division of Taxation to set aside baseline state tax revenue generated by activity occurring in Pawtucket's arts, ballpark, and growth center districts, to be distributed to the city once an agreement is entered into. The State and Pawtucket signed the agreement on December 8, 2020.

**Other Departmental Revenue Changes****\$561,173**

The Budget includes an additional \$561,173 in other departmental program revenue changes.

<b>Other Departmental Revenue Changes</b>	<b>Impact</b>
DLT - Workplace Tax Compliance Initiative	\$545,000
DOC - Work Release Fee Restructuring	18,880
EOC Wavemaker Tax Exemption	(2,707)
<b>Total</b>	<b>\$561,173</b>

- **DLT – Workplace Tax Compliance Initiative:** The Budget includes \$545,000 in new revenue attributable to a reorganization of the Department of Labor and Training's (DLT) Misclassification Task Force, Workforce Fraud Unit, and its Prevailing Wage section. The reorganization includes 2.0 additional FTE positions.
- **DOC – Work Release Fee Restructuring:** The Budget includes an \$18,880 increase in fee revenue related to the Department of Corrections (DOC) work release programming. The Governor recommends changing how individuals who participate in the DOC's work release program are charged for room and board. Currently, these individuals are charged 30.0 percent of gross pay. The Governor

recommends changing this to 30.0 percent of net pay. The estimated revenue increase is attributable to an estimated increase in participation based on the incentive.

- **EOC Wavemaker Tax Exemption:** The Stay Invested in Rhode Island Wavemaker Fellowship program is a competitive student loan reimbursement program for college and university graduates who take employment in science, technology, engineering, and mathematics (STEM) fields in Rhode Island. Article 9 of the Budget clarifies that fellowship awards are exempt from state taxation. The change is expected to reduce personal income tax revenues by \$2,707 on FY2022.

## FY2021 SUPPLEMENTAL CHANGES

The Budget includes a \$39.1 million reduction in revenues below the November 2020 revenue estimate. The primary initiatives impacting the FY2021 revenue totals include the federal paycheck protection program tax changes, adjustment of the hospital license fee, bond proceeds, and an adjustment to the Lottery transfer to reflect the actual impact of the December 2020 closure due to the pandemic.

<b>Governor's Recommended Supplemental Revenue Changes</b>	<b>FY2022</b>
PPP Tax Policy Revenue Changes	(\$82.7)
EOHHS - Hospital License Fee Change	32.3
Proceeds from Series 2022-1 GO Refunding Bonds	5.9
Lottery - Impact of December Pandemic Closing	5.7
Pawtucket Economic Activity Tax Agreement	(0.3)
<b>Total</b>	<b>(\$39.1)</b>

*\$ in millions*

### PPP Tax Policy Changes

**(\$82.7 million)**

Article 2 partially decouples Rhode Island law from federal tax statutes governing how Paycheck Protection Program (PPP) loans are treated relative to income for purposes of personal and business income taxes. The purpose of the initiative is to preserve pandemic relief for those smaller businesses that received PPP loans of \$150,000 or less, while mitigating the significant state revenue loss that would result by remaining completely in alignment with federal law.

	FY2021		FY2022		Total 2 Year Impact
	Personal Income Tax	Business Taxes	Personal Income Tax	Business Taxes	
PPP Tax Policy Revenue Changes					
Federal PPP Loan Forgiveness	(\$28,788,938)	(\$57,489,763)	(\$15,678,451)	(\$31,308,915)	(\$133,266,067)
Decoupling from Federal PPP Loan Forgiveness ≥ \$150,000	969,731	2,630,262	19,480,908	44,597,887	67,678,788
<b>Total</b>	<b>(\$27,819,207)</b>	<b>(\$54,859,501)</b>	<b>\$3,802,457</b>	<b>\$13,288,972</b>	<b>(\$65,587,279)</b>

- **Background:** In response to devastating impacts that the COVID-19 pandemic has had on businesses, Congress enacted a series of supports and relief measures. The CARES Act, enacted in March 2020, established the federal PPP program, which provides loans to help businesses keep their workforce employed during the pandemic. Eligible costs for the PPP program include certain payroll, operating, supplier, property, and worker protection costs. The CARES Act also permitted these loans to be forgiven if the business conforms to the program. In December 2020, Congress enacted the Consolidated Appropriations Act (CAA), with the purpose of providing further pandemic relief, including for businesses. The CAA allowed businesses to deduct expenses paid for with PPP loans. This amounts to a double tax benefit.

Rhode Island income tax statutes conform to federal tax statutes and regulations, particularly as it relates to what constitutes income, adjusted for deductions and other modifications. Any significant change in these modifications affects how income is determined for purposes of Rhode Island taxes. These include the PPP expense deductions. Based on the recent federal tax changes and expansion of the PPP program, the Office of Management and Budget projects a \$133.3 million combined loss in State revenue in FY2021 and FY2022.

- **Proposal:** Article 2 proposes to decouple from the federal treatment of forgiven PPP loans. Specifically,
  - The article exempts the first \$150,000 of a PPP loan from State taxation.
  - Loan amounts over \$150,000 would be taxed, impacting around 13.0 percent of businesses with loans.
  - The proposal would preserve \$67.7 million in general revenue.

**EOHHS – Hospital License Fee Change \$32.3 million**

The Governor’s Budget increases the hospital license fee from the current law rate of 5.0 percent to 6.0 percent of patient revenues in FY2021. The Governor’s Budget is consistent with the 6.0 percent fee assessed in both FY2019 and FY2020. The FY2020 Enacted Budget initially lowered the fee from 6.0 percent to 5.0 percent for FY2021 in response to pending changes at the federal level; however, these changes have since been delayed and the Governor’s Budget holds the license fee constant, accordingly. The November 2020 Revenue Estimating Conference included \$161.5 million in FY2021 to account for the current law 5.0 percent fee. A 6.0 percent fee will generate \$193.8 million, or an additional \$32.3 million relative to the REC estimate. The fee is due in July 2021 but will be booked as a receivable to FY2021.

**Proceeds from Series 2022-1 GO Refunding Bonds \$5.9 million**

The Budget includes an additional \$5.9 million in revenue from the proceeds from the Series 2022-1 general obligation bond forward refunding. The State and Morgan Stanley, the State’s underwriter entered into an agreement that granted Morgan Stanley the right to refund a series of 2012 bonds in July of 2022 in exchange for a \$6.1 million upfront payment in FY2021. The payment is offset by \$197,042 in transaction costs for a net revenue increase of \$5.9 million.

**Lottery – Impact of December Pandemic Closing \$5.7 million**

The Budget includes an adjustment of \$5.7 million in lottery transfers to the general fund in FY2021 based on actual activity during the December 2020 pandemic closure of the State’s two casinos. On November 23, 2020, the Governor announced that the State’s casinos would be closed in response to surging COVID-19 cases. Because the announcement of the temporary closure took place after the 2020 November Revenue Estimating Conference, the General Assembly revenue estimates on which to base a budget did not have an estimated revenue impact of the shutdown. As a placeholder the General Assembly reduced lottery revenue in the enacted the FY2021 Budget by \$18.0 million. The Governor’s FY2021 Supplemental Budget adjusts this estimated loss downward by \$5.9 million based on new estimates by the Department of Revenue based new data.

**Pawtucket Economic Activity Tax Agreement (\$326,000)**

The Budget includes a \$326,000 reduction in general revenue related to the economic activity taxes generated in Pawtucket’s Downtown Redevelopment Zone. The fiscal impact by tax type is shown below.

Pawtucket Economic Activity Tax Agreement	Revenue Impact
Sales Taxes	(\$175,931)
Personal Income Taxes	(137,956)
Business Taxes	(12,113)
<b>Total</b>	<b>(\$326,000)</b>

RIGL 45-33.4-4 requires the Division of Taxation to set aside baseline state tax revenue generated by activity occurring in Pawtucket’s arts, ballpark, and growth center districts, to be distributed to the city once an agreement is entered into. The State and Pawtucket signed the agreement on December 8, 2020.

## Expenditure Changes by Agency

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**Administration:** The Budget includes \$243.2 million in general revenue expenditures (\$498.9 million all funds) for the Department in FY2022, decreasing general revenue expenditures by \$69.8 million (\$124.1 million all funds).

### ***RICAP Repayment***

The Budget includes \$42.5 million in general revenue payback in FY2022 to partially reimburse the State's Budget Stabilization and Cash Reserve Account (Rainy Day Fund). The FY2020 final budget transferred \$120.0 million from the Budget Stabilization and Cash Reserve Account for use in balancing that budget. The Rhode Island General Law requires that the repayment be made to the Rhode Island Capital Plan fund in the following fiscal year.

The FY2021 Budget as Enacted included a \$90.0 million repayment and legislation under Section 18 of Article 1 to delay the full payback until FY2022. However, Article 1 of the Governor's FY2021 Supplemental Budget proposes to further delay the payback to FY2023 and reduces the amount of the payback to \$7.5 million, reflecting an \$82.5 million reduction. The remaining payment of \$70.0 million will be made during FY2023.

### ***Debt Service***

- **38 Studios Debt Service:** The Budget includes a general revenue savings of \$12.1 million for the 38 Studios Debt service, as the State has fulfilled the repayment obligations of this debt.
- **General Obligation Bonds:** The Budget includes \$76.0 million in general revenue to fund the costs of the State's general obligation debt service in FY2022, or \$5.4 million more than the FY2021 Budget as Enacted. This is largely attributable to new bond issuances (\$4.4 million) and transportation debt service (\$1.9 million).

### ***Statewide Personnel and Operations***

- **Voluntary Retirement Incentive (VRI):** The Budget includes \$8.2 million in general revenue savings associated with a new voluntary retirement incentive (VRI) payment to active state employees as of January 4, 2021, who have a full benefit retirement date on or before December 31, 2020. The Budget identified 900 executive branch, higher education, constitutional office, judicial, and legislative employees who matched the eligibility requirement. The savings are partially offset by a \$2.2 million increase in assessed fringe benefit costs to fund the retirement incentive. This results in a net \$6.0 million general revenue savings. The estimated savings are budgeted in DOA and will be distributed to agencies after an accounting of the program.
- **LIUNA Settlement:** The Budget includes \$4.3 million in general revenue to fund the pension liability with state employee members in the Laborers International Union of North America (LIUNA).

### ***New FTE positions***

The Budget adds 2.0 FTE positions to the department, including 1.0 FTE position to establish a Risk Management Unit to manage the State's comprehensive insurance programs, and 1.0 FTE position within the Human Resources program.

### ***COVID-19 Response***

The Budget includes \$141.8 million in federal funds for COVID-19 pandemic and recovery items and activities. The main items include \$120.0 million for housing rental assistance, \$16.5 million in Federal Emergency Management Agency (FEMA) reimbursements, and \$5.3 million in other COVID-19 related grants.

<b>COVID-19 Response</b>	<b>FY2021 Enacted</b>	<b>FY2022 Governor</b>	<b>Change</b>
COVID-19 Stimulus Reserve	\$0	\$5,281,556	\$5,281,556
FEMA: Data Control WKS: Contract Services	-	104,738	104,738
FEMA: Government Readiness WKS: Communications	-	90,750	90,750
FEMA: Government Readiness WKS: COVID-19 General Financial Management	-	-	-
FEMA: Government Readiness WKS: Emergency Ad Hoc Spending	-	759,112	759,112
FEMA: Government Readiness WKS: Enterprise IT Proj.	-	-	-
FEMA: HHS Readiness WKS: Surge - AHS-1	-	12,029,232	12,029,232
FEMA: Pandemic Recovery Office	-	-	-
FEMA: Q & I WKS: Temporary Housing-1	-	2,054,840	2,054,840
FEMA: Supplies WKS: PPE Warehousing	-	1,222,363	1,222,363
FEMA: Tech Enablement WKS: Other Contract Services (DOA)	-	222,969	222,969
Relief Fund: Emergency Rental Assistance Program (CAA21)	-	120,000,000	120,000,000
<b>Total</b>	<b>\$0</b>	<b>\$141,765,560</b>	<b>\$141,765,560</b>

**Business Regulation:** The Governor's Budget includes \$19.6 million in general revenue expenditures (\$32.8 million all funds) for the Department of Business Regulation (DBR) in FY2022, increasing general revenue expenditures by \$2.1 million (\$5.0 million all funds.)

The major budget initiatives include the following:

- **Adult-Use Marijuana:** The Budget increases restricted receipts by \$3.7 million for the licensing and regulation of the proposed adult-use marijuana market, including \$2.5 million in operating costs and \$1.2 million for personnel. The proposed Office of Cannabis Regulation (OCR) would license cultivators, manufacturers, retail entities, employees, and other ancillaries to operate the market.
- **Fire Marshal – Bomb Squad:** The Budget adds \$238,315 in general revenues for 1.0 FTE position and bomb squad equipment within the Fire Marshal's office. The Bomb Squad requires an additional FTE to maintain FBI accreditation.
- **Insurance Examiners:** The Budget adds \$181,752 in general revenue for 2.0 FTE Insurance Examiners which would allow the Department to complete insurance examinations without relying on outside contractors.
- **Director of Consumer Protections:** The Budget adds \$126,867 in restricted receipts for 1.0 FTE position to oversee market conduct examinations. The position would be funded by a new restricted receipt account funded by insurers who are the subject of examinations.
- **COVID-19 Response:** The Budget adds \$1.6 million in federal funds for enforcement and inspection to ensure compliance with COVID-19 related regulations.

**Labor and Training:** The Governor's Budget increases general revenue expenditures by \$3.6 million (all funds decrease by \$1,064.6 million) relative to the FY2021 Enacted level. The major changes include the following:

- **Real Jobs Rhode Island:** The Governor includes \$8.5 million in general revenues to support the Real Jobs Rhode Island (RJRI) program in FY2022, an increase of \$3.0 million above enacted levels. The additional funding will be used to support new partnerships across the state, allowing employers to have access to a trained and educated workforce that fits their needs.
- **Workplace Fraud Unit Personnel:** The Budget includes an additional \$167,748 to support the hiring of 2.0 FTE positions to work on misclassification fraud investigations and fraud efforts.
- **Unemployment Insurance Benefits:** The Budget includes \$70.0 million in federal funds and \$250.0 million in other funds for unemployment insurance benefits, this is a decrease of \$877.4 million in federal funds and \$125.0 million in other funds from the FY2021 Budget as Enacted. These additional

funds were required in FY2021 due to the COVID-19 pandemic. The Department experienced an uptick in individuals applying for unemployment insurance requiring additional federal funds to meet the demand for the additional claims.

**Department of Revenue:** The Budget includes a net \$339,595 all funds decrease in for the Department of Revenue (DOR). Major budget initiatives include:

**Division of Motor Vehicles**

- **License Plate Reissuance Delay:** The Governor delays the license plate reissuance from June 1, 2020, to July 1, 2022. Under RIGL 33-3-33, the DMV is required to issue new reflective license plates for all registered vehicles every 10 years. This would be the ninth time the mandated reissuance has been delayed since it was first required in 2011. The delay is estimated to reduce general revenue collections by \$3.4 million in FY2022. There are no funds provided in FY2022 to implement the reissuance.
- **CDL Road Test Administration:** The Governor transfers the administration of skills testing for commercial driver licensing (CDL) from the Community College of Rhode Island (CCRI) to the Division of Motor of Motor Vehicles (DMV). The Budget provides \$132,961 in personnel and operating expenses to the DMV in FY2022 for this new responsibility. These costs are offset by a \$32,101 reduction in payments made by the DMV to CCRI and \$94,000 in expected general revenue from testing fees.

**State Aid**

- **Motor Vehicle Excise Tax Reimbursement:** The General Assembly enacted legislation in 2017 to phase out the motor vehicle excise tax by 2024. Municipalities are reimbursed annually for lost revenue. For FY2022, the Budget includes \$139.7 million in total general revenue reimbursement funding for cities and towns, consistent with the current law. The FY2021 Budget as Enacted appropriated both general revenue and federal Coronavirus Relief Funds (CRF) to meet the \$112.4 million statutorily-required reimbursements to cities and towns, saving \$74.8 million in general revenue. The General Assembly also appropriated an additional \$11.2 million of CRF funds in FY2021 that was distributed to municipalities according to the phase-out formula.

<b>Motor Vehicle Excise Tax Phase Out</b>				
<b>Source</b>	<b>FY2021</b>	<b>FY2022</b>	<b>Change</b>	
General Revenue	\$37,555,898	\$139,656,362	\$102,100,464	271.9%
COVID Muni Aid	74,838,213	-	(\$74,838,213)	-100.0%
<b>Subtotal</b>	<b>\$112,394,111</b>	<b>\$139,656,362</b>	<b>\$27,262,251</b>	<b>24.3%</b>
COVID Muni Aid Bonus	11,189,907	-	(11,189,907)	-100.0%
<b>Total</b>	<b>\$123,584,018</b>	<b>\$139,656,362</b>	<b>\$16,072,344</b>	<b>13.0%</b>

- **Payment in Lieu of Taxes (PILOT):** The Governor proposes \$46.1 million in general revenue for the State's PILOT program in FY2022. Current law requires reimbursement at 27.0 percent of forgone tax revenue, but allows for a ratable reduction if the appropriation is less than this amount. The Governor's recommendation for FY2022 represents a rate of 26.01 percent. The FY2021 Budget as Enacted appropriated both general revenue and federal Coronavirus Relief Funds (CRF) to meet the \$46.1 million required to level-fund the program relative to FY2020, saving \$26.9 million in general revenue. The General Assembly also appropriated an additional \$4.6 million of CRF funds in FY2021 that was distributed to municipalities according to the PILOT formula.

Payment in Lieu of Taxes Program				
Source	FY2021	FY2022	Change	
General Revenue	\$19,203,960	\$46,089,504	\$26,885,544	140.0%
COVID Muni Aid	26,885,544	-	(\$26,885,544)	-100.0%
<b>Subtotal</b>	<b>\$46,089,504</b>	<b>\$46,089,504</b>	<b>-</b>	<b>-</b>
COVID Muni Aid Bonus	4,614,456	-	(4,614,456)	-100.0%
<b>Total</b>	<b>\$50,703,960</b>	<b>\$46,089,504</b>	<b>(\$4,614,456)</b>	<b>-9.1%</b>

- Distressed Communities Relief Fund:** The Governor recommends \$12.4 million in general revenue for the Distressed Community Relief Fund in FY2022. The FY2021 Budget as Enacted appropriated both general revenue and federal Coronavirus Relief Funds (CRF) to meet the \$12.4 million required to level-fund the program relative to FY2020, saving \$9.8 million in general revenue. The General Assembly also appropriated an additional \$1.4 million of CRF funds in FY2021 that was distributed to municipalities according to the Distressed Community Relief program formula.

Distressed Community Relief Program				
Source	FY2021	FY2022	Change	
General Revenue	\$2,580,095	\$12,384,458	\$9,804,363	380.0%
COVID Muni Aid	9,804,363	-	(\$9,804,363)	-100.0%
<b>Subtotal</b>	<b>\$12,384,458</b>	<b>\$12,384,458</b>	<b>-</b>	<b>-</b>
COVID Muni Aid Bonus	1,445,637	-	(1,445,637)	-100.0%
<b>Total</b>	<b>\$13,830,095</b>	<b>\$12,384,458</b>	<b>(\$1,445,637)</b>	<b>-10.5%</b>

### Taxation

- Sales Tax Permit Fee:** The Governor eliminates the \$10 fee charged for the annual permit the State requires for businesses to collect and remit Rhode Island sales and use taxes. Article 6 also provides the Tax Administrator with the discretion to set the permit expiration date, currently set at one year. The \$10 reinstatement fee for revoked/suspended permits is also eliminated. This change is estimated to reduce general revenue by \$331,585 in FY2022.
- Employer Tax Unit:** Article 3 transfers the Employer Tax Unit from the Department of Revenue (DOR) to the Department of Labor and Training (DLT). The transfer is intended to centralize the unit's efforts related to UI and TDI benefits. The Employer Tax Unit administers the unemployment tax, the temporary disability tax, and the job development assessment tax. These taxes are used to fund Unemployment Insurance (UI) benefits and Temporary Disability Insurance (TDI) benefits. The transfer includes 35.0 FTE positions.

**General Treasurer:** The Budget adds \$250,000 in general revenue and \$80,000 in restricted receipts to support the Crime Victim Compensation Program.

**Ethics Commission:** The Budget adds \$15,000 in general revenue for outside legal costs to support pending litigation and for the issuance of decisions.

**Office of the Governor:** The Budget adds \$270,537 in general revenue to reflect personnel cost adjustments. The Budget also includes \$150,000 for the discretionary contingency spending account.

**Office of the Lieutenant Governor:** The Budget adds \$15,465 in general revenue for contracted legal services for drafting legislation, Access to Public Records Act (APPRA) requests, and general legal assistance for the office.

**Public Utilities Commission:** The Budget adds 2.0 Pipeline Safety Inspector positions to increase inspection capacity of utility infrastructure. The positions will be financed by federal and restricted receipt funds on a 50/50 split.



**Executive Office of Commerce:** The Governor includes \$42.0 million in total general revenue funding in support of the economic development and housing programming within the Executive Office of Commerce (EOC) and the Rhode Island Commerce Corporation (Commerce RI). This includes \$26.5 million for Economic Development Initiatives, Commerce Programs, and other programming. The Governor also recommends a major investment in affordable housing to be managed by EOC and financed by modifications to the State's real estate conveyance tax.

### ***Incentives***

- **Rebuild RI:** The Governor includes \$22.5 million to assist economic development projects through the Rebuild RI program, equivalent to the enacted level. Rebuild RI uses both tax credit and sales tax exemption incentives to promote investment in real estate development for commercial and/or residential use across the State. Under current law, the total amount of tax credits and sales tax exemptions that may be issued is \$210.0 million. The Governor recommends raising the cap to \$240.0 million and extending the program's authorization by 18 months, through December 31, 2022.
- **Wavemaker:** The Budget provides \$1.6 million to help retain talented graduates through the Wavemaker Fellowship program, \$400,000 more than the enacted level.
- **Small Business Assistance:** The Governor recommends \$1.0 million to support the small business assistance program, which did not receive additional general revenue funding in FY2021. The program engages private lenders to support businesses with fewer than 200 employees.
- **Small Business Development Fund:** Article 9 modifies the Small Business Development Fund (SBDF) program, a financing mechanism designed to incentivize investment in small businesses. The article expands the type of eligible entities that may apply to the program to include community-based and/or local lenders, establishes a selection process for reviewing and approving applications, expands the types of taxes the tax credits can apply towards, and permits the credits to be sold or transferred.
- **Reauthorization of Incentives:** Article 9 extends the sunset provisions on economic development incentive programs from June 30, 2021, to December 31, 2022.

### ***New Personnel***

- **EOC:** The Budget increases the number of authorized full-time equivalent positions within the Executive Office of Commerce, from 14.0 to 16.0 FTEs, and includes \$498,147 in general revenue within the Central Management program to support the related personnel costs. The new FTE positions include a Deputy Secretary position that will primarily focus on housing issues and other economic development priorities and a General Counsel position that will focus on various legal, legislative, economic, and policy issues within the EOC. The Budget includes \$254,609 for the General Counsel position and \$243,538 for the Deputy Secretary in FY2022.
- **RI Commerce Corporation:** The Budget provides an additional \$69,060 in general revenue within the Rhode Island Commerce Corporation's base allocation to support the personnel costs for the State's Director of Food Strategy position. The position leads the development, implementation and coordination of the State's comprehensive food strategy plan, a five-year action plan that, according to the EOC, "takes a holistic view of the state's food system and is organized around three core themes: Health & Access, Economic Development, and Environmental Sustainability & Resiliency."

### ***Quasi-Public Appropriations***

- **Minority Entrepreneurship:** The Budget provides \$140,000 within the Rhode Island Commerce Corporation to support minority entrepreneurship through assistance and grants programming managed by corporation staff. The Budget also defunds the State's statutorily designated urban business incubator, Urban Ventures, creating general revenue savings of \$140,000.

**Housing**

- **Permanent Funding Stream:** The Governor establishes a new restricted receipt account, the Housing Production Fund (HPF), which would be capitalized by an increase in the real estate conveyance tax and a change in its revenue allocation. The Budget includes \$2.6 million for this fund in FY2022. The HPF will be used to build new affordable housing units and support a new municipal housing development partnership initiative focused on improving local capacity and removing barriers to affordable housing at the local level.
- **Governance:** Article 16 changes how the State coordinates, administers, and develops strategy and policy around affordable housing in Rhode Island. This includes the modernization of the Housing Resources Commission and the Housing Resource Steering Committee, and codification of the Office of Housing and Community Development's roles and responsibilities.

**COVID-19 Response**

- The Governor recommends \$4.8 million in federal funds in FY2022 spending for COVID-19 relief and recovery efforts. This includes \$507,500 in anticipated Federal Emergency Management Agency reimbursements, and \$4.2 million in targeted federal grants towards business interruption assistance, hospitality and tourism relief, and repositioning efforts in a pandemic business climate.

**Executive Office of Health and Human Services:** The Governor includes \$1,023.8 million from general revenues (\$3,035.9 million all funds) for the Executive Office of Health and Human Services in FY2022. This represents a general revenue increase of \$48.9 million compared to the FY2021 Budget as Enacted, and is attributable to the following changes:

**Central Management**

- **Medicaid Implementation:** The Governor includes \$811,082 from general revenues to fund the administrative costs associated with a number of Medicaid proposals. This includes \$180,723 for 2.0 FTE positions for the LTSS Resiliency and Rebalancing initiative, \$361,855 for contracted support and system upgrades associated with the RItE Share proposal, \$189,800 for contracted support for Third Party Liability optimization, and \$78,704 to fund the general revenue portion of the 1.0 FTE added for program integrity.
- **Health Information Technology:** The Governor adds \$664,871 from general revenues to provide the higher State match required for an array of Health Information Technology (HIT) projects. Currently, these projects are mostly federally-funded at 90/10; the cost allocation is being reduced to an effective share of 73/27. The Budget includes some savings based on the Executive Office's current services request and adds \$936,383 for new initiatives. This includes \$520,838 to fund the Health Information Exchange per member per month operating cost and \$416,000 for the Quality Reporting System cost allocation. An additional \$135,000 requested by the Executive Office will be made available through restricted Opioid Stewardship funds for the Prescription Drug Monitoring Program to provide information to pharmacists and prescribers when prescribing and dispensing opioids.
- **Shift Office of Medical Review:** The Governor shifts the Office of Medical Review (OMR) to the Department of Human Services, including 10.0 FTE positions and \$479,617 in general revenue personnel costs.
- **Medicaid Expenditure Report:** Article 12 shifts the deadline for the annual Medicaid report from March 15 to September 15 of each year. The CY2021 report is due March 15, 2021, and will be paid in FY2021. Under current law, the CY2022 report is due March 15, 2022, but would be shifted to September under Article 12; therefore, a Medicaid report would not be produced during FY2022. The Governor's Budget removes the costs associated with the report, \$138,000 from general revenues.
- **No Wrong Door:** The Governor includes \$120,000 from general revenues (\$290,000 all funds) for Phase II of the State's No Wrong Door initiative. This includes \$75,000 to develop a roadmap for

implementing a person-centered planning and conflict-free case management network for beneficiaries of Medicaid long term services and supports and implement a pilot program for targeted populations. The funding also includes \$45,000 for home and community-based functional assessments for elders and adults with disabilities.

- **All Payer Claims Database:** The Governor includes \$37,291 from general revenues to provide the State match now required for the All Payer Claims Database, which has been fully federally-funded in prior fiscal years. The Budget includes some savings based on the Executive Office’s current services request and adds \$433,596 to provide the general revenue match. This is consistent with the Executive Office’s request for \$600,262, but supplies \$166,666 of the State match from Adult-Use Marijuana restricted receipts instead of general revenues. The Budget also adds another \$166,666 in Adult-Use Marijuana funds, for a total of \$333,333, to finance additional analytics support for the new program.
- **Adult-Use Marijuana:** The Governor includes \$1.4 million in new restricted receipts to reflect the costs allocated to the Executive Office’s response to the legalization of adult-use marijuana. This includes the \$333,333 for the All Payer Claims Database noted above.
- **Health Care Cost Trends:** The Governor includes \$502,752 in restricted receipts to support maintenance of an annual health care cost growth target, used as a voluntary benchmark to measure Rhode Island health care spending performance. The restricted receipts are derived from an assessment of \$1 per member per year on all insurers in the State. The funds are included within the Executive Office of Health and Human Services but allocated in coordination with the Office of the Health Insurance Commissioner.

#### ***Medical Assistance***

- **Caseload Estimating Conference:** The Governor recommends an additional \$69.3 million in general revenue to reflect changes adopted by the November 2020 Caseload Estimating Conference. This is primarily related to the assumed restoration of the standard federal match rate, which was enhanced by 6.2 percentage points during FY2021 due to the COVID-19 pandemic, and contributed to \$92.1 million in general revenue savings in the Enacted Budget. All Medicaid initiatives are applied against this estimate, rather than the Enacted Budget.
- **Enhanced Federal Match:** The Governor recommends \$46.7 million in general revenue savings to reflect the assumption that the enhanced federal medical assistance percentage (FMAP) will be extended through the first half of FY2022. Pursuant to the Families First Coronavirus Response Act (FFCRA), the enhanced FMAP shifts an additional 6.2 percent of eligible Medicaid expenses from general revenues to federal funds during the COVID-19 public health emergency. On January 22, 2021, the federal Secretary of Health and Human Services issued a letter stating that the public health emergency “will likely remain in place for the entirety of [calendar year] 2021.” The Governor’s Budget includes two quarters of savings, accordingly. As a condition of the enhanced FMAP rate, states are not permitted to terminate benefits for Medicaid enrollees except under limited circumstances. The Budget also assumes that the FMAP savings will be dampened by retaining beneficiaries who would otherwise be terminated due to income or other disqualifiers. This assumption is factored into the \$46.7 million savings estimate.
- **Disproportionate Share Hospital (DSH) Payment:** The Budget adds \$32.6 million from general revenues (\$70.9 million all funds) to restore the Disproportionate Share Hospital (DSH) payment to the full amount of \$142.5 million in FY2022. The aggregate DSH payment was reduced to \$71.6 million in the adopted caseload estimate based on a reduction scheduled in current federal law. This reduction was delayed by the December 27, 2020, stimulus bill.
- **Long Term Services and Supports (LTSS) Resiliency and Rebalancing:** The Governor proposes a number of initiatives in Article 12 to rebalance the State’s long-term care programs away from institutional settings and towards home- and community-based (HCBS) settings. This includes

increasing assisted living rates and establishing a wage pass-through program for direct care workers. The Governor's Budget assumes that these investments will reduce nursing home admissions, which are significantly more expensive than HCBS, thereby generating \$4.5 million in general revenue savings (\$9.2 million all funds).

- **Eliminate Outpatient Upper Payment Limit (UPL):** The Budget includes \$2.2 million in general revenue savings (\$4.9 million all funds) by eliminating the outpatient upper payment limit (UPL) payment in FY2022. The inpatient portion of this payment was eliminated in FY2020.
- **Managed Care Organization (MCO) Profit Margin:** The Budget includes \$1.2 million in general revenue savings (\$4.0 million all funds) to modify the State's managed care rates by reducing the risk margin from 1.5 percent to 1.25 percent.
- **Graduate Medical Education (GME):** The Budget eliminates the Graduate Medical Education payment to Rhode Island Hospital, saving \$1.0 million in general revenues (\$2.2 million all funds).
- **RIte Share:** The Governor recommends \$729,128 in general revenue savings (\$2.7 million all funds) by maximizing RIte Share enrollment. Article 15 requires employers to report information in order to assist in enrolling working Medicaid beneficiaries in their employer-sponsored insurance. RIte Share pays the costs of the employee's premium on the employer's plan as an alternative to enrolling the employee in one of the State's managed care plans, resulting in savings. The initiative would begin in January 2022; the Budget reflects a half-year of savings. It is anticipated that savings attributable to this initiative will increase in out-years as employment returns to pre-pandemic levels.
- **Program Integrity:** The Governor includes \$700,938 in general revenue savings (\$1.5 million all funds) by expanding program integrity activities. The program integrity function at EOHHS currently reviews and monitors Medicaid fee-for-service providers and claims to ensure compliance and appropriate billing practices. This initiative would add a position to the unit to monitor managed care programs; the expense associated with the position is noted in the Central Management program.
- **Home Stabilization:** The Governor adds \$660,000 from general revenues (\$1.5 million all funds) to finance a rate increase for home stabilization services. This program provides support for individuals in need of stable housing by identifying, applying for, and navigating housing or rental assistance resources, transitioning into or maintaining housing, and preventing eviction.
- **Third Party Liability:** The Governor includes \$575,791 in general revenue savings by implementing improvements in the management of beneficiary third party liability (TPL) coverage which ensures that Medicaid is the payer of last resort.
- **Health Care Cost Trends:** The Governor includes \$150,000 from general revenues, in addition to \$502,752 in restricted receipts in the Central Management program, to support maintenance of an annual health care cost growth target, used as a voluntary benchmark to measure Rhode Island health care spending performance. The restricted receipts are derived from an assessment of \$1 per member per year on all insurers in the State. The general revenue funding reflects the cost to include the assessment for Rhode Island's Medicaid managed care rates.
- **Community Health Workers:** The Governor includes \$115,082 in general revenue savings (\$340,313 all funds) by adding Medicaid coverage for care management services provide by community health workers. The savings are derived by assuming that the investment will result in a reduction in more expensive interventions for high-need populations.
- **Perinatal Doula Services:** The Governor recommends adding Medicaid coverage for perinatal doula services, which provide individual supports for expectant mothers before, during, and after birth. The Budget includes an additional \$112,252 from general revenues (\$228,022 all funds), accordingly.

**Children, Youth, and Families:** The Governor includes \$183.4 million from general revenues (\$264.5 million all funds) for the Department of Children, Youth, and Families in FY2022. This represents a general revenue increase of \$12.6 million compared to the FY2021 Budget as Enacted. Major changes include:

- **Caseload Increase:** The Budget adds \$8.0 million from general revenues compared to the FY2021 Enacted Budget to adjust for the Department’s current service assistance and grants needs. The Child Welfare initiatives described below are applied against this baseline increase.
- **Enhanced Federal Match:** The Governor recommends \$2.5 million in general revenue savings to reflect the assumption that the enhanced federal medical assistance percentage (FMAP) will be extended through the first half of FY2022. Pursuant to the Families First Coronavirus Response Act (FFCRA), the enhanced FMAP shifts an additional 6.2 percent of eligible Medicaid and Title IV-E expenses from general revenues to federal funds during the COVID-19 public health emergency. On January 22, 2021, the federal Secretary of Health and Human Services issued a letter stating that the public health emergency “will likely remain in place for the entirety of [calendar year] 2021.” The Governor’s Budget includes two quarters of savings, accordingly.
- **Recruitment and Retention:** The Budget includes \$2.5 million in general revenue savings by an ongoing effort to increase staff support in the Child Welfare program to recruit, train, license, retain, and support foster parents. Increasing the number of available foster families in Rhode Island allows the Department to shift youth from other, more costly out-of-home placements into foster care, where appropriate, generating savings.
- **Child Care Allocation:** The Governor includes \$2.2 million in general revenue savings by allocating child care expenses to federal funds. The Department incurs expenses on behalf of foster children who require child care. These expenses are eligible for federal reimbursement through the Temporary Assistance for Needy Families (TANF) block grant.
- **Female Youth Project:** The Governor recommends \$1.0 million from general revenues to support the establishment of two new Psychiatric Residential Treatment Facilities (PRTFs) for female youth with complex mental and behavioral health needs that are currently being treated out-of-State, in a hospital, or at the Rhode Island Training School.
- **Families First:** The Budget includes \$384,166 from general revenues to finance federal mandates in the Families First Prevention Services Act (FFPSA). The FFPSA was enacted in 2018 and requires states to comply with an array of child welfare reforms or risk losing federal Title IV-E reimbursement for certain services. The mandate is effective October 1, 2021.
- **Fleet Modernization:** The Governor recommends \$173,369 from general revenues to update the Department’s aging vehicles, which staff use regularly to conduct investigations and face-to-face visits across the State. The Budget contemplates leasing 40 vehicles using the general revenue funds and purchasing another 20 vehicles through the State Fleet Revolving Loan Fund.
- **Sublet Office Space:** The Governor includes \$105,309 in general revenue savings by subleasing a portion of the Department’s administrative offices located at 101 Friendship Street in Providence.
- **Extreme Family Finding:** The Budget adds \$40,783 from general revenues for the Extreme Family Finding program, which provides intensive supports to help find permanent placements for youth that have been involved with the child welfare system for extended periods of time. The program is currently funded by a federal grant that will not be funded in FY2022. The additional funding is the net of \$132,000 from general revenues to shift the program cost to the State, less program savings achieved by shifting youth from placements to permanent homes.
- **Utilization Management:** The Governor adds 1.0 Social Case Worker FTE position to perform utilization management services. This position would perform regular utilization management reviews,

which aim to regularly assess youth in congregate care to ensure continued that continued congregate care placement reflects the individual's level of need. The cost to fund the new position is offset by program savings achieved by reducing the number of youth in congregate care placements and placing them in less-intensive settings. The Budget contemplates a net general revenue increase of \$34,246.

**Department of Health:** The Budget includes \$30.6 million in general revenue expenditures (\$364.4 million all funds) for the Department of Health (DOH) in FY2022, reducing general revenue expenditures by \$79.7 million (\$214.2 million all funds) compared to the FY2021 Budget as Enacted.

- **Dockside Shellfish Sampling Program:** The Governor recommends a new dockside shellfish sampling program, increasing general revenues by \$366,300. The program would allow licensed shellfish processors in the State to continue processing certain shellfish from federal waters and ensure they are safe for human consumption. The program would be fully funded by a new fee equal to the personnel and operating costs.
- **Data Request Fee:** The Budget authorizes the Director of the Department of Health (DOH) to establish a special data request fee for special data analysis requests that require the compiling and/or analyzing health-related data that is not subject to Access to Public Records Act (APRA). The fee would only apply to external requesters, and would not be applicable to state agencies or students. The fee would increase general revenues by an estimated \$438,900, of which \$219,450 is allocated to the Center for Health Data and Analysis (CDHA) for 2.0 new FTEs within the program.
- **Interstate Licensure Compacts:** The Budget increases general revenues by \$12,000 to reflect the Governor's recommendation for the State to enter into five interstate medical licensure compacts to allow reciprocity or expedited licensing for nurses, physicians, EMS personnel, physical therapists, and psychologists. The compacts are expected to promote access to healthcare and increase the number of providers in the State. The proposal also reduces licensing revenues by \$59,331 in FY2022.
- **Home Visiting Programs:** The Budget increases funding for two home visiting programs that focus on prevention to promote healthier children and pregnancies and reduce poor outcomes. The Budget increases general revenues to the Family Home Visiting Program by \$605,538 (\$1.4 million all funds) and \$95,755 (\$226,800 all funds) to the First Connections program.
- **Vital Records DMV Closure:** The Governor recommends the permanent closure of the satellite Vital Records location at the Division of Motor Vehicles (DMV) in Cranston due to low customer volume, reducing general revenues by \$264,910. The proposal eliminates 2.0 FTE positions. The location has been closed due to COVID-19.
- **Adult-Use Marijuana:** The Governor recommends \$366,785 in restricted receipts for personnel and operating expenses to mitigate the legalization of adult-use marijuana.
- **Opioid Stewardship Fund:** The FY2020 Budget established the Opioid Stewardship Fund, a restricted receipt account within the Department of Health. The Opioid Stewardship Act requires opioid manufacturers, distributors, and wholesalers licensed in the State to pay into the Fund. Each licensee's contribution is based on their share of the opioid market. The Governor allocates \$1.9 million from the Fund to DOH to finance costs associated with administering the program and the expansion of the Prescription Drug Monitoring Program. The Governor also recommends using the funds to offset general revenue costs at the Toxicology and Drug Chemistry labs.
- **COVID-19 Response:** The Budget includes a federal fund increase of \$171.3 million for the Department's COVID-19 Response, including \$134.9 million in reimbursements from the Federal Emergency Management Agency (FEMA) and \$36.4 million in other federal grants. The funding supports COVID-19 testing, vaccination efforts, data analysis, contact tracing, communications, COVID-19 related personnel costs, and technical development.

**Human Services:** The Governor’s Budget increases general revenue expenditures by \$19.0 million (all funds decrease by \$41.0 million) relative to the FY2021 Enacted level. The major changes include the following:

- **Child Care Assistance Program (CCAP) Reimbursement Rates:** The Budget includes an additional \$6.0 million in federal funds to increase reimbursement rates for licensed child care providers. This includes an additional \$1.8 million for licensed child care providers caring for infants and toddlers, and \$4.2 million for licensed child care providers caring for preschool aged children.
- **Office of Healthy Aging - Adult Home and Day Care Services:** The Budget includes an additional \$837,773 in general revenues to support Adult Home and Day Care Services. This includes \$760,093, related to the expansion of the Office of Healthy Aging @ Home program to include persons with incomes of up to 250.0 percent of the FPL (\$28,980 for 1 person) in 2021. Currently, the program covers persons with incomes up to 200.0 percent of the Federal Poverty Level (FPL) (\$25,760 for 1 person) in 2021.
- **RI Works:** The Budget includes \$331,761 in federal funds to support changes to the Rhode Island Works (RI Works) program. Article 8 of the Budget amends the RI Works program:
  - Modifies the definition of a dependent child within the RI Works program to allow children who turn 18 while in high school to continue receiving cash assistance regardless of their graduation date. The budget includes \$40,000 to support this change.
  - Modifies the earned income disregard exemption such that the first six months of earned income received by a RI Works member shall be excluded from the family’s income as it pertains to receiving cash assistance. The budget includes \$175,461 in federal funding for this expansion.
  - Eliminates language within the RI Works program that states only “school aged” children are eligible for the annual clothing allowance, allowing children ages 0-3 to also be eligible. The Article also states that the yearly clothing allowance shall be no less than \$100 per child. The clothing allowance had previously been set at \$30 per child per year. The Budget includes \$116,300 for this expansion.
- **Child Care for Families in Higher Education:** The Governor includes \$200,000 in federal Temporary Assistance to Needy Families (TANF) funds to provide child care for students who are enrolled in a Rhode Island public institution of higher education and have incomes at or below 180.0 percent of the federal poverty level.
- **Rhode Island Community Food Bank:** The Budget includes an additional \$175,000 in general revenues for the Rhode Island Community Food Bank. The additional funds will allow the Food Bank to continue providing support despite federal restrictions to the Supplemental Nutrition Assistance Program (SNAP).
- **COVID-19 Response:** The Governor includes \$7.1 million in federal funds for COVID-19 response operations.
- **Veterans’ Services:** The Governor recommends the following changes to Veterans’ Services:
  - **Staffing and Contracts:** The Budget includes an additional \$11.1 million for salary and benefits within the Veterans’ Home. The Veterans’ Home has been understaffed in past years, additional funds will help to increase staff levels to maintain quality care.
  - **Outstanding Small Estate Probates:** The Governor recommends collecting proceeds from open estate probates that are above \$15,000. This collection would generate \$265,000 to be transferred to the general fund.

**Behavioral Healthcare, Developmental Disabilities, and Hospitals:** The Budget includes \$220.3 million in general revenue expenditures (\$415.9 million all funds) for the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) in FY2022, reducing general revenue expenditures by \$28.5 million (\$70.2 million all funds) compared to the FY2021 Budget as Enacted.

- **RICLAS Privatization:** The Governor includes a net general revenue savings of \$4.8 million (\$11.4 million all funds) through an initiative to privatize the operations of the Rhode Island Community Living and Supports (RICLAS) system. The initiative includes a personnel reduction of 50.0 FTEs. Management, clients, properties, and operations would be transferred to private developmental disability provider organizations.
- **Developmental Disabilities System Transformation:** The Budget adds \$10.0 million in general revenue (\$15.0 million all funds) to support the Developmental Disability (DD) system transformation. The initiative would invest in tools and technology for providers to support individual needs and transform the system to use an outcome-based payment methodology. The funding supports the addition of 2.0 FTE positions to manage the fund and prepare for the Department's potential inclusion in the twice-yearly caseload estimating conference.
- **Developmental Disability Caseload:** The Budget increases general revenues by \$4.6 million (a net all funds decrease of \$2.4 million) to reflect changes in utilization of DD services and federal fund changes.
- **Eleanor Slater Hospital Transformation:** The Budget includes general revenue savings of \$38.7 million and a reduction in FTEs of 100.0 positions reflecting the State's initiative to care for individuals in the least restrictive setting, at the most appropriate level of care. The Budget includes a proposal to close the State's long-term acute care hospital and construct a new long-term care facility for patients on the Zambarano campus of the Eleanor Slater Hospital. The proposal ensures that individuals are treated with much shorter stays, shifting care to the least restrictive setting in the community. The anticipated savings are a result of reduced operating costs and personnel needs.
- **Zambarano Long-Term Care Facility:** The Budget includes \$53.6 million in new Certificates of Participation (COPs), in addition to previously authorized COPs for a total project cost of \$64.9 million, to build a new long-term care facility for patients of the Eleanor Slater Hospital. The new footprint ensures that the State is in compliance with federal regulations and transforms the State's long-term acute care hospital into a newly constructed long-term care facility and separately licensed Institute for Mental Disease (IMD) hospital at the existing Benton building on the Pastore campus in Cranston. The Adolf Meyer and Regan buildings on the Pastore campus in Cranston would be closed.
- **Opioid Stewardship Fund:** The FY2020 Budget established the Opioid Stewardship Fund, a restricted receipt account within the Department of Health. The Opioid Stewardship Act requires opioid manufacturers, distributors, and wholesalers licensed in the State to pay into the Fund. Each licensee's contribution is based on their share of the opioid market. The Governor proposes \$1.8 million from the Fund to expand access to Medicated Assisted Treatment Programs, for the enhancement of the Behavioral Health Online Database, and increase the number of individuals served by the Recovery Friendly Workplace and Recovery Housing programs.
- **Adult-Use Marijuana:** The Budget includes a \$236,734 increase in restricted receipts from the proposed adult-use marijuana program for 2.0 FTE positions and operational costs to promote and oversee prevention and treatment related to the legalization of adult-use marijuana.
- **Enhanced Federal Match:** The Governor includes \$8.8 million in general revenue savings to reflect the extension of the enhanced Federal Medical Assistance Percentage (FMAP) for the fourth quarter of FY2021. Pursuant to the Families First Coronavirus Response Act (FFCRA), the enhanced rate shifts an additional 6.2 percent of Medicaid expenses from general revenues to federal funds during the



COVID-19 public health emergency. The Enacted Budget included three-quarters of savings, based on current law at the time. The enhanced rate was extended for another quarter in January 2021.

- **COVID-19 Response:** The Budget includes a \$640,700 increase in federal funds to support the Department's response to the COVID-19 pandemic.

**Commission on Disabilities:** The Budget includes \$507,850 in general revenue essentially level funding the Livable Home Modification Grant Program.

**Commission on the Deaf and Hard of Hearing:** The Budget includes \$612,440 in general revenue expenditures (\$775,242 all funds) for the Commission on the Deaf and Hard of Hearing (CDHH) in FY2022, increasing general revenue expenditures by \$104,624 (\$124,972 all funds) as compared to the FY2021 Budget as Enacted.

- **Interpreter Services:** The Governor recommends a \$31,200 general revenue increase for CDHH to hire a part-time contractor to assist the Department with increased requests for interpreter services.

**Office of the Child Advocate:** The Governor includes \$1.0 million from general revenues, an increase of \$39,686 relative to the FY2021 Enacted Budget. This is primarily related to personnel expenditures and reflects adjusted benefit rates as well as an updated cost allocation for the Office's Case Management Coordinator position. In previous years, this position was fully federally funded; in FY2022, the position requires 20.0 percent general revenue funding due to an updated federal grant allocation. The Governor's Budget also freezes the vacant Grants Manager position, which would be funded with 20.0 percent general revenues if filled. This results in savings relative to the current service level, but does not produce savings compared to the Enacted Budget, which assumed that the position was fully federally-funded.

**Elementary and Secondary Education:** The Governor increases funding in the Department by \$45.6 million in general revenue and provides no new FTE positions. The major changes include the following:

- **Teacher Retirement:** Teacher retirement increases by \$5.5 million based on a projected wage increase of 2.5 percent.
- **Education Aid Funding Formula:** The Budget fully funds the education aid funding formula with an increase of \$36.6 million; however, all of the categorical aid programs are level funded, except for Group Home aid which decreases by \$100,048 to reflect the most recent bed count.
- **Office of Assessment – SAT:** The Budget provides an increase of \$600,000 to maintain current assessment levels as carryover funds are expected to be depleted due to the administration of a second SAT in FY2021 to replace the 2020 testing session which was canceled.
- **Behavioral Health Training:** The Budget includes \$590,000 to continue behavioral health training for teachers and school personnel that was previously funded from the Opioid Stewardship Fund.
- **FTE Funding:** The Budget provides \$441,180 to fund 3.0 new positions; however, the overall FTE cap does not increase. The positions include a Transformation Specialist to support persistently low-performing schools; a Social Studies Specialist to develop social studies standards, and provide leadership and expertise for middle and high schools; and, a Communications Manager.
- **WIDA ACCESS Tests:** The Budget includes \$115,000 in general revenue to support increased WIDA (World-Class Instructional Design and Assessment) ACCESS (Assessing Comprehension and Communication in English State to State) assessment costs for multilingual learners. WIDA is a consortium of state departments of education who developed the ACCESS test that is administered annually to English Learners to monitor the student's language development.

**Higher Education:** The Governor increases funding over the FY2021 Budget as Enacted by \$6.1 million in general revenue for Public Higher Education and provides 2.0 new FTE positions at the Northern Rhode

Island Education Center, which are funded from restricted receipts. Changes in funding include the following:

- **Rhode Island Promise Scholarship Program:** The Budget includes an increase of \$446,974 (\$7.7 million total) to support the enrollment of recent high school graduates enrolled at the Community College of Rhode Island. Through Article 1, the Budget eliminates the sunset provision of the Promise Scholarship Program.

**Rhode Island Council on the Arts:** The Budget increases funding over the FY2021 Budget as Enacted by \$86,079 in general revenue (\$369,115 in all funds) and provides 1.0 new FTE Senior Administrative Aide/Communications Director position to support communications activities. This position is funded under the National Endowment for the Arts Partnership Agreement.

**Attorney General:** The Governor's Budget increases general revenue expenditures by \$303,067 (\$740,451 all funds) relative to the FY2021 Enacted level. The major changes include the following:

- **Civil Division Personnel:** The Budget includes \$203,163 in general revenues to support an additional 2.0 FTE positions, including 1.0 FTE Staff Attorney and 1.0 FTE Paralegal. These positions will support the Department's Civil Division which is responsible for multi-state cases that often generate monetary recoveries for the State.
- **Criminal Division Personnel:** The Governor includes \$203,163 in general revenues to support an additional 2.0 FTE positions, including 1.0 FTE Special Victims Unit Attorney and 1.0 FTE Paralegal. These additional positions will support the Department's Special Victims Unit and allow for a decrease in caseloads and stronger representation in cases.
- **Server Replacement:** The Budget includes an additional \$227,672 in general revenue to support the initial phase of an upgrade on all server and hardware that houses the Department's information.

**Corrections:** The Governor's Budget increases general revenue expenditures by \$69.9 million (all funds decrease by \$11.0 million) relative to the FY2021 Enacted level. The major general revenue changes include the following:

- **Salary and Benefits:** The Budget includes an additional \$64.4 million in general revenue for salary and benefits within the Custody and Security program at the Department. The FY2021 Budget as Enacted shifted COVID-related personnel costs from general revenue to COVID Relief Funds (CRF) to cover CRF eligible personnel expenses incurred within the Department. The FY2022 Budget does not include the additional COVID Relief Funds (CRF) to support salary and benefits, shifting these costs back to general revenue.
- **Overtime Savings:** The Budget includes \$3.1 million in general revenue savings related to Correctional Officer overtime. The population within the ACI has decreased by more than 500 people in the past year due to the COVID-19 pandemic and justice reform efforts. The savings assumes a six-month closure of 13 modules across the Intake Service Center, Women's Facility, Medium Security, and Maximum Security.
- **Behavioral Healthcare Expansion:** The Governor includes an additional \$750,000 to expand access to behavioral healthcare for individuals with severe, persistent, mental illness through the creation of a Transitional Care Unit (TCU). This additional funding is intended to meet the needs of those who require behavioral health treatment but do not rise to the level of the existing Residential Treatment Unit within the Department of Corrections.
- **Discharge Planning:** The Budget includes \$551,164 in general revenues for the creation of a new Discharge Planning Office within the Department. This includes hiring an additional 7.0 FTE positions including 1.0 FTE Community Corrections Assessment Coordinator and 6.0 FTE Community Corrections Assessment Analysts. The increase in general revenues is offset by a \$583,355 savings

related to the elimination of the current Discharge Planning contract, provided by an outside vendor, and \$79,809 savings in turnover.

- **Healthcare Personnel and Savings:** The Governor includes \$498,082 in additional general revenue funding to hire 4.0 new FTE positions, including 2.0 FTE Health Program Administrators, 1.0 FTE Co-Hospital Case Manager, and 1.0 FTE Data Analyst I. These additional positions are intended to allow the Department to focus more on preventative care and efficient management of medical issues, thereby reducing the number of hospital visits and Correctional Officer overtime.
- **Apprenticeship Program:** The Governor includes \$210,000 in general revenues to create an apprenticeship program within the Department. This funding includes \$110,690 for the hiring of an additional 1.0 FTE to manage the apprenticeship program in collaboration with the Department of Labor and Training, and \$99,310 to fund instructor and ancillary costs.
- **Medical Parole Update- Geriatric Parole:** The Governor includes savings of \$149,997 related to the expansion of medical parole to include a new geriatric parole provision. This would allow for the release of elderly inmates whose age and illness decrease their safety risk to the public. The provision would allow eligible inmates over 65 to be considered for geriatric parole.
- **Re-Entry Partnership:** The Governor includes \$111,690 in general revenues to support the hiring of 1.0 new Coordinator of Employment and Training Programs FTE position. This position is intended to help reduce recidivism by working with the Department of Labor and Training to connect inmates with post-release work opportunities.

**Judiciary:** The Budget increases funding over the FY2021 Budget as Enacted by \$5.3 million in general revenue (\$8.8 million in all funds) across the Department, including \$2.6 million in general revenue in turnover. The Budget also restores \$900,355 in workshare savings realized in the FY2021 Budget.

**Military Staff:** The Budget includes \$395,337 in general revenue savings reflecting the shift of three Quonset Firefighters from Injured-on-Duty (IOD) status to accidental disability retirement with the State Retirement Board.

#### Emergency Management:

- **Fiscal Management Officer:** The Budget adds a new Fiscal Management Officer position to the agency.
- **COVID Response:** The Supplemental Budget includes \$4.5 million in federal funds awarded through the federal Coronavirus Aid, Relief, and Economic Security Act (CARES) for pandemic response and recovery activities. This reflects a decrease of \$27.9 million from the FY2021 Budget as Enacted.

	FY2021 Enacted	FY2022 Governor	Change
<b>COVID-19 Response</b>			
COVID-19 Stimulus Reserve	\$0	\$38,321	\$38,321
EMPG 2020- Emergency Management Preparedness Grant	-	3,340,870	3,340,870
FEMA: COVID-Related Expenses	175,643	779,875	604,232
FEMA: Supplies WKS: RIEMA	32,000,000	52,009	(31,947,991)
NSGP- 2020 Nonprofit Security Grant	-	328,918	328,918
Relief Fund: COVID-Related Expenses	312,059	-	(312,059)
<b>Total</b>	<b>\$32,487,702</b>	<b>\$4,539,993</b>	<b>(\$27,947,709)</b>

**Department of Public Safety:** The Governor recommends \$105.7 million in general revenue to support the operations of the Department of Public Safety (DPS). Major FY2022 budget initiatives include:

#### State Police

- **Training Academy:** The Budget provides \$1.8 million in general revenue for costs associated with recruitment and other activities in preparation for the next State Police Training Academy class,

scheduled to begin June 2021, with graduation in November 2021. The Budget authorizes the hiring of an additional 28.0 new Troopers upon graduation.

- **Adult-Use Marijuana:** The Governor recommends \$850,000 in restricted receipts to support public safety initiatives related to the legalization of adult-use marijuana.

### **Security Services**

- **Capitol Police:** The Budget authorizes an additional Capitol Police Officer FTE position and provides \$83,675 in FY2022 to support the related personnel costs.

**Public Defender:** The Budget includes \$335,698 in general revenue to support 3.0 new Assistant Public Defender IV positions to aid in the management of caseload levels. The Office has previously indicated that the additional positions are necessary to handle excessive caseload levels, which impacts the Public Defender's ability to meet statutory representation requirements.

**Department of Environmental Management:** The Governor increases general revenue funding over the FY2021 Budget as Enacted by \$3.9 million and decreases all funds by \$4.6 million, while providing 7.0 new FTE positions. Changes in funding include the following:

- **Ports of Galilee and Newport:** The Budget provides an additional \$537,109 and 3.0 new FTE positions for the Division of Coastal Resources. The positions include a maintenance technician, a Chief Implementation Aide, and a Superintendent of State Piers.
- **Investments in State Parks:** The Budget increases general funding for the Division of Parks and Recreation by \$430,684 in general revenue, including funding for 4.0 new FTE positions, including a maintenance technician, a plumber, a clerk, a reconciliation clerk, and a civil engineer. This investment is intended to complement the general obligation bond proposal to upgrade beach and park facilities recently approved by voters.
- **Commercial Fishing License Modernization:** The Governor updates the commercial fishing licensing program to allow more flexibility for the fishing industry and increase revenue to support marine fisheries operations. The Budget includes an additional \$81,025 in restricted receipts from this update.
- **Fish and Wildlife Fees:** The Governor increases fish and wildlife license and permit fees and projects an increase of \$62,960 in additional restricted receipts. The additional receipts would provide match for federal funds to support Rhode Island projects such as wildlife restoration and habitat management.

**Coastal Resources Management Council:** The Governor increases general revenue funding over the FY2021 Budget as Enacted by \$272,047. Article 6 increases the maximum fines and penalties that may be charged for various coastal resources violations, and provides that appeals to the Superior Court are no longer de novo reviews: consequently, the appeals court is guided by the Council's finding.

**Transportation:** The Governor recommends \$770.7 million in total funding for the Department of Transportation (DOT). This includes \$451.3 million in federal funds, \$245.3 million in other funds, \$71.5 million from the Rhode Island Capital Plan Fund, and \$2.6 million in restricted receipts. All funds increase by \$163.3 million relative to the FY2021 Enacted level. This includes a \$111.9 million increase in federal funds and a \$68.6 million increase in Rhode Island Capital (RICAP) funds. These increases are partially offset by a \$17.0 million decrease in other funds and a \$122,126 decrease in restricted receipts.

- **Federal Funds:** The Budget includes \$114.3 million in federal funds to be used mainly for bridge rehabilitation, with smaller amounts being used for other transportation projects. \$54.3 million will be used for ongoing road and bridge maintenance, debt service payments, and coverage for any lost revenue relate to the COVID-19 pandemic. The additional \$60.0 million will be used for bridge and rehabilitation projects.

- **General Obligation Bonds:** The Budget includes \$40.0 million in FY2022 from the March 2, 2020, bond voter referendum. These additional funds will provide federal match as well as provide direct funding for planned transportation improvement projects.
- **Toll Revenue Transfer:** The Governor's Budget transfers funds from the Bridge Replacement, Reconstruction and Maintenance Fund to the Intermodal Surface Transportation Fund. This transfer would be used to support ongoing projects including the 6/10 Interchange project. Funds can only be transferred once the immediate needs to the bridges associated with each gantry location have been met. The Governor's Budget includes a \$35.5 million transfer in FY2022.
- **State Match Funds:** The Budget includes \$28.5 million in Rhode Island Capital Plan (RICAP) funds for additional state match to support the influx of federal funds the state has received from Congress.



## State Aid and Education Aid

### STATE AID

#### State Aid to Cities and Towns

**Distressed Communities Relief Fund:** The Governor recommends \$12.4 million in general revenue for the Distressed Community Relief Fund in FY2022. The FY2021 Budget as Enacted appropriated both general revenue and federal Coronavirus Relief Funds (CRF) to meet the \$12.4 million required to level-fund the program relative to FY2020, saving \$9.8 million in general revenue. The General Assembly also appropriated an additional \$1.4 million of CRF funds in FY2021 that was distributed to municipalities according to the Distressed Community Relief program formula.

Distressed Community Relief Program				
Source	FY2021	FY2022	Change	
General Revenue	\$2,580,095	\$12,384,458	\$9,804,363	380.0%
COVID Muni Aid	9,804,363	-	(\$9,804,363)	-100.0%
<b>Subtotal</b>	<b>\$12,384,458</b>	<b>\$12,384,458</b>	-	-
COVID Muni Aid Bonus	1,445,637	-	(1,445,637)	-100.0%
<b>Total</b>	<b>\$13,830,095</b>	<b>\$12,384,458</b>	<b>(\$1,445,637)</b>	<b>-10.5%</b>

**Payment in Lieu of Taxes (PILOT):** The Governor proposes \$46.1 million in general revenue for the State's PILOT program in FY2022. Current law requires reimbursement at 27.0 percent of forgone tax revenue, but allows for a ratable reduction if the appropriation is less than this amount. The Governor's recommendation for FY2022 represents a rate of 26.01 percent. The FY2021 Budget as Enacted appropriated both general revenue and federal Coronavirus Relief Funds (CRF) to meet the \$46.1 million required to level-fund the program relative to FY2020, saving \$26.9 million in general revenue. The General Assembly also appropriated an additional \$4.6 million of CRF funds in FY2021 that was distributed to municipalities according to the PILOT formula.

Payment in Lieu of Taxes Program				
Source	FY2021	FY2022	Change	
General Revenue	\$19,203,960	\$46,089,504	\$26,885,544	140.0%
COVID Muni Aid	26,885,544	-	(\$26,885,544)	-100.0%
<b>Subtotal</b>	<b>\$46,089,504</b>	<b>\$46,089,504</b>	-	-
COVID Muni Aid Bonus	4,614,456	-	(4,614,456)	-100.0%
<b>Total</b>	<b>\$50,703,960</b>	<b>\$46,089,504</b>	<b>(\$4,614,456)</b>	<b>-9.1%</b>

**Motor Vehicle Excise Tax Reimbursement:** The General Assembly enacted legislation in 2017 to phase out the motor vehicle excise tax by 2024. Municipalities are reimbursed annually for lost revenue. For FY2022, the Budget includes \$139.7 million in total general revenue reimbursement funding for cities and towns, consistent with the current law. The FY2021 Budget as Enacted appropriated both general revenue and federal Coronavirus Relief Funds (CRF) to meet the \$112.4 million of statutorily-required FY2021 reimbursements to cities and towns, saving \$74.8 million in general revenue. The General Assembly also appropriated an additional \$11.2 million of CRF funds in FY2021 that was distributed to municipalities according to the phase-out formula.

Motor Vehicle Excise Tax Phase Out				
Source	FY2021	FY2022	Change	
General Revenue	\$37,555,898	\$139,656,362	\$102,100,464	271.9%
COVID Muni Aid	74,838,213	-	(\$74,838,213)	-100.0%
<b>Subtotal</b>	<b>\$112,394,111</b>	<b>\$139,656,362</b>	<b>\$27,262,251</b>	<b>24.3%</b>
COVID Muni Aid Bonus	11,189,907	-	(11,189,907)	-100.0%
<b>Total</b>	<b>\$123,584,018</b>	<b>\$139,656,362</b>	<b>\$16,072,344</b>	<b>13.0%</b>

**Library Grant-in-Aid:** The Governor recommends \$9.6 million in State Aid to Libraries for both FY2022 and the revised FY2021 Budgets.

**Library Construction Aid:** The Governor recommends \$2.1 million in FY2022 to reimburse communities for up to 50.0 percent of eligible costs of approved library construction projects.

**Public Service Corporation Tax:** The FY2022 Budget provides \$13.1 million to be distributed to municipalities on July 31, 2021. This estimate is subject to change upon the receipt of final (December 2020) data in the spring of 2021.

**Meals & Beverage Tax:** The 1.0 percent tax on gross receipts from the sale of food and beverages is estimated to generate \$24.2 million in FY2021 and \$26.3 million in FY2022 for distribution to cities and towns.

**Hotel Tax:** A 1.0 percent local hotel tax and 25.0 percent of the local share of the State 5.0 percent tax is expected to generate \$5.3 million in FY2021 and \$7.6 million in FY2022 for distribution to cities and towns.

**Airport Impact Aid:** The Budget level funds state aid to communities that host airports at \$1.0 million in FY2022. The funding is provided annually through Article 1 of the Budget and flows through the Rhode Island Commerce Corporation.

**Property Revaluation Reimbursement:** The Governor includes \$1.5 million in FY2022 to reimburse municipalities for a portion of the cost of conducting statistical property revaluations. This is \$385,067 more than the Enacted level.



## EDUCATION AID

### **Formula and Categorical Aid**

When the education funding formula was passed, categorical funds were identified that would not be distributed through the formula, but according to other methodology. The Governor includes an additional \$37.6 million in education aid, including an increase of \$36.6 million to fully finance the funding formula.

**Funding Formula:** The Budget includes an increase of \$36.6 million to fully fund the education aid formula, bringing total formula aid funding to \$1,037.5 million.

**Central Falls Stabilization:** Central Falls schools are currently 100.0 percent state funded. The State provides both the local and state contributions, as determined by the education funding formula. For FY2022, Central Falls' Stabilization funding increases by \$1.5 million (\$8.5 million total); however, total education aid to the community is estimated to increase by \$2.6 million.

**Transportation:** This category provides funding for transporting students to out-of-district, non-public schools for districts that participate in the statewide transportation system, and for 50.0 percent of the local costs associated with transporting students within regional school districts. The Governor recommends level funding this category at \$7.7 million in FY2022.

Categorical	Governor's FY2022 Education Aid	
	Change from	Total Funding
Formula Formula	\$36.6	\$1,037.5
Central Falls Stabilization	1.5	8.5
Transportation	-	7.7
Early Childhood	-	14.9
High-Cost Special Education	-	4.5
Career & Tech. Schools	-	4.5
Davies Stabilization	0.4	5.6
English Learners	-	5.0
Met School Stabilization	(0.3)	1.3
Regionalization Bonus	-	-
Group Home Aid	(0.1)	2.9
School Resource Officer Support	(0.3)	-
<b>Total</b>	<b>\$37.7</b>	<b>\$1,092.4</b>

*\$ in millions*

*Analyst Note: While the Budget level funds regional transportation, the per-district distribution reflects a decrease of \$437,396 due to actual expense based on unaudited data from the Uniform Chart of Accounts (UCOA). It appears that actual expenses decreased, likely due to virtual learning practices implemented in response to COVID-19.*

**Early Childhood Education:** This category provides funding for early childhood education programs. The Governor funds this category at \$14.9 million in FY2022, level with the FY2021 Budget as Enacted.

**High-Cost Special Education:** The aid category provides funding to districts for high-cost special education students. The Governor level funds this category at \$4.5 million.

**Career and Technical Education:** This category provides a state grant program to help districts with certain start-up and maintenance expenditures for career and technical education programs. The Governor level funds this category at \$4.5 million.

**Davies Stabilization:** 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 Budget provides an additional \$383,600 (\$5.6 million total) in FY2022.

**English Learners:** Article 11 of the FY2017 Budget as Enacted established a category of aid that provides a 10.0 percentage point increase in the per-pupil core instruction amount for English learners. The Budget level funds this category at \$5.0 million

**School Choice Density Aid:** Article 11 of the FY2017 Budget as Enacted established a category of state aid for districts where 5.0 percent or more of the average daily membership attend charter schools, open

enrollment schools, Davies, or the Met School. In FY2019, such districts received an additional \$50 per public school of choice student; however, pursuant to current law, this category is phased out in FY2020.

**Met Stabilization:** 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. This fund is reduced by \$320,126 to provide a zero net impact on funding relative to FY2021. Total stabilization funding is \$1.3 million.

**Regionalization Bonus:** This category provides a bonus to regional districts and for 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 Governor provides no funding in FY2022, as no new regional districts have been formed.

**Group Homes:** The Governor's FY2022 Budget includes \$2.9 million to fund group home beds, \$100,048 less than the FY2021 Budget as Enacted. This decrease is based on shifts in bed counts and the statute requiring that the average daily membership of a district be decreased by the number of group home beds used in the group home calculation.

**School Resource Officer Support:** The Budget does not include any funding for this category, since FY2021 was the final year of funding.

#### ***Other Aid to Local Education Agencies (LEAs)***

In addition to the funding formula and categorical aid, the Budget includes the following aid to Local Education Agencies (LEAs).

**Telecommunications Education Access Fund (E-Rate):** The Governor recommends \$400,000 in general revenue for the Telecommunication Education Access Fund (E-Rate), consistent with the FY2021 Budget as Enacted. The purpose of the Rhode Island Telecommunications Education Access Fund (RITEAF or E-rate) is to fund a basic level of internet access for all qualified schools (kindergarten through grade 12) and libraries in the State.

**Textbook Reimbursement:** The Governor level funds the state Textbook Reimbursement Program (\$240,000) relative to the enacted budget. Currently, the State provides reimbursement to school districts for the cost of furnishing textbooks in the fields of English/language arts and history/social studies to resident students in grades K-12 attending non-public schools.

**School Breakfast Program:** The Governor fully funds the State's share of administrative costs for the school breakfast program (\$270,000). These administrative costs include hiring servers needed to effectively run the program and encourage participation.

**School Housing Aid:** The Governor fully funds the school housing aid program, based on updated project completion projections, at \$79.4 million, and recommends \$278,993 for the School Building Authority Capital Fund.

**Teacher Retirement:** The Governor recommends \$123.9 million for the State's share of teacher retirement, an increase of \$5.5 million over the enacted budget.

## FY2021 Supplemental

For the FY2021 Budget, the Governor recommends \$271.6 million less in general revenue spending, and \$1,019.8 million more from all funding sources, than the FY2021 Budget as Enacted.

- **Administration:** The Budget includes \$216.7 million in general revenue expenditures (\$711.1 million all funds) for the Department in FY2022, decreasing general revenue expenditures by \$96.3 million but increasing all fund expenditures by \$88.1 million.
  - **RICAP Repayment:** The Budget includes \$7.5 million in general revenue payback in FY2021 to partially reimburse the State's Budget Stabilization and Cash Reserve Account (Rainy Day Fund). This reflects a reduction of \$82.5 million as compared to the FY2021 Budget as Enacted. The FY2020 final budget transferred \$120.0 million from the Budget Stabilization and Cash Reserve Account for use in balancing that budget. The Rhode Island General Law requires that the repayment be made to the Rhode Island Capital Plan fund in the following fiscal year.
 

The FY2021 Budget as Enacted included a \$90.0 million repayment and legislation under Section 18 of Article 1 to delay the full payback until FY2022. However, Article 1 of the Governor's FY2021 Supplemental Budget proposes to further delay the payback to FY2023 and reduces the amount of the payback to \$7.5 million, reflecting an \$82.5 million reduction. The remaining payment of \$70.0 million will be made during FY2023.
  - **COVID-19 Response:** The Budget includes \$125.3 million in federal funds for COVID-19 pandemic and recovery items and activities. The main items include \$80.0 million for housing rental assistance and \$45.2 million in Federal Emergency Management Agency (FEMA) reimbursements.

<b>COVID-19 Response</b>	<b>FY2021 Enacted</b>	<b>FY2021 Governor</b>	<b>Change</b>
COVID-19 Stimulus Reserve	\$0	\$0	\$0
FEMA: Data Control WKS: Contract Services	-	215,684	215,684
FEMA: Government Readiness WKS: Communications	-	323,856	323,856
FEMA: Government Readiness WKS: COVID-19 General Financial Management	-	700,000	700,000
FEMA: Government Readiness WKS: Emergency Ad Hoc Spending	-	4,416,650	4,416,650
FEMA: Government Readiness WKS: Enterprise IT Proj.	-	46,878	46,878
FEMA: HHS Readiness WKS: Surge - AHS-1	-	30,206,354	30,206,354
FEMA: Pandemic Recovery Office	-	-	-
FEMA: Q & I WKS: Temporary Housing-1	-	7,477,461	7,477,461
FEMA: Supplies WKS: PPE Warehousing	-	1,531,938	1,531,938
FEMA: Tech Enablement WKS: Other Contract Services (DOA)	-	329,000	329,000
Relief Fund: Emergency Rental Assistance Program (CAA21)	-	80,000,000	80,000,000
<b>Total</b>	<b>\$0</b>	<b>\$125,247,821</b>	<b>\$125,247,821</b>

- **Department of Business Regulation:** The Budget increases general revenues by \$21,138 (\$964,153 all funds) in the FY2021 Supplemental Budget. The Governor recommends the following changes:
  - **COVID-19 Response:** The Budget adds \$930,085 in federal funds for enforcement and inspection to ensure compliance with COVID-19 related regulations.
  - **Assessed Fringe Benefit Increase:** The Governor recommends a \$42,284 general revenue increase to reflect an increased assessment for the Assessed Fringe Benefit Fund to offset costs resulting from the State's Voluntary Retirement Incentive (VRI) Program.
- **Department of Labor and Training:** The Governor recommends \$1.8 billion in federal funds in FY2021 for COVID-19 relief and recovery efforts in the Department of Labor and Training. These funds are used to support additional unemployment insurance claims due to the COVID-19 pandemic.

- **Department of Revenue:** The Governor recommends \$183.9 million in federal funds in FY2021 for COVID-19 relief and recovery efforts based in the Department of Revenue. These CRF funds were used to offset general revenue expenses within the various State Aid programs while also providing additional funding for direct relief to cities and towns.
- **Secretary of State:** The Supplemental Budget includes \$1.9 million in federal funds awarded through the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act for additional election expenses incurred with the shift to a mail ballot election.
- **Executive Office of Commerce:** The Governor recommends \$56.4 million in federal funds in FY2021 for COVID-19 relief and recovery efforts. This includes \$50.5 million in Coronavirus Relief Funds (CRF), \$2.0 million in anticipated Federal Emergency Management Agency reimbursements, and \$3.9 million in targeted federal grants towards business interruption assistance, hospitality and tourism relief, and repositioning efforts in a pandemic business climate. The Budget also includes \$25,000 in general revenue pandemic recovery support.
- **Executive Office of Health and Human Services:** The Governor proposes \$945.8 million in general revenue funding (\$3,034.2 million all funds) for the Executive Office of Health and Human Services in FY2021, reducing general revenue expenditures by \$29.1 million compared to the Enacted Budget. Major changes include:
  - **Enhanced Federal Match:** The Governor recommends \$32.0 million in general revenue savings to reflect the extension of the enhanced Federal Medical Assistance Percentage (FMAP) for the fourth quarter of FY2021. Pursuant to the Families First Coronavirus Response Act (FFCRA), the enhanced rate shifts an additional 6.2 percent of eligible Medicaid expenses from general revenues to federal funds during the COVID-19 public health emergency. The Enacted Budget included three quarters of savings, based on current law at the time. The enhanced rate was extended for another quarter in January 2021.
  - **Delayed Terminations:** As a condition of the enhanced FMAP rate, states are not permitted to terminate benefits for Medicaid enrollees except under limited circumstances. As a result, since the onset of the COVID-19 pandemic in March 2020, Medicaid enrollment has surged from approximately 290,000 members to nearly 330,000 members as of February 2021. The Enacted Budget assumed that termination activity would resume in the last quarter of FY2021. With the extension of the enhanced rate for the fourth quarter, this is no longer possible. The Governor's Budget adds back \$3.0 million from general revenues (\$15.9 million all funds), accordingly.
  - **COVID-19 Personnel:** The Governor's Budget shifts \$430,000 from general revenues to federal funds to reflect personnel expenses which are allocable to federal stimulus funds in response to the COVID-19 pandemic.
  - **COVID-19 Response:** The Budget includes \$250,000 from general revenues (\$75.4 million all funds) for the Executive Office's COVID-19 response programming. The Enacted Budget included \$38.9 million from federal funds to support a number of COVID-19 relief programs for health and human services providers. The Governor's Budget includes an additional \$250,000 from general revenues and \$36.2 million from federal funds to reflect updated expenses for existing programs and new programs that were announced after the Budget was enacted; however, the Budget appears to double-count \$19.6 million in expenses associated with the Long Term Services and Support (LTSS) Resiliency program.

*Analyst Note: The Governor's Budget Amendment dated April 19, 2021, removes the additional \$19.6 million that was double-counted in the original submission.*

- **Department of Children, Youth, and Families:** The Governor proposes \$169.1 million in general revenue funding (\$255.9 million all funds) for the Department of Children, Youth, and Families in

FY2021, decreasing general revenue expenditures by \$1.8 million compared to the Enacted Budget. Major changes include:

- **COVID-19 Personnel:** The Governor’s Budget shifts \$1.5 million from general revenues to federal funds to reflect Juvenile Corrections personnel expenses which are allocable to federal stimulus funds in response to the COVID-19 pandemic.
- **Enhanced Federal Match:** The Governor includes \$1.3 million in general revenue savings to reflect the extension of the enhanced Federal Medical Assistance Percentage (FMAP) for the fourth quarter of FY2021. Pursuant to the Families First Coronavirus Response Act (FFCRA), the enhanced rate shifts an additional 6.2 percent of Medicaid and Title IV-E expenses from general revenues to federal funds during the COVID-19 public health emergency. The Enacted Budget included three quarters of savings, based on current law at the time. The enhanced rate was extended for another quarter in January 2021.
- **Unfunded Mandate:** The Budget includes \$450,000 from general revenues in order to fund a mandate included in the federal Consolidated Appropriations Act of 2021 to support young adults aging out of foster care during the COVID-19 pandemic. The Act requires that states provide services and case management to youth who turned 21 during the pandemic and would normally have lost the supports available through the Department. The federal government did not provide funding to comply with the mandate and the Revised Budget adds funds, accordingly.
- **COVID-19 Response:** The Budget includes \$327,910 from general revenues (\$3.1 million all funds) for the Department’s COVID-19 response programming. The Enacted Budget included \$2.9 million from federal funds to support a number of COVID-19 relief programming to support youth and families involved with the Department. The Governor’s Budget updates the costs associated with these programs and shifts a portion of the costs associated with an intake center for COVID-positive youth to general revenues.
- **Department of Health:** The Supplemental Budget reduces general revenues by \$77.5 million (an all funds increase of \$63.6 million) in FY2021. The Governor recommends the following changes:
  - **COVID-19 Response:** The Budget includes \$441.2 million for the Department’s COVID-19 Response, reflecting an increase of \$19.0 million as compared to the FY2021 Budget as Enacted. The funding supports COVID-19 testing, vaccination efforts, data analysis, contact tracing, communications, COVID-19 related personnel costs, and technical development.
  - **Assessed Fringe Benefit Increase:** The Governor recommends a \$77,888 general revenue increase to reflect an increased assessment for the Assessed Fringe Benefit Fund to offset costs resulting from the State’s Voluntary Retirement Incentive (VRI) Program.
- **Human Services:** The Governor includes \$131,175 in general revenue savings to reflect the extension of the enhanced Federal Medical Assistance Percentage (FMAP) for the fourth quarter of FY2021. Pursuant to the Families First Coronavirus Response Act (FFCRA), the enhanced rate shifts an additional 6.2 percent of Medicaid expenses from general revenues to federal funds during the COVID-19 public health emergency. The Enacted Budget included three quarters of savings, based on current law at the time. The enhanced rate was extended for another quarter in January 2021.
- **Behavioral Healthcare, Developmental Disabilities, and Hospitals:** The Governor includes a net general revenue increase of \$671,840 (\$17.7 million all funds) in the FY2021 Supplemental Budget. The Governor recommends the following changes:
  - **Enhanced Federal Match:** The Governor includes \$4.1 million in general revenue savings to reflect the extension of the enhanced Federal Medical Assistance Percentage (FMAP) for the fourth quarter of FY2021. Pursuant to the Families First Coronavirus Response Act (FFCRA), the

enhanced rate shifts an additional 6.2 percent of Medicaid expenses from general revenues to federal funds during the COVID-19 public health emergency. The Enacted Budget included three-quarters of savings, based on current law at the time. The enhanced rate was extended for another quarter in January 2021.

- **State Plan Amendment:** The Governor recommends a \$3.3 million general revenue increase for the Eleanor Slater Hospital. The FY2021 Budget as Enacted included \$10.0 million in general revenue savings from the anticipated approval of a Medicaid State Plan Amendment (SPA) that would allow the State to resume billing Medicaid for the patient care at Eleanor Slater Hospital (ESH). More recent estimates put the estimated savings at \$6.7 million and the Budget adjusts the savings accordingly.
- **COVID-19 Response:** The Budget includes \$9.7 million for the Department's COVID-19 Response, reflecting an increase of \$6.6 million as compared to the FY2021 Budget as Enacted.
- **Assessed Fringe Benefit Increase:** The Governor recommends a \$312,980 general revenue increase to reflect an increased assessment for the Assessed Fringe Benefit Fund to offset costs resulting from the State's Voluntary Retirement Incentive (VRI) Program.
- **Corrections:** The Budget includes \$111.3 million in Coronavirus Relief Funds (CRF) in FY2021, an increase of \$32.7 million over the FY2021 Enacted levels. The additional funds are used to support eligible expenditures, mainly salary costs associated with additional Correctional Officers to allow for social distancing protocols throughout the Department's facilities.
- **Military Staff:** The Supplemental Budget includes \$28,080 in federal funds awarded through the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act for pandemic response and recovery activities.
- **Emergency Management:** The Supplemental Budget includes \$40.0 million in federal funds awarded through the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act for pandemic response and recovery activities. This reflects an increase of \$7.5 million from the FY2021 Budget as Enacted.

<b>COVID-19 Response</b>	<b>FY2021 Enacted</b>	<b>FY2021 Governor</b>	<b>Change</b>
COVID-19 Stimulus Reserve	\$0	\$0	\$0
EMPG 2020- Emergency Management Preparedness Grant	-	-	-
FEMA: COVID-Related Expenses	175,643	1,200,000	1,024,357
FEMA: Supplies WKS: RIEMA	32,000,000	38,329,050	6,329,050
NSGP- 2020 Nonprofit Security Grant	-	328,918	328,918
Relief Fund: COVID-Related Expenses	312,059	115,509	(196,550)
<b>Total</b>	<b>\$32,487,702</b>	<b>\$39,973,477</b>	<b>\$7,485,775</b>

- **Department of Public Safety:** The Governor shifts an additional \$22.1 million in personnel expenses from general revenue to the Coronavirus Relief Fund (CRF) based on eligible personnel activity in support of COVID-19 relief. An additional \$59.5 million from the CRF is appropriated within the Department for operational and other pandemic relief activities.
- **Transportation:** Relative to the FY2021 Budget as Enacted the Budget increases federal funds by \$69.7 million and increases other funds by \$14.4 million. The Budget decreases restricted receipts by \$125,639 and Rhode Island Capital Plan (RICAP) Fund financing by 119,470. The Budget includes an additional \$23.0 million in federal grants and an additional \$36.0 million in federal funds for highway improvement projects. The increase in other funds is related to the appropriation of funds previously appropriated as gas tax, highway maintenance account funds or other funds into the Intermodal Surface Transportation fund and Bridge Replacement, Reconstruction and Maintenance fund.



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**DEPARTMENTAL SUMMARIES**

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## Department of Administration

Expenditures By Program	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
	Actual	Enacted	Revised	Enacted		Governor	Enacted	
Accounts and Control	\$5.6	\$5.3	\$7.0	\$1.7	32.6%	\$4.8	(\$0.5)	-8.7%
Office of Management and Budget	8.6	9.5	9.8	0.2	2.3%	9.7	0.2	1.8%
Capital Asset Management and Maintenance	38.0	26.7	58.1	31.4	117.4%	25.4	(1.4)	-5.2%
Central Management	98.8	204.4	238.6	34.3	16.8%	129.2	(75.2)	-36.8%
Debt Service Payments	183.9	194.0	193.8	(0.3)	-0.1%	184.7	(9.3)	-4.8%
Energy Resources	16.2	8.5	13.9	5.4	64.2%	9.6	1.1	12.6%
General	46.6	123.1	128.3	5.2	4.2%	85.8	(37.3)	-30.3%
Human Resources	0.4	0.4	0.4	-	0.0%	1.1	0.7	180.2%
Information Technology	13.4	11.0	20.0	9.1	82.8%	3.7	(7.3)	-66.5%
Legal Services	2.1	2.3	3.2	1.0	42.7%	2.3	(0.0)	-0.4%
Library and Information Services	2.6	3.0	3.0	0.0	0.3%	3.2	0.2	8.1%
Personnel Appeal Board	0.1	0.1	0.1	-	0.0%	0.1	-	0.0%
Personnel and Operational Reforms	(2.0)	-	-	-	-	3.2	3.2	100.0%
Planning	5.1	7.3	7.4	0.1	1.5%	5.9	(1.4)	-18.8%
Purchasing	4.2	4.5	4.1	(0.4)	-9.1%	4.1	(0.4)	-8.4%
Rhode Island Health Benefits Exchange (HealthSource RI)	8.8	21.5	21.9	0.4	1.7%	24.9	3.4	15.6%
The Office of Diversity, Equity and Opportunity	1.3	1.4	1.5	0.0	0.7%	1.2	(0.2)	-15.3%
<b>Total</b>	<b>\$433.9</b>	<b>\$623.0</b>	<b>\$711.1</b>	<b>\$88.1</b>	<b>14.1%</b>	<b>\$498.9</b>	<b>(\$124.1)</b>	<b>-19.9%</b>

Expenditures By Source	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
	Actual	Enacted	Revised	Enacted		Governor	Enacted	
General Revenue	\$219.4	\$313.0	\$216.7	(\$96.3)	-30.8%	\$243.2	(\$69.8)	-22.3%
Federal Funds	107.5	205.9	382.3	176.5	85.7%	149.6	(56.3)	-27.3%
Restricted Receipts	32.7	38.8	47.0	8.1	20.9%	30.0	(8.8)	-22.7%
Other Funds	74.4	65.3	65.2	(0.2)	-0.2%	76.1	10.8	16.5%
<b>Total</b>	<b>\$433.9</b>	<b>\$623.0</b>	<b>\$711.1</b>	<b>\$88.1</b>	<b>14.1%</b>	<b>\$498.9</b>	<b>(\$124.1)</b>	<b>-19.9%</b>

Authorized FTE Levels 647.7 647.7 647.7 - 0.0% 649.7 2.0 0.3%

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

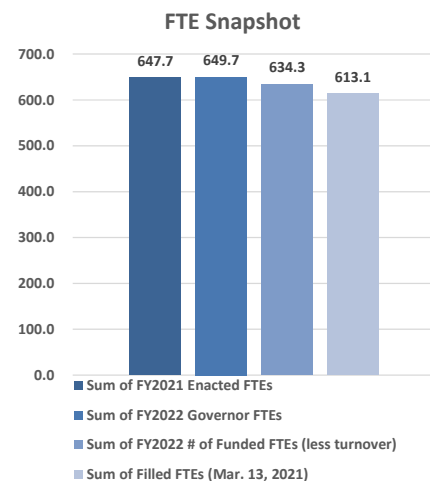
The Department of Administration's primary function is to provide support services to state departments and agencies. The Department of Administration was created to consolidate the finance, purchasing, and management functions of the State. There are 17 sub-programs with specific functions within the Department of Administration.

### MAJOR ISSUES AND TRENDS

The FY2020 Actual Budget totals \$433.9 million, of which \$219.4 million is general revenue. This reflects a general revenue overspend of \$24.8 million. The Department had \$219.4 million in actual federal expenses. This reflects a federal fund overspend of \$62.0 million from the FY2020 Final Budget as Enacted. The Department's excess expenditures are a direct result of the COVID-19 Pandemic response.

The Supplemental Budget includes an all funds appropriation of \$711.1 million in FY2021, reflecting a net increase of \$88.1 million from the FY2021 Budget as Enacted. General revenues total \$216.7 million and comprise 30.5 percent of the Department's total appropriation. General revenues decrease by \$96.3 million from the previous fiscal year, reflecting the use of federal COVID-19 Relief funds in place of general revenues.

The FY2022 Budget includes an all funds appropriation of \$498.9 million in FY2022, reflecting a net decrease of \$124.1 million from the FY2021 Budget as Enacted. General revenues total \$243.2 million and comprise 48.7 percent of the Department's total appropriation. General revenues decrease by \$69.8 million



from the previous fiscal year, which includes a \$16.2 million reduction for direct COVID-19 response expenditures. Federal funds are \$149.6 million, reflecting a net decrease of \$56.3 million from reduced COVID-19 response funds.

The Budget increases the Department's number of full-time employees by 2.0 FTE positions. The Budget adds 1.0 FTE Associate Director – Financial Management position at a cost of \$179,768 and a Principal Insurance Analyst position at a cost of \$113,167, within a new Risk Management Unit under Central Management to manage the State's comprehensive insurance policies.

### **COVID-19 Response**

**(\$16.2 million)**

The Budget includes a net decrease of \$16.2 million in general revenues and \$61.6 million in federal funds for the Department of Administration's response to COVID-19.

<b>COVID-19 General Revenue</b>	<b>FY2021 Enacted</b>	<b>FY2022 Governor</b>	<b>Change</b>
Capital Asset Management and Maintenance	\$15,865,000	\$0	<i>(\$15,865,000)</i>
Legal Services	300,000	-	<i>(300,000)</i>
<b>Total</b>	<b>\$16,165,000</b>	<b>\$0</b>	<b><i>(\$16,165,000)</i></b>

<b>COVID-19 Federal</b>	<b>FY2021 Enacted</b>	<b>FY2022 Governor</b>	<b>Change</b>
Central Management	\$202,300,000	\$126,594,669	<i>(\$75,705,331)</i>
Capital Asset Management and Maintenance	-	14,843,184	<i>14,843,184</i>
Office of Management and Budget	726,930	-	<i>(726,930)</i>
Accounts and Control	347,447	-	<i>(347,447)</i>
Information Technology	-	327,707	<i>327,707</i>
<b>Total</b>	<b>\$203,374,377</b>	<b>\$141,765,560</b>	<b><i>(\$61,608,817)</i></b>

The funds are allocated as follows:

- **Surge Hospital Operations and Deconstruction:** The Budget decreases general revenues by \$11.4 million and includes \$12.0 million in federal funds for alternate hospital sites, deconstruction, lease costs and other expenses.
- **Quarantine and Isolation:** The Budget decreases \$2.6 million in general revenue and includes \$2.1 million in federal funds for quarantine and isolation related expenses, which includes temporary housing for those that cannot isolate in their homes and for individuals and facilities experiencing homelessness.
- **Government Readiness:** The Budget decreases general revenue by \$1.9 million and includes \$759,112 in federal funds for government readiness related to COVID-19 response services, screening and reconfiguration of lobby and cubicle areas in the state.
- **Legal Costs:** The FY2021 Budget as Enacted included \$300,000 in general revenue for miscellaneous outside legal costs as part of the State's COVID-19 Response. The Governor does not include further funding for this item in FY2022.
- **Hospital Assistance Partnership Program:** The FY2021 Budget as Enacted included \$125.0 million in federal Coronavirus Relief Funds to reflect Phase II of the Hospital Assistance Partnership Program (HAPP) grants. Phase I of the grants totaled \$95.4 million and were paid in FY2020. These grants are used to offset the negative impact of the COVID-19 pandemic on hospital finances, including additional costs associated with the treatment of COVID patients and securing personal protective equipment as well as the losses sustained by the suspension of voluntary procedures. The Governor does not include further funding for this item in FY2022.
- **Emergency Rental Assistance Program:** The Budget includes federal funding of \$120.0 million in FY2022 and \$80.0 million in the FY2021 Supplemental Budget for the State's COVID-19 emergency

rental assistance program administered in partnership with RI Housing. On March 31, 2021, the State received \$200.0 million in federal funding and RI Housing began accepting applications for the RentRelief RI program to provide rental and utility relief to eligible renters to maintain housing stability.

## ACCOUNTS AND CONTROL

Accounts and Control promotes the financial integrity and accountability of State government through administrative, accounting controls, and procedures. The program administers a comprehensive accounting and recording system which classifies department and agency transactions in accordance with the budget plan; maintains control accounts of assets for all departments and agencies; and operates financial, accounting and cost systems for all departments and agencies.

The program also prepares several publications, including the Comprehensive Annual Financial Report, Condensed State Financial Report, State Payroll Manual, Procedural Handbook of the Department of Administration, and the Consolidated Statewide Cost Allocation Plan.

<b>Accounts and Control</b>	<b>General Revenue</b>
FY2021 Enacted	\$4,795,477
<i>Target and Other Adjustments</i>	<i>(59,475)</i>
Information Technology Charges	(183,626)
Personnel Adjustments	(146,873)
Turnover	(130,233)
Contract Services	(100,000)
<b>FY2022 Governor</b>	<b>\$4,358,896</b>

<b>Accounts and Control</b>	<b>Other Fund Changes</b>
Personnel	(\$347,447)
Grants Management	330,912

### **Information Technology Charges** **(\$183,626)**

The Budget decreases general revenue expenditures to reflect billed amounts for information technology services. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. These expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2021 Budget as Enacted appropriated \$924,626 for this expense, which is decreased by \$183,626 to \$741,000 in the FY2022 proposed budget.

### **Personnel Adjustments** **(\$146,873)**

The Budget decreases by \$146,873 in general revenue reflecting the shift of personnel costs from general revenue to restricted receipts for a Grants Management System Administration line sequence. The Budget charges a portion of the salary and benefits costs associated with 4.0 FTEs to this new restricted receipt account, which would be financed through an assessment on federal grants.

### **Turnover** **(\$130,233)**

The Budget includes \$260,854 for turnover, an increase of \$130,233 in general revenue savings over the \$130,621 included in the FY2021 Budget as Enacted. According to the Budget Office, the turnover amount reflects the Department's budget request. The Department of Administration averaged 17.8 vacancies over FY2020. The reduction is equivalent to 1.1 FTE positions.

**Contract Services****(\$100,000)**

The Budget reduces general revenues by \$100,000 for contracted accounting and audit services within Accounts and Control program. This funding was provided as part of the FY2021 Budget as Enacted when the Federal Grants Management office was transferred from the Office of Management and Budget to Accounts and Control. According to the Department, funding for this contracted service is not required in FY2022.

**COVID-19 Response (federal funds)****(\$347,447)**

The Budget reduces federal funds by \$347,447 reflecting the return of these personnel expenditures to general revenue that were covered by federal funds in FY2021. The FY2021 Budget as Enacted included a shift of personnel expenses from general revenue to federal funds to reflect expenses incurred by the Department of Administration in response to the COVID-19 pandemic and the expenses were covered by available federal stimulus funds. The Governor recommendation assumes that these federal funds will not be available in FY2022, and as a result there is a decrease in federal funds.

**Grants Management (restricted receipts)****\$330,912**

The Budget increases restricted receipts by \$330,912, reflecting the establishment of a Grants Management System Administration line sequence, and charges a portion of salary and benefits costs associated with 4.0 FTEs to this new account, which would be financed through an assessment on federal grants.

Section 4 of Article 2 adds language to RIGL 35-1.1-5 creating the Grants Management System Administration restricted receipt account within the Department of Administration for the purpose of centralizing the administrative costs in managing federal grant applications, providing administrative assistance on reporting requirements, technical assistance, and approving agreements with federal agencies. The account will be exempt from the 10.0 percent indirect cost recovery charge on restricted receipt accounts under RIGL 35-4-27. All state agencies receiving federal funds shall deposit into this fund an amount equal to a percentage determined annually by the State Controller multiplied by the federal funds received by the agency.

**OFFICE OF MANAGEMENT AND BUDGET**

The Office of Management and Budget (OMB) serves as the principal agency for budget, performance management, and federal grants management. OMB includes the following functions:

- **Budget Office:** Provides advice to the Governor relating to the financial management of state government, evaluating necessary resources, analyzing state programs, priorities and alternatives, and suggesting the optimum allocation of resources to meet policy and management goals. The Budget Office also prepares fiscal notes on legislation, participates in the Revenue and Caseload Estimating Conferences, and prepares presentations to bond rating agencies.
- **Director:** Assists departments and agencies with strategic planning and continuous improvement processes to enhance management.
- **Performance Management:** Develops and monitors performance measures for each state agency.
- **Strategic Management:** Assists departments and agencies with strategic planning.
- **Office of Internal Audit:** Conducts audits on any state agency, state entity, or private entity receiving state funding or grants. The OIA evaluates the efficiency of an agency's operations and internal controls, and prevents or detects fraud and mismanagement.

<b>Office of Management and Budget</b>	<b>General Revenue</b>
FY2021 Enacted	\$7,479,409
<i>Target and Other Adjustments</i>	
Personnel	678,026
Information Technology Charges	(115,240)
Software Maintenance Agreements	69,292
Contract Services	(35,000)
<b>FY2022 Governor</b>	<b>\$8,076,487</b>
<b>Office of Management and Budget</b>	
	<b>Other Fund Changes</b>
COVID-19 Response	(\$726,930)
SNAP Fraud Framework Implementation Grant	224,755

**Personnel** **\$678,026**

The Budget increases general revenue by \$678,026 reflecting the restoration of funds that were covered by federal COVID-19 Response appropriations in the previous budget. The FY2021 Budget as Enacted shifted \$726,930 of general revenue funded personnel costs to federal funds for work associated with pandemic response. The FY2022 Budget assumes that these personnel costs cannot be charged to federal funds in FY2022 and shifts the costs back to general revenue, less a portion retained for turnover savings.

**Information Technology Charges** **(\$115,240)**

The Budget decreases general revenue expenditures to reflect billed amounts for information technology services. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. These expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2021 Budget as Enacted appropriated \$463,646 for this expense, which is decreased by \$115,240 to \$348,406 in the FY2022 proposed budget.

**Software Maintenance Agreements** **\$69,292**

The Budget adds \$69,292 in general revenue for software maintenance agreements for ongoing information technology services related to the Budget Formulation and Management software system used to formulate and prepare reports on budgets.

**Contract Services** **(\$35,000)**

The Budget decreases general revenue by \$35,000 for contracted management consultant services within the Office of Internal Audit (OIA). The FY2021 Budget as Enacted included \$35,000 in general revenue to allow the OIA to conduct an Internal Audit Quality Assurance review, a requirement for OIA to maintain certification from the Institute of Internal Auditors. Funding for this service is not required in FY2022.

*Analyst Note: At the point of budget submission, OIA had expected to complete this review in FY2021. However, the Department indicates that the expense will likely complete the quality assurance audit review in FY2022, requiring a reappropriation of the funds into FY2022.*

**COVID-19 Response (federal funds)** **(\$726,930)**

The Budget reduces federal funds by \$726,930, reflecting the return of personnel expenditures to general revenue that were covered by COVID Relief federal funds in FY2021. The FY2021 Budget as Enacted included a shift of personnel expenses from general revenue to federal funds to reflect expenses incurred by the Department of Administration in response to the COVID-19 pandemic and the expenses were

covered by available federal stimulus funds. The Governor's recommendation assumes that the COVID Relief federal funds will not be available in FY2022, and as a result there is a decrease in federal funds.

**SNAP Fraud Framework Implementation Grant**

**\$224,755**

The Budget adds \$224,755 in federal funds reflecting new audit work by the Office of Internal Audit (OIA). OIA is conducting audit work related to the Supplemental Nutrition Assistance Program (SNAP) and is able to charge personnel and operating expenses to the federal grant. In addition, the Governor adds \$241,060 in federal funds in the FY2021 Supplemental Budget for the same purpose. This is not a traditional audit but instead falls under the OIA's responsibility for assisting Department of Human Services (DHS) in combating fraud, waste, and abuse.

In early 2020 OIA applied for a federal grant from the USDA to enhance the states implementation of the SNAP Fraud Framework. The State received the grant in September of 2020. The SNAP Fraud Framework is a documentation of the best practices that the United States Department of Agriculture would like to see in place at states for the prevention, identification, and investigation of fraud within the SNAP program. The State's grant application focused on two of the areas: Framework Training and Data Analytics.

- **Framework Training:** Training classes are being developed for OIA and DHS personnel on the identification and investigation of fraud. The goal of this training is to improve the fraud referrals received from the DHS customer contact workers and to improve the investigative skills of the OIA fraud staff.
- **Data Analytics:** OIA has established a computerized method for the identification of fraud. The second goal of this grant is to enhance the efficiency and effectiveness of this system by including additional data sources and refining the existing fraud lead generating system to improve the quality of the leads.

**CAPITAL ASSET MANAGEMENT AND MAINTENANCE**

The Division of Capital Asset Management and Maintenance (DCAMM) centralizes capital assets, capital projects, and state facilities maintenance functions. The division was established under the FY2017 Budget as Enacted. The division consists of the following subprograms: Capital Asset Management and Maintenance, Office of Facilities Management and Maintenance, and the Office of Planning, Design and Construction, and has oversight of the following areas:

- Planning, Design and Construction (PDC) manages new construction and rehabilitation projects.
- Facilities Management and Maintenance (OFMM) maintains State facilities.
- Risk Management
- State Fleet Operations administers the purchase, repair, and disposal of state vehicles and operates 15 state fuel depots.

<b>Capital Asset Management and Maintenance</b>	<b>General Revenue</b>
FY2021 Enacted	\$18,137,657
<i>Target and Other Adjustments</i>	<i>(26,500)</i>
COVID-19 Response Miscellaneous Expenses	(15,867,429)
Personnel Adjustments	(321,737)
<b>FY2022 Governor</b>	<b>\$1,921,991</b>
<b>Capital Asset Management and Maintenance</b>	<b>Other Fund Changes</b>
COVID- 19 Miscellaneous Expenses	\$759,112

**COVID-19 Response - Miscellaneous Expenses****(\$15.9 million)**

The Budget includes a net decrease of \$15.9 million in general revenues for the Department of Administration reflecting funds not required in FY2022 as part of the Department's response to COVID-19. The FY2021 Budget as Enacted included \$15.9 million in general revenue for the following expenditures:

<b>DCAMM Pandemic Response</b>	<b>FY2021 Enacted</b>	<b>FY2021 Governor</b>	<b>Change</b>	<b>FY2022 Governor</b>	<b>Change</b>
COVID GR: Surge Hospitals	\$11,400,000	\$0	(\$11,400,000)	\$0	(\$11,400,000)
COVID GR: Temporary Housing	2,600,000	-	(2,600,000)	-	(2,600,000)
COVID GR: Government Readiness	1,865,000	2,000,000	135,000	-	(1,865,000)
DCAMM Administrative Costs	2,429	2,429	-	-	(2,429)
<b>Total</b>	<b>\$15,867,429</b>	<b>\$2,002,429</b>	<b>(\$13,865,000)</b>	<b>\$0</b>	<b>(\$15,867,429)</b>

- **Surge Hospital Operations and Deconstruction:** The FY2021 Budget as Enacted included \$11.4 million in general revenue for alternate hospital sites, deconstruction, lease costs and other expenses. General revenue funding for this item is not required in FY2022.
- **Quarantine and Isolation:** The FY2021 Budget as Enacted included \$2.6 million in general revenue for quarantine and isolation related expenses, which includes temporary housing for those who could not isolate in their homes and for individuals and facilities experiencing homelessness. General revenue funding for this item is not required in FY2022.
- **Government Readiness:** The FY2021 Budget as Enacted included \$1.9 million in general revenue for government readiness related to COVID-19 response services, screening and reconfiguration of lobby and cubicle areas in the state. General revenue funding for this item is not required in FY2022.

**Personnel Adjustments****(\$321,737)**

The Budget shifts \$488,897 reflecting the general revenue funded salary and benefit costs of the Division Director and the Chief of Strategic Planning over to funding from the DCAMM internal service fund account. The shift will allow the Department to charge some of the personnel costs of these two employees to non-general revenue sources. The reduction is offset by \$167,160 in other salary and benefit adjustments.

**CENTRAL MANAGEMENT**

Central Management is comprised of three major functions: the Director's Office, the Central Business Office, and the Judicial Nominating Commission.

- The Director's Office provides for the overall operation of the department and assists all Executive branch agencies and to the Office of the Governor.
- The Central Business Office provides financial management assistance to the program areas within the Department of Administration and the Department of Revenue to ensure maximum use of state and federal resources.
- The Judicial Nominating Commission recommends candidates to the Governor to fill vacancies in the Rhode Island Judiciary. The Commission is required by statute to advertise for each judicial vacancy and to actively seek and encourage applications from qualified individuals.

<b>Central Management</b>	<b>General Revenue</b>
FY2021 Enacted	\$2,067,998
<i>Target and Other Adjustments</i>	<i>103,976</i>
Risk Management Unit	292,935
Turnover	69,343
Information Technology Charges	35,427
<b>FY2022 Governor</b>	<b>\$2,569,679</b>

<b>Central Management</b>	<b>Other Fund Changes</b>
COVID-19	(\$75,705,331)

**Personnel Adjustments** **\$292,935**

The Budget includes a new Risk Management Unit within Central Management resulting in an increase of \$292,935 for general revenue funded personnel costs. According to the Department, the increase reflects the addition of an Associate Director – Financial Management position at a cost of \$179,768 and a Principal Insurance Analyst position at a cost of \$113,167. According to the Budget Office, there is a general revenue offset of \$129,080 reflecting 72.9 percent of \$174,064 in associated salary and benefits costs in the Statewide Facility Services ISF, where this work is currently performed.

**Turnover** **\$69,343**

The Budget increases general revenue by \$69,343 reflecting lower projected personnel turnover savings as compared to the previous fiscal year.

**Information Technology Charges** **\$35,427**

The Budget increases general revenue expenditures to reflect billed amounts for information technology services. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2020, these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2021 Budget as Enacted appropriated \$81,019 for this expense, which is increased by \$35,427 to \$116,446 in the FY2022 proposed budget.

**COVID-19 Response (federal funds)** **(\$75.7 million)**

The Budget includes \$126.6 million in federal COVID-19 response funds, reflecting a decrease of \$75.7 million from the FY2021 Budget as Enacted. These funds will primarily be allocated towards emergency rental assistance. The following table illustrates the changes in the federal COVID-19 response funds.

<b>COVID-19 Response</b>	<b>FY2020 Actual</b>	<b>FY2021 Enacted</b>	<b>FY2022 Governor</b>	<b>Change</b>
COVID-19 Stimulus Reserve	\$0	\$0	\$5,281,556	\$5,281,556
FEMA: Government Readiness WKS: Communications	-	-	90,750	90,750
FEMA: Supplies WKS: PPE Warehousing	113,729	-	1,222,363	1,222,363
Relief Fund: COVID-Related Expenses - Central Management	134,011	-	-	-
Relief Fund: Emergency Rental Assistance Program (CAA21)	-	-	120,000,000	120,000,000
Relief Fund: Government Readiness WKS: Communications	136,822	24,200,000	-	(24,200,000)
Relief Fund: Government Readiness WKS: COVID-19 General Financial Management	168,000	-	-	-
Relief Fund: Government Readiness WKS: Line of Credit Expenses	444,479	-	-	-
Relief Fund: HHS Readiness WKS: Hospital Partnership Grants	95,392,696	125,000,000	-	(125,000,000)
Relief Fund: Supplies WKS: PPE Warehousing	37,910	53,100,000	-	(53,100,000)
<b>Total</b>	<b>\$96,427,647</b>	<b>\$202,300,000</b>	<b>\$126,594,669</b>	<b>(\$75,705,331)</b>



**DEBT SERVICE**

The Debt Service Payments program funds expenditures for both long- and short-term tax-supported debt obligations of the State. This includes debt service on general obligation bonds as well as lease payments securing certificates of participation issued by the State. The program encompasses leases or trust agreements securing revenue bonds issued by the Rhode Island Convention Center Authority, Rhode Island Refunding Bond Authority, Rhode Island Commerce Corporation, or other obligations that are part of the State's net tax-supported debt.

<b>Debt Service Payments</b>	<b>General Revenue</b>
FY2021 Enacted	\$156,032,478
<i>Target and Other Adjustments</i>	
Other Debt Service Changes	(11,607,649)
General Obligation Bond Changes	5,405,450
Certificates of Participation (COPs)	(4,405,389)
<b>FY2022 Governor</b>	<b>\$145,424,890</b>

**Other Debt Service Changes** **(\$11.6 million)**

The Budget includes \$46.7 million in general revenue for debt service expenses on five items, reflecting a decrease of \$11.6 million from various adjustments from the FY2021 Budget as Enacted. The significant adjustment is no debt service payment for the 38 Studios Debt Service as the debt is paid in full. All other debt has minor adjustments for FY2022.

<b>Other Debt Service</b>	<b>FY2021 Enacted</b>	<b>FY2022 Governor</b>	<b>Change</b>
38 Studios Debt Service	\$12.1	\$0.0	(\$12.1)
Convention Center Authority	22.9	22.9	-
EDC - Fidelity Job Rent Credits	-	0.4	0.4
Garrahy Courthouse Garage	1.9	1.7	(0.3)
Historic Structures Tax Credit	19.4	19.4	-
I-195 Land Acquisition	2.0	2.4	0.4
<b>Total</b>	<b>\$58.3</b>	<b>\$46.7</b>	<b>(\$11.6)</b>

*\$ in millions*

*Totals may vary due to rounding.*

**38 Studios Debt Service:** The Budget includes no general revenue for the 38 Studios Debt service. On March 6, 2017, the Rhode Island Commerce Corporation lawsuit settled with all of the named defendants resulting in a net collection of \$52.1 million in settlement payments and earned interest. The net collections are used to offset the annual debt service requirements. The State made the final debt service payment of \$11.8 million in FY2021. The total debt service cost to the state, less settlement collections, is projected at \$35.9 million.

## Rhode Island Commerce Corporation (formerly RIEDC) Job Creation Guaranty Program

FY	Principal	Interest	Total Debt Service	Source of Debt Payment				Cumulative Paid Debt Service	Outstanding Debt Service
				Capitalized Interest	State Appropriation	Interest Earned	Settlements and Other Sources		
2011	-	\$2,639,958	\$2,639,958	\$2,639,958	-	-	-	\$2,639,958	\$109,488,718
2012	-	5,309,412	5,309,412	5,309,413	-	-	-	7,949,370	104,179,306
2013	-	5,309,412	5,309,412	5,309,412	-	-	-	13,258,782	98,869,894
2014	7,440,000	5,086,212	12,526,212	10,094,706	2,500,000	170,000	-	25,784,994	86,343,682
2015	7,885,000	4,626,462	12,511,462	-	8,635,000	889,163	3,196,770	38,296,456	73,832,220
2016	8,360,000	4,139,113	12,499,113	-	12,499,113	1,958	9,926,027	50,795,569	61,333,107
2017	8,860,000	3,589,288	12,449,288	-	-	-	36,274,385	63,244,857	48,883,819
2018	9,455,000	2,923,881	12,378,881	-	-	374,393	-	75,623,738	36,504,938
2019	10,190,000	2,162,638	12,352,638	-	-	1,059,344	-	87,976,376	24,152,300
2020	10,980,000	1,342,300	12,322,300	-	446,819	124,741	1,081,149	100,298,676	11,830,000
2021	11,830,000	-	11,830,000	-	11,812,718	-	-	112,128,676	-
<b>Total</b>	<b>\$75,000,000</b>	<b>\$37,128,676</b>	<b>\$112,128,676</b>	<b>\$23,353,489</b>	<b>\$35,893,650</b>	<b>2,619,599</b>	<b>\$50,478,331</b>	<b>\$112,128,676</b>	

Source: State Budget Office

**Convention Center Authority Debt Service:** Pursuant to a lease agreement dated November 1, 1991, between the Rhode Island Convention Center Authority (Authority) and the State, the Authority leased the Convention Center facilities to the State. As part of the agreement terms, the State obligated itself to make lease payments in an amount sufficient to pay the operating expenses and debt service of the Authority, that are not met by revenue generated by the Authority.

The FY2021 Budget as Enacted includes \$22.9 million in general revenue for debt service that is \$1.5 million more than appropriated in FY2020. This include an increase of \$750,000 for higher projected debt service for the Rhode Island Convention Center due to lost revenues from its closure due to the COVID-19 Pandemic. The FY2021 Supplemental Budget does not change the enacted appropriation. Again due to the prolonged closure caused by the pandemic, the Authority is unable to generate revenue from the venues, requiring the State to include \$22.9 million in general revenue in the FY2022 Budget. This reflects a minor decrease of \$4,231 from the previous fiscal year.

**EDC – Fidelity Job Rent Credits:** The Budget includes \$350,000 for debt service payments relating to the Fidelity Job Credits, reflecting an increase of \$350,000 as compared to the FY2021 Budget as Enacted. Fidelity Investments receives a job credit of \$1,000 per employee for each job over the first 1,000 positions employed at their facility. The job credit calculation occurs on a semi-annual basis, over two credit periods. The first credit period calculates the average number of jobs from March to August. The second credit period covers the average number of jobs from September to February. The FY2021 Budget as Enacted anticipated no Fidelity Job Credit payments. Based on revised average employment reports from Fidelity Investments, the Governor recommends a general revenue appropriation of \$350,000 for FY2022.

**Clifford Street Parking (Garrahy) Garage:** The Budget includes \$1.7 million in general revenue reflecting debt service for the new Clifford Street (Garrahy) Parking Garage. This is a decrease of \$254,730 from the previous year. The FY2016 Budget as Enacted authorized the State to enter into an agreement with the Rhode Island Convention Center Authority (Authority) to develop, construct, and operate a parking garage. The resolution authorized the issuance of up to \$45.0 million in debt to fund the design and construction of a parking garage and retail space on state-owned land on the site of the existing Garrahy Courthouse surface parking lot. The State's support of the debt service is offset each year by revenues generated at the garage. In FY2022, the projected debt service is \$3.0 million, less \$102,421 for renewal and replacement funds. This is offset by the projected State lease payments of \$1.4 million paid by state agencies leasing parking space at the garage. This results in an adjusted debt service cost of \$1.6 million, plus \$102,421 for renewal and replacement funds, or \$1.7 million. It is anticipated that future revenues from the garage over the next few years, will fully cover the debt service costs.

**I-195 Land Acquisition Debt Service:** Total principal issued on the I-195 Land Acquisition is \$38.4 million, and for the first 5-years, the debt service reflected interest-only payments. The principal will be amortized over a 20-year period beginning in year 6, with a balloon payment in year 10. The State has an option at that time to extend the debt an additional 10 years. The capital plan assumes that the State will use the 10-year extension and issue new debt in 2023 in the amount of \$30.1 million.

The debt service in FY2021 is \$4.4 million, projected to be offset by \$2.3 million in land sale proceeds, resulting in a state general revenue appropriation of \$2.0 million. In FY2022, the total debt service is projected to be \$4.4 million and offset by \$2.0 million in land sales resulting in a state general revenue appropriation of \$2.4 million, reflecting an increase of \$351,053 from the previous year. The following table illustrates the projected payments to FY2023.

Fiscal Year	Principal	Interest	Total Debt Service	Estimated Offset	Projected State Appropriation
2021	1.7	2.7	4.4	(2.3)	2.0
2022	1.8	2.6	4.4	(2.0)	2.4
2023	1.9	2.4	4.4	(1.9)	2.4
<b>Total</b>	<b>\$5.4</b>	<b>\$7.7</b>	<b>\$13.1</b>	<b>(\$6.2)</b>	<b>\$6.9</b>

*\$ in millions*

The following table illustrates the projected payments from FY2024 to FY2033.

**Projected Debt Service FY2024 – FY2033**

Fiscal Year	Principal	Interest	Total Debt Service	Estimated Offset	Projected State Appropriation
2024	\$2.4	\$1.5	\$3.9	\$0.0	\$3.9
2025	2.5	1.4	3.9	-	3.9
2026	2.6	1.3	3.9	-	3.9
2027	2.8	1.1	3.9	-	3.9
2028	2.9	1.0	3.9	-	3.9
2029	3.1	0.8	3.9	-	3.9
2030	3.2	0.7	3.9	-	3.9
2031	3.4	0.5	3.9	-	3.9
2032	3.5	0.4	3.9	-	3.9
2033	3.7	0.2	3.9	-	3.9
<b>Total</b>	<b>\$30.1</b>	<b>\$8.8</b>	<b>\$38.9</b>	<b>\$0.0</b>	<b>\$38.9</b>

*\$ in millions*

**General Obligation Bond Changes**

**\$5.4 million**

The Budget includes \$76.0 million in general revenue to fund the costs of the State's general obligation debt service in FY2022, or \$5.4 million more than FY2021 Budget as Enacted.

General Obligation Debt	FY2021 Enacted	FY2022 Governor	Change
G.O. Bond New Bond Issue Projected Costs	\$0.0	\$4.4	\$4.4
All Other G.O. Bond Adjustments	70.6	71.6	1.0
<b>Total</b>	<b>\$70.6</b>	<b>\$76.0</b>	<b>\$5.4</b>

*\$ in millions*

*Totals may vary due to rounding.*

**New General Obligation Bond Debt:** The debt service projected for FY2022 increases costs by \$4.4 million in general revenue and is based on the issuance of \$135.9 million in bonds in the spring 2021 and a planned issuance of \$194.2 million the fall of 2021. The projected debt service is based on a 5.0 percent interest rate

over a 20-year term. The Budget includes \$76.0 million in general revenue to fund the costs of the State's general obligation debt service in FY2022, or \$5.4 million more than the FY2021 Budget as Enacted. This is largely attributable to new bond issuances (\$4.4 million) and transportation debt service (\$1.9 million).

### **Certificates of Participation (COPs)**

**(\$4.4 million)**

The Budget includes \$22.7 million in general revenue to cover the debt service on eight projects financed through certificates of participation (COPs). This reflects a decrease of \$4.4 million from the FY2021 Budget as Enacted.

<b>Certificates of Participation</b>	<b>FY2021 Enacted</b>	<b>FY2022 Governor</b>	<b>Change</b>
BHDDH - Power Plant	\$2.2	\$0.0	(\$2.2)
COPS - DCYF Training School	4.2	4.2	-
COPS - Energy Conservation	5.0	4.1	(0.9)
COPS - Kent County Courthouse	4.6	4.6	-
COPS - Pastore Hospital Consolidation	1.9	1.9	-
COPS - School for the Deaf	2.5	2.5	-
COPS - Technology	5.0	3.7	(1.3)
COPS - Traffic Tribunal - Debt Service	1.7	1.7	-
<b>Total</b>	<b>\$27.1</b>	<b>\$22.7</b>	<b>(\$4.4)</b>

*\$ in millions*

*Totals may vary due to rounding.*

### **OFFICE OF ENERGY RESOURCES**

The Office of Energy Resources (OER) and the Energy Efficiency and Resource Management Council (EERMC) were established statutorily in 2006 to replace the former State Energy Office. The OER provides comprehensive integrated development, administration, and oversight of ongoing energy policies, plans, and programs to meet state and federal requirements and to provide policy guidance to executive leadership.

<b>Energy Resources</b>	<b>Other Fund Changes</b>
Regional Greenhouse Gas Initiative	\$2,344,310
Electrify RI - Volkswagen Settlement Fund	(1,180,141)

### **Regional Greenhouse Gas Initiative (restricted receipts)**

**\$2.3 million**

The Budget includes \$7.4 million in restricted receipts for grant awards as part of the Regional Greenhouse Gas Initiative (RGGI). This reflects an increase of \$2.3 million from the FY2021 Budget as Enacted. The Regional Greenhouse Gas Initiative (RGGI) is a cooperative effort by Northeastern and Mid-Atlantic states that requires member states to reduce carbon dioxide (CO<sub>2</sub>) emissions from large fossil fuel-fired electric power plants to help address climate change. Central to this initiative is the implementation of a multi-state "cap-and-trade" program with a market-based emissions trading system. The increase in funds were a result of the regional carbon market auctions. The annual RGGI proceeds fluctuate based upon the pricing from the quarterly competitive auctions with regulated energy users within New England and Mid-Atlantic States. OER received more revenues than in past RGGI auction program years.

### **Electrify RI - Volkswagen Settlement Fund (restricted receipts)**

**(\$1.2 million)**

The Budget includes \$176,148 in restricted receipts to fund the Electrify RI Electric Vehicle (EV) Charging Station Program, reflecting a reduction of \$1.2 million from the previous year. This initiative is supported by the State's Volkswagen Settlement funds and provides financial incentives to install electric vehicle (EV) charging stations at Rhode Island workplaces, multi-unit dwellings, non-profits, and government-owned properties.

The program is administered by the Rhode Island Office of Energy Resources (OER) to make more charging stations accessible to Rhode Island drivers. The increased availability of charging stations will encourage state residents and businesses to make the switch to electric vehicles to reduce transportation-related carbon emissions and pollutants. This program will help fund the installation of new EV charging stations – including Level II and Direct Current Fast Charging (DCFC).

The funds for Electrify RI come from the Volkswagen Diesel Settlement (VW Settlement) Environmental Mitigation Trust and are being invested according to the state’s Beneficiary Mitigation Plan (BMP) to achieve significant and sustained reductions in diesel emissions and expedite the development and widespread adoption of zero-emission vehicles. The FY2021 supplemental budget includes \$1.4 million in restricted receipts for Electrify RI.

*Analyst Note: In 2016 the Environmental Protection Agency filed a complaint against Volkswagen alleging that they violated the Clean Air Act. During normal operation and use, Volkswagen vehicles emitted levels of nitrogen oxides (NOx) significantly in excess of EPA’s compliance levels. Volkswagen was found guilty and agreed to spend up to \$14.7 billion to settle allegations of cheating emissions. Settlement funds will be used to buy back and / or modify vehicles, and to support national and state-level projects to reduce NOx emissions.*

## GENERAL

The General program reflects funds appropriated to finance expenditures not allocated to other State departments or agencies and not specific to any one program within the Department of Administration. Grants and benefits reflect grants made to certain organizations, which are appropriated by the General Assembly. The General program has no FTE positions.

<b>General</b>	<b>General Revenue</b>
FY2021 Enacted	\$102,794,938
<i>Target and Other Adjustments</i>	
RICAP Repayment	(47,500,000)
Library Construction Aid	(600,000)
Tort Awards	500,000
<b>FY2022 Governor</b>	<b>\$55,194,938</b>

### **RICAP Repayment** **(\$47.5 million)**

The Budget includes \$42.5 million in general revenue payback in FY2022 to partially reimburse the State’s Budget Stabilization and Cash Reserve Account (Rainy Day Fund). This reflects a reduction of \$47.5 million from the FY2021 Budget as Enacted.

The FY2020 Budget as Enacted transferred \$120.0 million from the Budget Stabilization and Cash Reserve Account for use in balancing that budget. The Rhode Island General Law requires that the repayment be made to the Rhode Island Capital Plan fund in the following fiscal year. The FY2021 Budget as Enacted included a \$90.0 million repayment and legislation under Section 18 of Article 1 to delay the full payback, \$30.0 million, until FY2022.

However, Article 1 of the Governor’s FY2021 Supplemental Budget proposes to further delay the RICAP payback to FY2023 and reduces the payback appropriation to \$7.5 million in FY2021. This reflects a reduction of \$82.5 million in general revenue in FY2021. The remaining payment of \$70.0 million will be made during FY2023.

**Library Construction Aid****(\$600,000)**

Rhode Island law grants authority to the Office of Library and Information Services 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 FY2022, the Budget includes \$2.1 million, a decrease of \$600,000 from the FY2021 Budget as Enacted. According to the Department, the decrease in funding is a result of the completion of several library construction projects over the past year and because the short term interest rate on an ongoing project is lower than originally projected.

**Tort Awards****\$500,000**

The Budget adds \$500,000 in general revenue for court awards. Funding in the tort account is used to pay for tort/court award judgments against the State of Rhode Island. The Governor recommends an appropriation of \$900,000 in general revenue for tort judgments. As part of the FY2021 Supplemental Budget, the Governor recommends an appropriation of \$600,000, reflecting an increase of \$200,000, to meet year to date expenses.

**HUMAN RESOURCES**

The Division of Human Resources is composed of eight subprograms: Administrative Services, Classification and Examinations, Equal Employment Opportunity, Outreach and Diversity, Employee Benefits, Training and Development, Employee Services, and Human Resource Service Centers. Its primary mission is to provide cost-effective human resource services to employees, labor, and management to assist them in carrying out the functions and responsibilities of state government.

<b>Human Resources</b>	<b>General Revenue</b>
FY2021 Enacted	\$389,142
<hr/>	
<i>Target and Other Adjustments</i>	<i>(601)</i>
Centralized Service Charges	711,008
<b>FY2022 Governor</b>	<b>\$1,099,549</b>

**Centralized Service Charges****\$711,008**

The Budget includes \$1.1 million in general revenue expenditures for Human Resource Service Center projected costs in FY2021. This is an increase of \$711,008 from the FY2021 Budget as Enacted amount of \$388,541. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. These expenditures were reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The Budget increases these costs for FY2022. The FY2021 Budget as Enacted appropriated \$388,541 for centralized human resource center expenses, which is increased by \$711,008 to \$1.1 million in the FY2022 budget.

**INFORMATION TECHNOLOGY**

The Division of Information Technology (DoIT) program oversees, coordinates, and develops all information technology (IT) resources within the executive branch. All hiring and spending decisions involving IT may only be made with the advice and approval of the Chief Information Officer. Information Technology defines and maintains the architectural standards for hardware, software, networks, and services that guide state investments in IT.

The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. These expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

<b>Information Technology</b>	<b>General Revenue</b>
FY2021 Enacted	\$1,297,418
<i>Target and Other Adjustments</i>	
Information Technology Charges	(576,078)
<b>FY2022 Governor</b>	<b>\$721,340</b>

<b>Information Technology</b>	<b>Other Fund Changes</b>
Information Technology Investment Fund	(\$6,924,465)

**Information Technology Charges** **(\$576,078)**

The Budget decreases general revenue expenditures to reflect billed amounts for information technology services. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2021 Budget as Enacted appropriated \$1.3 million for this expense, which is decreased by \$576,078 to \$721,340 in the FY2022 proposed budget.

**Information Technology Investment Fund (restricted receipts)** **(\$6.9 million)**

The Budget includes \$2.6 million in restricted receipts for the Information Technology Investment Fund (ITIF), reflecting a decrease of \$6.9 million in restricted receipts from the FY2021 Budget as Enacted, and a decrease of \$9.8 million from the Governor's FY2021 Supplemental Budget. The Fund is a restricted receipt account for the State's technology initiatives and improvement projects.

The FY2015 Budget as Enacted authorized the Tobacco Settlement Financing Trust to transfer an estimated \$10.0 million to the ITIF from proceeds of the recent issuance of bonds by the Tobacco Settlement Financing Corporation. The ITIF derives funding through the sale of state property as well as from three additional sources.

- In FY2015, 10.0 percent of the \$1.00 surcharge levied on each residence and business telephone line collected to support the E-911 Uniform Emergency Telephone System is deposited into the ITIF, but this was repealed under Article 2 of the FY2020 Budget as Enacted and replaced with a new revenue source derived from 10.0 percent of a \$0.50 fee imposed on land-lines and 10.0 percent of the \$0.75 fee imposed on wireless phone lines. The surcharge change is projected to provide the technology investment fund annually \$1.0 million.
- Article 7 of the FY2019 Budget as Enacted authorized a tiered set of fees for individuals to obtain copies of certain vital records. The fees established are \$5 for mail-in certified records, \$3 for duplicate certified records, and \$2 for walk-in requests for certified records requests. The revenue generated from these fees will be deposited into the Information Technology Infrastructure Fund for purposes of supporting the Electronic Statewide Registration System (ESRS) at the Department of Health. The proposal projects to generate \$350,351 annually.
- Article 4 of the FY2018 Budget as Enacted established a \$1.50 surcharge on every DMV fee transaction. This surcharge revenue is deposited into the State's Information Technology Infrastructure Fund (ITIF). Funds generated through the surcharge are specifically used to pay the original and

ongoing costs associated with the DMV's information technology system, known as the Rhode Island Modernization System, or RIMS. Collection of the surcharge was previously authorized through June 30, 2022.

- Article 7 of the FY2020 Budget as Enacted made several changes related to the technology surcharge. The surcharge is increased by \$1.00, for a total of \$2.50 per DMV fee transaction. Revenue from the increase is to be deposited in a new restricted receipt within the DMV to pay for IT project-related payments and/or ongoing maintenance of and enhancements to the DMV's computer system. The remaining \$1.50 is deposited into the ITIF. The article removes the existing sunset and shifts the remaining \$1.50 from the ITIF to the DMV account beginning on July 1, 2022. Based on DOR projections, \$4.2 million in surcharge revenue, inclusive of the fee increase, will be generated in FY2020. The ITIF will receive \$2.5 million of this revenue and \$1.7 million will be deposited into the DMV restricted receipt account.

Each year the Department establishes a list of proposed and approved projects. For FY2021, this list consists of \$14.2 million for 60 approved projects. All projects listed by the Department are subject to the availability of funds in the ITIF. The ITIF available cash balance is \$2.1 million excluding obligations, approved projects, and approximately \$14.4 million in projected revenues. The projected revenue includes \$8.9 million in property sales. Including the proposed project costs, the Fund would have a balance of \$232,216 at the end of FY2021. However, if the proposed property sales do not materialize, the ending balance would be in deficit by \$8.6 million.

For FY2022, the Department's list of proposed and approved projects totals \$2.8 million. The ITIF available cash balance is \$2.0 million and approximately \$4.8 million in projected revenues. Total available resources will be \$6.8 million. Including the proposed project costs, the Fund would have a balance of \$4.0 million at the end of FY2022.

<b>Projects</b>	<b>Approved</b>	<b>Available</b>	<b>FY2022</b>
Project Management - DoIT Staff	\$300,000	\$300,000	\$300,000
Integrated Budget Development System	1,704,266	199,990	100,000
DLT Imaging System	850,000	285,738	200,000
Grants Mgmt Solution	1,029,985	271,985	160,000
DoIT Strategic Plan	750,000	655,000	300,000
E-Poll Books	438,592	438,592	438,592
Reporting Enhancements	700,000	194,081	150,000
ESH LTC System Business Applications Replacement Project	150,000	150,000	150,000
Electronic Vital Records Registration System	522,000	522,000	522,000
License Plate Re-Issuance Programming	343,000	343,000	343,000
Content Management FY 2021	615,023	615,023	135,000
<b>Total</b>	<b>\$7,402,866</b>	<b>\$3,975,409</b>	<b>\$2,798,592</b>

Between FY2023 and FY2025, there are \$1.5 million in project requests. The projected revenue over the same period totals \$4.9 million. The Department provides this information as a method to demonstrate the entirety of the Department's IT project requests.



The following table illustrates the proposed and approved ITIF projects, funding balance and requested project costs:

<b>Information Technology Fund</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>
Total Approved Projects	(\$14,172,862)	\$0	\$0	\$0	\$0
Projected FY Beginning Balance	2,137,380	1,992,216	4,040,624	6,081,624	7,071,624
Estimated Sale of Property	8,877,698	1,457,000	1,051,000	-	-
E-911 Fees	930,000	930,000	930,000	930,000	930,000
DMV \$1.50 Surcharge	2,100,000	2,100,000	-	-	-
Vital Records Surcharge	360,000	360,000	360,000	360,000	360,000
<b>Projected FY Ending Balance</b>	<b>\$232,216</b>	<b>\$6,839,216</b>	<b>\$6,381,624</b>	<b>\$7,371,624</b>	<b>\$8,361,624</b>
Variance Capital Request to Approved Projects	\$3,429,353	\$1,086,600	(\$210,000)	(\$210,000)	(\$210,000)
<b>Capital Budget Requests</b>	<b>\$8,983,509</b>	<b>\$1,711,992</b>	<b>\$510,000</b>	<b>\$510,000</b>	<b>\$510,000</b>
<b>Projected Cash Availability</b>	<b>14,405,078</b>	<b>6,839,216</b>	<b>6,381,624</b>	<b>7,371,624</b>	<b>8,361,624</b>

Source: Department of Administration

## LEGAL SERVICES

Legal Services is responsible for establishing, managing and maintaining legal resources to support all departments and agencies within the executive branch. Legal Services manages and assists attorneys within the departments and agencies that provide legal services in programmatic areas.

<b>Legal Services</b>	<b>General Revenue</b>
FY2021 Enacted	\$2,278,549
<i>Target and Other Adjustments</i>	<i>73,231</i>
Personnel Adjustments	210,369
COVID-19 Legal Expenses	(300,000)
<b>FY2022 Governor</b>	<b>\$2,262,149</b>
<b>Legal Services</b>	<b>Other Fund Changes</b>
Case Management Software System Costs	(\$958,068)

### **Personnel Adjustments** **\$210,369**

The Budget includes a net general revenue increase of \$210,369 for salary and benefit costs, comprising the addition of \$347,873 for the filling of several vacancies left unfilled in FY2021 that the Department anticipates filling in FY2022. This increase is offset by a general revenue decrease of \$137,504 for turnover savings. According to the Budget Office, the turnover is attributable to the Department's staffing assumptions in FY2022. The Department of Administration averaged 17.8 vacancies over FY2020. Total turnover is equivalent to 1.8 FTE positions.

### **COVID-19 Legal Expenses** **(\$300,000)**

The FY2021 Budget as Enacted included \$300,000 in general revenue for miscellaneous outside legal costs as part of the State's COVID-19 Response. The Governor does not include further funding for these items in FY2022.

**LIBRARY AND INFORMATION SERVICES**

The Office of Library and Information Services (OLIS) coordinates inter-library cooperation, maintains and develops the Rhode Island Library Network, operates the Regional Library for the Blind and Physically Handicapped, and promotes overall library development through various grant-in-aid programs for public and institutional libraries.

<b>Library and Information Services</b>	<b>General Revenue</b>
FY2021 Enacted	\$1,605,551
<i>Target and Other Adjustments</i>	<i>(47,678)</i>
Turnover	86,928
Information Technology Charges	(12,786)
Interlibrary Delivery System	8,543
<b>FY2022 Governor</b>	<b>\$1,640,558</b>

<b>Library and Information Services</b>	<b>Other Fund Changes</b>
Library Services Technology	\$197,669

**Turnover** **\$86,928**

The Budget increases general revenue by \$86,928 reflecting lower projected personnel turnover savings as compared to the previous fiscal year. Also there is a corresponding increase of \$86,928 in federal funds for lower projected turnover savings.

**Information Technology Charges** **(\$12,786)**

The Budget decreases general revenue expenditures to reflect billed amounts for information technology services. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. These expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2021 Budget as Enacted appropriated \$40,267 for centralized information technology expenses, which is decreased by \$12,786 to \$27,481 in the FY2022 budget.

**Interlibrary Delivery System** **\$8,543**

The Budget includes a net increase of \$8,543 in general revenue for the Interlibrary Delivery System as compared to the previous year. RIGL 29-6-9 requires that the Office of Library and Information Services fund the Interlibrary Delivery System in its entirety. However, the Budget mistakenly shifted \$220,000 from the express delivery line for the LORI delivery system to US Postal Office. According to OLIS all books and magazines use the LORI delivery system. The postage line is used by OLIS to only mail documents. Also there is a corresponding increase of \$65,143 in federal funds.

	<b>FY2021</b>	<b>FY2021</b>		<b>FY2022</b>	
<b>Interlibrary Delivery System/Postage</b>	<b>Enacted</b>	<b>Governor</b>	<b>Change</b>	<b>Governor</b>	<b>Change</b>
Express Delivery	\$621,810	\$621,810	\$0	\$410,353	(\$211,457)
Postage and Postal Services	1,961	1,961	-	221,961	220,000
<b>Total</b>	<b>\$623,771</b>	<b>\$623,771</b>	<b>\$0</b>	<b>\$632,314</b>	<b>\$8,543</b>

*Analyst note: The Budget placed \$220,000 in general revenue in the wrong budget line. The amount should be under the express delivery line instead of the postage and postal service line.*

**Library Services Technology (federal funds)** **\$197,669**

The Budget adds \$197,669 in federal funds to support innovation and other projects in public libraries. This includes an increase of \$125,000 for pass-through Museums for America project grants, an increase of

\$86,928 in unachieved turnover savings, and an increase of \$65,143 for express delivery costs for the Interlibrary Delivery System. According to the Department the increase in OLIS' federal award through the Library Services and Technology Act (LSTA) will be used for a competitive grant program for libraries based on the priorities of OLIS' Five Year State Plan for the use of federal LSTA funds; the plan is required and approved by the federal agency charged with disbursing these funds, the Institute of Museum and Library Services, which encourages sub-awards.

### PERSONNEL APPEAL BOARD

The Personnel Appeal Board hears appeals by any person with provisional, probationary, or permanent status in a position in the classified service aggrieved by an action of the Administrator of Adjudication for the Department of Administration on matters of personnel administration. The Board administers the Merit System Law governing appeals, maintenance of records, reviews, appeals from decisions rendered, and records of cases adjudicated before scheduling a public hearing. The Personnel Appeal Board consists of five members, not more than three of whom are members of the same political party. The Board has no FTE positions specifically assigned to the program.

<b>Personnel Appeal Board</b>	<b>General Revenue</b>
FY2021 Enacted	\$125,298
<i>Target and Other Adjustments</i>	<i>(5,248)</i>
<b>FY2022 Governor</b>	<b>\$120,050</b>

### PERSONNEL AND OPERATIONAL REFORMS

The Department of Administration has a centralized account for the statewide personnel and operating savings included in the Budget as Enacted prior to the savings being reflected within the appropriate State agency budgets. Generally, when the savings occur, the Budget Office will distribute and account for the savings within the appropriate departmental budget accounts of the State agencies.

<b>Personnel and Operational Reforms</b>	<b>General Revenue</b>
FY2021 Enacted	\$0
<i>Target and Other Adjustments</i>	<i>200</i>
VRI Savings	(8,158,221)
Centralized Service Charges	7,105,374
LIUNA Settlement	4,297,916
<b>FY2022 Governor</b>	<b>\$3,245,269</b>

### **VRI Savings** **(\$8.2 million)**

The Governor initiated a voluntary retirement incentive (VRI) payment to active state employees as of January 4, 2021, who have a full benefit retirement date on or before December 31, 2020. The program does not include members of the State Police or Correctional Officers who are under separate retirement plans. The VRI is intended to achieve strategic and budgetary objectives by refilling 70.0 percent of the resulting vacancies at 80.0 percent of the previous employee's cost for the first year, while allowing the State to recognize the long-term service of its employees and provide them with the flexibility to retire.

The Governor identified 900 executive branch, higher education, constitutional office, judicial, and legislative employees who matched the eligibility requirement. Eligible employees who elect to retire within the designated enrollment periods will receive a one-time payment equal to two times the employee's current annualized longevity amount up to a maximum amount of \$40,000 that will be paid through the assessed fringe benefits fund which is a bi-weekly assessment of 3.95 percent charged to direct salaries.

The program is being offered in stages based on the individual employee's longevity entitlement level. The last group of employees must submit a written notice of their election to retire on or before May 15, 2021.

The Budget Office estimates VRI net savings of \$19.0 million (\$8.2 million general revenue) covering FY2021 and FY2022, based on the assumption that 33.0 percent or 301 employees would take the VRI. The net savings is the result after the cost of refilling the position and payment of the incentive buyout (\$2.2 million in general revenue). The savings estimate holds the institutions of higher education harmless from any VRI-related general revenue savings in FY2022.

As of April 15, 2021, 282 employees, approximately 31.3 percent of the 900 eligible employees, or 93.7 percent of the Budget Office goal, have elected to take the Voluntary Retirement Incentive (VRI) buyout, including non-executive branch employees.

#### **Centralized Service Charges**

**\$7.1 million**

The Budget adds \$7.1 million in general revenues reflecting adjustments made to the internal service fund (ISF) accounts for Information Technology and statewide Facilities Management services due to the methodology used to calculate these services in state agencies. The FY2022 budget developed by a rate setting vendor for agencies was based on actual current services from FY2020 rather than FY2021, because the FY2021 Budget was not yet enacted during the agency budget request period. As a result the amounts budget in various agencies differed significantly from actual ISF billings. The addition of \$7.1 million reflects the variance from what was actually budgeted by agencies and what are the projected Information Technology and statewide Facilities Management costs. These funds will be redistributed throughout state agencies as part of the FY2022 Supplemental Budget process, or will be used as savings if the final costs are actually lower than the projected rates.

#### **LIUNA Settlement**

**\$4.3 million**

The Budget includes \$4.3 million in general revenue to fund the pension liability with state employee members in the Laborers International Union of North America (LIUNA) to account for the recalculation and compensation to affected LIUNA members for longevity and overtime payments back to January 1, 2012.

According to the Budget Office, for the past 21 years, in lieu of a portion of the pay LIUNA members received over the years, the State agreed to make payments to a LIUNA pension fund (LPF). The amount of the payments the State makes is a dollar amount per hour/up to a maximum of thirty-five (35) hours per week. In order to effectuate these employer contributions to the LPF, the State over the years annualized the dollar amount per hour and pay scales for participating LIUNA members were reduced by the annualized amount. The State proposed to change the payroll methodology prospectively to correct effects of the contributions on longevity and overtime calculations.

LIUNA has employees throughout a number of State Agencies, including Department of Business Regulation, employees in the Office of the Fire Marshal; Department of Public Safety, E911 operators; Department of Transportation, Maintenance, Supervisors and Operators; Division of Motor Vehicles, supervisors; BHDDH, CNAs at the Zambarano Hospital; Rhode Island Emergency Management Agency; Judiciary, Clerks at the Superior Court; Office of the Public Defender, office personnel; and at the Office of the Secretary of State.

### **PLANNING**

The Division of Planning is responsible for preparing, adopting, and amending strategic plans for the physical, economic, and social development of the state. The Division is comprised of three subprograms: Statewide Planning, Strategic Planning and Economic Development, and the Water Resources Board.

- Statewide Planning staffs the State Planning Council, which is comprised of state and local government officials, public members, and federal officials in an advisory capacity. The State Planning Council serves as the State's Metropolitan Planning Organization, responsible for planning and prioritizing state and federal transportation funding.
- Strategic Planning and Economic Development uses policy analysis and the planning process to prepare issue briefs and draft strategic plans that address current topics of special interest.
- The Water Resources Board (WRB) manages the planning and development of twenty-nine major water supply systems and the Big River Management Area.

<b>Planning</b>	<b>General Revenue</b>
FY2021 Enacted	\$1,114,044
<i>Target and Other Adjustments</i>	<i>(4,510)</i>
Complete Count (Census 2020)	(190,606)
Personnel Adjustments	(187,769)
Information Technology Charges	(59,830)
<b>FY2022 Governor</b>	<b>\$671,329</b>

<b>Planning</b>	<b>Other Fund Changes</b>
Payment of Sub-awards	(\$820,000)
Management Consultants	(180,000)

***Complete Count (Census 2020)*** ***(\$190,606)***

The Budget includes a decrease of \$190,606 from the FY2021 Budget as Enacted reflecting the end of funding for the Complete Count Initiative following the conclusion of the 2020 Census. The 2020 Census was critical to the state because the state is in jeopardy of losing a congressional seat due to diminished statewide population count. The FY2020 Budget as Enacted included \$500,000 in general revenue to pay for outreach activities to hard-to-count populations; media buys; distribute information to communities, non-profits, and other partners; and, a coordinated campaign to ensure awareness and visibility. The FY2021 Budget as Enacted included \$190,606 in general revenue largely consisting of a reappropriation of \$140,606 from FY2020 to fund advertising and printing costs of the Complete Count Initiative. This was matched with \$50,000 in new funds in FY2021, bringing the total appropriation to \$190,606.

***Personnel Adjustments*** ***(\$187,769)***

The Budget decreases \$187,769 in general revenue, reflecting a loss of 2.0 FTE positions to retirements, maintaining vacancies on 3.0 FTE positions, and a shift of personnel expenses from general revenue to federal funds.

***Information Technology Charges*** ***(\$59,830)***

The Budget decreases general revenue expenditures to reflect billed amounts for information technology services. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2021 Budget as Enacted appropriated \$77,120 for this expense, which is decreased by \$59,830 to \$17,914 in the FY2022 proposed budget.

***Payment of Sub-awards (other funds)*** ***(\$820,000)***

The Budget contains a net decrease of \$820,000 in other funds. Funds from the Federal Highway Administration (FHWA) is the core of the Planning program. In some years, the State is able to draw down

more than in other fiscal years: this is largely dependent (to a cap) on the amount of state funds available. When general revenue funds decrease, the State cannot draw down as much from the federal pool. However, it is also variable annually depending on projects: with the Long Range Transportation Plan completed, the State will be drawing down less from the federal pool overall.

**Management Consultants (other funds) (\$180,000)**

The Budget decreases \$180,000 in other funds reflecting the elimination of contracted management consultant costs of \$150,000 from the Federal Highway Administration (FHWA) and \$30,000 from the Federal Transit Administration (FTA) programs related to the Complete Count Initiative (Census 2020 funding). The Complete Count Committee finished its work in December 2020.

**PURCHASING**

The Purchasing division includes procurement, operational support services, standards and specifications development and management, vendor information, and minority business enterprises. The Procurement division solicits bids or requests for proposals for services and supplies, negotiates prices with vendors, and carries out affirmative action programs. Operational support services include purchase order production and record-keeping, bid preparation and opening, requisition tracking, and vendor files. The standards and specifications staff works with agency representatives to develop statewide standards for goods and services to be solicited. The Rhode Island Vendor Information Program (RIVIP) is an electronic system for registering potential bidders and providing bid and other information to vendors and the general public.

<b>Purchasing</b>	<b>General Revenue</b>
FY2021 Enacted	\$3,591,871
<i>Target and Other Adjustments</i>	<i>(30,644)</i>
Information Technology Charges	(151,521)
Turnover	(59,313)
<b>FY2022 Governor</b>	<b>\$3,350,393</b>

<b>Purchasing</b>	<b>Other Fund Changes</b>
Information Technology Charges	(\$100,000)

**Information Technology Charges (\$151,521)**

The Budget increases general revenue expenditures to reflect billed amounts for information technology services. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2021 Budget as Enacted appropriated \$476,980 for this expense, which is decreased by \$151,521 to \$325,459 in the FY2022 proposed budget. There is a corresponding decreases of \$100,000 in restricted receipts and \$2,398 in other funds.

**Turnover (\$59,313)**

The Budget decreases general revenue by \$59,313 reflecting higher projected personnel turnover savings as compared to the previous fiscal year.

**RHODE ISLAND HEALTH BENEFITS EXCHANGE**

As part of the national health care reform and the Affordable Care Act (ACA), the Rhode Island Health Benefits Exchange was created by Executive Order in 2011 as a federally-funded program within the Office of the Governor. The FY2014 Budget as Enacted transferred the program to the Department of

Administration. Rhode Island's health benefits exchange (HealthSource RI) became operational in October 2013 and is an online marketplace for individuals, families, and small businesses to compare and purchase health insurance coverage and gain access to tax credits, reduced cost-sharing and public programs such as Medicaid.

<b>Rhode Island Health Benefits Exchange (HealthSource RI)</b>	<b>General Revenue</b>
FY2021 Enacted	\$1,369,654
<i>Target and Other Adjustments</i>	<i>(2,000)</i>
Contract Services	1,546,926
Rental of Outside Property	(94,244)
<b>FY2022 Governor</b>	<b>\$2,820,336</b>

<b>Rhode Island Health Benefits Exchange (HealthSource RI)</b>	<b>Other Fund Changes</b>
Rhode Island Health Benefits Exchange - restricted receipts	(\$3,332,655)
Rhode Island Health Benefits Exchange - federal	\$5,239,671

### **Contract Services**

**\$1.5 million**

The Budget increases by \$1.5 million in general revenue for contract service expenditures as compared to the FY2021 Budget as Enacted. According to Healthsource RI, the program relies on general revenue and restricted receipts to fund its operations and is allowed to use either funding source to budget and incur expenses. The FY2021 Budget as Enacted used restricted receipts to fund several contracted expenses. As part of the FY2022 Budget, Healthsource RI uses restricted receipts to predominately fund personnel, operating, and other costs, while shifting some of the contracted costs to general revenue.

	<b>FY2021</b>	<b>FY2022</b>	
<b>Contract Services</b>	<b>Enacted</b>	<b>Governor</b>	<b>Change</b>
Management Consultants	\$20,715	\$2,231,016	\$2,210,301
Communications and Media	500,000	-	(500,000)
IT System Support	526,160	364,110	(162,050)
All Other Services	226,535	225,210	(1,325)
<b>Total</b>	<b>\$1,273,410</b>	<b>\$2,820,336</b>	<b>\$1,546,926</b>

- **Management Services:** HSRI uses both general revenue and restricted receipts interchangeably to fund HSRI and in any given year, the source used to fund expense will vary from general revenue and restricted receipts. In FY2022, the general revenue increase reflects HSRI budgeting the expenses for the vendor NFP-Health under general revenue rather than restricted receipts as was done in FY2021. NFP-Health is responsible for sales, service and billing of HSRI's HSRI for Employers/SHOP small business program.
- **Communications and Media:** RDW Group is the primary vendor for marketing and communication contract services. The vendor operates the HSRI Individual/Family and Small Business Health Options Program (SHOP) open enrollment campaigns and advertisements. The HSRI program still requires the same type of communication services in FY2022. However, in order to reduce the program's FY2022 general revenue request, the Department made reductions to the program budget, marketing being one of them.

*Analyst Note: According to HSRI, there are some funds remaining in FY2021 for marketing expenses that could carry-over into FY2022 marketing, but the program will need to look for funds in FY2022.*

- **IT System Support:** This reflects a \$162,050 general revenue targeted contract reduction for Deloitte that was proposed in the FY2022 Budget request. Deloitte developed and maintains the Integrated

Eligibility System for the State. Also known as RIBridges or UHIP, eligibility is determined for HSRI health plans, Medicaid, SNAP, Childcare, and RIWorks. Deloitte implements any federal changes to regulations and any system process improvements. It is decreasing because the UHIP Executive Leadership reduced funding in order to meet the requested budget cuts.

**Rental of Outside Property**

**(\$94,244)**

The Budget eliminates \$94,244 in general revenue. Presently, the Healthsource RI office is in leased space located at 501 Wampanoag Trail in the City of East Providence. The plan is to relocate Healthsource RI to vacant space within the William Powers Administration building making the need to fund lease costs moot in FY2022. The move is anticipated to occur by the end of 2021. The lease for the Healthsource RI office is divided 65.0 percent general revenue and 35.0 percent restricted receipts. There is a corresponding decrease of \$50,756 in restricted receipt for the lease costs.

**Rhode Island Health Benefits Exchange (restricted receipts)**

**(\$3.3 million)**

The Budget includes \$16.8 million in restricted receipts for personnel and operating costs. This is a net decrease of \$3.3 million from the FY2021 Budget as Enacted. The significant changes include a reduction of \$2.4 million in management consultant costs and an increase of \$687,159 for personnel costs. The increase in personnel costs reflect the combination of HSRI unfilled positions and personnel costs for the Division of Taxation to manage the mandate program.

**Rhode Island Health Benefits Exchange (federal)**

**\$5.2 million**

The Budget includes \$5.2 million in federal funds for the Rhode Island Health Benefits Exchange for FY2022. The use of federal funds for the Exchange declined after FY2015. From FY2016 through FY2019, federal funds were primarily used for contract services and personnel. This reflected the shift from federal funding that was provided for the establishment of an Affordable Care Act (ACA)-compliant health benefits exchange, over to a state-operated system. The federal funds provided in FY2019 fund only personnel costs for one FTE position. Through the FY2019 Budget as Enacted, the design, development, and implementation of HealthSource RI has been funded with \$140.9 million in federal grants. In FY2022, federal funds increase \$5.2 million reflecting a recent federal award. The State's application to the federal government sought to waive Patient Protection Affordable Care Act's (PPACA) requirement for the single risk pool to implement a state reinsurance program called the Rhode Island Reinsurance Program for plan years 2020 through 2024. The United States Department of the Treasury's final administrative determination is that Rhode Island's pass-through funding amount is \$5.2 million for calendar year 2020.

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	
HealthSource RI	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Governor	Governor	Total
Federal Funds	\$21.8	\$47.3	\$48.5	\$17.6	\$3.7	\$1.8	\$0.1	-	0.4	5.2	\$146.5
Restricted Receipts	-	-	-	2.8	5.5	5.3	5.2	8.0	20.2	16.8	63.7
<b>Total</b>	<b>\$21.8</b>	<b>\$47.3</b>	<b>\$48.5</b>	<b>\$20.4</b>	<b>\$9.2</b>	<b>\$7.1</b>	<b>\$5.3</b>	<b>\$8.0</b>	<b>\$20.5</b>	<b>\$22.1</b>	<b>\$210.2</b>

\$ in millions

**OFFICE OF DIVERSITY, EQUITY, AND OPPORTUNITY**

The mission of the Office of Diversity, Equity, and Opportunity is to create and support a diverse and inclusive state government culture that values and reflects the changing demographics of Rhode Island by advancing equitable and fair opportunities for all Rhode Island citizens to be employed by or doing business with the State of Rhode Island.

The Office of Diversity, Equity, and Opportunity, consists of the following: Director of Diversity, the State Equal Opportunity Office, Minority Business Enterprise Compliance Office, the Outreach and Diversity Office, and an Office of Supplier Diversity.



- Director of Diversity to administer the office.
- The State Equal Opportunity Office ensures federal and State equal opportunity compliance for all units of state government.
- The Minority Business Enterprise Compliance Office is responsible for supporting State laws and policies to ensure full participation of Minority Business Enterprises (MBEs) and Disadvantaged Business Enterprises (DBEs) in state and federally-funded construction programs and projects, and State purchases of goods and services.
- The Outreach and Diversity Office is responsible for creating a culture that values a diverse workforce through diversity training to state employees and assists in recruiting and retaining a diverse workforce.
- Office of Supplier Diversity will complement the work of the Minority Business Enterprise Compliance Office.

<b>The Office of Diversity, Equity, and Opportunity</b>	<b>General Revenue</b>
FY2021 Enacted	\$1,335,476
<i>Target and Other Adjustments</i>	<i>(65,340)</i>
Information Technology Charges	(67,437)
Operating Adjustments	(51,794)
Turnover	(33,736)
<b>FY2022 Governor</b>	<b>\$1,117,169</b>

**Information Technology Charges** **(\$67,437)**

The Budget decreases general revenue expenditures to reflect billed amounts for information technology services. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. These expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2021 Budget as Enacted appropriated \$89,032 for this expense, which is decreased by \$67,437 to \$21,595 in the FY2022 proposed budget.

**Operating Adjustments** **(\$51,794)**

The Budget decreases general revenue expenditures by \$51,794, reflecting a decrease in anticipated printing expenses and staff training. The Budget includes \$20,088 to cover printing expenses, reflecting a decrease of \$29,794 from the FY2021 Budget as Enacted and no appropriation for staff training, reflecting a decrease of \$22,000 from the previous year.

**Turnover** **(\$33,736)**

The Budget decreases general revenue by \$33,736 reflecting higher projected personnel turnover savings as compared to the previous fiscal year.

**CAPITAL PROJECTS**

The Budget includes \$29.9 million in RICAP funds for 35 various capital projects in FY2022. This reflects an increase of \$10.3 million from the previous fiscal year and an increase of \$10.5 million from the Governor's recommended FY2021 Supplemental Budget. Significant project changes include:

- **New or Increased Capital Projects:** Includes \$6.2 million to fund new projects or increase renovations to exiting projects including: \$4.5 million for the new Medical Examiner Building, \$1.5 million for the Shepard Building, and \$150,000 for asset protect at the state office building located at 560 Jefferson Boulevard in the City of Warwick.

New or Increased Capital Projects	FY2021	FY2021	Change	FY2022	Change
	Enacted	Governor		Governor	
RICAP - Medical Examiner Building	\$500,000	\$500,000	\$0	\$4,500,000	\$4,000,000
RICAP -Shepard Building Upgrades	500,000	500,000	-	1,500,000	1,000,000
RICAP - 560 Jefferson Blvd Asset Protection	-	-	-	150,000	150,000
<b>Total</b>	<b>\$1,000,000</b>	<b>\$1,000,000</b>	<b>\$0</b>	<b>\$6,150,000</b>	<b>\$5,150,000</b>

- Medical Examiner Building:** The Budget includes \$4.5 million in RICAP funds, reflecting an increase of \$4.0 million from the previous fiscal year, for the Phase II build-out of the new Medical Examiner's Building located at 900 Highland Corporate Drive, Cumberland (Building # 3). The Department of Health's Office of the Medical Examiner will relocate to this new building from its present location at the Chapin Health Laboratory on Orms Street in the City of Providence. The State Properties Committee approved the Purchase and Sale Contract related to the purchase of this property on September 1, 2021. The purchase price was \$2,525,000 and the funding source is federal funding. Total cost to renovate the structure is \$5.4 million using federal funds and RICAP funds.

Medical Examiner Building - Construction	Cost
COVID-19 Pandemic Immediate Use	\$316,756
COVID-19 Pandemic Equipment Immediate Use	125,000
Phase II Design Fees	500,000
Phase II Renovation Cost	4,500,000
<b>Total</b>	<b>\$5,441,756</b>

- Shepard Building Upgrades:** The Budget includes \$1.5 million in RICAP funds, an increase of \$1.0 million from the previous fiscal year, for safety issues related to the building's elevators, roof, and building envelope. The FY2022 Capital Budget recommends RICAP renovation expenditures of \$500,000 in FY2021, \$6.0 million from FY2022 through FY2026, and \$1.6 million in FY2026, for a total expenditure of \$8.1 million over six years.

The Commission on Government Efficiency final report on May 7, 2019, advised that State sell the structure and relocate State agencies and the University of Rhode Island campus to other state or privately owned structures as a means to obtain cash and to eliminate future maintenance issues. However, the State no longer plans to sell the building. The findings from the Efficiency Commission assumed certain commercial real estate sales prices and certain person/square feet office space ratios that no longer bear out in the post-pandemic landscape. One of advantages of selling the building would have been to avoid some of the deferred maintenance issues, but continued ownership requires the State to address these issues in the capital improvement program.

- Pastore Center Campus Projects:** The Budget includes \$5.3 million to fund various major maintenance and repairs to 35 structures at the Pastore Government Center. This is an increase of \$1.3 million from the previous year.

Pastore Center Campus Projects	FY2021	FY2021	Change	FY2022	Change
	Enacted	Governor		Governor	
RICAP - Pastore Center Building Demolition	\$0	\$0	\$0	\$1,000,000	\$1,000,000
RICAP - Pastore Center Electric Utility Upgrade	436,760	436,760	-	175,000	(261,760)
RICAP - Pastore Center Master Plan	165,138	165,138	-	116,467	(48,671)
RICAP - Pastore Center Non-Medical Buildings Asset	2,314,240	2,314,240	-	3,170,000	855,760
RICAP - Pastore Center Power Plant	932,503	932,503	-	734,000	(198,503)
RICAP - Pastore Center Water Utility System	100,000	107,681	7,681	100,000	-
<b>Total</b>	<b>\$3,948,641</b>	<b>\$3,956,322</b>	<b>\$7,681</b>	<b>\$5,295,467</b>	<b>\$1,346,826</b>

- Pastore Center Demolition:** The Budget adds \$1.0 million in RICAP funds for use on vacant structures on the Pastore Center Campus that are scheduled for abatement and demolition. These structures include: the Eastman House, Pinel building, Adolphe Meyer building, Welcome Arnold building, the Pastore laundry structure, and selective demolition on parts of the old power plant. The continued demolition of the vacant unusable structures provides space for future development at the state-owned facility.
- Capitol Hill Campus Projects:** Includes \$4.8 million, a decrease of \$163,098 from the previous year, to fund various infrastructure upgrades to structures listed as the Capitol Hill Campus, including the Cannon Building, Old State House, Chapin Health Lab, State Office Building (DOT), and the William Powers Building.

Capital Hill Campus Projects	FY2021	FY2021	Change	FY2022	Change
	Enacted	Governor		Governor	
RICAP - Cannon Building	\$500,000	\$500,000	\$0	\$800,000	\$300,000
RICAP - Chapin Health Laboratory	550,000	550,000	-	500,000	(50,000)
RICAP - State House Renovations	1,510,696	1,510,696	-	1,478,000	(32,696)
RICAP - Old State House	1,519,815	1,519,815	-	100,000	(1,419,815)
RICAP - State Office Building	100,000	100,000	-	100,000	-
RICAP - Williams Powers Building	760,587	760,587	-	1,800,000	1,039,413
<b>Total</b>	<b>\$4,941,098</b>	<b>\$4,941,098</b>	<b>\$0</b>	<b>\$4,778,000</b>	<b>(\$163,098)</b>

- William Powers Building:** The William Powers Building located in Providence houses the Department of Administration, the Department of Revenue, and some smaller state agencies. The Budget includes \$1.8 million in RICAP funds in FY2022 that include HVAC upgrades, cafeteria renovations, establishing a central building monitoring system (BMS), design work for window and exterior envelop repairs, garage safety and other security issues.
- Rhode Island Convention Center Authority Venues:** Includes \$4.6 million in RICAP funds for continued asset protection, upgrades, renovations, and funding of the renewal and replacement bond covenant for the Dunkin Donuts Center. This is an increase of \$3.6 million from the previous year.

RI Convention Center Authority Venues	FY2021	FY2021	Change	FY2022	Change
	Enacted	Governor		Governor	
RICAP - Dunkin Donuts Center	\$0	\$0	\$0	\$2,300,000	\$2,300,000
RICAP - Veterans Auditorium	-	-	-	285,000	285,000
RICAP - Rhode Island Convention Center Authority	1,000,000	1,000,000	-	2,000,000	1,000,000
<b>Total</b>	<b>\$1,000,000</b>	<b>\$1,000,000</b>	<b>\$0</b>	<b>\$4,585,000</b>	<b>\$3,585,000</b>

- Dunkin Donuts Center:** The Budget includes \$2.3 million in RICAP funds for continued asset protection, upgrades, renovations, and funding of the renewal and replacement bond covenant for the Dunkin Donuts Center. Due to the COVID-19 Pandemic the facility was closed to the general public during FY2021 and used as a staging and vaccination venue as part of the State's response to the pandemic. There were no asset protection funds therefore this appropriation appears as an increase of \$2.3 million from the previous year.
- Rhode Island Convention Center Authority:** Includes \$2.0 million in RICAP funds for continued asset protection, upgrades, renovations, The Rhode Island Convention Center (RICC) in Providence is owned and operated by the Rhode Island Convention Center Authority (RICCA), but leased to the State through a sublease agreement implemented in November 1991. The Convention Center opened in December 1993 and as the facility ages into its fourth decade, an asset protection and preventive maintenance program is required to maintain the facility.

- **Miscellaneous Capital Projects:** Includes \$9.1 million to fund various major maintenance and repairs to 17 statewide projects or structures. This is an increase of \$376,050 from the previous year.

Capital Projects	FY2021	FY2021	Change	FY2022	Change
	Enacted	Governor		Governor	
RICAP - Accessibility - Facility Renovations	\$1,057,621	\$1,057,621	\$0	\$1,000,000	(\$57,621)
RICAP - Arrigan Center	-	-	-	197,500	197,500
RICAP - BHDDH DD & Community Facilities - Asset Pr	200,000	200,000	-	300,000	100,000
RICAP - BHDDH DD & Community Homes - Fire Code	1,619,702	1,619,702	-	325,000	(1,294,702)
RICAP - BHDDH DD Regional Facilities - Asset Protec	300,000	300,000	-	450,000	150,000
RICAP - BHDDH Group Homes	500,000	500,000	-	750,000	250,000
RICAP - BHDDH Substance Abuse Asset Protection	250,000	250,000	-	375,000	125,000
RICAP - Big River Management Area	100,000	100,000	-	250,000	150,000
RICAP - Cranston Street Armory	37,396	37,396	-	325,000	287,604
RICAP - Energy Efficiency Improvements- Statewide	194,329	194,329	-	1,250,000	1,055,671
RICAP - Environmental Compliance	182,280	182,280	-	400,000	217,720
RICAP - Information Operations Center	736,171	550,000	(186,171)	800,000	63,829
RICAP - Replacement of Fueling Tanks	300,000	300,000	-	800,000	500,000
RICAP - State Office Reorganization & Relocation	1,952,765	1,952,765	-	500,000	(1,452,765)
RICAP - Washington County Government Center	427,467	427,467	-	500,000	72,533
RICAP - Zambarano Buildings	250,000	250,000	-	350,000	100,000
RICAP -Security Measures State Buildings	588,719	588,719	-	500,000	(88,719)
<b>Total</b>	<b>\$8,696,450</b>	<b>\$8,510,279</b>	<b>(\$186,171)</b>	<b>\$9,072,500</b>	<b>\$376,050</b>

- **Cranston Street Armory:** The Budget includes \$325,000 in RICAP funds for continued asset protection/structural stabilization work on the facility, design and engineering work for the structure's exterior envelope, and funds for a study on the reuse of the structure.
- **State Office Reorganization and Relocation:** The capital plan includes RICAP funding of \$2.0 million in FY2021, \$500,000 in FY2022, and \$500,000 in FY2023 and in FY2024 to continue redesigning and relocating state office personnel to provide for more workspace efficiency and modernization. Current projects include reorganizing human resources, relocating Vital Records from the Cannon Building to the Pastore Campus in Cranston, and relocating the Department of Human Services office from a privately owned structure on Elmwood Avenue in Providence to state-owned buildings.

## Department of Business Regulation

Expenditures By Program	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$2.9	\$5.4	\$3.2	(\$2.2)	-40.8%	\$4.7	(\$0.8)	-14.1%
Banking Regulation	1.6	1.6	1.7	0.0	0.3%	1.7	0.0	2.9%
Board of Accountancy	0.0	0.0	0.0	-	0.0%	0.0	-	0.0%
Commercial Licensing, Gaming & Athletics	1.7	2.0	2.1	0.1	7.2%	1.9	(0.0)	-0.4%
Building, Design & Fire Professionals	7.9	8.2	11.2	3.0	37.2%	9.7	1.5	19.0%
Insurance Regulation	5.4	5.9	5.9	(0.0)	-0.1%	6.5	0.6	9.8%
Office of Cannabis Regulation	0.9	1.4	1.4	0.0	0.2%	5.0	3.6	251%
Office of Health Insurance Commissioner	2.5	2.3	2.5	0.2	7.8%	2.5	0.2	6.7%
Securities Regulation	0.8	0.9	0.7	(0.2)	-21.2%	0.8	(0.1)	-8.9%
<b>Total</b>	<b>\$23.6</b>	<b>\$27.8</b>	<b>\$28.7</b>	<b>\$1.0</b>	<b>3.5%</b>	<b>\$32.8</b>	<b>\$5.0</b>	<b>18.1%</b>

Expenditures By Source								
General Revenue	\$15.7	\$17.5	\$17.5	\$0.0	0.1%	\$19.6	\$2.1	12.3%
Federal Funds	2.2	3.2	4.2	0.9	28.7%	2.5	(0.8)	-24.2%
Restricted Receipts	0.4	0.1	0.1	0.0	0.4%	0.2	0.1	130%
Other Funds	5.3	7.0	7.0	0.0	0.2%	10.5	3.6	51.3%
<b>Total</b>	<b>\$23.6</b>	<b>\$27.8</b>	<b>\$28.7</b>	<b>\$1.0</b>	<b>3.5%</b>	<b>\$32.8</b>	<b>\$5.0</b>	<b>18.1%</b>

Authorized FTE Levels	161.0	161.0	161.0	-	-	176.0	15.00	9.3%
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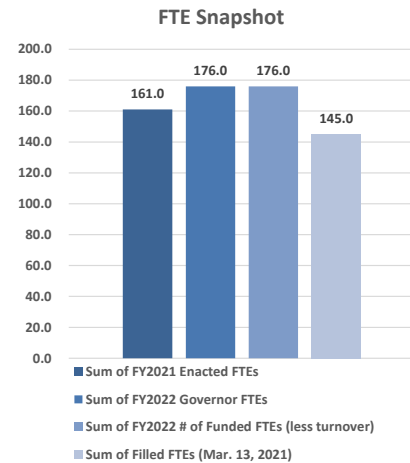
*\$ in millions. Totals may vary due to rounding.*

The Department of Business Regulation (DBR) implements state laws mandating the regulation and licensing of designated businesses, professions, occupations, and other specified activities. The Department is composed of nine programs: Central Management, Banking Regulation, Board of Accountancy, Commercial Licensing and Gaming and Athletics Licensing, Division of Building, Design and Fire Professionals, Insurance Regulation, Office of the Health Insurance Commissioner, Securities Regulation, and the Office of Cannabis Regulation.

### MAJOR ISSUES AND TRENDS

The FY2022 Budget includes an all funds increase of \$5.0 million, or 18.1 percent, from the FY2021 Budget as Enacted. The Budget includes a \$2.1 million general revenue increase as compared to the FY2021 Budget as Enacted. The increase is primarily caused by a shift back to general revenue from funds that were previously allocated to Coronavirus Relief Funds.

Article 11 of the Budget establishes the Adult-Use of Marijuana Act and the Marijuana Regulation, Control, and Taxation Act to provide a framework for the legalization of adult-use marijuana, increasing restricted receipt expenditures by \$3.9 million. The Budget also includes an increase of 15.0 FTE positions, including 13.0 new FTEs for the proposed state-controlled adult-use marijuana program, 2.0 insurance regulator FTEs, 1.0 new bomb technician FTE, and 1.0 FTEs within the Office of the Health Insurance Commissioner (OHIC), offset by the elimination of 2.0 FTEs within the Medical Marijuana Program.



### CENTRAL MANAGEMENT

Central Management is composed of the Director's Office, and separate units for budgeting, regulatory standards, compliance, and enforcement. The specific functions include conducting administrative and rate hearings; providing legal services to the Director and Deputy Directors; compiling, submitting, and

monitoring the budgets of the respective divisions; approving vouchers and contracts; and providing management services.

<b>Central Management</b>	<b>General Revenue</b>
FY2021 Enacted	\$4,536,139
<i>Target and Other Adjustments</i>	<i>30,187</i>
COVID-19 Enforcement and Inspection	(1,700,000)
Turnover	149,311
<b>FY2022 Governor</b>	<b>\$3,015,637</b>

**COVID-19 Enforcement and Inspection** **(\$1.7 million)**

The Budget reduces general revenues by \$1.7 million for COVID-19 related expenditures. The FY2021 Budget as Enacted allocated \$1.7 million for enforcement and inspection to ensure compliance with COVID-19 related regulations. In FY2022, these activities are funded fully through federal funds.

**Turnover** **\$149,311**

The FY2021 Budget as Enacted included \$149,311 within Central Management in turnover savings which are eliminated in the FY2022 Governor's Budget. The eliminated savings are equivalent to 1.1 FTEs. The agency averaged 14.4 vacancies over FY2021.

**BANKING REGULATION**

Banking Regulation provides regulatory oversight of state-chartered financial institutions, credit unions, Rhode Island bank holdings companies, and licensees through financial examinations and reviews to determine compliance with state banking laws, financial solvency, and safety and soundness operations.

<b>Banking Regulation</b>	<b>General Revenue</b>
FY2021 Enacted	\$1,573,138
<i>Target and Other Adjustments</i>	<i>(836)</i>
Personnel	48,522
<b>FY2022 Governor</b>	<b>\$1,620,824</b>

**Personnel Expenditures** **\$48,522**

The Budget increases general revenue by \$48,522 to fully fund the 13.0 FTE positions within the Division of Banking Regulation. In the FY2021 Budget as Enacted, the positions were erroneously underfunded and the increase fully funds the Division's 13.0 FTEs. The increase also eliminates \$16,222 in turnover savings within the Division to reflect current turnover projections.

**BOARD OF ACCOUNTANCY**

The Board of Accountancy is an autonomous board that is responsible for the licensing of certified public accountants, public accountants, partnerships, corporations, and sole proprietorships. It processes applications and fees and issues initial certificates and permits to regulated businesses, occupations, and professions. The Board of Accountancy is 100.0 percent funded by general revenues. The FY2015 Budget as Enacted eliminated the sole Administrative Aide position for the program. Administrative responsibilities are assigned to other staff as needed. The remaining funds in the program support operating costs, such as national Certified Public Accountant (CPA) Society dues, legal expenses, and printing and mailings.

<b>Board of Accountancy</b>	<b>General Revenue</b>
FY2021 Enacted	\$5,883
<i>Target and Other Adjustments</i>	<i>-</i>
<b>FY2022 Governor</b>	<b>\$5,883</b>

**COMMERCIAL LICENSING AND GAMING AND ATHLETICS LICENSING**

The Division of Commercial Licensing and Gaming and Athletics Licensing is responsible for the licensing and regulation of auto body and auto glass repair shops, auto salvage yards, constables, health clubs, mobile food establishments, liquor enforcement, mobile and manufactured homes, real estate appraisers and agents, and other occupational licenses to protect the health, safety, and welfare of the public.

<b>Commercial Licensing and Gaming and Athletics Licensing</b>	<b>General Revenue</b>
FY2021 Enacted	\$1,008,450
<i>Target and Other Adjustments</i>	374
Personnel Adjustments	44,215
<b>FY2022 Governor</b>	<b>\$1,053,039</b>

**Personnel Adjustments****\$44,215**

The Budget increases general revenues by \$44,215 for various statewide personnel adjustments. The adjustments include decreased costs in health plans, offset by increases in wages and retirement contributions.

**DIVISION OF BUILDING, DESIGN AND FIRE PROFESSIONALS**

The FY2019 Budget as Enacted established the Division of Building, Design, and Fire Professionals to consolidate the Office of the State Fire Marshal, the Fire Safety Code Board of Review and Appeal, the Office of the State Building Commissioner, the Board of Registration for Professional Engineers, Board of Registration for Professional Land Surveyors, Board of Examination and Registration of Architects, the Board of Examiners of Landscape Architects and the Contractors' Registration and Licensing Board. The Division provides a single point of contact for building and construction professionals seeking state approvals.

<b>Division of Building, Design and Fire Professionals</b>	<b>General Revenue</b>
FY2021 Enacted	\$4,293,409
<i>Target and Other Adjustments</i>	(7,170)
Shift from COVID-19 Funding	1,409,809
Turnover	661,135
Bomb Squad	594,837
Centralized Service Charges	102,735
<b>FY2022 Governor</b>	<b>\$7,054,755</b>

**Shift from COVID-19 Funding****\$1.4 million**

The Budget increases general revenues by \$1.4 million to reflect a shift to general revenue for personnel expenditures. The FY2021 Budget as Enacted shifted personnel to COVID-19 related activities, and were therefore eligible for reimbursement through Coronavirus Relief Funds. The Budget shifts the personnel costs back from federal funds to general revenues.

**Turnover****\$661,135**

The FY2021 Budget as Enacted included \$661,135 within the Division of Building, Design and Fire Professionals in turnover savings which are eliminated in the FY2022 Governor's Budget. The eliminated savings are equivalent to 4.7 FTEs. The agency averaged 14.4 vacancies over FY2021.

**Bomb Squad****\$594,837**

The Budget adds \$594,837 in general revenues for personnel and operating costs within the Bomb Squad. The additional funding includes \$94,315 for 1.0 FTE position and \$500,522 for operating costs within the Fire Marshal's office for the Bomb Squad. Currently, the Bomb Squad meets the FBI's requirement of six technicians for the State with four full-time technicians and two volunteer technicians. With the retirement of one volunteer technician, the Bomb Squad requires an additional FTE to retain FBI accreditation. An

increase in operating costs is due to facility lease payments, fleet loan repayments, and the cost to furnish the new bomb tech with safety equipment.

**Centralized Service Charges** **\$102,735**

The Budget increases general revenue expenditures by \$102,735 to reflect billed amounts for human resources, capital asset management and maintenance and information technology services. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. These expenditures are reflected in each agency based on actual use, showing the true costs associated with a particular program or agency. The FY2021 Budget as Enacted appropriated \$90,110 for the centralized services, increased to \$192,485 in the FY2022 Budget.

**INSURANCE REGULATION**

Insurance Regulation conducts financial examinations of domestic insurance companies to ensure compliance with state and federal insurance statutes and regulations. The division also issues licenses for insurance companies, producers, adjusters and appraisers, and reviews rate and form filings of the life, accident and health, and property and casualty lines of business for compliance with state statutes and regulations. The division monitors and introduces legislation to maintain accreditation by the National Association of Insurance Commissioners.

<b>Insurance Regulation</b>	<b>General Revenue</b>
FY2021 Enacted	\$3,650,200
<i>Target and Other Adjustments</i>	<i>101,918</i>
Shift from COVID-19 Funding	222,500
Insurance Regulators	181,752
Turnover	158,313
<b>FY2022 Governor</b>	<b>\$4,314,683</b>

**Shift from COVID-19 Funding** **\$222,500**

The Budget increases general revenues by \$222,500 to reflect a shift to general revenue for personnel expenditures. The FY2021 Budget as Enacted shifted personnel to COVID-19 related activities, and were therefore eligible for reimbursement through Coronavirus Relief Funds. The Budget shifts the personnel costs back from federal funds to general revenues.

**Insurance Regulators** **\$181,752**

The Budget adds \$181,752 in general revenue for 2.0 FTE Insurance Examiners which would allow the Department to complete insurance examinations without relying on outside contractors. The Department has been relying on contractors to meet insurance examination requirements, as there has not been enough staffing to fulfill the workload and also train new individuals. Continuing to outsource the work would require current examiners to oversee the work of outside contractors, putting the Division in violation of the union contract.

**Turnover** **\$158,313**

The FY2021 Budget as Enacted included \$158,313 within the Insurance Regulation Division in turnover savings which are eliminated in the FY2022 Governor's Budget. The eliminated savings are equivalent to 1.1 FTEs. The agency averaged 14.4 vacancies over FY2021.

**Actuary Services (restricted receipts)** **\$168,312**

The Budget includes \$1.7 million for actuary services within the Insurance Regulation division, an increase of \$168,312 to fund a 10.0 percent contractually-required inflationary increase.



**OFFICE OF CANNABIS REGULATION**

The FY2020 Budget established the Office of Cannabis Regulation within the Department of Business Regulation. The division is responsible for licensing the medical marijuana program, cannabidiol (CBD) products and would be responsible for the proposed adult-use marijuana market. The division is funded entirely by restricted receipts. After all expenditures are paid, the remaining funds are transferred to the general fund.

<b>Office of Cannabis Regulation</b>	<b>Other Fund Changes</b>
Adult-Use Marijuana	\$3,929,463
Medical Marijuana Program	(452,867)

**Adult-Use Marijuana (restricted receipts) \$3.9 million**

Article 11 of the Budget proposes legalizing the recreational, adult-use of marijuana, licensed and regulated by the Office of Cannabis Regulation (OCR), increasing restricted receipt expenditures within the Office of Cannabis Regulation by \$3.9 million, of which \$1.2 million is for the purchase of seed-to-sale software and \$1.2 million is for the administrative costs of the market including record keeping, office-related expenses, and obtaining outside legal counsel.

The Budget includes a \$1.5 million increase in restricted receipts to fund 13.0 FTEs to support the operations of the proposed adult-use marijuana market. This includes 4.0 Chief Public Protection Inspectors, 2.0 Licensing Aides, 2.0 Economic and Policy Analysts, 2.0 Interdepartmental Project Managers, 1.0 Administrative Officers, 1.0 Chief of Inspections, and 1.0 Investigative Auditors. The proposed positions have an average salary of \$67,440 and an average total cost of \$113,804 per FTE.

**Medical Marijuana Program (restricted receipts) (\$452,867)**

The Budget reduces restricted receipts by \$452,867 within the medical marijuana program. This includes \$252,867 in personnel to reflect the elimination of 1.0 Senior Policy Analyst and 1.0 Legal Counsel. The Budget decreases software maintenance agreements by \$200,000.

**OFFICE OF HEALTH INSURANCE COMMISSIONER**

The Office of the Health Insurance Commissioner (OHIC) was established by legislation in 2004 to broaden the accountability of health insurers operating in the State of Rhode Island. Through FY2011, this sub-program was contained in the Insurance Regulation program; however, it became a stand-alone program in the FY2012 Budget as Enacted.

The Health Insurance Commissioner is appointed by the Governor with the advice and consent of the Senate. OHIC regulates health insurers and hospital/medical service corporations, including company licensure, form and rate filing for regulatory compliance, and financial and market condition examinations. The Office is also engaged in policy and legislative development, rate hearing administration, regulatory development and promulgation, consumer affairs, and provider affairs.

<b>Office of the Health Insurance Commissioner</b>	<b>General Revenue</b>
FY2021 Enacted	\$1,710,887
<i>Target and Other Adjustments</i>	<i>17,847</i>
<b>FY2022 Governor</b>	<b>\$1,728,734</b>

<b>Office of the Health Insurance Commissioner</b>	<b>Other Fund Changes</b>
Director of Consumer Protection	\$126,867

**Director of Consumer Protection (restricted receipts) \$126,867**

The Budget increases restricted receipts by \$126,867 to reflect a new FTE that will oversee pre-examination analyses and examinations within the Office of the Health Insurance Commissioner (OHIC). Pre-examinations and examinations allow OHIC to collect and analyze information to identify if insurers have

policies or practices that may pose potential harm to consumers or if their activities may violate state or federal laws or regulations. Costs of the FTE would be the responsibility of the examined insurers. The article also establishes the Health Insurance Regulation and System Planning Cost Recovery restricted receipt account to be utilized for OHIC to collect the costs and conduct pre-examinations and examinations.

### SECURITIES REGULATION

Securities Regulation is responsible for the registration of certain securities, and the licensing and regulation of broker-dealers, sales representatives, certain investment advisers, and certain investment adviser representatives.

<b>Securities Regulation</b>	<b>General Revenue</b>
FY2021 Enacted	\$691,321
<i>Target and Other Adjustments</i>	<i>2,351</i>
Turnover	123,446
<b>FY2022 Governor</b>	<b>\$817,118</b>

**Turnover** **\$123,446**

The FY2021 Budget as Enacted included \$123,446 within Securities Regulation turnover savings which are eliminated in the FY2022 Governor's Budget. The eliminated savings are equivalent to 0.9 FTEs. The agency averaged 14.4 vacancies over FY2021.

### CAPITAL PROJECTS

The Budget includes including \$100,000 for asset protection for the Fire Marshal buildings, for a total of \$500,000 from FY2022 through FY2026. Upcoming projects include carpet cleaning, replacement of air and system filters, and painting work for the office located on Jefferson Boulevard in Warwick and the Fire Academy located in Exeter.

## Department of Labor and Training

Expenditures By Program	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$0.7	\$0.9	\$0.9	\$0.0	0.1%	\$0.8	(\$0.1)	-8.0%
Income Support	1,674.2	1,606.0	2,330.4	724.4	45.1%	589.7	(1,016.3)	-63.3%
Injured Workers Services	9.3	12.0	12.0	0.0	0.2%	11.2	(0.8)	-6.6%
Labor Relations Board	0.4	0.4	0.4	0.0	0.2%	0.5	0.1	26.3%
Workforce Development Services	24.0	27.0	29.1	2.1	7.8%	19.7	(7.3)	-26.9%
Governor's Workforce Board	21.5	63.0	55.3	(7.7)	-12.2%	22.3	(40.7)	-64.6%
Workforce Regulation and Safety	3.2	3.1	3.1	0.0	0.3%	3.5	0.4	14.0%
<b>Total</b>	<b>\$1,733.3</b>	<b>\$1,712.3</b>	<b>\$2,431.2</b>	<b>\$718.8</b>	<b>42.0%</b>	<b>\$647.7</b>	<b>(\$1,064.6)</b>	<b>-62.2%</b>

Expenditures By Source								
General Revenue	\$14.0	\$14.1	\$14.1	\$0.0	0.1%	\$17.7	\$3.6	25.7%
Federal Funds	1,052.9	1,044.6	1,763.5	718.9	68.8%	113.5	(931.2)	-89.1%
Restricted Receipts	28.5	26.3	26.7	0.4	1.5%	29.1	2.7	10.3%
Other Funds	637.9	627.3	626.8	(0.4)	-0.1%	487.5	(139.8)	-22.3%
<b>Total</b>	<b>\$1,733.3</b>	<b>\$1,712.3</b>	<b>\$2,431.2</b>	<b>\$718.8</b>	<b>42.0%</b>	<b>\$647.7</b>	<b>(\$1,064.6)</b>	<b>-62.2%</b>

Authorized FTE Levels	390.7	425.7	425.7	-	-	462.7	37.0	8.7%
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\$ in millions. Totals may vary due to rounding.

The Department of Labor and Training is charged with providing an array of employment and training services to Rhode Islanders and administering the laws pertaining to workforce regulation, safety and labor law enforcement. The Department consists of six divisions: Central Management, Income Support, Injured Workers Services, the Labor Relations Board, Workforce Development Services and Workforce Regulation and Safety.

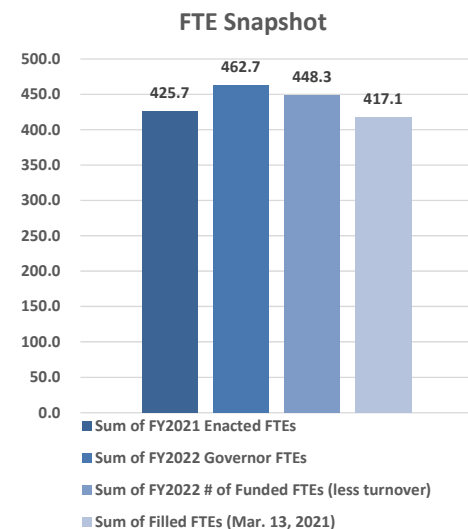
### MAJOR ISSUES AND TRENDS

The Budget includes \$647.7 million in total expenditures for FY2022, including \$17.7 million in general revenue, an increase of \$3.6 million over the FY2021 enacted level.

The \$3.6 million increase in general revenue is mainly related to an additional \$3.0 million in funding within the Governor's Workforce Board for the Real Jobs RI program. The increase in restricted receipts is mostly associated with an additional \$2.2 million that will be used to support the Employer Tax Unit. The Budget includes the transfer of this Unit from the Department of Revenue to the Department of Labor and Training. The Budget also includes \$1.5 million in federal funds for this transfer.

The decrease in federal and other funds are related to funding that was provided to support unemployment insurance during the COVID-19 pandemic. The Department experienced additional demand for unemployment benefits resulting in the need for additional funding.

The Budget authorizes 462.7 positions in FY2022, an increase of 37.0 FTE positions from the FY2021 Enacted levels. This includes an additional 2.0 FTE investigatory positions within the Workplace Fraud Unit which enforces laws pertaining to the misclassification of employees, wage and hour issues, and the State's prevailing wage requirements for public works construction projects. The Budget



also includes an additional 35.0 FTE positions related to the transfer of the Employer Tax Unit from the Department of Revenue.

### CENTRAL MANAGEMENT

The Central Management program is responsible for supervising, coordinating, and monitoring all departmental functions. The Central Management program provides leadership, management, strategic planning, and control of departmental activities.

<b>Central Management</b>	<b>General Revenue</b>
FY2021 Enacted	\$676,044
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<i>Targets and Other Adjustments</i>	<i>306</i>
<b>FY2022 Governor</b>	<b>\$676,350</b>

### GOVERNOR'S WORKFORCE BOARD

The Governor's Workforce Board (GWB) was created by the General Assembly in 2011 to be the lead coordinator for all workforce development efforts in the State. The GWB manages partnerships with workforce partners to invest in impactful workforce development including:

- **Real Jobs Rhode Island (RJRI):** Created by the Governor in 2015, the RJRI program invests in sector-based intermediaries who serve as RJRI Partners and enables them to design and implement their own initiatives to serve their industry's needs.
- **Real Pathways RI:** The Real Pathways program supports partnerships between public, private, and nonprofit agencies, and focuses on populations with barriers to employments, such as veterans and homeless. The program also focuses on areas in the state with above average concentrations of poverty and unemployment.
- **Real Skills for Youth:** The Real Skills for Youth program was developed in 2018 and focuses on preparing youth for success in college and careers through career exposure, skill-building, and work-based learning.

Article 11 of the FY2019 Budget included an adjustment to the Job Development Assessment, for tax year 2019 only, allowing the Department to divert an amount, up to 75.0 percent of the Employment Security Fund's investment earnings for 2018, to the Job Development Fund (JDF). Since 1989 Rhode Island employers have paid a Job Development Assessment (JDA) to support workforce development activities. The JDA is collected with the State's payroll and unemployment insurance taxes.

The FY2019 adjustment holds both employers and employees harmless as it does not increase an employer's total unemployment tax liability but alters where the funds are deposited. For tax year 2019 only, less money was deposited into the Employment Security Trust Fund and more was directed towards the Job Development Fund.

The FY2021 Budget began including the Governor's Workforce Board as a separate program, rather than a subprogram under Workforce Development Services.

<b>Governor's Workforce Board</b>	<b>General Revenue</b>
FY2021 Enacted	\$5,450,000
<i>Targets and Other Adjustments</i>	
Real Jobs Rhode Island	3,000,000
<b>FY2022 Governor</b>	<b>\$8,450,000</b>
<b>Governor's Workforce Board</b>	<b>Other Funds</b>
Back to Work RI (federal funds)	(\$45,000,000)

**Real Jobs Rhode Island****\$3.0 million**

The Budget includes \$8.5 million in general revenues to support the Real Jobs Rhode Island (RJRI) program in FY2022, an increase of \$3.0 million above enacted levels. The additional funding will be used to support new partnerships across the state, allowing employers to have access to a trained and educated workforce that fits their needs. The program, now in its sixth year of operating, serves employers and participants by investing in sector-based intermediaries who serve as RJRI Partners, enabling employers to design and implement tailored initiatives to serve their industry.

As of March 2021, the RJRI program has created 43 partnerships and served 2,032 businesses within 16 different sectors. This has allowed the program to place over 5,500 new hires and upskill 6,600 incumbent workers. On average, 72.0 percent of workers who complete a training are hired upon completion with an average wage placement of \$33,766.

**Back to Work RI (federal funds)****(\$45.0 million)**

The FY2021 Budget as Enacted included \$45.0 million for the Back to Work RI program. The program partnered with employers to help Rhode Island residents who were impacted by COVID-19 secure employment. As of December 11, 2020, the Back to Work RI program has helped over 2,000 people secure new unemployment within 50 companies.

The Back to Work RI program leveraged existing RJRI platforms to provide a timely response in job training during the pandemic. Work done through this program will continue through the existing RJRI platform.

**INCOME SUPPORT**

The Income Support program encompasses all functions and activities related to the Unemployment Insurance program, which provides temporary income support to workers who have lost employment through no fault of their own; Temporary Disability Insurance (TDI), which provides benefits to individuals who are unable to work due to non-work related illness or injury; and, the Police and Firefighters' Relief Funds, which provide financial compensation to police officers, firefighters, or their families for death or disabling injuries.

<b>Income Support</b>	<b>General Revenue</b>
FY2021 Enacted	\$3,811,689

<i>Targets and Other Adjustments</i>	1,478
Police and Firefighters' Relief Fund	(11,500)
Unemployment Insurance Benefit Statistics	Informational
<b>FY2022 Governor</b>	<b>\$3,801,667</b>

<b>Income Support</b>	<b>Other Funds</b>
Unemployment Benefits (federal funds/other funds)	(\$1,002,409,800)
Employer Tax Unit (federal funds/restricted receipts)	\$3,745,387

***Police and Firefighters' Relief Fund*** ***(\$11,500)***

The Budget includes a decrease of \$11,500 in general revenue for Police and Firefighters' annuity and tuition benefits, reflecting a decline in the need of services. This reflects a decrease of \$20,000 in annuity benefits paid to the families of deceased or injured firefighters. This decrease is partially offset by an increase of \$8,500 in annuities and tuition benefits paid to the families of deceased police officers

	FY2021	FY2022	
<b>Police Officers' Relief Fund</b>	<b>Enacted</b>	<b>Governor</b>	<b>Change</b>
Police Officer Annuities	\$700,000	\$707,000	\$7,000
Tuition Benefits	150,000	151,500	1,500
Supplemental Pension	-	-	-
<b>Total</b>	<b>\$850,000</b>	<b>\$858,500</b>	<b>\$8,500</b>
<b>Firefighters' Relief Fund</b>			
Firefighter Annuities	\$2,520,000	\$2,500,000	(\$20,000)
Tuition Benefits	330,000	330,000	-
Supplemental Pension	-	-	-
<b>Total</b>	<b>\$2,850,000</b>	<b>\$2,830,000</b>	<b>(\$20,000)</b>
<b>Grand Total</b>	<b>\$3,700,000</b>	<b>\$3,688,500</b>	<b>(\$11,500)</b>

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.

***Unemployment Insurance Benefit Statistics*** ***Informational***

Rhode Island currently ranks among the top 21 highest UI benefits paid nationally, and has the fourth highest average UI benefits paid in New England.

12 Months Ending 4th Quarter 2020  
Average UI Benefits Paid

State	Amount	New England	National
Massachusetts	\$6,620	1	5
Connecticut	6,254	2	6
Vermont	4,838	3	19
<b>Rhode Island</b>	<b>4,324</b>	<b>4</b>	<b>21</b>
Maine	4,216	5	26
New Hampshire	2,603	6	44

Source: US Dept. of Labor/UI Data Summary

12 Months Ending 4th Quarter 2020  
Average Weekly UI Benefits Paid

State	Amount	New England	National
Massachusetts	\$468.69	1	3
<b>Rhode Island</b>	<b>366.71</b>	<b>2</b>	<b>19</b>
Vermont	360.29	3	20
Connecticut	332.59	4	29
Maine	312.02	5	32
New Hampshire	281.71	6	39

Source: US Dept. of Labor/UI Data Summary

As of July 1, 2020  
Maximum Weekly UI Benefit

State	Amount	New England	National
Massachusetts	\$823	1	2
Connecticut	649	2	5
<b>Rhode Island</b>	<b>599</b>	<b>3</b>	<b>9</b>
Vermont	531	4	16
Maine	462	5	25
New Hampshire	427	6	35

Source: US Dept. of Labor

As of July 1, 2020  
Maximum Weekly UI Benefit with Dependents Allowance

State	Rate	New England	National
Massachusetts	\$1,234	1	1
<b>Rhode Island</b>	<b>748</b>	<b>2</b>	<b>3</b>
Connecticut	724	3	5
Maine	693	4	7
Vermont	531	5	21
New Hampshire	427	6	35

\* No dependent's benefit provision

Source: US Dept. of Labor

**Unemployment Benefits (federal funds/other funds)****(\$1,002.4 million)**

The FY2022 Budget includes \$70.0 million in federal funds and \$250.0 million in other funds for unemployment insurance benefits, this is a decrease of \$877.4 million in federal funds and \$125.0 million in other funds from the FY2021 Budget as Enacted. These additional funds were required in FY2021 due to the COVID-19 pandemic. The Department experienced an uptick in individuals applying for unemployment insurance requiring additional federal funds to meet the demand for the additional claims.

The federal government also made a number of changes to unemployment insurance regulations as a result of the pandemic, including increasing the length of time a person may collect unemployment insurance up to 79 weeks and including an additional supplemental payment for eligible individuals. Beginning in April 2020 the Department of Labor and Training was authorized to provide supplemental payments to individuals collecting unemployment. This additional payment was \$600/week from April 4, 2020 through July 31, 2020. An additional payment of \$300/week began again on January 2, 2021, and has been extended through September 4, 2021, at a rate of \$300/week.

As of April 16, 2021, the Unemployment Insurance Trust Fund had a balance of \$125.4 million compared to \$524.3 million in March 2020 and the State has paid \$645.6 million in benefits out of the UI Trust fund and \$2.5 billion in benefits from federal unemployment insurance funds.

	As of March 9, 2020	As of April 16, 2021	Difference
<b>UI Trust Fund Balance</b>	\$524,279,400	\$125,382,240	(\$398,897,160) -76.1%

As of April 16, 2021	
Amount Paid out of UI Trust Fund	\$645,561,409
Federal UI Benefits Paid	\$2,490,176,308
<b>Total</b>	<b>\$3,135,737,717</b>

**Employer Tax Unit (federal funds/restricted receipts)****\$3.7 million**

The Budget includes an additional \$1.5 million in federal funds and \$2.2 million in restricted receipts to support the relocation of the Employer Tax Unit from the Department of Revenue to the Department of Labor and Training. This transfer includes 35.0 FTE positions. The Employer Tax Unit administers the unemployment tax, the temporary disability tax, and the job development assessment tax. These taxes are used to fund Unemployment Insurance (UI) benefits and Temporary Disability Insurance (TDI) benefits. Although the Employer Tax Unit has been housed in DOR, the funding they collect is used for DLT benefit programs. The transfer is intended to centralize the unit's efforts related to UI and TDI benefits.

**INJURED WORKERS SERVICES**

The Injured Workers Services program operates the State's Workers' Compensation System. The Donley/Arrigan Rehabilitation Center provides evaluations, therapy, and counseling for workers injured on the job. A Workers' Compensation Education Unit provides information to workers and employers regarding workers' compensation laws and regulations. This program has no general revenue funding.

<b>Injured Workers Services</b>	<b>Other Funds</b>
Arrigan Center (restricted receipts)	(\$379,996)
Second Injury Fund Operation (restricted receipts)	(\$159,337)

**Arrigan Center (restricted receipts)****(\$379,996)**

The Budget includes a decrease of \$379,996 in restricted receipts for the Arrigan Center. The Department anticipated opening an additional South County Arrigan Center in FY2021; however, this center was not opened at the additional building and equipment costs have been removed.

The Arrigan Center is a non-profit outpatient rehabilitation facility located in Providence. The Arrigan Center provides services as a benefit of the State's Worker's Compensation system, therefore no fees are charges to patients and insurance authorization is not required for treatment.

**Second Injury Fund Operation (restricted receipts)****(\$159,337)**

The Budget includes a restricted receipt decrease of \$159,337 for the Second Injury Fund. This fund covers work-related injuries that, when combined with a pre-existing disability, produces either a total disability or a more permanent disability than would have resulted from the subsequent injury alone. The reduction is related to a decrease in eligible persons participating in the program.



**LABOR RELATIONS BOARD**

The Labor Relations Board is a semi-autonomous body that makes public sector bargaining unit determinations, oversees collective bargaining elections, and investigates charges of unfair labor practices. The Board is comprised of seven members, one of which is designated as the chairperson. The board members are compensated, but do not participate in the State Retirement System and are not considered State employees.

<b>Labor Relations Board</b>	<b>General Revenue</b>
FY2021 Enacted	\$374,938
<i>Targets and Other Adjustments</i>	
Personnel	10,075
<b>FY2022 Governor</b>	<b>\$473,658</b>
<b>Personnel</b>	<b>\$88,645</b>

The Budget includes an increase of \$88,645 in general revenues for personnel costs within the Labor Relations Board. This increase supports the 2.0 FTE staff members that work for the Labor Relations Board as well as the paid board members. The FY2021 Budget inadvertently decreased salary and benefits for these positions, the FY2022 Budget returns funds to FY2020 actual levels.

**WORKFORCE DEVELOPMENT SERVICES**

The Workforce Development Services program works to administer employment and training programs to match job-seekers with suitable employment. The Employment Services subprogram provides a variety of services including, employment counseling, occupational exploration, career guidance, and referrals to training programs. The Workforce Innovation and Opportunity Act subprogram provides employment and training programs to prepare youth, unskilled adults, and dislocated workers for re-entry into the labor force. The Trade Adjustment Assistance (TAA) subprogram provides benefits and educational assistance to workers who have lost their jobs or whose hours have been reduced due to increased imports or a shift in production out of the United States. The Department works with the U.S. Department of Labor to file petitions on behalf of affected workers. The Alternative Trade Adjustment Assistance program provides support services to individuals who are 50 years or age and older. The RI Works program provides services to beneficiaries of Temporary Assistance for Needy Families (TANF).

<b>Workforce Development Services</b>	<b>General Revenue</b>
FY2021 Enacted	\$704,517
<i>Targets and Other Adjustments</i>	
Opportunities Industrialization Center of RI Grant	-
<b>FY2022 Governor</b>	<b>\$100,000</b>
<b>Workforce Development Services</b>	<b>\$804,517</b>
Federal Assistance and Grants (federal funds)	(5,798,729)
<b>Opportunities Industrialization Center of RI Grant</b>	<b>\$100,000</b>

The Budget includes \$100,000 in general revenue to support a grant for the Opportunities Industrialization Center of RI.

*Analyst Note: According to the Department, the Opportunities Industrialization Center of RI no longer exists and this funding will not be needed for this purpose.*

**Federal Assistance and Grants (federal funds)****(\$5.8 million)**

The Budget includes \$12.4 million, a decrease of \$5.8 million from FY2021 enacted levels, in federal funds for workforce development programs primarily due to expiring grants. Some of these grants include:

- **America's Promise:** Provides funding to assist workers in gaining experience and skills that allow the worker to upgrade their position in high-growth employment sectors of the economy. This grant ends in FY2021 and the FY2022 Budget does not include any funding, resulting in a \$830,823 decrease from enacted levels
- **National Health Emergency Opioid Crisis Grant:** This grant provides support through the Governor's Recovery Through Opportunity (RTO) program, which provides training and services to workers impacted by the opioid crisis. The program also works to build a skilled workforce in professions necessary to impact the cause and treatment of the opioid crisis. This grant ends in FY2021 and the FY2022 Budget does not include any funding, resulting in a \$1.8 million decrease from enacted levels.
- **Dislocated Worker Grants:** This grant provides funding for significant dislocation events. DLT's Rapid Response team provides services for closing businesses and dislocated workers. This grant ends in FY2021 and the FY2022 Budget does not include any funding, resulting in a \$1.8 million decrease from enacted levels.

**WORKFORCE REGULATION AND SAFETY**

The Workforce Regulation and Safety Program is comprised of multiple units that work to enforce laws relating to professional regulation, labor standards, occupational health and safety, and certification of weights and measures. The Labor Standards unit enforces labor laws and provides worker protections. The Occupational Safety unit enforces laws relating to safety compliance, elevators, boilers, hazardous substances, and weights and measures. The Trade Licensing Unit licenses technical professions and monitors and enforces trade laws pertaining to electricians, hoisting engineers, pipefitters, refrigeration technicians, sprinkler fitters, plumbers, sheet metal workers, and telecommunications technicians. The Registered Apprenticeship unit registers apprenticeship training programs. The Prevailing Wage unit works to prevent unfair compensation and worker exploitation.

<b>Workforce Regulation and Safety</b>	<b>General Revenue</b>
FY2021 Enacted	\$3,103,811
<i>Targets and Other Adjustments</i>	
Personnel	(64,604)
<b>FY2022 Governor</b>	<b>\$3,536,925</b>
<b>Personnel</b>	<b>\$497,718</b>

The Budget includes an additional \$497,718 in general revenue for personnel expenditures. This includes an additional \$167,748 to support the hiring of 2.0 FTE positions to work on misclassification fraud investigations and fraud efforts. The remaining increase in funds fully funds the Program's personnel through general revenues. In the past this program has been partially supported through Tardy and Interest funding restricted receipts.

This program was previously funded by both general revenues and Tardy and Interest restricted receipts. Fully funding this program with general revenue would allow all Tardy and Interest restricted receipt funding to support UI Administration. 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.

**CAPITAL PROJECTS**

The Budget includes no RICAP funding in FY2022. Starting in FY2020, the Department of Administration began overseeing all of the Department of Labor and Training's facilities.



## Department of Revenue

Expenditures By Program	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
	Actual	Enacted	Governor	Enacted	Enacted	Governor	Enacted	Enacted
Director of Revenue	\$2.0	\$1.9	\$48.7	\$46.7	2,402.0%	\$1.8	(\$0.1)	-6.6%
Division of Collections	0.7	0.8	0.8	0.0	0.3%	0.8	0.0	4.9%
Lottery Division	268.2	434.6	434.7	0.1	0.0%	434.4	(0.2)	0.0%
Municipal Finance	2.3	2.1	2.1	0.0	0.2%	1.7	(0.4)	-19.2%
Office of Revenue Analysis	0.8	0.9	0.9	0.0	0.3%	0.9	0.0	0.5%
Registry of Motor Vehicles	29.3	32.8	33.6	0.8	2.5%	32.0	(0.8)	-2.5%
State Aid	150.3	198.2	198.2	-	-	200.6	2.5	1.2%
Taxation	31.0	35.5	35.8	0.3	0.8%	34.2	(1.3)	-3.7%
<b>Total</b>	<b>\$484.4</b>	<b>\$706.7</b>	<b>\$754.7</b>	<b>\$47.9</b>	<b>6.8%</b>	<b>\$706.4</b>	<b>(\$0.3)</b>	<b>0.0%</b>

Expenditures By Source								
General Revenue	\$210.2	\$127.2	\$127.4	\$0.1	0.1%	\$267.2	\$140.0	110.0%
Federal Funds	1.7	138.1	185.7	47.5	34.4%	\$0.5	(137.6)	-99.7%
Restricted Receipts	3.2	5.6	5.8	0.2	3.7%	\$4.1	(1.4)	-25.6%
Other Funds	269.3	435.8	435.9	0.0	0.0%	\$434.5	(1.3)	-0.3%
<b>Total</b>	<b>\$484.4</b>	<b>\$706.7</b>	<b>\$754.7</b>	<b>\$47.9</b>	<b>6.8%</b>	<b>\$706.4</b>	<b>(\$0.3)</b>	<b>0.0%</b>

Authorized FTE Levels	602.5	602.5	602.5	-	-	574.5	(28.0)	-4.6%
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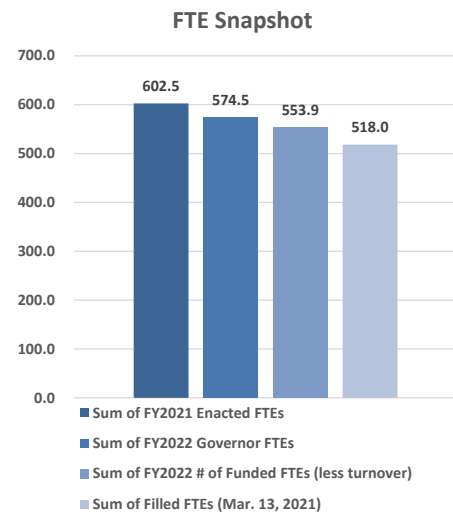
*\$ in millions. Totals may vary due to rounding.*

The Department of Revenue (DOR) was created as a separate department within the executive branch of government as part of the FY2007 Budget as Enacted. The Department is headed by a Director who is appointed by the Governor subject to the advice and consent of the Senate. The Department has eight program functions consisting of the Director's Office, the Division of Collections, the Lottery Division, Municipal Finance (formerly property valuation), the Office of Revenue Analysis (ORA), the Division of Motor Vehicles (DMV), the State Aid program, and the Division of Taxation.

### MAJOR ISSUES AND TRENDS

The Governor recommends \$754.7 million from all funds in the FY2021 Revised Budget, \$47.9 million more than the enacted level and \$270.2 million more than actual expenditures in FY2020. These large net increases are primarily the result of pandemic-related spending changes. Casino and gaming activity was severely curtailed in FY2020 as a result of pandemic restrictions, with commissions and prize payments down \$125.3 million from FY2019. The 2020 November Revenue Estimating Conference estimated that prize payments would grow 66.0 percent to \$162.7 million in FY2021 as the State starts to recover and gambling increases. Also contributing to the net all funds increase in FY2021 is an additional \$47.8 million for State Aid programs administered by the Division of Municipal Finance. The net increase includes an \$88.7 million State Aid general revenue savings made possible by the addition of \$136.5 million in federal Coronavirus Relief Funds (CRF) for cities and towns.

The \$47.9 million net increase in the FY2021 Revised Budget as compared to the FY2021 enacted level is also related to pandemic spending changes. The Governor tasked DOR with distributing \$46.1 million in



CRF funds to provide direct relief payments to assist businesses impacted by pandemic restrictions. An additional \$625,000 of CRF was used to repair damage to the offices of Division of Taxation.

The Budget also includes a net \$140.0 million increase in general revenue (\$339,595 all funds reduction) for the DOR and a net reduction of 28.0 FTE positions in FY2022. Major budget initiatives include:

- **Division of Collections:** Article 3 permanently authorizes the Department of Revenue's Division of Collections by eliminating its statutorily prescribed June 30, 2021, sunset date. The Division was established in July 2018 to assist state agencies in the collection of debts owed to the State. As of March 17, 2021, the Division has collected a total of \$1.0 million in FY2021 and \$1.5 million in total since it was established.
- **License Plate Reissuance Delay:** The Governor delays the license plate reissuance from June 1, 2020, to July 1, 2022. Under RIGL 33-3-33, the DMV is required to issue new reflective license plates for all registered vehicles every 10 years. This would be the ninth time the mandated reissuance has been delayed since it was first required in 2011. The delay is estimated to reduce general revenue collections by \$3.4 million in FY2022. There are no funds provided in FY2022 to implement the reissuance.
- **CDL Road Test Administration:** The Governor transfers the administration of skills testing for commercial driver licensing (CDL) from the Community College of Rhode Island (CCRI) to the Division of Motor of Motor Vehicles (DMV). The Budget provides \$132,961 in personnel and operating expenses to the DMV in FY2022 for this new responsibility. These costs are offset by a \$32,101 reduction in payments made by the DMV to CCRI and \$94,000 in expected general revenue from testing fees.
- **State Aid:** The Budget includes \$198.1 million in general revenue across the three major Direct State Aid programs in FY2022. The FY2021 Budget as Enacted appropriated federal Coronavirus Relief Funds for these programs in addition to general revenue. These federal funds are not available in FY2022. The following tables summarize FY2021 and FY2022 appropriations by program:

Source	Payment in Lieu of Taxes	Distressed Communities Relief Fund	Motor Vehicle Excise Tax	Proportional Aid	FY2021 Total
General Revenue	\$19.2	\$2.6	\$37.7	-	\$59.5
CRF Muni Aid	26.9	9.8	74.8	-	111.5
<b>Subtotal</b>	<b>\$46.1</b>	<b>\$12.4</b>	<b>\$112.6</b>	<b>-</b>	<b>\$171.0</b>
CRF Muni Aid (Bonus)	4.6	1.4	11.2	7.8	25.0
<b>Total</b>	<b>\$50.7</b>	<b>\$13.8</b>	<b>\$123.8</b>	<b>\$7.8</b>	<b>\$196.1</b>

\$ in millions

Source	Payment in Lieu of Taxes	Distressed Communitie s Relief Fund	Motor Vehicle Excise Tax	Proportional Aid	FY2022 Total	Change v. FY2021
General Revenue	\$46.1	\$12.4	\$139.7	-	\$198.1	\$138.6 232.9%
CRF Muni Aid	-	-	-	-	-	(111.5) -100.0%
<b>Subtotal</b>	<b>\$46.1</b>	<b>\$12.4</b>	<b>\$139.7</b>	<b>-</b>	<b>\$198.1</b>	<b>\$27.1 15.8%</b>
CRF Muni Aid (Bonus)	-	-	-	-	-	(25.0) -100.0%
<b>Total</b>	<b>\$46.1</b>	<b>\$12.4</b>	<b>\$139.7</b>	<b>-</b>	<b>\$198.1</b>	<b>\$2.0 1.0%</b>

\$ in millions

- **Employer Tax Unit:** Article 3 of the Budget transfers the Employer Tax Unit and 35.0 FTE positions from the Department of Revenue (DOR) to the Department of Labor and Training (DLT). The transfer is intended to centralize the unit's efforts related to UI and TDI benefits. The Employer Tax Unit administers the unemployment tax, the temporary disability tax, and the job development assessment tax. These taxes are used to fund Unemployment Insurance (UI) benefits and Temporary Disability Insurance (TDI) benefits.

## DIRECTOR OF REVENUE

The Office of the Director is responsible for the administration of the Department. Functions include personnel management and legal support for the Department of Revenue.

<b>Director of Revenue</b>	<b>General Revenue</b>
FY2021 Enacted	\$1,945,426
<i>Target and Other Adjustments</i>	<i>15,528</i>
Internal Service Charges - Human Resources	(143,681)
<b>FY2022 Governor</b>	<b>\$1,817,273</b>
<b>Director of Revenue</b>	<b>Other Funds</b>
Pandemic Relief for Business (federal funds)	(\$46,100,000)
Office Repair (federal funds)	(625,000)
<b>Internal Service Charges – Human Resources</b>	<b>(\$143,681)</b>

The Budget includes a \$143,681 reduction in general revenue centralized services spending as compared to the FY2021 enacted level. The savings reflects the office's adjusted percentage share of human resources services based on its activity in FY2021.

### **Pandemic Relief for Business (federal funds) (\$41.6 million)**

For FY2021, the Budget includes \$46.1 million of federal CRF funds, equivalent to the enacted level, to assist businesses impacted by the pandemic. In response to increased COVID-19 infections the Governor initiated a three-week "pause" in November 2020 that reclosed many restaurants, gyms, and other businesses. To mitigate the financial impact, the Governor used \$46.1 million in CRF funds to provide direct relief payments to these businesses. The program is administered by the Director of Revenue and uses the Division of Taxation's refund payment system to get money to businesses. The FY2022 Budget does not include funding for this program.

### **Office Repair (federal funds) (\$625,000)**

For FY2021, the Budget includes \$625,000 of CRF funds, equivalent to the enacted level, to be used to repair and refurbish DOR facilities. In June 2020, the Division of Taxation's office were extensively damaged as the result of a fire-bombing that occurred during protests in Providence. CRF funding was used to repair damage to the offices of Division of Taxation, replacing carpets, cubicles, and other equipment. The space was refurbished in a manner that allowed it to operate safely during the pandemic. The Governor does not include this funding FY2022.

## DIVISION OF COLLECTIONS

The Division of Collections was established in FY2019 to assist State agencies in the collection of delinquent debt. The Division enters into agreements with willing State agencies to transfer the debts to the Division, which are remitted back to the appropriate agency once successfully recovered.

Division of Collections	General Revenue
FY2021 Enacted	\$790,223
<i>Target and Other Adjustments</i>	<i>(5,000)</i>
Salary and Benefits Changes	43,546
Permanent Authorization	Informational
<b>FY2022 Governor</b>	<b>\$828,769</b>

**Salary and Benefits Changes****\$43,546**

The Budget includes a net \$43,546 increase in general revenue for personnel costs within the Division of Collections. The Division has 8.0 FTE positions, including 1.0 Chief of Legal Services that runs the unit. Included in these funds is the restoration of \$10,250 in general revenue personnel expenditures that were included as savings in the FY2021 Budget as Enacted related to furloughed employees eligible to participate in the State's Workshare program. Two employees in the Division of Collections participated in the program. The Workshare program allowed the State to achieve savings in the wake of the devastating financial impact of COVID-19. Through this program, eligible full-time employees were allowed to work 60.0 percent of their regular weekly hours (three business days) from June 14, 2020, to September 5, 2020. The remaining \$33,296 is related to other statewide changes in healthcare and fringe benefits, and other personnel changes.

**Permanent Authorization****Informational**

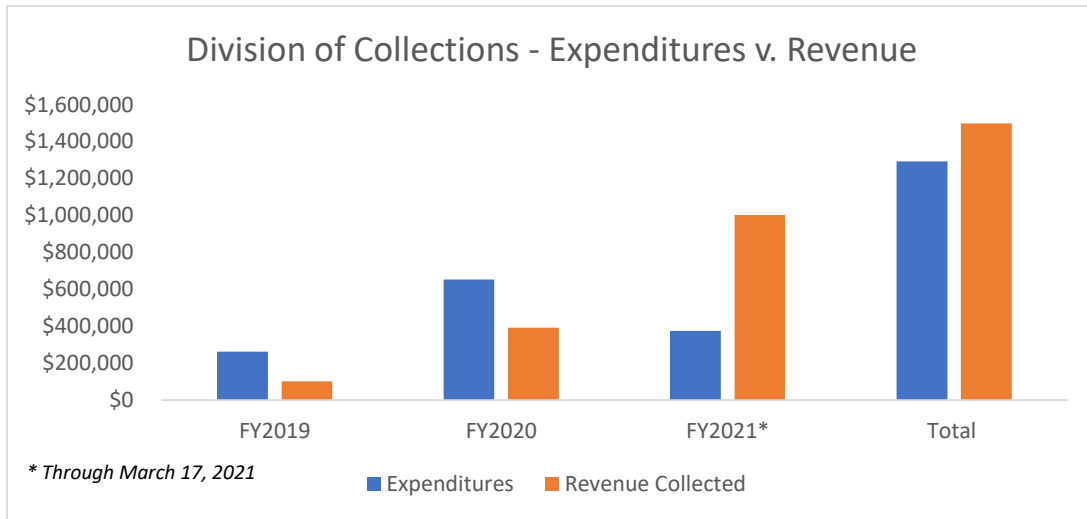
Article 3 of the Budget permanently authorizes the Department of Revenue's Division of Collections by eliminating the statutory sunset date of June 30, 2021.

The FY2019 Budget as Enacted established the unit as a three-year demonstration pilot designed to improve the collection of delinquent debts owed to State agencies. The Division of Collections relies on agencies to voluntarily engage with it and enter into Memorandums of Understanding (MOUs) for its services. Implementation of the program began on July 1, 2018, and is set to expire on June 30, 2021. The program required several months to fully operationalize and the first revenues were collected in January 2019. The unit began in 2018 with a general revenue budget of \$601,755 and 7.0 FTE positions. In FY2021, it operates with 8.0 FTE positions and general revenue funding of \$792,634. For FY2022, the Governor recommends 8.0 FTE positions and a general revenue budget of \$828,769.

*Analyst Note: The Governor's FY2021 Budget recommended making State agency participation mandatory; however, this was not included in the FY2021 Budget as Enacted or recommended in the Governor's FY2022 Budget.*

When the unit was initially proposed, the Governor indicated that the pilot unit would be a precursor to a fully mobilized collections division, and the authorizing legislation provided for an evaluation report on the performance of the pilot to be issued by September 1, 2020. At the November 2020 Revenue Estimating Conference, the DOR testified that since the pilot was established, 16 agencies have entered into 13 MOUs with the Division of Collections and 85 court cases have been filed. According to DOR, collections have increased over time. Total collections in the first quarter of FY2021 were \$170,175, with another \$84,462 in October 2020, as compared to \$392,392 in all of FY2020.





Agency	Total Principal Debt Referred	Principal Collected in FY2021	Interest & Fees Collected in FY2021	Total Collected in FY2021
DLT	\$4,848,994	\$73,019	\$1,664	\$74,683
DEM	358,285	28,302	210	28,512
Ethics Commission	141,856	845	0	845
DOA	59,711	3,910	18	3,928
Commission for Human Rights	19,920	-	-	-
DOH	2,000	1,400	1	1,401
Traffic Tribunal	28,504,525	765,742	4	765,746
DCYF	190,480	-	-	-
SOS	4,512	50	-	50
DMV	1,277,722	65,106	3,035	68,140
EOHHS	197,443	59,202	-	59,202
Board of Elections	13,925	925	27	952
Taxation	2,830,252	-	-	-
<b>Total</b>	<b>\$38,449,625</b>	<b>\$998,500</b>	<b>\$4,958</b>	<b>\$1,003,459</b>

Source: DOR - FY2021 Data through March 17, 2021

Article 3 repeals RIGL 42-142-8(q) which set the expiration date for the Division of Collections pilot at June 30, 2021. The amendment results in the permanent authorization of the program. Because current law does not permit unit operations in FY2022, the November 2020 Revenue Estimating Conference did not include revenues attributable to the Collections Unit in its estimates. The Governor's FY2022 Budget anticipates an additional \$1.4 million in revenue with the unit fully operational.

## LOTTERY DIVISION

The Rhode Island Lottery was created in 1974 and was transferred into the Department of Revenue in 2006. The Lottery is responsible for promoting and selling games, including Daily Numbers, Keno, instant games (scratch tickets), multi-state pool games (PowerBall and MegaMillions), and Lucky 4 Life regional game, as well as the authorization and licensing of video lottery terminals (VLTs), table games, and sports betting at Twin River Lincoln and Tiverton. No general revenues support the Division; it is entirely funded from other funds derived from Lottery sales.

<b>Lottery Division</b>	<b>Other Funds</b>
FY2021 Enacted	\$434,567,292
<i>Target and Other Adjustments</i>	<i>126,133</i>
Reduced Marketing Costs	(360,000)
Salary and Benefits Changes	52,628
<b>FY2022 Governor</b>	<b>\$434,386,053</b>

***Reduced Marketing Costs (other funds)*** ***(\$360,000)***

The Budget reduces marketing and print advertising costs from the Lottery Fund by \$360,000 for FY2022. According to the Office of Management and Budget (OMB), the Lottery Division is eliminating or reducing several media campaigns in the coming fiscal year (but unlikely to negatively impact overall gaming activity). There is a corresponding increase in the transfer from the Lottery Fund to the General Fund.

***Salary and Benefits Changes (other funds)*** ***\$52,628***

The Budget provides a net \$52,628 in additional personnel expenditures in FY2022 within the Lottery Division compared to the FY2021 Budget as Enacted. The Division has 106.0 FTE positions. Included in these funds is the restoration of \$35,222 in general revenue personnel expenditures that were included as savings in the FY2021 Budget as Enacted related to furloughed employees eligible to participate in the State's Workshare program. Six employees in the Lottery Division participated in the program. The Workshare program allowed the State to achieve savings in the wake of the devastating financial impact of COVID-19. Through this program, eligible full-time employees were allowed to work 60.0 percent of their regular weekly hours (three business days) from June 14, 2020, to September 5, 2020. The remaining \$17,406 is related to other statewide changes in healthcare and fringe benefits, and other personnel changes.

## **DIVISION OF MUNICIPAL FINANCE**

The Division of Municipal Finance (DMF) assists municipalities by providing data analysis and technical assistance as well as training on financial reporting, tax levy, and property valuation issues. The Division calculates the equalized property valuation information and State Aid distributions. The Motor Vehicle Value Commission is staffed by the Division and sets vehicle values that are subject to the motor vehicle excise tax. The Division plays an important role in administering the State's fiscal stability statutes. These laws provide a tiered set of interventions, from budget commissions to receiverships, when a municipality experiences financial distress.

<b>Municipal Finance</b>	<b>General Revenue</b>
FY2021 Enacted	\$2,125,828
<i>Target and Other Adjustments</i>	<i>(20,591)</i>
Assistance and Grants Changes	(421,466)
Salary and Benefits Changes	34,397
<b>FY2022 Governor</b>	<b>\$1,718,168</b>

***Assistance and Grants Changes*** ***(\$421,466)***

The Budget eliminates \$681,689 in general revenue from the Division's assistance and grants budget. The FY2021 Budget as Enacted included a one-time appropriation of \$681,689 to assist the City of Central Falls with operating and personnel costs as part of the State's ongoing financial partnership with the City following its emergence from bankruptcy in 2012. This appropriation is not included in FY2022. The Budget also includes \$260,223 in general revenue to pay the State's annually-required contribution towards the City of Central Falls pension liability. The payment is made by the Division to the Employee's Retirement System of Rhode Island.

**Salary and Benefits Changes****\$34,397**

The Budget provides a net \$34,397 in additional personnel expenditures in FY2022 within the Division of Municipal Finance compared to the FY2021 Budget as Enacted. The Division has 10.0 authorized FTE positions. Included in these funds is the restoration of \$31,775 in general revenue personnel expenditures that were included as savings in the FY2021 Budget as Enacted related to furloughed employees eligible to participate in the State's Workshare program. Four employees in the Division of Municipal Finance participated in the program. The Workshare program allowed the State to achieve the savings in the wake of the devastating financial impact of COVID-19. Through this program, eligible full-time employees were allowed to work 60.0 percent of their regular weekly hours (three business days) from June 14, 2020, to September 5, 2020. The remaining \$2,622 are related to other statewide changes in healthcare and fringe benefits, and other personnel changes.

**OFFICE OF REVENUE ANALYSIS**

The Office of Revenue Analysis (ORA) analyzes the State's tax systems and revenue streams. The Office prepares the biennial Tax Expenditures Report, cost-benefit analyses of tax proposals, and fiscal notes for revenue-related legislation. The Office houses, and is the primary operator of, the State's sales tax and personal income tax models.

<b>Office of Revenue Analysis</b>	<b>General Revenue</b>
FY2021 Enacted	\$884,638
<i>Target and Other Adjustments</i>	
Salary and Benefits Changes	8,513
Training Expenses	(4,000)
<b>FY2022 Governor</b>	<b>\$889,151</b>

**Salary and Benefits Changes****\$8,513**

The Budget includes an additional \$8,513 in personnel costs within ORA for FY2022. According to the Department, the increase reflects statewide benefit changes, planned step increases, and other updated planning values. The Budget includes the Office's existing 6.0 FTE positions and reduces turnover savings by \$5,496.

**Training Expenses****(\$4,000)**

The Budget provides \$1,000 in general revenue in FY2022 to fund ORA training expenses, \$4,000 less than the FY2021 enacted level. According to the DOR, the FY2021 funding was to pay for staff travel to conferences and registration fees. With pandemic limitations on such activity, the DOR plans to accomplish staff training in less expensive methods such as video conferencing events.

**DIVISION OF MOTOR VEHICLES**

The Division of Motor Vehicles (DMV) is responsible for issuing, suspending, and revoking all motor vehicle licenses and registrations and for the motor vehicle inspection program. The Division operates a main branch in Cranston, with satellite branches in Middletown, Wakefield, Warren, Westerly, and Woonsocket. Additionally, AAA offers some DMV services at select branch locations.

<b>Registry of Motor Vehicles</b>	<b>General Revenue</b>
FY2021 Enacted	\$29,288,918
<i>Target and Other Adjustments</i>	
CDL Transfer	410,959
Real ID	104,465
License Plate Reissuance Delay	Informational
<b>FY2022 Governor</b>	<b>\$29,804,342</b>

**CDL Transfer****\$104,465**

Article 3 shifts the administration of the commercial driver's license (CDL) road test from the Community College of Rhode Island (CCRI) to the Division of Motor Vehicles (DMV), effective January 1, 2022. This transfer impacts expenditures and revenues at both the DMV and CCRI. CCRI currently collects and retains approximately \$200,000 in restricted receipt revenue from a \$100 CDL road test fee. Under Article 3, this revenue would instead be collected by the DMV and deposited into the General Fund. Because the effective date of the article is January 1, 2022, the amount deposited as general revenues would be half of the annual revenue collected from the fee, or \$100,000, in FY2022. The Budget also includes \$132,961 for six months of additional personnel expenditures at the DMV required to administer the road testing. These expenditures are for 3.0 FTE positions, including 2.0 Senior Motor Vehicle Examiners and 1.0 Customer Service Specialist III. The Budget also adds \$3,605 for operating expenses.

**FY2022 Net Fiscal Impact - Article 3 CDL Transfer**

<b>Budget Initiative</b>	<b>Expenditures</b>	<b>Revenues</b>	<b>Net Fiscal Impact</b>
DMV - Personnel	\$132,961	-	(\$132,961)
DMV - Operating	3,605	-	(3,605)
Transfer of CDL Fee Restricted Receipt Revenue to General Fund	-	\$100,000	\$100,000
Elimination of School Bus Training Payments to CCRI	(32,101)	-	32,101
<b>Total</b>	<b>\$104,465</b>	<b>\$100,000</b>	<b>(\$4,465)</b>

*Analyst Note: The DMV has been providing CCRI with approximately \$75,000 per year for several years. The funds were originally leveraged by the College to secure a school bus driver education grant. The DMV indicates, however, that CCRI does not currently have this type of grant, and has not for some time. According to OMB and the DMV, CCRI has been notified that they will no longer be receiving these funds. The DMV explained that CCRI charges tuition for its classes and does not need the funds to support the training. The elimination of this payment is shown as \$32,101 savings in FY2022. This is half of the full payment, presumably based on the January 1, 2022, effective date of Article 3.*

A base commercial driver's license (CDL) permits the licensee to operate large, heavy, or hazardous materials vehicles for commercial purposes. In addition to the base CDL, licensees may obtain additional endorsements such as semi-trailer (T), school bus driver (S), or passenger vehicle (P). To obtain these endorsements, an individual must possess a valid CDL and typically pass both a written and driving test.

Testing and licensing standards for the base CDL and accompanying endorsements are developed by the Federal Motor Carrier Safety Administration (FMCSA) at the U.S. Department of Transportation (USDOT). States are required to ensure that their testing and licensing procedures conform to these standards and are subject to compliance reviews by FMCSA. States failing to administer written and road tests in accordance to these regulations risk losing up to 6.0 percent of their federal highway funding.

In addition to the base CDL and endorsement for school bus drivers, Rhode Island law requires an individual to attend and pass a 10-hour school bus driver certification course. Every five years, an individual must attend a 3-hour refresher course to renew the license.

Currently, training for the base CDL and accompanying endorsements are provided by private truck driving schools. CCRI also provides preparation classes for the base CDL, as well as the 10-hour and 3-hour school bus driver certification classes and tests. These classes are conducted at all three of its campuses. The written test for the CDL and its endorsements are administered by the DMV. CCRI currently administers the CDL road test on behalf of the DMV, which would shift to the DMV under Article 3.

According to the DMV and the State's Office of Management and Budget (OMB), this shift would improve oversight and customer service.

- **Oversight:** Road testing for the CDL is closely regulated and audited by USDOT. Ensuring compliance with FMCSA standards is the responsibility of the DMV. Currently, because DMV staff are not present when CDL road testing occurs, they cannot guarantee that standards are being met. In-housing the road testing function mitigates the risk of non-compliant testing.
- **Customer Service and Efficiencies:** According to the DMV, Article 3 changes would improve customer service and create efficiencies. FMCSA rules require that an individual taking the road test present proof of insurance, copies of relevant permits, and proof of registration. If a customer does not bring these materials, the test cannot be taken. The DMV would be able to provide the individual with these materials at the time of the test, allowing the test to go forward. Similarly, upon successful completion of the test, the DMV would be able to provide the license to the customer immediately.

### **Real ID**

### **Informational**

Real ID is a minimum security standard for the issuance of driver's licenses and state-issued identification cards that is mandated by Congress and regulated by the U.S. Department of Homeland Security (DHS). Congress enacted the Real ID Act in 2005 which prohibits federal agencies from accepting, for official purposes, licenses or ID cards from states that do not meet these standards. Rhode Island is currently among 25 states that have a waiver from complying with the law. The waiver was originally set to end in October 2020. In March 2020, the U.S. Department of Homeland Security extended the enforcement deadline to October 1, 2021 in response to the pandemic.

The DMV began issuing Real ID driver's licenses and identification cards beginning in December 2018. Individuals are not required to have a Real ID; it is only necessary when interacting with federal agencies, and even then there are others forms of ID, such as passports, that are accepted. Because of this, the DMV estimates that just over half of current license/ID holders will eventually need a Real ID. Real IDs will be issued as part of a standard driver's license renewal (\$61.50 renewal fee) or may be obtained sooner by purchasing a duplicate license (\$25.00 duplicate fee).

### **License Plate Reissuance Delay**

### **Informational**

Under RIGL 31-3-33, the DMV is required to issue new reflective license plates for all registered vehicles every ten years in order to reduce fraud, improve public safety and law enforcement, and to generate revenue. The reissuance was first scheduled to take place in September 2011. It has been delayed 8 times since, with a myriad of different rationales (see table).

Session	Date	Delay Date	Reason
2011	9/2011	9/2013	\$3.3 million savings initiative
2013	9/2013	9/2015	Budget reduction target initiative
2015	9/2015	7/2016	Need to align plate design w/ state tourism campaign
2016	7/2016	4/2017	RIMS - Staff would have to be taken away from implementation
2017	4/2017	1/2019	Launch of RIMS System/Reprogramming legacy IT system
2018	1/2019	1/2020	Real ID - Staff would have to be taken away from implementation
2019	1/2020	6/2020	Governor had proposed eliminating the reissuance altogether. By the time Budget was enacted, it was too late to timely implement
2020	6/2020	No new date	Delay due to impact of the pandemic
2021	6/2020	7/2022	Delay due to impact of the pandemic

The most recent change to the reissuance date was made in Article 7 of the FY2020 Budget as Enacted, which set June 1, 2020, as the new implementation date. Article 7 of the FY2020 Budget as Enacted also changed the fee for the plates from \$6.00 per reissued set to \$8.00. In January 2020, just prior to the COVID-19 pandemic emergency, the Division had reported that the DMV and its vendor, 3M were still in the early stages of preparing to implement. According to the Department, the complications surrounding operations during the COVID-19 pandemic made the implementation of the reissuance impractical in the near term.

Article 6 extends the reissuance deadline from June 1, 2020, to July 1, 2022. The Budget does not include any implementation expenditures in FY2022. The Budget assumes a \$3.4 million reduction in registration fee revenue in FY2022, based on a July 1, 2021, effective date.

**STATE AID**

The Budget funds a number of State Aid payments. State aid is administered by staff in the Division of Municipal Finance.

*(Additional information on the aid programs can be found in the Municipal Aid section of this report.)*

State Aid	General Revenue
FY2021 Enacted	\$60,630,671
<i>Target and Other Adjustments</i>	
Motor Vehicle Excise Phase Out	101,928,356
Payments in Lieu of Tax Exempt Property	26,885,544
Distressed Communities Relief Fund	9,804,363
Property Revaluation Program	385,067
<b>FY2022 Governor</b>	<b>\$199,634,001</b>

**Motor Vehicle Excise Phase Out****\$102.0 million**

The General Assembly enacted legislation in 2017 to phase out the motor vehicle excise tax by 2024. Municipalities are reimbursed annually for lost revenue. For FY2022, the Budget includes \$139.7 million in total general revenue reimbursement funding for cities and towns, consistent with the current law, \$102.0 million more than the FY2021 enacted level. The FY2021 Budget as Enacted appropriated both general revenue and federal Coronavirus Relief Funds (CRF) to meet \$112.6 million in statutorily-required FY2021 reimbursements to cities and towns, saving \$74.8 million in general revenue. The General Assembly also appropriated an additional \$11.2 million in CRF funds in FY2021 that was distributed to municipalities according to the phase-out formula. Funding for the phase-out is restored as general revenue only in FY2022.

**Motor Vehicle Excise Tax Phase Out**

Source	FY2021	FY2022	Change	
General Revenue	\$37,728,007	\$139,656,362	\$101,928,355	270.2%
COVID Muni Aid	74,838,213	-	(74,838,213)	-100.0%
<b>Subtotal</b>	<b>\$112,566,220</b>	<b>\$139,656,362</b>	<b>\$27,090,142</b>	<b>24.1%</b>
COVID Muni Aid Bonus	11,189,907	-	(11,189,907)	-100.0%
<b>Total</b>	<b>\$123,756,127</b>	<b>\$139,656,362</b>	<b>\$15,900,235</b>	<b>12.8%</b>

**Payment in Lieu of Tax Exempt Property****\$26.9 million**

The Governor proposes \$46.1 million in general revenue for the State's PILOT program in FY2022, \$26.9 million more than the FY2021 enacted level. Current law requires reimbursement at 27.0 percent of forgone tax revenue, but allows for a ratable reduction if the appropriation is less than this amount. The Governor's recommendation for FY2022 represents a rate of 26.01 percent. The FY2021 Budget as Enacted appropriated both general revenue and federal Coronavirus Relief Funds (CRF) to meet the \$46.1 million required to level-fund the program relative to FY2020, saving \$26.9 million in general revenue. The General Assembly also appropriated an additional \$4.6 million in CRF funds in FY2021 that was distributed to municipalities according to the PILOT formula. Funding for the program is restored as general revenue only in FY2022.

**Payment in Lieu of Taxes Program**

Source	FY2021	FY2022	Change	
General Revenue	\$19,203,960	\$46,089,504	\$26,885,544	140.0%
COVID Muni Aid	26,885,544	-	(26,885,544)	-100.0%
<b>Subtotal</b>	<b>\$46,089,504</b>	<b>\$46,089,504</b>	-	-
COVID Muni Aid Bonus	4,614,456	-	(4,614,456)	-100.0%
<b>Total</b>	<b>\$50,703,960</b>	<b>\$46,089,504</b>	<b>(\$4,614,456)</b>	<b>-9.1%</b>

**Distressed Communities Relief Fund****\$9.8 million**

The Governor recommends \$12.4 million in general revenue for the Distressed Community Relief Fund in FY2022, \$9.8 million more than the FY2021 enacted level. The FY2021 Budget as Enacted appropriated both general revenue and federal Coronavirus Relief Funds (CRF) to meet the \$12.4 million required to level-fund the program relative to FY2020, saving \$9.8 million in general revenue. The General Assembly also appropriated an additional \$1.4 million in CRF funds in FY2021 that was distributed to municipalities according to the Distressed Community Relief program formula. Funding for the program is restored as general revenue only in FY2022.

<b>Distressed Community Relief Program</b>				
<b>Source</b>	<b>FY2021</b>	<b>FY2022</b>	<b>Change</b>	
General Revenue	\$2,580,095	\$12,384,458	\$9,804,363	380.0%
COVID Muni Aid	9,804,363	-	(9,804,363)	-100.0%
<b>Subtotal</b>	<b>\$12,384,458</b>	<b>\$12,384,458</b>	<b>-</b>	<b>-</b>
COVID Muni Aid Bonus	1,445,637	-	(1,445,637)	-100.0%
<b>Total</b>	<b>\$13,830,095</b>	<b>\$12,384,458</b>	<b>(\$1,445,637)</b>	<b>-10.5%</b>

**Property Revaluation Program****\$385,067**

The Budget includes \$1.5 million for the Property Revaluation program in FY2022, an increase of \$385,067 from the FY2021 enacted level. The change is based on anticipated reimbursements, which are required by law. The following communities will be reimbursed for statistical updates in FY2022: Coventry, Glocester, Portsmouth, Richmond, Warren, and West Greenwich. Full revaluations will occur in Charlestown, Cumberland, Hopkinton, and North Providence.

**DIVISION OF TAXATION**

The Division of Taxation assesses and collects taxes while also enforcing the State's tax laws. It is responsible for promulgating rules and regulations and preparing taxpayer forms and instructions; registering and recording taxpayer accounts; assessing and collecting taxes due; and enforcing non-compliance through collections, audits, and liens.

<b>Taxation</b>	<b>General Revenue</b>
FY2021 Enacted	\$31,562,909
<i>Target and Other Adjustments</i>	65,683
Salary and Benefits Changes	1,264,626
Information Technology System Changes	(344,067)
<b>FY2022 Governor</b>	<b>\$32,549,151</b>

**Salary and Benefits Changes****\$1.3 million**

The Budget includes a net \$1.3 million increase in general revenue for personnel costs within the Division of Taxation. The Division has 217.0 FTE positions. Included in these funds is the restoration of \$825,479 in general revenue personnel expenditures that were included as savings in the FY2021 Budget as Enacted related to furloughed employees eligible to participate in the State's Workshare program. There were 135.0 employees in the Division of Taxation that participated in the program. The Workshare program allowed the State to achieve savings in the wake of the devastating financial impact of COVID-19. Through this program, eligible full-time employees were allowed to work 60.0 percent of their regular weekly hours (three business days) from June 14, 2020, to September 5, 2020. The remaining \$429,147 are related to other statewide changes in healthcare and fringe benefits, and other personnel changes.

**Information Technology System Changes****(\$344,067)**

The Budget includes a net savings of \$344,067 related to the maintenance and operations of the Division's IT system, known as the State Tax Administration and Revenue System (STAARS). In December 2017, Taxation went live with STAARS after five years of phased-in development. The system centralizes all taxpayer information in one computer system and assists in the administration of 57 different taxes and fees amounting to nearly \$3.0 billion in revenue annually. STAARS was originally paid for using certificates of participation (COPs), which were authorized up to \$25.0 million. The net savings in general revenue operating and contract services expenses in FY2022 includes a \$1.8 million increase to pay the estimated costs for licenses and support needs of the system and a \$2.1 million reduction in spending on computer hardware and software upgrades and other IT charges.

**Employer Tax Unit****Informational**

Article 3 authorizes the transfer of the Employer Tax Unit from the Department of Revenue (DOR) to the Department of Labor and Training (DLT). The Employer Tax Unit administers the unemployment tax, the temporary disability tax, and the job development assessment tax. These taxes are used to fund Unemployment Insurance (UI) benefits and Temporary Disability Insurance (TDI) benefits. Although the Employer Tax Unit has been housed in DOR, the funding they collect is used for DLT benefit programs. The transfer is intended to centralize the unit's efforts related to UI and TDI benefits. The transfer includes 35.0 FTE positions. There is no funding included as the Employer Tax Unit is already funded by DLT.

*Analyst Note: Article 15 of the Budget includes a proposal that promotes enrollment in Rite Share, Rhode Island's premium assistance program for Medicaid-eligible individuals, by ensuring that the Medicaid program has the requisite information from employers to be able to enroll their employees in a Rite Share plan. The article also establishes new penalties for employers with 50 or more employees that do not comply with the State's reporting requirements. Supporting documentation provided by the Office of Management and Budget (OMB) indicates that the majority of the revenue generated by the noncompliance penalty is intended to fund the additional personnel costs required to implement the penalty within the Division of Taxation. The Budget does not include funding for implementation. The Governor's Budget Amendment dated April 12, 2021, adds 1.0 Business Analyst FTE position and \$103,091 in general revenue funding to the Department of Revenue's Division of Taxation to correct this exclusion. The amendment reduces the net favorable impact to the State from \$478,948 to \$375,857. However, it appears that the funding and FTE position should be added to the Department of Labor and Training (DLT), as the Governor's Budget simultaneously shifts Taxation's Employer Tax Unit to DLT in Article 3.*



## Legislature

Expenditures By Program	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Auditor General	\$5.0	\$6.0	\$6.0	\$0.0	0.3%	\$5.9	(\$0.1)	-0.8%
Fiscal Advisory Staff	1.8	2.0	2.0	0.0	0.3%	2.1	0.1	5.8%
General Assembly	7.2	6.4	7.1	0.8	12.1%	6.6	0.2	3.6%
Joint Comm. on Legislative Services	24.8	26.8	26.9	0.1	0.3%	27.6	0.8	2.9%
Legislative Council	4.2	4.9	4.9	0.0	0.3%	5.1	0.2	4.3%
Special Legislative Commissions	0.0	0.0	0.0	-	-	0.0	-	-
<b>Total</b>	<b>\$43.0</b>	<b>\$46.1</b>	<b>\$47.0</b>	<b>\$0.9</b>	<b>1.9%</b>	<b>\$47.4</b>	<b>\$1.3</b>	<b>2.8%</b>

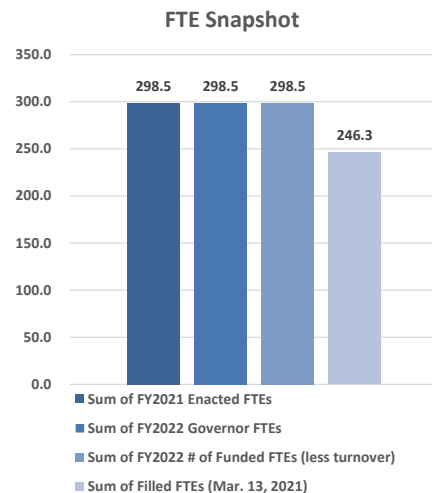
### Expenditures By Source

General Revenue	\$41.5	\$44.3	\$44.4	\$0.1	0.3%	\$45.6	\$1.3	3.0%
Federal Funds	0.0	-	0.8	0.8	-	-	-	-
Restricted Receipts	1.6	1.8	1.8	0.0	0.3%	1.8	(0.1)	-3.1%
<b>Total</b>	<b>\$43.0</b>	<b>\$46.1</b>	<b>\$47.0</b>	<b>\$0.9</b>	<b>1.9%</b>	<b>\$47.4</b>	<b>\$1.3</b>	<b>2.8%</b>

Authorized FTE Levels 298.5 298.5 298.5 - - 298.5 - -  
*\$ in millions. Totals may vary due to rounding.*

The Rhode Island General Assembly enacts laws, develops state policy, and evaluates programs through the appropriation process. The General Assembly consists of six programs which assist in executing its constitutional role:

- The General Assembly consists of two chambers, with the Senate composed of 38 members and the House of Representatives with 75 members. The General Assembly meets annually.
- The House Fiscal Advisory Staff provides fiscal research support to the House membership and the House Finance Committee.
- The Legislative Council develops legislation and researches various issues for Senate and House members.
- The Joint Committee on Legislative Services is the administrative arm of the General Assembly.
- The Office of the Auditor General conducts financial reviews and evaluations of state programs and completes annual post-audits for the State.
- Special Legislative Commissions include study commissions and task forces established by the General Assembly to analyze various public policy issues.



### MAJOR ISSUES AND TRENDS

The Governor includes \$47.4 million for the Legislature in FY2022, including \$45.6 million in general revenue. Restricted receipts total \$1.8 million and are dedicated to the Auditor General's office. These funds are derived from a 0.5 percent audit fee that is assessed on all federal grants in State departments and are used to finance personnel costs associated with the Auditor General's annual Single Audit Report. The Budget provides for 298.5 FTE positions for FY2021 and FY2022, consistent with the FY2021 Budget as Enacted.

- **General Revenue:** The Budget provides \$45.6 million in general revenue for the General Assembly in FY2022 and \$44.4 million in FY2021, \$1.3 million and \$125,210 more than the enacted levels, respectively. The additional \$1.3 million in FY2022 primarily reflects the restoration of \$860,597 in general revenue personnel expenditures that were included as savings in the FY2021 Budget as Enacted related to furloughed employees eligible to participate in the State's Workshare program. The Workshare program allowed the State to achieve the savings in the wake of the devastating financial impact of COVID-19. Through this program, eligible full-time employees were allowed to work 60.0 percent of their regular weekly hours (three business days) from June 14, 2020, to September 5, 2020. 151.0 employees of the General Assembly participated in the program. The remaining \$434,372 is related to other statewide changes in healthcare and fringe benefits, and other personnel changes. The \$125,210 increase in FY2021 is related to an increase in payroll benefit assessments over the last nine pay periods of the fiscal year.
- **Federal Funds:** The Governor's FY2021 Revised Budget provides \$762,422 in federal Coronavirus Relief Funds (CRF) to support operational changes made necessary by the pandemic, including leasing Veterans Memorial Auditorium and Rhode Island College's Sapinsley Hall for legislative sessions.

## Lieutenant Governor

<b>Expenditures By Program</b>	<b>FY2020 Actual</b>	<b>FY2021 Enacted</b>	<b>FY2021 Revised</b>	<b>Change from Enacted</b>	<b>FY2022 Governor</b>	<b>Change from Enacted</b>
Lieutenant Governor	\$1.1	\$1.1	\$1.1	\$0.0 0.0%	\$1.2	0.04 3.5%
<b>Expenditures By Source</b>						
General Revenue	\$1.1	\$1.1	\$1.1	\$0.0 0.0%	\$1.2	0.04 3.5%
Authorized FTE Levels	8.0	8.0	8.0	- -	8.0	- -

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

The Office of the Lieutenant Governor is one of the five general offices subject to voter election under the Constitution of Rhode Island. The Lieutenant Governor fulfills the executive responsibilities of the Governor upon his/her death, resignation, impeachment or inability to serve. The Lieutenant Governor serves on the Rhode Island Emergency Management Advisory Council (Chair); the Small Business Advocacy Council (Chair); and the Long-Term Care Coordinating Council (Chair), and the Office initiates legislation and assumes advocacy and leadership roles in several policy areas such as emergency management, veterans affairs, education, economic development, the environment, long-term care, health care and elderly affairs. The Office also serves as a liaison between citizens and state agencies.

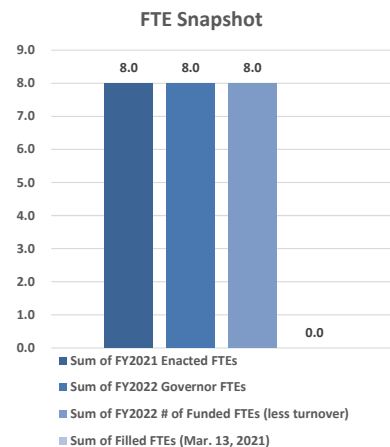
### MAJOR ISSUES AND TRENDS

The Office of the Lieutenant Governor's budget is financed entirely by general revenue. The FY2021 Budget as Enacted includes \$1.1 million in general revenue. The FY2021 Supplemental Budget request includes a slight increase of \$3,687 to cover the payroll assessed fringe benefit assessment costs required for the last nine payroll periods to finance the ongoing Voluntary Retirement Incentive Program. The assessed fringe benefit personnel expense is a bi-weekly assessment of 3.95 percent charged to direct salaries.

The Budget includes \$1.2 million for FY2022, reflecting an increase of \$27,473 in salary and benefit costs and an increase of \$15,465 for contracted legal services; offset by a decrease of \$2,049 for centralized information technology adjustments.

On March 2, 2021, Lieutenant Governor Daniel McKee assumed the position of Governor upon the resignation of the incumbent Governor. On April 14, 2021, Sabina Matos was sworn in as the State's new Lieutenant Governor. During the transition period, the number of filled FTE positions reduced to zero employees by March 13, 2021 [BC1] [RCB2]. As of April 24, 2021, there is 1.0 filled FTE position.

The Budget includes 8.0 FTE positions for FY2021 and FY2022, consistent with the enacted budget.



<b>Lieutenant Governor</b>	<b>General Revenue</b>
FY2021 Enacted	\$1,145,231
<i>Target and Other Adjustments</i>	<i>\$0</i>
Personnel Adjustments	27,473
Contracted Services	15,465
Centralized Service Charges	(2,049)
<b>FY2022 Governor</b>	<b>\$1,186,120</b>

**Personnel Adjustments****\$27,473**

The Budget increases general revenue expenditures to reflecting statewide planning value adjustments set by the Budget Office that translates into an effective salary and benefit increase of 2.6 percent as compared to the FY2021 Budget as Enacted.

<b>Personnel Adjustments</b>	<b>FY2021 Enacted</b>	<b>FY2022 Governor</b>	<b>Change</b>
Assessed Fringe Benefits	\$25,554	\$26,194	\$640
Defined Contribution Plan	6,840	7,002	162
Dental Insurance	4,441	4,846	405
Employees' Retirement	178,037	185,746	7,709
FICA: Medicare	9,555	9,614	59
FICA: Social Security	39,495	40,975	1,480
Longevity Pay	7,093	7,093	-
Medical Insurance	89,148	92,837	3,689
Medical Insurance Waiver Bonus	1,001	1,001	-
Payroll Accrual	3,851	3,873	22
Regular Wages	639,810	656,056	16,246
Retiree Health Insurance	38,020	35,014	(3,006)
Vision Insurance	774	841	67
<b>Total</b>	<b>\$1,043,619</b>	<b>\$1,071,092</b>	<b>\$27,473</b>

**Contracted Services****\$15,465**

The Budget increases general revenue expenditures by \$15,465, reflecting an increase for outside legal costs impacting the agency. The Office has incurred legal expenses over the past several years, for drafting legislation, Access to Public Records Act (APRA) requests, and general legal assistance for the office. As of April 27, 2021, there have been no legal service expenditures. The following table illustrates the legal expenses incurred by the Office over the past five years.

	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>
Legal Service Expenses	\$112,849	\$45,486	\$54,151	\$47,326	\$32,535	\$48,000

**Centralized Service Charges****(\$2,049)**

The Budget increases general revenue expenditures to reflect billed amounts for information technology services. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2021 Budget as Enacted appropriated \$28,013 for centralized information technology expenses, which decreased by \$2,049 to \$25,964 in the FY2022 budget.

## Office of the Secretary of State

Expenditures By Program	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
	Actual	Enacted	Revised	Enacted		Governor	Enacted	
Administration	\$3.4	\$4.0	\$4.0	\$0.0	0.3%	\$3.6	(\$0.4)	-10.3%
Corporations	2.5	2.5	2.5	0.01	0.3%	2.5	0.1	2.4%
State Archives	0.6	0.7	0.7	0.0	0.3%	0.7	(0.0)	-1.6%
Elections and Civics	4.7	6.7	6.7	0.0	0.0%	3.9	(2.8)	-42.1%
State Library	0.7	0.7	0.7	0.0	0.1%	0.8	0.1	7.3%
Office of Public Information	0.4	0.5	0.5	0.0	0.2%	0.4	(0.1)	-12.7%
<b>Total</b>	<b>\$12.2</b>	<b>\$15.1</b>	<b>\$15.1</b>	<b>\$0.0</b>	<b>0.1%</b>	<b>\$11.9</b>	<b>(\$3.2)</b>	<b>-21.0%</b>

Expenditures By Source								
General Revenue	\$9.3	\$12.3	\$12.3	\$0.0	0.2%	\$9.6	(\$2.7)	-22.2%
Federal Funds	2.5	2.3	2.3	-	0.0%	1.8	(0.5)	-20.1%
Restricted Receipts	0.5	0.5	0.5	0.0	0.2%	0.6	0.0	2.8%
Operating Transfers from Other Funds	-	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>\$12.2</b>	<b>\$15.1</b>	<b>\$15.1</b>	<b>\$0.0</b>	<b>0.1%</b>	<b>\$11.9</b>	<b>(\$3.2)</b>	<b>-21.0%</b>

Authorized FTE Levels	59.0	59.0	59.0	-	-	59.0	-	-
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\$ in millions. Totals may vary due to rounding.

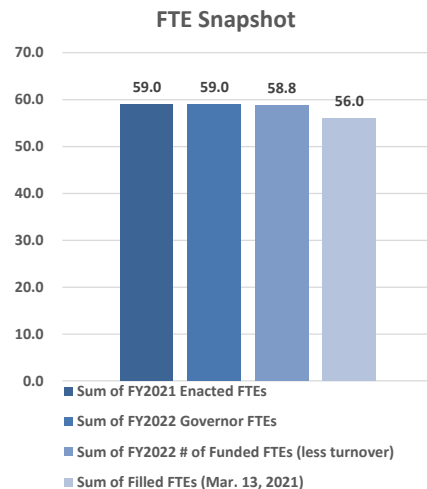
The Secretary of State is one of five general officers subject to voter election under the Constitution of Rhode Island. The Office of the Secretary of State prepares for state and local elections, manages the State's records, and provides public information about state government. The Office's budget consists of six divisions including Administration, Corporations, State Archives, State Library, Elections and Civics, the Office of Public Information, and one internal service funded section (Record Center).

### MAJOR ISSUES AND TRENDS

The FY2020 actual expenditures included \$9.3 million in general revenue, \$2.5 million in federal funds, and \$475,520 in restricted receipts.

The FY2021 Revised Budget increases by \$22,682 all funds. For FY2022, all fund expenditures decrease by \$3.2 million, reflecting decreases of \$2.7 million in general revenue from the FY2021 Budget as Enacted, primarily for election expenses that occurred in FY2021. These expenses increase in odd-numbered fiscal years when there is a general election.

The Budget restores \$786,672 in turnover savings that were included in the FY2021 Budget as Enacted, equivalent to 6.5 FTE positions. The Budget includes 59.0 FTE positions in FY2021 and in FY2022, consistent with the enacted level.



### ADMINISTRATION

The Administration program provides operational support for the Office, including personnel management; fiscal management and budget preparation; information technology support; constituent affairs response; communications and media relations; and policy development and legislative affairs.

<b>Administration</b>	<b>General Revenue</b>
FY2021 Enacted	\$4,013,532
<i>Target and Other Adjustments</i>	36,552
Computer Equipment Maintenance	(219,570)
Personnel Adjustments	(148,449)
Computer Equipment	(44,550)
Contracted Services	(32,112)
<b>FY2022 Governor</b>	<b>\$3,605,403</b>

**Computer Equipment Maintenance** **(\$219,570)**

The FY2021 Budget as Enacted included \$279,294 for the Business Services Corporation to upgrade and modernize the current corporations database/online filing system. The Office of the Secretary of State anticipates that the project will be completed in FY2021 and further funding for the project is not required in FY2022. The Budget decreases general revenue by \$219,570.

**Personnel Adjustments** **(\$148,449)**

The Budget includes \$2.9 million in general revenue for personnel costs within the Administration program. This reflects a net decrease of \$148,449, reflecting restored turnover savings, salary and benefit reductions to match actual needs, and statewide planning value adjustments set by the Budget Office.

**Computer Equipment** **(\$44,550)**

The Budget includes \$7,450 in general revenue to purchase computer equipment. This reflects a decrease of \$44,550 from the FY2021 Budget as Enacted. Over the past two fiscal years, the Budgets included \$176,750 to replace the server infrastructure, purchase computer monitors, computer replacements, database server, and hard drive updates. These expenses are not required in FY2022 and are reflected in the proposed budget.

**Contracted Services** **(\$32,112)**

The Budget includes \$35,715 in general revenue for contracted services, reflecting a decrease of \$32,112 for IT System Design consultants from the FY2021 Budget as Enacted. The decrease reflects a one-time expenditure related to the Open Government and Corporations database that is not required in FY2022.

## CORPORATIONS

The Corporations Division is the official State repository for business and commercial records, and maintains a searchable database that includes articles of incorporation and entity annual reports. The Division also houses the First Stop Information Center, a referral service for existing and potential small business owners; the Uniform Commercial Code Unit for tangible property lien tracking; and a Notary and Trademark application program.

<b>Corporations</b>	<b>General Revenue</b>
FY2021 Enacted	\$2,470,702
<i>Target and Other Adjustments</i>	(6,000)
Personnel Adjustments	117,959
Records Scanning Project	(34,000)
Operating Adjustments	(9,376)
<b>FY2022 Governor</b>	<b>\$2,539,285</b>

**Personnel Adjustments****\$117,959**

The Budget provides a net general revenue increase of \$117,959 for personnel costs within the Corporations program. This increase, as compared to the FY2021 Budget as Enacted, reflects no turnover savings and no funds for seasonal employees as the Secretary's Office did not request funding for this expense in FY2022. In addition, the Budget adds \$45,611 for LIUNA pension system costs and includes a net decrease of \$72,508 for various adjustments including upgrading 3.0 Administrative Assistant positions into 1.0 Data Entry Team Leader, 1.0 Document Processor/Counter Team Lead, and 1.0 Notary Trademark and Authentication position.

<b>Personnel Expenses</b>	<b>FY2020 Actual</b>	<b>FY2021 Enacted</b>	<b>FY2021 Governor</b>	<b>Change</b>	<b>FY2022 Governor</b>	<b>Change</b>
Turnover	\$0	(\$156,856)	(\$156,856)	\$0	\$0	\$156,856
Retirement: LIUNA	23,784	-	-	-	45,611	45,611
Seasonal/Special Salaries/Wages	-	12,000	12,000	-	-	(12,000)
All Other Personnel	1,973,329	2,130,070	2,136,613	6,543	2,057,562	(72,508)
<b>Total</b>	<b>\$1,997,113</b>	<b>\$1,985,214</b>	<b>\$1,991,757</b>	<b>\$6,543</b>	<b>\$2,103,173</b>	<b>\$117,959</b>

**Records Scanning Project****(\$34,000)**

The Budget decreases general revenue by \$34,000 reflecting reduced expenses needed for the business records scanning project, including the temporary contract staff. The proposed reduction provides an appropriation of \$36,000 in FY2022, the amount requested by the Office of the Secretary of State.

Pursuant to Chapters 7-1 through 7-6 of the Rhode Island General Laws, the Office of the Secretary of State stores records that document the existence of various business entities, including some that date back to 1741. The imaging and matching of approximately 38,000 active files, each containing up to 1,000 pages, will enable the viewing of those files online and provide for greater transparency of businesses in Rhode Island. The Office projected that it would take more than twenty years to complete the project utilizing only existing staff and scanning hardware; an unacceptable timeline to gain efficiencies and expand services to the public. To expedite the project, the FY2019 Budget as Enacted included \$30,940 to lease two scanners and hire two temporary staff. Funding for the project continued with \$58,000 in FY2020 and \$70,000 in FY2021.

**Operating Adjustments****(\$9,376)**

The Budget decreases general revenue by \$9,376 for operating adjustments within the Corporations program, mainly for computer supplies and equipment.

<b>Operating Expenses</b>	<b>FY2021 Enacted</b>	<b>FY2021 Governor</b>	<b>Change</b>	<b>FY2022 Governor</b>	<b>Change</b>
Computer Supplies, Software, and Equipment	\$35,200	\$35,200	\$0	\$2,500	(\$32,700)
Internet Services	17,417	17,417	-	26,000	8,583
Rental of Outside Property	179,546	179,546	-	186,837	7,291
Postage and Postal Svcs	50,000	50,000	-	55,500	5,500
All Other Operating	79,325	79,325	-	81,275	1,950
<b>Total</b>	<b>\$361,488</b>	<b>\$361,488</b>	<b>\$0</b>	<b>\$352,112</b>	<b>(\$9,376)</b>

**STATE ARCHIVES**

The State Archives Division is the official repository for preserving and maintaining the permanent records of State government. The Division sets regulations for state document retention, and assists state agencies with records management. Since 1992, the Division has also operated the Local Government Records Program, which is now largely funded with the Historical Records Trust restricted receipt account.

<b>State Archives</b>	<b>General Revenue</b>
FY2021 Enacted	\$185,503
<i>Target and Other Adjustments</i>	<i>(3,931)</i>
Relocation Costs	(23,167)
<b>FY2022 Governor</b>	<b>\$158,405</b>

<b>State Archives</b>	<b>Other Fund Changes</b>
Historical Records Trust	<i>Informational</i>
<b>Relocation Costs</b>	<b>\$23,167</b>

The Budget decreases general revenue by \$23,167 (\$49,834 all funds) to fund the relocation costs of the State Archives from the present location at 337 Westminster Street, Providence to 33 Broad Street (One Weybosset Hill) in Providence. The General Assembly approved the 10-year lease at this property as part of the FY2020 Supplemental Budget. There is a corresponding decrease of \$26,667 in restricted receipts for the relocation costs.

**Historical Records Trust (restricted receipts)** **Informational**

The Budget uses the Historical Records Trust to fund certain personnel and operating costs in the State Archives program. The Historical Records Trust account is funded by collecting a \$4 fee per instrument for recording (for example, contracts for sale of land or letters of attorney) from municipalities to assist local governments with preservation of public records in their custody or care. Revenue generated from the Trust helps to fund operating costs in the State Archives program.

Historic Records Trust	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Collections	\$466,886	\$379,423	\$415,273	\$476,078	\$471,342	482,704	454,299	\$478,343
Expenditures	470,308	378,549	409,008	413,839	429,350	468,039	439,634	532,697

Source: Office of the Secretary of State and Budget Database  
Collections for FY2021 and FY2022 are agency projections.

*Analyst Note: It appears that the HRT will experience a deficit based on the projected collections and expenses in FY2022. Two major cost increases that are paid by the HRT are the rental cost of the State Archives and additional costs for office supplies and equipment. This may require an additional appropriation of general revenue to cover the expenses of the state archive program.*

## ELECTIONS AND CIVICS

The Elections Division promotes voter registration and turnout; maintains the State's central voter registration system; publishes guides and handbooks; explains how to run for office and how to register and vote; and provides descriptions of state referenda questions. The Division is charged with developing, printing, and distributing ballots, including candidate certification. Increases in operating supplies and expenses, primarily printing, postage and postal services, are expected during a general election year.

<b>Elections and Civics</b>	<b>General Revenue</b>
FY2021 Enacted	\$4,416,794
<i>Target and Other Adjustments</i>	<i>(15,411)</i>
Election Costs	(2,334,012)
<b>FY2022 Governor</b>	<b>\$2,067,371</b>

<b>Elections and Civics</b>	<b>Other Fund Changes</b>
Federal HAVA Grant	\$1,420,845



**Election Costs****(\$2.3 million)**

The Budget includes \$1.3 million in general revenue for election expenses, a decrease of \$2.3 million as compared to the FY2021 Budget as Enacted, reflecting that FY2022 is not in the general election cycle. Printing, mailing of ballots and referenda materials, and advertising expenses increase in odd-numbered fiscal years when there is a statewide election or on the general election cycle which will occur again in FY2023. In addition, election costs increased in FY2021 to cover a special statewide bond referenda and increased in response to conducting elections during the COVID-19 Pandemic that were not covered under federal COVID CARES Act funds.

<b>Election Costs</b>	<b>FY2018 Actual</b>	<b>FY2019 Actual</b>	<b>FY2020 Actual</b>	<b>FY2021 Enacted</b>	<b>FY2022 Governor</b>	<b>Change</b>
Ballot Printing	\$33,484	\$646,191	\$21,602	\$955,000	\$0	(\$955,000)
Election/Referenda Mailing	10,141	54,212	22,174	760,000	-	(760,000)
Special Election and Mail Ballots	(1)	-	-	321,085	-	(321,085)
Computer Supplies and Equipment	1,021	(13)	27	196,000	2,000	(194,000)
Clerical Services	-	16,496	-	28,000	-	(28,000)
Legal/Advertising	96,769	104,789	89,656	110,000	50,000	(60,000)
Software Maintenance Agreements	568,986	585,029	621,036	1,249,575	1,233,648	(15,927)
<b>Total</b>	<b>\$710,400</b>	<b>\$1,406,704</b>	<b>\$754,495</b>	<b>\$3,619,660</b>	<b>\$1,285,648</b>	<b>(\$2,334,012)</b>

**Federal HAVA Grant (federal funds)****\$1.4 million**

The Office of the Secretary of State received two federal Help America Vote Act (HAVA) awards to assist the state with the upcoming federal 2020 elections. The first award predates the COVID-19 pandemic in 2018 and was intended to modernize the election systems, the second award was authorized for the same purposes, to modernize and secure the 2020 federal election cycle. Total federal HAVA awards received is \$6.2 million.

A total of \$2.7 million has been appropriated with another \$1.4 million requested for FY2021 under the Governor's budget amendment dated April 19, 2021. The Budget includes \$1.8 million for FY2022, leaving the award balance of \$330,083 that must be expended on state election assistance items prior to September 2024.

<b>HAVA Award Revenue</b>	
2018 HAVA Award	\$3,000,000
2020 HAVA Award	3,216,181
<b>Total HAVA Award</b>	<b>\$6,216,181</b>
<b>Expenditures</b>	
FY2019 Actual	\$907,311
FY2020 Actual	1,358,787
FY2021 Appropriation	389,155
FY2021 Appropriation - GBA 4/19/21	1,420,845
FY2022 Appropriation	1,810,000
<b>Total</b>	<b>\$5,886,098</b>
<b>HAVA Award Balance</b>	<b>\$330,083</b>

*Analyst note: The Governor's Budget Amendment of April 19, 2021, increases restricted receipts by \$632,189 in FY2021, reflecting the receipt of a grant from the Center for Election Research for voter education, information, and outreach for the November 2020 elections.*

**STATE LIBRARY**

The State Library provides reference and research services about law, legislation, rules and regulations, government reports, and state history. The Library is an official Federal Government Publications Depository and State Publications Clearinghouse.

<b>State Library</b>	<b>General Revenue</b>
FY2021 Enacted	\$716,227
<i>Target and Other Adjustments</i>	<i>8,147</i>
Turnover	44,311
<b>FY2022 Governor</b>	<b>\$768,685</b>

**Turnover** **\$44,311**

The Budget increases general revenues by \$44,311 reflecting unrealized turnover savings as compared to the previous fiscal year.

**OFFICE OF PUBLIC INFORMATION**

The Office of Public Information is designed to make government more open and accessible. State law requires many documents to be filed with the Office, including lobbying disclosures, public meeting notices and minutes, disclosure of state government consultants, and appointments to boards and commissions.

<b>Office of Public Information</b>	<b>General Revenue</b>
FY2021 Enacted	\$486,575
<i>Target and Other Adjustments</i>	<i>(6,786)</i>
Software Maintenance Agreements	(50,000)
Turnover	24,129
Rhode Island Government Owner's Manual	(17,000)
Legal Expenses	(15,000)
<b>FY2022 Governor</b>	<b>\$421,918</b>

**Software Maintenance Agreements** **(\$50,000)**

The Budget decreases general revenues by \$50,000 reflecting the completion of the Open Meetings computer application.

*Analyst Note: In FY2020, the Office of the Secretary of State (Office) used \$34,650 in general revenue to fund the Open Meetings computer application as a contracted service expense. The FY2021 Budget as Enacted included \$50,000 to complete the project. However, as of April 14, 2021, no funds have been expended from this appropriation. But, the Office has expended \$18,187 and pre-encumbered \$34,650 in FY2021 under contracted services, which does not have an appropriation in FY2021. The Office states that no funds are required for the project in either FY2021 or FY2022.*

**Turnover** **\$24,129**

The Budget increases \$24,129 in general revenue reflecting unrealized turnover savings as compared to the previous fiscal year.

**Rhode Island Government Owner's Manual** **(\$17,000)**

The Budget decreases general revenue by \$17,000 for printing services related to the Rhode Island Government Owner's Manual. The 300-page directory is published every two years to reflect the results of the November election. It includes contact information for hundreds of officials, including Congressional

delegates, general officers, members of the General Assembly, as well as city and town councils. The printing of the manual is not required in FY2022.

**Legal Costs**

**(\$15,000)**

The Budget decreases general revenue by \$10,000 for legal costs within this program, commensurate to projected expenditures. The FY2021 Budget as Enacted included \$30,000 for legal and the Office has only expended \$11,041. Expenditures in the preceding fiscal years legal expenses include \$3,310 in FY2020, \$24,936 in FY2019, and \$16,262 in FY2018.

**RECORDS CENTER**

The Records Center is an internal service program funded with internal service funds (Records Center Fund or RCF): no general revenues fund program activities. The RCF funds approximately 60.0 percent of the personnel costs of the State Archives program.

The Inactive records of state agencies are stored at the State Records Center, administered by the Public Records Administration. Inactive records are records that departments and agencies no longer require immediate access to, but that are not yet eligible for disposal because of administrative, fiscal or legal requirements. Access to these records is provided only through the expressed permission of the originating state agency.

	<b>FY2020</b>	<b>FY2021</b>	<b>FY2021</b>		<b>FY2022</b>	
<b>Records Center Fund - ISF</b>	<b>Actual</b>	<b>Enacted</b>	<b>Governor</b>	<b>Change</b>	<b>Governor</b>	<b>Change</b>
Personnel	\$311,532	\$502,177	\$503,997	\$1,820	\$506,084	\$3,907
Contract Services	(12)	36,667	36,667	-	17,500	(19,167)
Operations	483,232	545,826	545,826	-	536,475	(9,351)
Capital Equipment	-	2,000	2,000	-	-	(2,000)
<b>Total</b>	<b>\$794,752</b>	<b>\$1,086,670</b>	<b>\$1,088,490</b>	<b>\$1,820</b>	<b>\$1,060,059</b>	<b>(\$26,611)</b>

**CAPITAL PROJECTS**

The Capital Budget includes an expenditure of \$170,000 in Rhode Island Capital Plan (RICAP) funds in FY2023 to purchase 200 Automark voting tables and 500 privacy booths with 200 booth leg extenders. The Office of the Secretary of State is statutorily responsible to purchase the State's voting equipment. The Budget includes the expense of this item under RICAP because, according to the Budget Office, it is a one-time purchase of durable equipment.



## Office of the General Treasurer

Expenditures By Program	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
	Actual	Enacted	Revised	Enacted		Governor	Enacted	
General Treasurer	\$3.4	\$3.6	\$3.7	\$0.1	2.8%	\$3.6	\$0.1	2.0%
Employees' Retirement System	10.8	13.1	13.1	0.0	0.2%	13.6	0.5	4.1%
Unclaimed Property	24.7	25.8	25.8	0.0	0.0%	25.2	(0.6)	-2.2%
Crime Victim Compensation Program	1.6	2.2	2.1	(0.0)	-1.4%	1.8	(0.4)	-17.2%
<b>Total</b>	<b>\$40.4</b>	<b>\$44.5</b>	<b>\$44.6</b>	<b>\$0.1</b>	<b>0.2%</b>	<b>\$44.2</b>	<b>(\$0.3)</b>	<b>-0.7%</b>

Expenditures By Source								
General Revenue	\$3.0	\$3.0	\$3.0	\$0.0	0.1%	\$3.3	\$0.3	10.9%
Federal Funds	1.1	1.0	1.0	-	0.0%	0.7	(0.3)	-27.7%
Restricted Receipts	35.8	39.9	39.9	0.0	0.0%	39.5	(0.4)	-0.9%
Other Funds	0.6	0.6	0.7	0.1	0.2	0.6	0.0	0.8%
<b>Grand Total</b>	<b>\$40.4</b>	<b>\$44.5</b>	<b>\$44.6</b>	<b>\$0.1</b>	<b>0.2%</b>	<b>\$44.2</b>	<b>(\$0.3)</b>	<b>-0.7%</b>

Authorized FTE Levels	89.0	89.0	89.0	-	-	89.0	-	-
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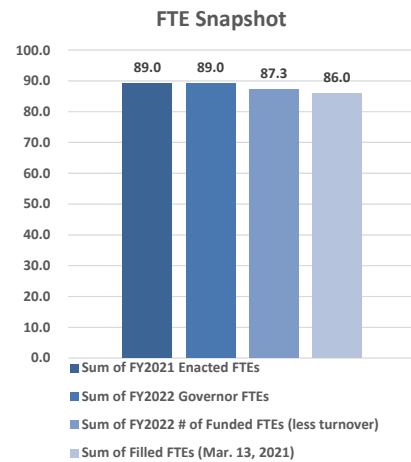
\$ in millions. Totals may vary due to rounding.

The Rhode Island Constitution establishes the Office of the General Treasurer, one of five general offices subject to voter election. The General Treasurer is charged with the safe and prudent management of the State's finances. The Treasury budget includes Treasury operations, the Employees' Retirement System of Rhode Island, the Unclaimed Property program, and the Crime Victims Compensation program. Treasury also manages the Abraham Touro Fund and the Childhood Disease Fund. The General Treasurer's operations, excluding the State House office, are located at the state-owned building at 50 Service Road Warwick.

### MAJOR ISSUES AND TRENDS

The Budget includes \$44.6 million in FY2021, of which \$3.0 million (6.7 percent) is general revenue. This reflects an all fund increase of \$114,534 from the FY2021 Budget as Enacted. The increase includes \$7,632 in general revenue, \$4,200 in restricted receipts, \$1,034 in federal funds, and \$101,668 in other funds.

The FY2022 Budget includes \$44.2 million, of which \$3.3 million (7.5 percent) is general revenue. This reflects an all funds decrease of \$306,999 from the FY2021 Budget as Enacted. The increase includes \$332,496 in general revenue and \$5,473 in other funds. Offsetting these changes are decreases of \$364,835 in restricted receipts and \$280,133 in federal funds. The Budget provides 89.0 FTE positions in FY2021 and in FY2022, consistent with the enacted level.



**GENERAL TREASURY**

The General Treasury program provides administrative support to the entire agency to ensure operational efficiency and fiscal integrity.

<b>General Treasury</b>	<b>General Revenue</b>
FY2021 Enacted	\$2,589,787
<i>Target and Other Adjustments</i>	<i>46,974</i>
Contract Services	35,750
<b>FY2022 Governor</b>	<b>\$2,672,511</b>

**Contract Services** **\$35,750**

The Budget increases general revenue expenditures by \$35,750 to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. As of FY2019, these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2021 Budget as Enacted appropriated \$168,750 for these expenses, which increased by \$35,750 to \$204,500 in the FY2022 proposed budget. The largest increase for IT Systems Support reflects a service agreement that Treasury entered with Stonewall Solutions for support with Help Desk, server/system operational support, document collaboration, analysis and assistance, application database support, and cybersecurity evaluation and implementation.

<b>Contract Services</b>	<b>FY2021 Enacted</b>	<b>FY2022 Governor</b>	<b>Change</b>
Accounting/Auditing	\$44,000	\$40,000	( <i>\$4,000</i> )
Financial Services	94,750	110,000	<i>15,250</i>
IT System Support	-	25,000	<i>25,000</i>
Legal Services	30,000	29,500	( <i>500</i> )
<b>Total</b>	<b>\$168,750</b>	<b>\$204,500</b>	<b>\$35,750</b>

**EMPLOYEES' RETIREMENT SYSTEM**

The Employees' Retirement System of Rhode Island (ERSRI) administers retirement, disability, survivor, and death benefits to eligible state employees and public school teachers. Participating municipal employees are covered under the Municipal Employees' Retirement System (MERS). ERSRI also administers the judicial and state police retirement plans, and the Teachers' Survivor Benefit program for teachers who are not covered under Social Security. Personnel and operating expenses of ERSRI are funded through a restricted receipt account pursuant to RIGL 36-8-10.1 for administrative and operating expenses of the retirement system.

<b>Employees' Retirement System</b>	<b>Other Fund Changes</b>
Contract Services	\$536,536
Centralized Service Adjustment	(52,170)
Turnover	(2,066)

**Contract Services (restricted receipts)** **\$536,536**

The Budget includes an increase of \$536,536 in restricted receipt expenditures for IT systems support related to the new Ariel 360 computer system. Morneau Shepell is the computer system vendor that is providing the system and portal upgrades.

**Centralized Service Adjustment (restricted receipts)** **(\$52,170)**

The Budget decreases restricted receipt expenditures by \$52,170 to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget

as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. As of FY2019, these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2021 Budget as Enacted appropriated \$227,170 for these expenses, which is reduced by \$52,170 to \$175,000 in the FY2022 proposed budget.

**Turnover (restricted receipts) (\$2,066)**

The Budget includes \$84,510 in restricted receipt turnover savings, reflecting a minor projected savings increase of \$2,066 as compared to the previous fiscal year. The Office of the General Treasurer averaged 3.8 vacancies over FY2020. The full proposed turnover reduction is equivalent to 0.7 FTE position.

**UNCLAIMED PROPERTY**

The Unclaimed Property program is responsible for collecting abandoned property and acts as custodian for both tangible and intangible property. The mission of the program is to return the abandoned property to its rightful owners.

Unclaimed Property	Other Fund Changes
Revenue Collections and Expenditures	(\$653,012)
Contracted Services	110,000
Turnover	(41,983)

**Revenue Collections and Expenditures (restricted receipts) (\$653,012)**

The Budget adjusts 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. The transfer to the General Fund decreases by \$653,012, based on the calculations included in the Budget. There is an increase of \$1.1 million in projected claim payouts. 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), decreases \$953,012 and the surplus transfer to the general fund decreases by \$800,000, resulting in a net decrease of \$653,012. [ $\$1,100,000 + (\$953,012) + (\$800,000) = (\$653,012)$ ].

*Analyst Note: The Budget does not reflect the \$11.3 million unclaimed property transfer to the General Fund as adopted by the November 2020 Revenue Estimating Conference (REC). Instead, the transfer to the General Fund, stated in the Budget as a restricted receipt expense (Rate Reimbursement Charge) is based on data and projections developed prior to the November 2020 REC. Therefore, the Budget has the transfer (expenditure) as \$9.5 million, \$800,000 less than the FY2021 Budget as Enacted estimate of \$10.3 million and \$1.8 million less than the November 2020 REC estimate for FY2022.*

**Contracted Services (restricted receipts) \$110,000**

The Budget includes an increase of \$110,000 in restricted receipts for contracted information technology system support expenditures, reflecting the addition of another third party auditor to further seek out unclaimed property around the nation by auditing various financial industries. Treasury believes that the added audit firm will locate more “lost” money to return to the legal owner.

**Turnover (restricted receipts) (\$41,983)**

The Budget decreases restricted receipts by \$41,983 reflecting higher projected personnel turnover savings as compared to the previous fiscal year. The Office of the General Treasurer averaged 3.8 vacancies over FY2020. The reduction is equivalent to 0.3 FTE position.

**CRIME VICTIM COMPENSATION PROGRAM**

The Crime Victims Compensation program compensates innocent victims of violent crimes for certain expenses that are attributable to the crime. Compensation may be used to cover funeral, medical, and

counseling expenses incurred by victims or their family members. The maximum award for each criminal incident is capped at \$25,000.

<b>Crime Victim Compensation Program</b>	<b>General Revenue</b>
FY2021 Enacted	\$396,407
<i>Target and Other Adjustments</i>	24,881
Crime Victims Claim Payments	224,891
<b>FY2022 Governor</b>	<b>\$646,179</b>

<b>Crime Victim Compensation Program</b>	<b>Other Fund Changes</b>
Crime Victims Claim Payments (restricted receipts)	(\$370,000)
Crime Victims Claim Payments (federal funds)	(268,007)

**Crime Victims Claim Payments** **\$224,891**

In response of the declining restricted receipts court revenue and federal funds, the Office of the General Treasurer requested general revenue appropriations for claim payments of \$504,313 in FY2021 and \$504,419 for FY2022. However, the Budget includes general revenue appropriations for claim payments of \$55,109 in FY2021 and \$280,000 in FY2022. The recommended appropriation for FY2022 does reflect an increase of \$224,891 over the FY2021 Budget as Enacted. The Governor includes \$397,498 in the FY2021 Supplemental Budget recommendation.

*Analyst Note: The Office of the General Treasurer does not concur with the Governor's recommended general revenue appropriations and reiterates Treasury's appropriation request \$469,655 in FY2021, and \$224,419 in FY2022.*

**Crime Victims Claim Payments (restricted receipts)** **(\$370,000)**

The Budget includes \$555,000 in restricted receipts for claims and settlement payouts in FY2022, reflecting a decrease of \$370,000 from the FY2021 Budget as Enacted, but is \$313,000 more than the \$242,000 requested by Treasury. This decrease of reflects lower projected receipts from court ordered restitution payments to victims of violent crime.

The FY2021 Budget as Enacted included \$925,000 for restricted receipt claim payments that was based on passage of the Governor's proposed statutory change under Article 3, Section 4 of the FY2021 budget. The proposed change would have reprioritized the court order restitution payments to victims of violent crime. The Governor recommended the statutory change as a mechanism to stem declining revenue from court imposed fees. However, the statutory change was not adopted or included in the final budget but due to an oversight, the increased appropriation of restricted receipt claim payments was kept in the final budget.

According to the Budget Office, the restricted receipt claim payment appropriations were still kept at the higher amounts, again as an oversight to not realizing the statutory change did not occur and that construction of the Budget largely took the approach with all agencies that unless there were substantial reasons to make changes, most accounts were funded at the Enacted level.

*Analyst Note: The proposed language in the FY2021 Budget, Article 3, Section 4, reprioritized payments of court costs related to prosecutions to place a higher priority on the Crime Victims Compensation Fund. Due to the decriminalization of certain misdemeanors, there has been a decrease in court costs paid to the Crime Victim Compensation Program.*



The following table illustrates the trend of declining revenue from the court fees from FY2013 to FY2021. Note that the projection for FY2022 shows a slight increase in the fees from the previous year. The projection for FY2022 is based on the assumption that where the state court system was shut down by the COVID-19 pandemic and thereby reducing case processing and restitution payments, the reopening of the courts would return the restitution payments back to a level similar to FY2019 and FY2020.

<b>Court Revenue</b>	<b>Amount</b>
FY2012	\$1,079,792
FY2013	858,955
FY2014	809,288
FY2015	785,967
FY2016	838,621
FY2017	584,405
FY2018	536,217
FY2019	425,746
FY2020	368,660
FY2021	214,052
<i>FY2022</i>	<i>400,007</i>

*Projected revenue in italics*

***Crime Victims Claim Payments (federal funds)***

***(\$268,007)***

The Budget includes \$421,993 in federal funds for claims and settlement payouts in FY2022, reflecting a decrease of \$268,007 from the FY2021 Budget as Enacted. The U.S. Department of Justice handles the administration of the program on the federal level which provides federal funds based on a percentage of State funds used to pay claims paid.



## Board of Elections

<b>Expenditures By Program</b>	<b>FY2020 Actual</b>	<b>FY2021 Enacted</b>	<b>FY2021 Revised</b>	<b>Change from Enacted</b>		<b>FY2022 Governor</b>	<b>Change from Enacted</b>	
Board of Elections	\$2.5	\$4.0	\$4.0	\$0.0	0.1%	\$2.6	(\$1.4)	-34.3%
<b>Expenditures By Source</b>								
General Revenue	\$2.5	\$4.0	\$4.0	\$0.0	0.1%	\$2.6	(\$1.4)	-34.3%
Federal Funds	0.0	-	-	-	-	-	-	-
<b>Total</b>	\$2.5	\$4.0	\$4.0	\$0.0	0.1%	\$2.6	(\$1.4)	-34.3%
Authorized FTE Levels	13.0	13.0	13.0	-	-	13.0	-	-

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

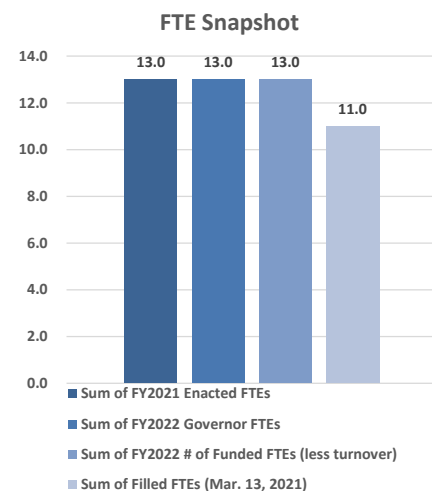
The Board of Elections supervises all elections and state and local referenda. The Board oversees voter registration and public education activities and provides all registration materials used in the State. The Board supervises and monitors the campaign finance activities of candidates, political action committees, and state vendors.

### MAJOR ISSUES AND TRENDS

The Budget includes \$4.0 million in FY2021, reflecting a net increase of \$5,016 in general revenue.

For FY2022, the Budget includes \$2.6 million in general revenue, which is \$1.4 million less than the FY2021 Budget as Enacted. The decrease is largely attributable to temporary employees, voting equipment transportation, printing, and postage expenses that are not required in a non-general election year.

The Budget includes 13.0 FTE positions in FY2021 and FY2022, consistent with the enacted level.



<b>Central Management</b>	<b>General Revenue</b>
FY2021 Enacted	\$3,972,921
<i>Target and Other Adjustments</i>	(76,436)
General Election Adjustments	(1,302,487)
Centralized Services	25,339
<b>FY2022 Governor</b>	<b>\$2,619,337</b>

### General Election Adjustments

**(\$1.3 million)**

The Budget decreases general revenue expenditures by \$1.3 million to reflect personnel, contracted services, and operating expenditures for voter operating supplies and expenses that are not required in a non-general election year. In addition, contract services decrease reflecting vendor support costs incurred on Election Day for voting machines and electronic poll books that are not relevant in FY2022. These expenses increase in odd-numbered fiscal years when there is a statewide general election; more so every 4<sup>th</sup> year when the constitutional offices are up for election and/or during a presidential election primary.

<b>Election Costs</b>	<b>FY2021 Enacted</b>	<b>FY2021 Governor</b>	<b>Change</b>	<b>FY2022 Governor</b>	<b>Change</b>
Seasonal/Special Salaries/Wages	\$613,487	\$613,487	\$0	\$21,000	(\$592,487)
Express Delivery	265,000	265,000	-	-	(265,000)
Contract Services	223,000	223,000	-	55,000	(168,000)
Miscellaneous Expenses	177,000	177,000	-	40,000	(137,000)
Postage and Postal Svcs	95,000	95,000	-	20,000	(75,000)
Printing - by State Agencies	15,000	15,000	-	15,000	-
Printing - Outside Vendors	75,000	75,000	-	10,000	(65,000)
<b>Total</b>	<b>\$1,463,487</b>	<b>\$1,463,487</b>	<b>\$0</b>	<b>\$161,000</b>	<b>(\$1,302,487)</b>

**Centralized Services****\$25,339**

The Budget increases general revenue expenditures reflecting billed amounts for information technology and facilities management services. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2021 Budget as Enacted appropriated \$60,600 for these expenses, which is decreased by \$25,339 to \$80,939 in the FY2022 proposed budget.

## Ethics Commission

<b>Expenditures By Program</b>	<b>FY2020 Actual</b>	<b>FY2021 Enacted</b>	<b>FY2021 Revised</b>	<b>Change from Enacted</b>		<b>FY2022 Governor</b>	<b>Change from Enacted</b>	
RI Ethics Commission	\$1.8	\$1.9	\$1.9	\$0.0	0.3%	\$1.9	0.1	1.1%
<b>Expenditures By Source</b>								
General Revenue	\$1.8	\$1.9	\$1.9	\$0.0	0.3%	\$1.9	0.1	1.1%
Authorized FTE Levels	12.0	12.0	12.0	-	-	12.0	-	-

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

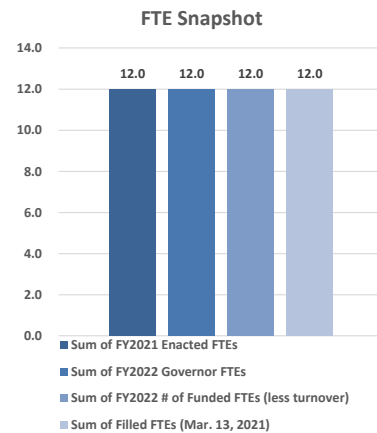
The Rhode Island Ethics Commission is responsible for adopting and disseminating the Rhode Island Code of Ethics, issuing advisory opinions to public officials and employees, enforcing financial disclosure policies and maintaining financial disclosure records, investigating and adjudicating complaints alleging violation of the Code of Ethics, and educating the general public as to the requirements of the Code of Ethics. The Commission is headed by an Executive Director/Chief Prosecutor.

### MAJOR ISSUES AND TRENDS

The revised budget includes \$1.9 million for FY2021. The revised budget increases general revenue by \$5,741 to cover the payroll assessed fringe benefit assessment costs required for the last nine payroll periods to finance the ongoing Voluntary Retirement Incentive Program. The assessed fringe benefit personnel expense is a bi-weekly assessment of 3.95 percent charged to direct salaries.

The Budget includes \$1.9 million for FY2022, which provides an increase of \$28,632 (1.5 percent) over the FY2021 Budget as Enacted. This includes an increase of \$24,562 in personnel costs, reflecting statewide planning value adjustments set by the Budget Office, an increase of \$5,000 for rental costs, and a net decrease of \$930 for other operating adjustments.

The Budget includes 12.0 FTE positions in FY2021 and FY2022, consistent with the enacted level.



<b>RI Ethics Commission</b>	<b>General Revenue</b>
FY2021 Enacted	\$1,900,201
<i>Target and Other Adjustments</i>	
Personnel Adjustments	(930)
Rental of Outside Property	24,562
<b>FY2022 Governor</b>	<b>\$1,928,833</b>

### Personnel Adjustments

**\$24,562**

The Budget increases general revenue expenditures to reflect statewide planning value adjustments set by the Budget Office that translates into an effective salary and benefit increase of 1.6 percent as compared to the FY2021 Budget as Enacted.

<b>Personnel Costs</b>	<b>FY2021 Enacted</b>	<b>FY2022 Governor</b>	<b>Change</b>
Assessed Fringe Benefits	\$39,782	\$40,228	\$446
Defined Contribution Plan	11,869	11,987	118
Dental Insurance	7,003	9,062	2,059
Employees' Retirement	277,368	285,264	7,896
FICA: Medicare	14,606	14,770	164
FICA: Social Security	61,674	62,562	888
Longevity Pay	56,303	56,465	162
Medical Insurance	89,927	96,755	6,828
Medical Insurance Waiver Bonus	5,005	5,005	-
Payroll Accrual	5,936	5,951	15
Regular Wages	950,840	961,976	11,136
Retiree Health Insurance	59,119	53,775	(5,344)
Vision Insurance	1,217	1,411	194
<b>Total</b>	<b>\$1,580,649</b>	<b>\$1,605,211</b>	<b>\$24,562</b>

**Rental of Outside Property****\$5,000**

The Commission's office is located at 40 Fountain Street in the City of Providence. The lease was renewed on April 30, 2011, and expires on November 30, 2021. The annual lease expense is \$117,000, reflecting an increase of \$5,000 from the FY2021 Budget as Enacted.

## Office of the Governor

<b>Expenditures By Program</b>	<b>FY2020 Actual</b>	<b>FY2021 Enacted</b>	<b>FY2021 Revised</b>	<b>Change from Enacted</b>		<b>FY2022 Governor</b>	<b>Change from Enacted</b>	
Governor	\$6.6	\$6.5	\$6.5	\$0.0	0.5%	\$6.7	\$0.3	4.2%
<b>Expenditures By Source</b>								
General Revenue	\$5.5	\$6.5	\$6.5	\$0.0	0.5%	\$6.7	\$0.3	4.2%
Federal Funds	1.1	-	-	-	-	-	-	-
<b>Total</b>	<b>\$6.6</b>	<b>\$6.5</b>	<b>\$6.5</b>	<b>\$0.0</b>	<b>0.5%</b>	<b>\$6.7</b>	<b>\$0.3</b>	<b>4.2%</b>
Authorized FTE Levels	45.0	45.0	45.0	-	-	45.0	-	-

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

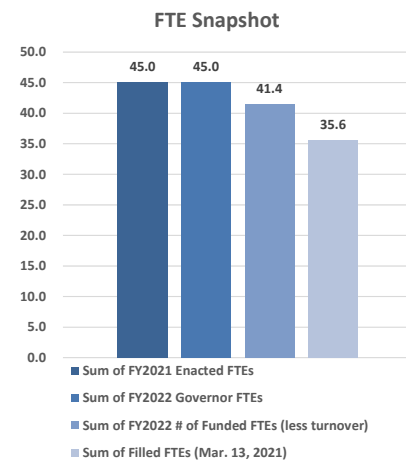
The Office of the Governor is one of five general offices subject to voter election under the Constitution of Rhode Island. The Office is responsible for directing the executive branch of government, including the preparation and submission of the annual state budget.

### MAJOR ISSUES AND TRENDS

The FY2021 Supplemental Budget for the Office of the Governor is \$6.5 million in general revenue, \$21,470 less than the amount appropriated in the FY2021 Budget as Enacted. The increase covers the payroll assessed fringe benefit assessment costs required for the last nine payroll periods to finance the ongoing Voluntary Retirement Incentive Program. The assessed fringe benefit personnel expense is a bi-weekly assessment of 3.95 percent charged to direct salaries.

The FY2022 Budget includes \$6.7 million in general revenue, reflecting a \$270,537 (4.2 percent) increase from the previous year. The majority of this funding (92.0 percent) supports personnel costs. The Budget includes 45.0 FTE positions in both FY2021 and FY2022, consistent with the enacted budget.

On March 2, 2021, Lieutenant Governor Daniel McKee assumed the position of Governor upon the resignation of the incumbent Governor.



<b>Governor</b>	<b>General Revenue</b>
FY2021 Enacted	\$6,459,015
<i>Target and Other Adjustments</i>	
Personnel Adjustments	301,765
Centralized Services	(31,228)
Contingency Fund	<i>Informational</i>
<b>FY2022 Governor</b>	<b>\$6,729,552</b>

**Personnel Adjustments****\$301,765**

The Budget includes \$6.2 million in general revenue for salary and benefits, resulting in a net increase of \$301,765 from the previous fiscal year. The increase in personnel expenses reflects increases in statewide planning value adjustments set by the Budget Office, such as health benefit costs and retirement contribution rates as well as a reduction of \$480,977 for projected turnover savings. The increase in personnel costs translates into an effective salary and benefit increase of 5.1 percent as compared to the FY2021 Budget as Enacted.

The projected turnover savings of \$480,977 for FY2022 equates to 3.6 FTE positions. This is \$150,791 or 1.3 FTE position less than the \$631,768 turnover savings amount included in the FY2021 Budget as Enacted. As of the April 24, 2021, payroll period, the Office of the Governor averaged 37.6 filled FTE positions over 22 payroll periods, leaving on average, 7.4 FTE positions vacant. The following table illustrates the history of filled FTE positions within the Office of the Governor, over the past seven fiscal years. On that average, the Office experience has been 6.5 vacant FTE positions over the last seven years.

<b>Governor's Office</b>	<b>Authorized FTEs</b>	<b>Average Filled FTEs</b>	<b>Average FTE Vacancies</b>
FY2021	45.0	37.6	7.4
FY2020	45.0	39.3	5.7
FY2019	45.0	36.1	8.9
FY2018	45.0	38.9	6.1
FY2017	45.0	39.6	5.4
FY2016	45.0	40.1	4.9
FY2015	45.0	38.1	6.9
<b>Average FTEs</b>	<b>45.0</b>	<b>38.5</b>	<b>6.5</b>

**Contingency Fund****Informational**

The Budget includes \$150,000 in general revenue for the contingency fund appropriation. The Governor's Office is annually appropriated general revenue for a contingency fund for unforeseen expenses. This is a discretionary spending account. The FY2021 Budget as Enacted included \$150,000 in general revenue. As of April 28, 2021, a total of \$113,532 is spent from the fund leaving a balance of \$36,468. There is no change proposed for the contingency fund in the FY2021 Revised Budget. The following table illustrates the contingency fund appropriations and expenditures over the past seven years:

<b>Contingency Fund</b>					
<b>Budget Year</b>	<b>Enacted/Request</b>	<b>Revised Changes</b>	<b>Total</b>	<b>Actual</b>	<b>Variance</b>
FY2015	\$250,000	\$0	\$250,000	\$89,199	\$160,801
FY2016	250,000	160,800	410,800	65,966	344,834
FY2017	250,000	(8,000)	242,000	172,350	69,650
FY2018	250,000	(32,911)	217,089	206,587	10,502
FY2019	200,000	-	200,000	156,590	43,410
FY2020	150,000	-	150,000	149,802	198
FY2021	150,000	-	150,000	113,532	36,468
<i>FY2022</i>	<i>150,000</i>	<i>-</i>	<i>150,000</i>	<i>-</i>	<i>150,000</i>

Source: Budget Data Tables and RIFANs

FY2021 Expenditures as of April 28, 2021

*Italics reflects requested amounts or non-finalized amounts*

**Centralized Service****(\$31,228)**

The Budget decreases general revenue expenditures to reflect billed amounts for information technology services. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs



associated with a particular program or agency. The FY2021 Budget as Enacted appropriated \$136,955 for this expense, which is decreased by \$31,228 to \$110,000 in the FY2022 budget.



## Rhode Island Commission for Human Rights

<b>Expenditures By Program</b>	<b>FY2020 Actual</b>	<b>FY2021 Enacted</b>	<b>FY2021 Revised</b>	<b>Change from Enacted</b>		<b>FY2022 Governor</b>	<b>Change from Enacted</b>	
Commission for Human Rights	\$1.8	\$1.9	\$1.9	\$0.0	0.6%	\$1.9	\$0.1	4.4%
<b>Expenditures By Source</b>								
General Revenue	\$1.2	\$1.3	\$1.4	\$0.0	0.7%	\$1.5	\$0.2	13.4%
Federal Funds	0.5	0.5	0.5	0.0	0.2%	0.4	(0.1)	-19.0%
<b>Total</b>	<b>\$1.8</b>	<b>\$1.9</b>	<b>\$1.9</b>	<b>\$0.0</b>	<b>0.6%</b>	<b>\$1.9</b>	<b>\$0.1</b>	<b>4.4%</b>
Authorized FTE Levels	14.5	14.5	14.5	-	-	14.0	(0.5)	-3.4%

The Rhode Island Commission for Human Rights enforces anti-discrimination laws in the areas of employment, housing, public accommodations, credit, and delivery of services. Major program activities include outreach and education, intake, investigation, conciliation, and administrative hearings.

The Commission is reimbursed \$800 for each co-filed employment case processed pursuant to its work-sharing agreement with the federal Equal Employment Opportunities Commission (EEOC). The Commission also receives a reimbursement between \$1,400 and \$3,100 for each co-filed housing case processed pursuant to its contract with the federal Department of Housing and Urban Development (HUD). Annual federal receipts are used to estimate the following federal fiscal year appropriation to the Commission. When the Commission processes fewer EEOC or HUD cases, the Commission receives a lower federal reimbursement, resulting in the need to appropriate additional general revenues to cover the annual operation of the Commission.

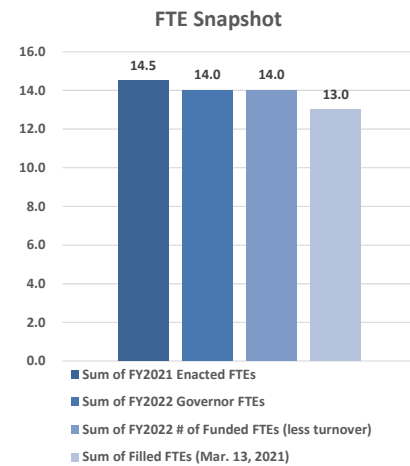
According to the most recently available data, during 2020, the Commission took an average of 379 days to process a case to final disposition, 236 days shorter than those processed during 2019 and 74 days longer than those processed during 2019.

### MAJOR ISSUES AND TRENDS

The FY2021 Budget as Enacted includes \$1.9 million in all funds, of which \$1.3 million is general revenue and \$521,166 is federal funds. General revenues increased \$118,971 over the FY2020 Actual Budget. The FY2021 Supplemental Budget includes \$1.9 million in all funds, of which \$1.4 million is general revenue and \$522,355 is federal funds. This reflects an increase of \$3,975 in general revenue and an increase of \$1,189 in federal funds over the enacted budget, to cover the payroll assessed fringe benefit assessment costs required for the last nine payroll periods to finance the ongoing Voluntary Retirement Incentive Program. The assessed fringe benefit personnel expense is a bi-weekly assessment of 3.95 percent charged to direct salaries.

The FY2022 Budget includes \$1.9 million in all funds, of which \$1.5 million is general revenue and \$422,418 is federal funds, reflecting an increase of \$175,066 in general revenue and a decrease of \$98,748 in federal funds largely reflecting the shift of rent costs back to general revenue.

The Budget includes 14.5 FTE positions in FY2021 and 14.0 FTE positions in FY2022, reflecting the elimination of a vacant 0.5 Senior Compliance Officer position.



<b>Commission for Human Rights</b>	<b>General Revenue</b>
FY2021 Enacted	\$1,348,206
<i>Target and Other Adjustments</i>	24,652
Personnel Adjustments	85,468
Rental of Outside Property	67,344
Centralized Services	(26,974)
Office Printers	24,576
<b>FY2022 Governor</b>	<b>\$1,523,272</b>

<b>Commission for Human Rights</b>	<b>Other Funds</b>
Rental of Outside Property (federal funds)	(\$83,807)

**Personnel Adjustments** **\$85,468**

The Budget increases general revenue personnel expenditures by \$85,468, reflecting various adjustments by the Budget Office, including no turnover or supplemental retirement contributions, and step increases for three FTE positions. The increase translates into an effective salary and benefit increase of 7.2 percent as compared to the FY2021 Budget as Enacted.

<b>Personnel Expenses</b>	<b>FY2021 Enacted</b>	<b>FY2022 Governor</b>	<b>Change</b>
Assessed Fringe Benefits	\$27,549	\$29,803	\$2,254
Defined Contribution Plan	6,495	7,141	646
Dental Insurance	7,706	8,141	435
Employees' Retirement	211,721	211,335	(386)
FICA: Medicare	10,114	10,258	144
FICA: Social Security	43,244	43,859	615
Longevity Pay	54,328	45,383	(8,945)
Medical Insurance	155,691	161,455	5,764
Payroll Accrual	4,073	4,387	314
Regular Wages	669,076	709,117	40,041
Retiree Health Insurance	40,940	39,837	(1,103)
Retirement Contribution per RIGL 36-10-2(e)(1)	(19,639)	-	19,639
Turnover	(25,942)	-	25,942
Vision Insurance	1,148	1,256	108
<b>Total</b>	<b>\$1,186,504</b>	<b>\$1,271,972</b>	<b>\$85,468</b>

**Rental of Outside Property** **\$67,344**

The Commission's office is located at 180 Westminster Street in the City of Providence. The lease was renewed on July 19, 2016, and expires in July 2021. The annual lease expense is \$198,439, a net decrease of \$16,463 from the previous fiscal year. The rental cost is split 72.0 percent general revenue and 28.0 percent federal funds. The FY2020 Budget shifted over 90.0 percent of the rental cost from general revenue to federal funds, of which half of the federal cost will be paid from Equal Employment Opportunities Commission (EEOC) funds and half from the federal Department of Housing and Urban Development (HUD).

The FY2021 Budget as Enacted continued the shift in rental costs to federal funds to reduce general revenue expenses and absorb an existing federal fund surplus in the agency. For FY2022, the rental costs shift back to general revenue because the actual and estimated federal receipts for FY2022 are not sufficient to fully cover these expenses. General revenues will account for \$142,454 of the rent cost and with federal funds accounting for \$55,985. There is a corresponding decrease of \$83,807 in federal funds for rental expenses.

**Centralized Service Charges** **(\$26,974)**

The Budget eliminates the expenditure for Information Technology Service charges projected costs in FY2021. This is a decrease of \$26,974 from the FY2021 Budget as Enacted. The FY2018 Budget as Enacted

authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. These expenditures were reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The Budget does not anticipate expenditures in FY2022. The FY2021 Budget as Enacted appropriated \$26,974 for centralized information technology expenses.

***Office Printers***

***\$24,576***

The Budget increases general revenue by \$24,576 to reflect the purchase of two office printers. The current printers are more than a decade old and require replacement.



## Public Utilities Commission

Expenditures By Program	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
	Actual	Enacted	Revised	Enacted		Governor	Enacted	
Public Utilities Commission	\$9.6	\$11.7	\$11.8	\$0.1	0.8%	\$12.5	\$0.7	6.1%
<b>Expenditures By Source</b>								
Federal Funds	\$0.2	\$0.2	\$0.2	\$0.1	40.0%	\$0.5	\$0.4	208.6%
Restricted Receipts	9.4	11.6	11.6	0.0	0.2%	11.9	0.3	9.0%
<b>Grand Total</b>	<b>\$9.6</b>	<b>\$11.7</b>	<b>\$11.8</b>	<b>\$0.1</b>	<b>0.8%</b>	<b>\$12.5</b>	<b>\$0.7</b>	<b>6.1%</b>
Authorized FTE Levels	53.0	52.0	52.0	-	-	54.0	2.0	3.8%

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

The Public Utilities Commission (PUC) regulates public utilities, Community Antenna Television, common carriers, and major energy facilities; regulates rates; ensures sufficient utility infrastructure to promote economic development; and, cooperates with other states and federal government agencies to coordinate efforts to meet objectives. The PUC is comprised of two distinct regulatory bodies: the Division of Public Utilities and Carriers (Division) and a three-member Commission (Commission). The Division carries out laws relating to public utilities and carriers, and the regulations and orders of the Commission governing the conduct and charges of the public utilities. The Commission serves as a quasi-judicial tribunal that holds investigations and hearings concerning utility rates, tariffs, tolls and charges, as well as facility accommodations and locations. The Commission is funded primarily through fees paid by utility companies.

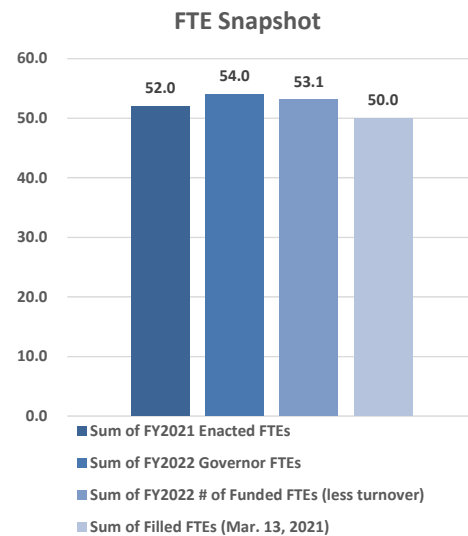
### MAJOR ISSUES AND TRENDS

The FY2021 Supplemental Budget provides a total operating budget of \$11.8 million, including \$11.6 million in restricted receipts, and \$245,166 in federal funds. The recommendation represents an increase of \$94,254 (0.8 percent) from the FY2021 Budget as Enacted. As the agency does not receive any general revenue funding, the costs are a pass-through expenditure and are paid by the regulated utilities pursuant to RIGL 39-1-23.

The FY2022 Budget provides a total operating budget of \$12.5 million, including \$11.9 million in restricted receipts and \$540,253 in federal funds. The recommendation represents an all funds increase of \$717,953 (6.1 percent) compared to the FY2021 Budget as Enacted, and reflects an increase of \$352,874 in restricted receipts and \$365,079 in federal funds.

The single largest increase is \$244,288 for the addition of 2.0 new FTE positions. The cost of the two new positions is split between federal funds and restricted receipts. The Budget provides a staffing level of 52.0 FTE positions in FY2021 and 54.0 FTE positions in FY2022 for the Commission, an increase of 2.0 FTE positions from the enacted budget.

The Public Utilities Commission pays an annual rent of \$333,420 for the rental of the state-owned office building at 89 Jefferson Boulevard in the City of Warwick.



Public Utilities Commission	Other Fund Changes
Personnel - New FTE Positions	\$248,695
Dual Party Phone Relay Service	(45,574)
Centralized Services	6,011

**Personnel – New FTE Positions (restricted receipts)****\$248,695**

The Budget adds 2.0 new FTE positions in FY2022 including a 1.0 Pipeline Safety Inspector I and a 1.0 Pipeline Safety Inspector III position. The Governor adds the positions to handle an increase in workload to expand the Division's capacity to inspect utility infrastructure. The U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration recommends that the State increase the number of personnel in the Commission's pipeline safety program. The addition of the two new positions is a top priority of the Commission in FY2022. The cost of the two new positions is evenly split between federal funds and restricted receipts.

<b>New Positions</b>	<b>Federal Funds</b>	<b>Restricted Receipts</b>	<b>Total Position Cost</b>
Pipeline Safety Inspector I	\$68,010	\$68,010	\$136,020
Pipeline Safety Inspector III	54,134	54,134	108,268
<b>Total</b>	<b>\$122,144</b>	<b>\$122,144</b>	<b>\$244,288</b>

In addition, the Division of Public Utilities and Carriers laid off three employees in order to add 3.0 Pipeline Safety Inspector I positions to expand the Division's capacity to inspect utility infrastructure and maintain the FTE position total within the authorized limit. The result is a net increase of \$4,407 split evenly between federal funds and restricted receipts.

<b>Laid Off Positions</b>	<b>Federal Funds</b>	<b>Restricted Receipts</b>	<b>Total Position Cost</b>
Motor Carrier Compliance Inspector	\$40,126	\$40,126	\$80,252
Principal Auditor	61,244	61,244	122,488
Information Services Technician I	46,365	46,365	92,731
<b>Total</b>	<b>\$147,735</b>	<b>\$147,735</b>	<b>\$295,470</b>

<b>Replacement Positions</b>	<b>Federal Funds</b>	<b>Restricted Receipts</b>	<b>Total Position Cost</b>
Pipeline Safety Inspector I	\$52,227	\$52,227	\$104,454
Pipeline Safety Inspector I	50,553	50,553	101,107
Pipeline Safety Inspector I	47,158	47,158	94,317
<b>Total</b>	<b>\$149,939</b>	<b>\$149,939</b>	<b>\$299,877</b>

<b>Net Change</b>	<b>\$2,203</b>	<b>\$2,203</b>	<b>\$4,407</b>
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**Dual Party Phone Relay Services (restricted receipts)****(\$45,574)**

The Budget decreases restricted receipt expenses by \$45,574 reflecting a decrease in the projected expenditures to occur in FY2022. The dual party phone relay funds are used for telephone services access for people with disabilities. There is a \$.09 cent surcharge on landlines in the state used to fund the relay service. Per state law, annual payments are made to the Department of Human Services and to the Rhode Island Commission on Deaf and Hard of Hearing. During the FY2019 audit by the Office of the Auditor General, the Office proposed an audit adjustment to reclassify the escrow account as a restricted receipt.

**Centralized Services (restricted receipts)****\$6,011**

The Budget increases restricted receipt expenditures to reflect billed amounts for information technology services. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2021 Budget as Enacted appropriated \$130,456 for this expense, which is increased by \$6,011 to \$136,467 in the FY2022 budget.



**CAPITAL PROJECTS**

The 5-year capital plan includes \$750,000 in restricted receipts for two capital projects including ongoing asset protection of the state-owned facility at 89 Jefferson Boulevard in the City of Warwick and to develop an online electronic business portal (EBP).

- The Budget includes \$250,000 in FY2021 to complete the development of an online electronic business portal (EBP) for docket (official proceedings) management and for e-filing capabilities. The EBP will have an in-house scheduler for Commission employees to track dockets and tasks assigned to each docket, and will have a list server to allow the public to track specific dockets. The EBP will relieve the Division and Commission staff of document filing and document management responsibilities. The total project cost is \$500,000. The FY2020 capital budget included \$250,000 in restricted receipts for the project.
- The Budget includes \$200,000 in FY2022, \$100,000 in FY2023, \$100,000 in FY2024, and \$50,000 in FY2025 to fund five asset protection projects between FY2022 and FY2025, including replacing exterior windows, the roof membrane, handicap railings and ramp, resurface the parking lot, and to do interior renovations. The structure has been used by the Division of Public Utilities and Carriers/Public Utilities Commission since 2002 for office and public hearing space.

The Public Utilities Commission and the Division of Public Utilities and Carriers assess public utility corporations up to \$300,000 per fiscal year for capital, asset protection, or maintenance programs for the Division. Assessments on public utilities are placed into a restricted receipt account and used for capital projects.



## Executive Office of Commerce

Expenditures By Program	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$2.0	\$2.2	\$3.8	\$1.6	73.4%	\$2.4	\$0.2	7.1%
Commerce Programs	1.2	1.2	1.2	-	-	1.6	0.4	33.3%
Economic Development Initiatives Fund	1.8	165.2	57.9	(107.3)	-65.0%	24.9	(140.3)	-84.9%
Housing and Community Development	11.2	34.3	41.7	7.4	21.7%	20.2	(14.1)	-41.0%
Quasi-Public Appropriations	21.4	12.6	12.6	-	-	16.0	3.4	26.9%
<b>Total</b>	<b>\$37.7</b>	<b>\$215.5</b>	<b>\$117.2</b>	<b>(\$98.3)</b>	<b>-45.6%</b>	<b>\$65.1</b>	<b>(\$150.4)</b>	<b>-69.8%</b>

Expenditures By Source								
General Revenue	\$17.8	\$40.3	\$39.9	(\$0.4)	-0.9%	\$42.0	\$1.7	4.2%
Federal Funds	6.5	170.0	72.1	(97.9)	-57.6%	12.1	(157.9)	-92.9%
Restricted Receipts	4.2	4.7	4.7	0.0	0.0%	7.3	2.6	54.8%
Other Funds	9.3	0.5	0.5	-	-	3.7	3	621.2%
<b>Total</b>	<b>\$37.7</b>	<b>\$215.5</b>	<b>\$117.2</b>	<b>(\$98.3)</b>	<b>-45.6%</b>	<b>\$65.1</b>	<b>(\$150.4)</b>	<b>-69.8%</b>

Authorized FTE Levels	16.0	14.0	14.0	0.0	0.0%	16.0	2.0	14.3%
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\$ in millions. Totals may vary due to rounding.

The Executive Office of Commerce (EOC) was established pursuant to RIGL 42-64.19 to be the principal agency of the executive branch of State government for managing the promotion of commerce and the economy in the State. The Secretary of Commerce oversees the Executive Office of Commerce. The agency is charged with coordinating a cohesive direction for the State's economic development activities and to be the lead agency for economic development throughout Rhode Island.

The Housing and Community Development program was transferred to the Executive Office of Commerce by the General Assembly in FY2016. In addition, the funding and administration for the Rhode Island Commerce Corporation and the I-195 Redevelopment Commission, both previously funded in the Department of Administration, were transferred to the Executive Office of Commerce. The RI Commerce Corporation (Commerce RI) is a quasi-public agency responsible for implementing statewide economic development programming including business relocation services, business financing, tourism support, and incentive programs.

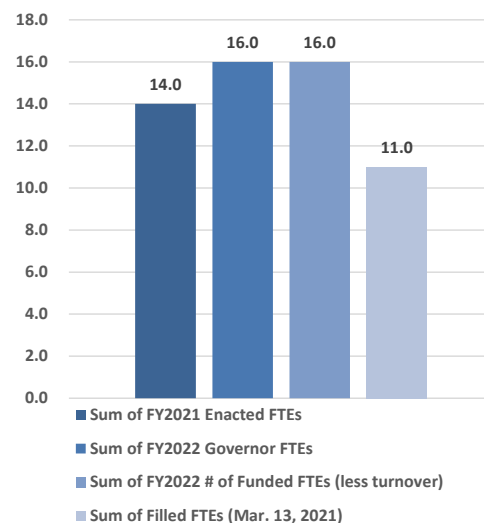
### MAJOR ISSUES AND TRENDS

The Budget provides a total of \$65.1 million to fund the economic development initiatives and operations of the Executive Office of Commerce and Commerce RI in FY2022. Nearly two-thirds of this, or \$42.0 million, is general revenue, an increase of \$1.7 million (4.2 percent) from the FY2021 Enacted level. The Budget authorizes 14.0 FTE positions in FY2021 and 16.0 in FY2022. As of March 13, 2021 EOC had 11.0 filled FTE positions.

#### **Pandemic Relief Funding Changes**

The Executive Office of Commerce is the lead State agency coordinating and funding business recovery efforts in response to the COVID-19 pandemic. In partnership with RIHousing, it is also the lead State agency for emergency rental assistance programs. The EOC is charged with administering federal Coronavirus Relief Funds (CRF) and other CARES Act monies appropriated for these purposes.

FTE Snapshot



- **COVID-19 – Staff Expenditures:** The Budget restores \$362,290 in general revenue personnel expenditures that were shifted to federal pandemic relief funds in FY2021.
- **COVID-19 – Restore RI:** The Budget includes a \$141.3 million reduction in federal pandemic relief funding within the Economic Development Initiatives program in FY2022 and a net reduction of \$107.3 million in FY2021 compared to the Enacted Budget. These reductions primarily reflect the shifting of Coronavirus Relief Funds (CRF) from the Executive Office of Commerce to the Departments of Administration (DOA) and Revenue (DOR) in FY2021. There are no funds provided for the programs in FY2022.
- **COVID-19 – Housing Relief:** The Budget includes a net increase of \$7.5 million in federal funding in FY2021. There are no funds provided for the programs in FY2022, resulting in a net \$8.1 million reduction in FY2022 related to pandemic housing relief programming.

### Incentives

In 2015, the General Assembly established numerous economic development incentives to spur investment in new capital and critical industry sectors, improve the workforce, and promote innovation. General revenue appropriations supporting these incentives totaled \$136.8 million prior to FY2021. The FY2021 Budget includes an additional \$25.1 million and the FY2022 Budget includes \$26.5 million. The following table shows the total appropriations, awards, and remaining balances for each of the incentives:

Incentive	Pre-FY2021	FY2021 Enacted	FY2021 Revised	FY2022 Governor	Appropriated To Date	Awarded to Date	Balance
Rebuild RI	\$59.7	\$22.5	\$22.5	\$22.5	\$82.2	\$190.2	(\$108.0)
I-195 Redevelopment Fund	28.0	-	-	-	28.0	26.0	2.0
First Wave Closing Fund	15.3	-	-	-	15.3	3.3	12.0
Wavemaker Fellowship	7.3	1.2	1.2	1.6	8.5	3.1	5.4
Small Business Assistance Fund	6.0	-	-	1.0	6.0	3.4	2.6
Innovation Initiative	10.5	1.0	1.0	1.0	11.5	6.5	5.0
Main Street RI Streetscape Improvement Fund	3.0	-	-	-	3.0	2.8	0.2
Air Service Development Fund	2.5	-	-	-	2.5	2.0	0.5
P-Tech	2.5	-	-	-	2.5	1.3	1.2
Industry Cluster Fund	1.5	0.1	0.1	0.1	1.6	1.2	0.3
SupplyRI/Small Business Promotion	0.6	0.3	0.3	0.3	0.9	0.9	-
Qualified Jobs Tax Incentive	-	-	-	-	-	72.0	(72.0)
Tax Increment Financing	-	-	-	-	-	35.4	(35.4)
Tax Stabilization Agreement Incentive	-	-	-	-	-	0.6	(0.6)
<b>Total</b>	<b>\$136.8</b>	<b>\$25.1</b>	<b>\$25.1</b>	<b>\$26.5</b>	<b>\$161.9</b>	<b>\$348.8</b>	<b>(\$186.9)</b>

\$ in millions

The Governor recommends revisions to some of the incentives along with increased funding as follows:

- **Rebuild RI:** The Governor includes \$22.5 million to assist economic development projects through the Rebuild RI program, equal to the FY2021 Budget as Enacted level. The Governor proposes several changes to the program in Article 9 including raising the cap on the total amount of tax credits and sales tax exemptions that may be issued from \$210.0 million to \$240.0 million and extending the program's sunset to December 31, 2022.
- **Wavemaker:** The Budget provides \$1.6 million to help retain talented graduates through the Wavemaker Fellowship program, \$400,000 more than the enacted level. Article 9 includes technical amendments to the program that clarify that awards are exempt from state taxation, entrepreneurs are eligible for the program, and that eligible expenses include only those that were both incurred and paid by fellows.
- **Small Business Assistance:** The Governor recommends \$1.0 million to support the small business assistance program, \$1.0 million more than the enacted level. The program engages private lenders to support businesses with fewer than 200 employees. The Budget also includes \$300,000 for the State's SupplyRI/Small Business Promotion program.

- **Competitive Cluster Grants:** The Budget includes \$100,000 for the Competitive Cluster Grants program, consistent with the FY2021 enacted level. The program provides businesses within the State’s designated growth sectors with startup and technical assistance funding.

### ***Housing Organization, Policy, and Funding Changes***

Article 16 of the Budget makes significant changes to how the State is organized around housing policy development, administration, and funding. These include:

- **Reorganization of Housing Governance:** Article 16 modifies the membership of both the Housing Resources Coordinating Committee (HRCC) and Housing Resources Commission (HRC) and elevates the Office of Housing and Community Development (OHCD). The Budget also authorizes and funds a 1.0 Deputy Secretary FTE position dedicated to housing administration.
- **Dedicated Funding for Housing Development:** Article 16 modifies how the revenue generated from the real estate conveyance tax is allocated among statutorily-prescribed recipients and increases the real estate conveyance tax on the portion of real estate value over \$700,000. The additional revenue from these changes is to be used to support increased housing opportunities in the State.
- **Housing Incentives for Municipalities (HIM):** Article 16 modifies a new incentive for municipalities to support and develop housing by making school impact offset payments through RIHousing.

### **CENTRAL MANAGEMENT**

The Central Management program is responsible for supervising, coordinating, and monitoring all departmental functions by providing leadership, management, and strategic planning activities.

<b>Central Management</b>	<b>General Revenue</b>
FY2021 Enacted	\$1,695,037
<i>Target and Other Adjustments</i>	<i>(98,979)</i>
Salary and Benefits Changes	624,341
Centralized Services Charges	(18,188)
<b>FY2022 Governor</b>	<b>\$2,202,211</b>

### ***Salary and Benefits Changes*** **\$624,341**

The Budget includes an additional \$624,341 in personnel costs in FY2022 within the Central Management program. The Budget adds 2.0 FTE positions to the Executive Office of Commerce, including a 1.0 new Deputy Secretary with responsibilities for overseeing housing policy development and administration. The remaining 1.0 FTE position is not identified or funded, and according to Budget documentation appears to be inadvertently included.

- **Deputy Secretary:** The Governor recommends hiring a new 1.0 Deputy Chief of Staff/Policy FTE position beginning in the second half of FY2021. The Budget includes \$262,551 in general revenue to fund the position in FY2022. The position is intended to serve as a deputy secretary for the Executive Office of Commerce and will primarily be focused on housing policy. The EOC has requested the deputy secretary position each year since it was eliminated in FY2018. According to the EOC’s FY2022 Budget Request, the position is “integral to coordinating the interagency responsibilities of the agency and will promote better alignment across those agencies.” The EOC indicates that the deputy secretary will also head the Office of Housing and Community Development, which is elevated to Division status in Article 16.
- **COVID-19 – Staff Expenditures:** The Budget restores \$362,290 in general revenue personnel expenditures that were shifted to federal pandemic relief funds in FY2021. Payroll expenses for Commerce RI staff activity directed towards COVID-19 emergency response and relief efforts focused

on Rhode Island businesses were considered eligible for Coronavirus Relief Funding, allowing for general revenue savings in FY2021. This funding is not available in FY2022. There is a corresponding decrease in federal funds in FY2022.

### **Centralized Services Charges**

**(\$18,188)**

The Budget includes an \$18,188 reduction in general revenue centralized services spending as compared to the FY2021 enacted level. This includes an \$11,521 savings related to a reduced Division of Information Technology billing. It also includes a \$6,667 reduction related to centralized human resources charges that reflect the program's historic expenses.

	FY2021	FY2022	
<b>Centralized Services Charges</b>	<b>Enacted</b>	<b>Governor</b>	<b>Change</b>
Informational Technology	40,443	28,922	(\$11,521)
Human Resources	27,504	20,837	(6,667)
<b>Total</b>	<b>\$67,947</b>	<b>\$49,759</b>	<b>(\$18,188)</b>

### **COMMERCE PROGRAMS**

The Budget includes \$1.6 million from general revenues in FY2022 to support Commerce Programs. The funding recommendation is \$400,000 more than the FY2021 Enacted level.

<b>Commerce Programs</b>	<b>General Revenue</b>
FY2021 Enacted	\$1,200,000
<i>Target and Other Adjustments</i>	-
Wavemaker Fellowship	400,000
<b>FY2022 Governor</b>	<b>\$1,600,000</b>

### **Wavemaker Fellowship**

**\$400,000**

The Wavemaker Fellowship is a competitive student loan reimbursement program for college 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 four years. The amount of the tax credit depends upon the degree earned by the taxpayer, i.e. \$1,000 for an associate's degree and up to \$6,000 for a graduate or post-graduate degree.

<b>Cohort</b>	<b>Fellows*</b>	<b>Appropriation</b>	<b>Original Award</b>	<b>Amount</b>	
				<b>Reimbursed to Date</b>	<b>Outstanding Balance</b>
2016	208	\$1,700,000	\$788,049	\$668,135	\$119,914
2017	219	2,000,000	862,597	108,241	754,356
2018	236	800,000	856,314	427,615	428,699
2019	153	1,600,000	579,489	-	579,489
2020	215	1,200,000	-	-	-
2021	215	1,200,000	-	-	-
2022	-	1,600,000	-	-	-
<b>Total</b>		<b>\$10,100,000</b>	<b>\$3,086,449</b>	<b>\$1,203,991</b>	<b>\$1,882,458</b>

\*Applications and awards for the FY 2021 Wavemaker Fellowship program are still in process. The number of fellows for FY2021 is an estimate from EOC.

Article 9 of the Budget makes technical amendments to program clarifying that:

- Awards are exempt from state taxation.
- Entrepreneurs are eligible for the program.
- Eligible expenses include only those that were both incurred and paid by fellows.

According to the EOC, the increase in funding will allow the program to support a sixth cohort in FY2022.

**ECONOMIC DEVELOPMENT INITIATIVES FUND**

The Budget provides \$24.9 million from general revenues in FY2022 to support various incentives, business assistance, and development programs designed to create and expand economic development in Rhode Island. The recommendation is \$1.0 million more than the FY2021 Budget as Enacted.

<b>Economic Development Initiatives Fund</b>	<b>General Revenue</b>
FY2021 Enacted	\$23,900,000
<i>Target and Other Adjustments</i>	
Small Business Assistance	1,000,000
Rebuild RI	Informational
Innovation Initiatives	Informational
Industru Cluster Grants	Informational
SupplyRI	Informational
<b>FY2022 Governor</b>	<b>\$24,900,000</b>

<b>Economic Development Initiatives Fund</b>	<b>Other Fund Changes</b>
Pandemic Relief (federal funds)	(141,300,000)

**Small Business Assistance****\$1.0 million**

The Governor recommends \$1.0 million for the Small Business Assistance incentive program in FY2022. The program is not funded in the FY2021.

The Small Business Assistance incentive program was established to help small businesses (under 200 employees) gain access to capital. The program originally received a \$5.5 million general revenue appropriation in FY2016 as capitalization. Grants are capped at \$750,000. According to the Executive Office of Commerce, the program offers more operating flexibility than the long-standing Small Business Loan Fund, which is subject to federal regulations from the U.S. Economic Development Administration. The Commerce Corporation partners with private lending institutions to administer the applications and program. The following table shows the lenders, total value of loans originated, and amount of Small Business Assistance incentive program funds used through December 2020:

<b>Small Business Assistance Fund</b>	
<b>Fiscal Year Budget</b>	<b>Appropriation</b>
2016 Final	\$5,458,000
2017 Final	-
2018 Final	-
2019 Final	-
2020 Final	500,000
2021 Enacted	-
<i>Subtotal - Activity to Date</i>	<i>\$5,958,000</i>
2021 Revised	-
2022 Governor	1,000,000
<b>Total</b>	<b>\$6,958,000</b>

<b>Lender</b>	<b>Total Value of Loans Originated</b>	<b>SBA Incentive Funds</b>
Business Development Co of RI	\$10,286,499	\$702,588
South Eastern Economic Devel. Corp (SEED)	3,868,750	1,246,300
BDC Capital of MA	3,600,500	1,103,000
Community Investment Corporation (CIC)	2,071,074	672,115
CIC Microloans	483,500	252,250
CWE Microloans	159,000	159,000
SEG Microloans	127,500	118,750
Rhode Island Black Business Association	66,300	66,300
<b>Total</b>	<b>\$20,663,123</b>	<b>\$4,320,303</b>

The FY2019 Budget as Enacted increased the amount of Small Business Assistance program funds available for “micro loans” (\$2,000 to \$25,000) from 10.0 percent to 25.0 percent. The loans may be used to provide:

- Additional capital to businesses;

- Direct lending for subordinated and mezzanine debt (debt that is associated with acquisitions and buyouts where it may be used to prioritize new owners ahead of existing owners in case of bankruptcy, or be used to convert a debt into a stock option); or
- Collateral support and enhancement.

*Analyst Note: According to the EOC, the Small Business Assistance program needs approximately \$4.5 million more in appropriations to become self-sustaining.*

### **Rebuild RI**

### **Informational**

Established in FY2016, the Rebuild Rhode Island program uses both tax credit and sales tax exemption incentives. The tax credit is administered by the Rhode Island Commerce Corporation and is designed to promote investment in real estate development for commercial and/or residential use.

- **Incentive Description:** The Commerce Corporation can issue a tax credit up to \$15.0 million, based on the lesser of 30.0 percent of the project cost or the amount needed to close demonstrated financing gaps. Tax credits are issued once a certificate of occupancy has been obtained. If the amount of the credit exceeds a taxpayer's liability in each year, the credit may be carried forward up to four years or until the full credit is used, whichever occurs first. Credits may be used against the following taxes: business corporations, financial institutions, insurance companies, public service corporations, and personal income. Prior to assignment of the credit, the State has the right to redeem (purchase) the credits at 90.0 percent of the credit value.

Sales and use tax exemptions are also permitted under the program and are made at the discretion of the Secretary of Commerce. The Commerce Corporation has the authority to provide qualifying projects with sale tax exemptions on certain qualified purchases that are related to the project's development. These purchases can include construction materials and services as well as furnishings and other interior improvements. To receive these exemptions, the developer must apply to the Commerce Corporation and if approved, will receive a rebate for those expenditures that is certified by the agency. Most of the current Rebuild RI projects have a sales tax rebate incentive in addition to the Rebuild RI tax credits.

- **Program Limits:** Several program limits were put in place when Rebuild RI was established to prevent awarded credits from outpacing general revenues and to ensure program performance. These limits included a \$150.0 million cap on the total amount of credits permitted to be issued and an initial sunset date of December 31, 2018. The limits ensured that the General Assembly had an opportunity to evaluate the effectiveness of the program over time and, based on its analysis, either reauthorize or curtail the program. The issuance of sales tax exemptions however, was not originally capped.

Additional limits have since been placed on the program. In 2019, the General Assembly modified the total program cap by increasing it from \$150.0 million to \$210.0 million and the cap now applies to the combined total of tax credits and sales tax exemptions. The program also has a \$15.0 million per-project cap. The General Assembly also modified this cap as it related to the potential Fane Tower project in the I-195 Redevelopment District. In this instance, the cap was raised to \$25.0 million, including credits and exemptions. The project also does not count against the overall program cap. The sunset date for Rebuild RI has been extended three times, most recently to June 30, 2021. Article 9 of the Budget raises the total program cap to \$240.0 million and extends the sunset date out to December 31, 2022.

- **Program Funding:** The Governor's FY2022 Budget provides \$22.5 million in general revenue for the Rebuild RI, equal to the enacted level. The Commerce Corporation has awarded \$192.2 million in combined tax credits and sales tax exemptions across 49 projects. Appropriated general revenue is set



aside in the Rebuild RI Fund. On an annual basis, the Commerce Corporation works with the Executive Office of Commerce, the Department of Administration, and the Division of Taxation to determine the availability of funds to award new tax credits and sales tax exemptions. The Director of Revenue requests the amounts necessary to offset the revenue loss that occurs the credits and exemptions are exercised. The following table provides the estimated obligations and annual drawdowns by fiscal year. It also shows an appropriation scenario that sufficiently covers planned draw down activity, keeps annual appropriations below \$25.0 million, and leaves a reasonable annual ending balance for the following fiscal year.

Rebuild RI Appropriations	
Budget	Appropriation
2016 Enacted (Final)	\$1,000,000
2017 Enacted (Final)	25,000,000
2018 Enacted (Final)	12,500,000
2019 Enacted (Final)	11,200,000
2020 Enacted (Final)	-
2021 Enacted	22,500,000
<i>Subtotal - Activity to Date</i>	<i>\$72,200,000</i>
2021 Revised	22,500,000
2022 Governor	22,500,000
<b>Total</b>	<b>\$94,700,000</b>

Estimated Cash Flow Summary for Rebuild RI

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Beginning Balance	\$48.2	\$38.7	\$38.9	\$22.3	\$16.4	\$5.6	\$8.4	\$4.8	\$12.9	\$10.9	\$4.2
Combined Draw Downs*	(9.5)	(22.3)	(39.1)	(30.9)	(35.8)	(22.2)	(13.6)	(6.9)	(2.0)	(6.7)	0.0
Estimated Appropriation^	<b>0.0</b>	<b>22.5</b>	<b>22.5</b>	<b>25.0</b>	<b>25.0</b>	<b>25.0</b>	<b>10.0</b>	<b>15.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Ending Balance	38.7	38.9	22.3	16.4	5.6	8.4	4.8	12.9	10.9	4.2	4.2

\*Includes tax credits and sales tax exemptions. Amounts take into consideration all projects as of May 10, 2021.

^ Appropriation levels for FY2023 through FY2030 have been chosen for demonstration purposes only. Consideration was given to keeping annual appropriations below \$25.0 million, while covering the draw downs, and leaving a reasonable ending balance (Senate Fiscal Staff estimates).

### Innovation Initiatives

### Informational

Established in FY2016, the Commerce Corporation's Innovation Initiatives provide financial assistance to small businesses (under 500 employees) meant to support their competitiveness. The initiatives include:

- Voucher Program:** The Voucher program provides voucher payments that may be used to procure research and development technical assistance from state or regional higher education institutions, or other providers. These vouchers range from \$5,000 to \$50,000. They may also be used to support the commercialization of a new product, process, or service; access scientific, engineering, and design expertise; support technological development and exploration; and to support the scale-to-market development of innovative ideas.
- Innovation Network Grant Program:** The Innovation Network Grant program provides matching fund grants to small businesses in key industry sectors. Funds may be used to access technical assistance, obtain business operating space, and to access capital from private and non-profit organizations. Grants may only be awarded when there are demonstrated matching private or nonprofit funds.
- Program Funding:** The Governor's FY2022 Budget provides \$1.0 million in FY2022 for the Innovation Initiatives, equal to the enacted level. The General Assembly has appropriated \$6.5 million for the program since it was established and the Commerce Corporation has provided \$2.2 million in matching grants and issued \$4.3 million in vouchers to 102 recipients.

Innovation Initiatives	
Budget	Appropriation
2016 Enacted (Final)	\$1,000,000
2017 Enacted (Final)	1,500,000
2018 Enacted (Final)	1,000,000
2019 Enacted (Final)	1,000,000
2020 Enacted (Final)	1,000,000
2021 Enacted	1,000,000
<i>Subtotal - Activity to Date</i>	<i>\$6,500,000</i>
2021 Revised	1,000,000
2022 Governor	1,000,000
<b>Total</b>	<b>\$7,500,000</b>

### Industry Cluster Grants

### Informational

Established in FY2016, the Industry Cluster Grant program provides matching grants to start or improve industry sector partnerships or "clusters". These partnerships are intended to facilitate the exchange of ideas, solve problems unique to the sector, share personnel and technology resources. The program is divided into two sub-grant programs:

- **Startup and Technical Assistance Grants:** Startup and technical assistance grants may be made to eligible in-state or regional organizations to support or enable the development of an industry cluster partnership, including planning. Grants range from \$75,000 to \$250,000.
- **Competitive Program Grants:** Competitive program grants may be used to implement and support activities designed to overcome problems identified by the cluster partnership that impede the sector’s growth and competitiveness. Grants range from \$100,000 to \$500,000.
- **Program Funding:** The Governor’s FY2022 Budget provides \$100,000 in FY2022 for Industry Cluster Grant program, equal to the enacted level. The General Assembly has appropriated \$6.5 million for the program since it was established and the Commerce Corporation has provided \$2.2 million in matching grants and issued \$4.3 million in vouchers to 102 recipients.

Industry Cluster Grant Program	
Budget	Appropriation
2016 Enacted (Final)	\$750,000
2017 Enacted (Final)	500,000
2018 Enacted (Final)	-
2019 Enacted (Final)	100,000
2020 Enacted (Final)	-
2021 Enacted	100,000
<i>Subtotal - Activity to Date</i>	<i>\$1,450,000</i>
2021 Revised	100,000
2022 Governor	100,000
<b>Total</b>	<b>\$1,550,000</b>

**SupplyRI**

**Informational**

In FY2019 the EOC launched an initiative, called Supply RI, designed to increase the number of Rhode Island-based suppliers that major Rhode Island companies use. The EOC, in partnership with the Heron Foundation and the Rhode Island Foundation, developed a networking platform that facilitates the connection between large companies and smaller suppliers. The initiative provides ongoing technical assistance to suppliers to help them compete with out-of-State entities. The Budget provides \$300,000 in general revenue in FY2022 for SupplyRI, equal to the enacted level. The General Assembly has appropriated \$1.2 million to the initiative since FY2019.

**Pandemic Relief (federal funds)**

**(\$141.3 million)**

The Budget includes a \$141.3 million reduction in federal pandemic relief funding within the Economic Development Initiatives program in FY2022 and a net reduction of \$107.3 million in FY2021. These reductions primarily reflect the shifting of Coronavirus Relief Funds (CRF) from the Executive Office of Commerce to the Department of Administration (DOA) and Revenue (DOR) in FY2021. There are no funds provided for the programs in FY2022.

Initiative	FY2021 Enacted	FY2021 Revised	Total	Change		
				EOC	DOR	DOA
EOC - Restore RI Business Support Grants	\$65,500,000	\$4,000,000	(\$61,500,000)	(\$61,500,000)	-	-
EOC - Restore RI Business Interruption Grants	55,800,000	-	(55,800,000)	(55,800,000)	-	-
EOC - Restore RI H.Ar.T.	20,000,000	-	(20,000,000)	(20,000,000)	-	-
EOC - Governor’s Small Business Relief Initiative	-	30,000,000	30,000,000	30,000,000	-	-
DOA - Restore RI Transfer	-	87,363,916	87,363,916	-	-	87,363,916
DOR - Restore RI H.Ar.T	-	19,936,084	19,936,084	-	19,936,084	-
DOR - Restore RI H.Ar.T additional funding	-	26,163,916	26,163,916	-	26,163,916	-
<b>Total</b>	<b>\$141,300,000</b>	<b>\$167,463,916</b>	<b>\$26,163,916</b>	<b>(\$107,300,000)</b>	<b>46,100,000</b>	<b>87,363,916</b>

The FY2021 Budget as Enacted included \$141.3 million in CRF funds within the EOC’s Economic Development Initiatives (EDI) program to assist business impacted by the pandemic. The umbrella initiative known as Restore RI included several grant programs. The FY2021 Budget as Enacted provided \$65.5 million to support grants of up to \$30,000 to assist small business and non-profit organizations (excluding higher education and health care) to support repositioning efforts in a pandemic business climate, financial planning assistance, receivership assistance, training and technical assistance, remote work capabilities, and other non-profit relief. Another \$55.8 million was appropriated for business interruption grants that pay for personal protective equipment, physical alterations, and fixed costs such as rent and utilities. Lastly, \$20.0 million was appropriated to support the hard hit hospitality, arts, and tourism (H.Ar.T) industries.

The Governor’s FY2021 Revised Budget adjusts and shifts these appropriations to several agencies other than EOC. The Revised Budget shifts \$87.4 million from the EDI program to the Department of

Administration and \$20.0 million to the Department of Revenue, for a total of \$107.3 million. The former transfer is consistent with the Governor's decision to consolidate the CRF funds administered across agencies within DOA for accounting purposes. The decision to shift the \$20.0 million in Restore RI H.Ar.T funds to DOR was made because the refund payment system used by the Division of Taxation was determined to be the most expeditious to disburse funds. The Revised Budget also adds \$26.2 million for this program in DOR's Revised Budget. The Governor also recommends that EOC retain \$4.0 million in CRF to use towards the administration of the Restore RI program. Lastly, the Governor recommends using \$30.0 million for an additional new small business grant program in FY2021.

The Budget does not include funding for any of these programs in FY2022, representing a \$141.3 million reduction in CRF funds within the EDI program compared to the enacted level.

*Analyst Note: On April 12, 2021, the Governor announced a new grant program for small businesses (with less than \$1.0 million in gross receipts). Applicants must have received less than \$25,000 in State COVID relief financial assistance and demonstrate a COVID-related financial need of \$5,000 or greater. The Budget includes \$30.0 million for this program. The announcement indicated that there is \$20.0 million in funding for the Governor's Small Business Relief Initiative, presumably for the direct grants. According to the EOC, \$2.5 million will fund technical assistance, outreach, and administration, while the use of the remaining \$7.5 million is still being planned. EOC is working with the Governor's office, OMB, and its COVID-19 compliance unit on how the remaining funds will be spent. Options under consideration include a voucher/gift card program and increasing the amount of relief grants.*

## OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT

The Office of Housing and Community Development (OHCD) provides opportunities for healthy and affordable housing through production, lead hazard mitigation, and the coordination of the homeless system and implementation of the State's plan to end homelessness. The federal Community Development Block Grant (CDBG) provides funding to 33 municipalities to address housing and community development needs. Prior to FY2016, the program was administered by the Division of Planning under the Department of Administration. Article 16 elevates the Office to a Division in FY2022.

<b>Housing and Community Development</b>	<b>General Revenue</b>
FY2021 Enacted	\$1,380,228
<i>Target and Other Adjustments</i>	<i>116,295</i>
Pandemic Housing Relief	(400,000)
Centralized Services Charges	(162,404)
<b>FY2022 Governor</b>	<b>\$934,119</b>

<b>Housing and Community Development</b>	<b>Other Fund Changes</b>
Federal Grants (federal funds)	(8,084,387)
Housing Production Fund (restricted receipts)	2,598,731

### **Pandemic Housing Relief** **(\$400,000)**

The Budget includes \$400,000 in general revenue savings and \$8.1 million in federal funds savings in FY2022 related to OHCD pandemic relief programs.

Program	FY2020 Actual		FY2021 Enacted		FY2021 Revised		Change		FY2022 Governor		Change	
	GR	Federal	GR	Federal	GR	Federal	GR	Federal	GR	Federal	GR	Federal
Eviction Diversion Program (CRF)	-	-	\$300,000	\$7,269,000	-	\$7,269,000	(\$300,000)	-	-	-	(\$300,000)	(\$7,269,000)
Housing Help RI (CRF)	-	-	-	5,050,000	-	6,986,741	-	\$1,936,741	-	-	-	(5,050,000)
CDBG Program (CARES)	-	25,077	-	-	-	2,925,000	-	\$2,925,000	-	4,100,476	-	4,100,476
Homelessness Response - (FEMA)	-	48,476	-	-	-	1,849,000	-	\$1,849,000	-	437,500	-	437,500
Landlords Incentive Program (CRF)	-	-	100,000	400,000	-	300,000	(100,000)	(\$100,000)	-	-	(100,000)	(400,000)
ESG Program (CARES)	-	313,890	-	-	-	816,107	-	\$816,107	-	47,643	-	47,643
HOPWA (CARES)	-	10,089	-	-	-	121,469	-	\$121,469	-	5,112	-	5,112
<b>Total</b>	-	<b>\$397,532</b>	<b>\$400,000</b>	<b>\$12,719,000</b>	-	<b>\$20,267,317</b>	<b>(\$400,000)</b>	<b>\$7,548,317</b>	-	<b>\$4,590,731</b>	<b>(\$400,000)</b>	<b>(\$8,128,269)</b>

- **Eviction Diversion Program (CRF):** The FY2021 Budget as Enacted included \$300,000 in general revenue and \$7.3 million in federal Coronavirus Relief Funds (CRF) to support an eviction diversion program. The program, known as the Safe Harbor Housing initiative, served as an alternative to the court-based eviction process, utilizing third-party mediators to facilitate settlement agreements between tenants and landlords, forestalling judicial action and giving tenants more time to self-stabilize. The Budget does not include funding for the program in FY2022.
- **Housing Help RI (CRF):** The FY2021 Budget as Enacted included \$5.1 million in federal CRF funding for emergency rental assistance. Known as Housing Help RI, the program assists renters at risk of eviction during the pandemic by providing grants of up to \$5,000 to qualifying households. The Governor shifts an additional \$2.0 million of CRF funds to the program in the FY2021 Revised Budget, bringing total funding to \$7.0 million. The Budget does not include funding within the OHCD for the program in FY2022, resulting in a \$5.1 million reduction relative to the enacted level.

*Analyst Note: The Consolidated Appropriations Act, passed by Congress in December 2020, allocated \$200.0 million to Rhode Island for rental assistance. The Governor recommends \$80.0 million of these funds in FY2021 and \$120.0 million for FY2022. RIHousing launched a new emergency rental assistance program, modeled after Housing Help RI and called RentReliefRI, at the end of March 2021. However, the funding is not budgeted in OHCD, but rather in the Central Management Division of the Department of Administration.*

- **CDBG Program (CARES):** The CARES Act utilizes the programmatic infrastructure of many existing federal programs and their allocation formulas to provide targeted pandemic relief to states. This includes US Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG) program. The CARES Act allocated \$11.5 million to Rhode Island through the CDBG formula. The State typically receives block grant funding each federal program year and typically has six years to use it (80.0 percent within three years). The State does not receive all of the funds at once, but rather draws money down in annual tranches. Under federal guidelines, the State manages the CDBG program for the 33 Rhode Island municipalities which do not receive an allocation directly from HUD. The State distributes funds to units of local government, which in turn distribute funds to non-profit and other entities to support various activities including housing, economic development, facilities/improvements, social services, and planning (land use). CDBG funds are targeted to distressed areas with predominately low- and moderate- income neighborhoods. The FY2021 Budget as Enacted did not include CARES Act CDBG expenditures. The Governor recommends \$2.9 million of the funds in the FY2021 and \$4.1 million in FY2022.
- **Homelessness Response (FEMA):** The Budget provides \$437,500 in Federal Emergency Management Agency (FEMA) funding in FY2022 and \$1.8 million in the FY2021 Revised Budget for quarantine and isolation services for the homeless. The FY2021 Budget as Enacted did not include funding from this source. The funds support the work of the State's COVID-19 Homeless Response Team. The team, staffed by the Rhode Island Coalition for the Homeless and its partners, operates temporary shelters at local hotels with wraparound service contracts to support individuals with nowhere else to quarantine.
- **Landlord Incentives (CRF):** The FY2021 Budget as Enacted included \$500,000 in funding for incentives to landlords to rent to individuals who utilize subsidized housing vouchers, including \$100,000 in general revenue and \$400,000 in federal Coronavirus Relief Funds (CRF). The FY2021 Revised Budget reduces the all funds amount for the incentives by \$200,000 and does not include the general revenue appropriation. There is no federal or general revenue funding for the incentives in FY2022.

In June 2020, the State, in partnership with RIHousing and other housing organizations, launched its Housing Now initiative to incentivize property owners to rent to individuals who take part in subsidized housing voucher programs. According to the State's housing advocates, low-income renters that used housing vouchers are often discriminated against by landlords out of fear that tenants will be unable to make rental payments in the future. Under the State's Housing Choice Voucher program, administered

by RIHousing, eligible individuals pay 30.0 percent of their income towards rent, with the difference guaranteed by the program.

- **ESG Program (CARES):** The FY2021 Revised Budget includes \$816,107 in additional CARES Act authorized Emergency Shelter Grant program (ESG) spending and \$47,643 in FY2021. The FY2021 Budget as Enacted did not include CARES Act funds for this program. HUD's Emergency Shelter Grants (ESG) program funds the development and implementation of homelessness prevention activities, such as short-term and first-month's rent, eviction or foreclosure assistance, utility payments, security deposits, landlord-tenant mediation, and tenant legal services. Funding is allocated to states and local governments using the CDBG formula. Rhode Island has been allocated \$5.8 million in additional CARES Act authorized ESG funds and has two years to obligate the funds.
- **HOPWA (CARES):** The Budget provides \$5,112 in CARES authorized Housing Opportunities for Persons with AIDS (HOPWA) program funds in FY2022 and \$121,469 in the FY2021 Revised Budget. CARES Act funding for this program was not included in the FY2021 Budget as Enacted. The program focuses on housing for low-income, HIV-positive individuals.

**Centralized Services Charges** **(\$162,404)**

The Budget includes \$162,404 in general revenue savings in FY2022 associated with revised projected Division of Capital Asset Management and Maintenance (DCAMM) costs billed to the Office. According to the Budget Office, these revised projections are based on actual billings history to date in FY2021.

**Federal Grants (federal funds)** **(\$8.1 million)**

The Budget includes a net \$8.1 million federal funds reduction within the Housing and Community Development program in FY2022.

Program	FY2020 Actual	FY2021 Enacted	FY2021 Revised	Change	FY2022 Governor	Change
CDBG Program	3,207,011	10,177,587	3,966,781	(6,210,806)	4,096,238	(6,081,349)
Housing Opportunities for Persons with AIDS	646,882	1,924,086	757,480	(1,166,606)	757,524	(1,166,562)
Neighborhood Stabilization Program	158,823	1,122,240	474,657	(647,583)	480,339	(641,901)
Shelter Funding	1,780,723	2,197,104	2,897,752	700,648	1,999,604	(197,500)
<b>Total</b>	<b>\$5,793,439</b>	<b>\$15,421,017</b>	<b>8,096,670</b>	<b>(\$7,324,347)</b>	<b>\$7,333,705</b>	<b>(\$8,087,312)</b>

- **CDBG Program:** The Governor recommends a net \$6.2 million reduction in standard (as opposed to CARES Act authorized) CDBG funds in the FY2021 Revised Budget and a \$6.1 million net reduction in FY2022. The net changes reflect a combination of additional new formula funding, the expiration of previous year allocations, and updated project funding needs.
- **Housing Opportunities for Persons with AIDS:** The Budget provides \$757,524 in federal Housing Opportunities for Persons with AIDS (HOPWA) program in FY2022, \$1.2 million less than the enacted level. In FY2021, the State was awarded \$1.8 million in one-time, competitive HOPWA funds that are not repeated in FY2022. This reduction is offset by a \$570,410 increase in standard HOPWA program funding in FY2022.
- **Neighborhood Stabilization Program:** The Budget provides \$480,339 in federal HUD grant funding for the Neighborhood Stabilization Program (NSP) in FY2022, \$641,901 less than the enacted level. The reduction reflects final federal formula appropriation levels for Rhode Island. The NSP provides assistance to state and local governments to mitigate abandonment and blight by purchasing foreclosed or abandoned homes to rehabilitate, resell, or redevelop in order to stabilize neighborhoods and prevent the values of neighboring homes from declining.
- **Shelter Funding:** The Budget provides \$2.0 million in standard federal shelter and homelessness funding in FY2022, a net \$197,500 reduction as compared to the FY2021 enacted level. Rhode Island receives funding for this purpose from both HUD's Emergency Shelter Grant (ESG) program and also through the U.S. Department of Health and Human Services' Social Services Block Grant (SSBG)

program. The latter goes to the establishment and operations of shelters and supportive services for the homeless. ESG and SSBG funding is reduced by \$2,925 and \$194,575, respectively, in FY2022. The reductions reflect final federal formula appropriation levels for Rhode Island.

**Housing Production Fund (restricted receipts)**

**\$2.6 million**

The Budget provides \$2.6 million from a proposed new restricted receipt fund to support the production of affordable housing in Rhode Island. Article 16 of the Budget proposes a comprehensive new framework for the development of affordable housing in Rhode Island. The article modifies the governance, policy-making, and funding mechanisms available to the State to ensure sufficient affordable and workforce housing for Rhode Islanders. As part of these changes, the Governor recommends creating a dedicated funding stream for affordable housing construction. The funding would come from new revenue generated from a proposed change to the real estate conveyance tax. This revenue would be deposited into a new restricted Housing Production Fund (HPF) account administered by the OHCD and RIHousing. The Budget assumes \$2.6 million in new HPF revenue in FY2022 and provides \$2.6 million from the account to OHCD.

**QUASI-PUBLIC APPROPRIATIONS**

The Budget provides \$12.3 million from general revenues to support the Rhode Island Commerce Corporation and several pass-through appropriations to fund specific economic programs. There are no FTE positions allocated to this program.

<b>Quasi-Public Appropriations</b>	<b>General Revenue</b>
FY2021 Enacted	\$12,118,258
<i>Target and Other Adjustments</i>	
Commerce RI Base Appropriation	228,543
Minority Entrepreneurship Programming/Urban Ventures Grant	Informational
<b>FY2022 Governor</b>	<b>\$12,346,801</b>

**Commerce RI Base Appropriation**

**\$228,543**

Commerce RI is a quasi-public entity charged with enhancing the delivery, performance, and accountability of the State's economic development activities.

The State provides general revenue appropriations to the Corporation. However, the General Assembly does not directly approve Commerce RI's budget. The Commerce RI Board has the sole responsibility to authorize the Corporation's annual budget.

The Budget provides \$7.7 million from general revenues to Commerce RI as its base allocation. This is \$228,543 more from general revenues than the FY2021 Budget as Enacted. Commerce RI's total budget in FY2022 is \$14.0 million. The base allocation represents 53.8 percent of the quasi-public agency's annual revenue. The balance is comprised of hotel tax revenue (39.3 percent), federal grants (2.3 percent), financial programs (2.2 percent), and other miscellaneous revenue (2.4 percent).

According to the Executive Office, the increase in the base allocation is attributable to costs associated with compliance activities related to increased volume and complexity of financial transactions, including compliance officer staffing costs.

The following table shows the revenues and expenditures that compose the annual Commerce RI budget:

## Commerce RI Budget

Revenues	FY2022			Change
	FY2020 Actual	FY2021 Enacted	Recommended	
<b>State Appropriations</b>				
RI Commerce Corporation Base Appropriation	\$7,431,022	\$7,431,022	\$7,659,565	\$228,543
<b>Total State Appropriations</b>	<b>\$7,431,022</b>	<b>\$7,431,022</b>	<b>\$7,659,565</b>	<b>\$228,543</b>
<b>Other Revenues</b>				
Hotel Tax Revenue	\$4,530,302	\$3,000,000	\$5,600,000	\$2,600,000
Finance Program Allocation	415,009	318,194	318,194	-
Federal Grants	325,789	300,000	325,789	25,789
Other	658,400	340,206	340,206	-
<b>Total Other Revenues</b>	<b>\$5,929,500</b>	<b>\$3,958,400</b>	<b>\$6,584,189</b>	<b>\$2,625,789</b>
<b>Total Revenues</b>	<b>\$13,360,522</b>	<b>\$11,389,422</b>	<b>\$14,243,754</b>	<b>\$2,854,332</b>
<b>Expenditures</b>				
Total Operations (Personnel and Operating)	\$13,173,422	\$11,700,000	\$13,670,970	\$1,970,970
Grants or Partnerships	450,510	450,510	450,511	1
<b>Total Expenditures</b>	<b>\$13,623,932</b>	<b>\$12,150,510</b>	<b>\$14,121,481</b>	<b>\$1,970,971</b>
<b>Operating Surplus/(Deficit)</b>	<b>(\$263,410)</b>	<b>(\$761,088)</b>	<b>\$122,273</b>	<b>\$883,361</b>
<b>Pass-Through Grants</b>				
STAC Research Alliance (EPScore)	\$900,000	\$900,000	\$900,000	-
Innovative Matching Grants	1,000,000	1,000,000	1,000,000	-
Renewable Energy Fund	2,500,000	2,300,000	1,000,000	(1,300,000)
Airport Impact Aid	1,010,036	1,010,036	1,010,036	-
Chafee Center at Bryant/International Trade Export Prog.	476,200	476,200	476,200	-
Polaris Manufacturing Technical Assistance	350,000	350,000	350,000	-
Urban Ventures/Minority Entrepreneurship Prog.	140,000	140,000	150,000	10,000
East Providence Waterfront Commission	50,000	50,000	5,000	(45,000)
Federal Pass-thru Grants	325,789	325,789	325,789	-
<b>Total</b>	<b>\$6,752,025</b>	<b>\$6,552,025</b>	<b>\$5,217,025</b>	<b>(\$1,335,000)</b>

Source: Executive Office of Commerce

**Minority Entrepreneurship Programming/Urban Ventures Grant****Informational**

The Budget provides the Commerce Corporation \$140,000 to administer a new minority entrepreneurship program. According to the EOC, the \$140,000 in general revenue funds, historically appropriated to Urban Ventures, will now support direct grants made directly to minority and low-income entrepreneurs and businesses by the Commerce Corporation.

The Budget eliminates the \$140,000 annual grant for Urban Ventures. Urban Ventures is a not-for-profit business incubator that functions as the State's statutorily-required urban business incubator. The purpose of an urban business incubator is to provide support to minority entrepreneurship and businesses operated by low-income owners located in Rhode Island's urban centers. Under RIGL 42-64-13.1, the State is required to establish, authorize and support an urban business incubator. The incubator must be designed to "foster the growth of businesses through a multi-tenant, mixed-use facility serving companies in a variety of industries including, but not limited to: services, distribution, light manufacturing, or technology-based businesses." The incubator is also charged with providing a range of services designed to assist these new businesses, including, but not limited to: flexible leases, shared office equipment, use of common areas such as conference rooms, and provision of easily accessible business management, training, financial, legal, accounting, and marketing services.

The statute further provides that the incubator must be a 501(c)(3) and that the General Assembly shall annually appropriate the sums it deems necessary to carry out its mission. In previous years, Urban Ventures received funding through the General Assembly's community service grant program.

*Analyst Note: Although the Budget does not include funding for Urban Ventures, it also does not repeal or amend RIGL 42-64-13.1. This appears to create a conflict between the statute and the Budget.*

## CAPITAL PROJECTS

The Budget includes \$215.8 million in capital project spending for FY2021-FY2026, with \$67.0 million in FY2021 and \$53.5 million in FY2022.

EOC Capital Projects	FY2021			FY2022			FY2023-FY2026			Total
	RICAP	Bonds	Agency Funds	RICAP	Bonds	Agency Funds	RICAP	Bonds	Agency Funds	
Affordable Housing	-	\$10,056,891	-	-	\$17,500,000	-	-	\$57,500,000	-	\$85,056,891
I-195 Commission	510,000	-	-	578,000	-	-	650,000	-	-	1,738,000
I-195 Park Improvements	-	-	-	-	1,000,000	-	-	3,000,000	-	4,000,000
Industrial Site Development	-	-	-	-	18,000,000	-	-	22,000,000	-	40,000,000
Innovations Centers	-	12,445,311	-	-	1,507,500	-	-	4,122,500	-	18,075,311
Port of Davisville	-	-	-	-	7,000,000	-	-	7,000,000	-	14,000,000
ProvPort	-	14,971,192	-	-	-	-	-	-	-	14,971,192
Quonset Industrial Park Renovations	-	-	-	3,100,000	-	-	-	-	-	3,100,000
Quonset Point / Davisville Pier	-	27,969,207	1,000,000	-	3,796,410	1,000,000	-	-	1,118,700	34,884,317
<b>Total</b>	<b>\$510,000</b>	<b>\$65,442,601</b>	<b>\$1,000,000</b>	<b>\$3,678,000</b>	<b>\$48,803,910</b>	<b>\$1,000,000</b>	<b>\$650,000</b>	<b>\$93,622,500</b>	<b>\$1,118,700</b>	<b>\$215,825,711</b>

- **Affordable Housing:** The Governor recommends \$17.5 million in general obligation bond proceeds in FY2022 to support affordable housing production across the State. In March 2021, voters approved a \$65.0 million bond referendum to expand affordable housing opportunities in Rhode Island, including the redevelopment of existing structures and new construction.
- **I-195 Commission:** The Governor recommends \$510,000 from the RI Capital Plan Fund in FY2021 and \$578,000 in FY2022 for the continued development of the land made available by the relocation of I-195. Funding will continue to support engineering, design review, legal work for ongoing and prospective deals, and the design and construction of additional park infrastructure enhancements.
- **I-195 Park Improvements:** The Governor recommends \$1.0 million in bond proceeds to help finance the construction of park infrastructure enhancements adjacent to the Providence River Pedestrian Bridge in the I-195 District in FY2022. In March 2021, voters approved a \$4.0 million bond referendum for this purpose. Funding will be used to construct park infrastructure enhancements, including a pavilion for food and beverage service, enhanced infrastructure, office space, and a small storage facility.
- **Industrial Site Development:** The Governor recommends \$18.0 million in bond proceed funding in FY2022 for industrial site development. In March 2021, voters approved a \$40.0 million bond referendum for this purpose. According to the EOC, the funds will be allocated competitively for the purpose of preparing sites for the development of facilities related to manufacturing, assembly, distribution, and other job-producing commercial activities.
- **Innovation Centers:** The Governor recommends \$1.5 million in FY2022 from bond proceeds to support additional business collaborations with higher education institutions, where cutting-edge research will be developed into new products, services, and businesses. Project funding was authorized by voters in 2016. The EOC is in the process of negotiating final agreements with selected teams. Projects include the RI Innovation Hub and Accelerator, the University of Rhode Island & Arizona State University Innovation Hub, and the RI Agricultural Technology Park.
- **Port of Davisville Modernization:** The Governor recommends \$7.0 million in FY2022 to begin financing the modernization, expansion, and improvements to the Port of Davisville in North Kingstown. In March 2021, voters approved a \$20.0 million bond referendum for these purposes. The



project will expand the Quonset Point Business Park waterfront with channel dredging and construction of a new pier for ocean transport barges.

- **ProvPort:** The Governor recommends \$15.0 million in FY2021 from the 2016 General Obligation bond authorization to increase terminal capacity at the Port of Providence, specifically by financing the acquisition of up to 25 acres of land located between Allens Avenue in the City of Providence and the Providence River. Once acquired and improved, the State of Rhode Island anticipates leasing the land to ProvPort, the City of Providence's current port operator. ProvPort, in turn, will enter into subleases with one or more private terminal operators. Those entities will make private investments in their terminal operations as well as pay fees to ProvPort for the land they lease. The State will share in the gross revenues, including sublease payments, generated from the expanded port area. The State will also realize additional income taxes from expanded employment.
- **Quonset Industrial Park Renovations:** The Governor recommends \$3.1 million in FY2022 from the RI Capital Plan Fund to finance various infrastructure improvements at the Park, such as road infrastructure improvements, including increasing roadway crossings capacity for heavier shipping, electrical system, and gas and sewer line relocation, in preparation for potential future expansion and additional development.
- **Quonset Point/Davisville Pier:** The Governor recommends \$28.0 million in bond proceeds and \$1.0 million in Quonset Development Corporation Agency Funds in FY2021 for capital improvements to the piers at Quonset. For FY2022 the recommendation is \$3.8 million in bond proceeds and \$1.0 million in agency funds. The Port has two piers (Pier One and Pier Two) that are long past their expected useful lifespan. As part of the Quonset Development Corporation's \$205.0 million Port of Davisville master plan, Pier 2 will be rehabilitated by building an east extension and installing a sheet pile bulkhead.



## Executive Office of Health and Human Services

Expenditures by Program	FY2020 Actual	FY2021 Enacted	FY2021 Governor	Change from Enacted		FY2022 Governor	Change from Enacted	
Central Management	\$183.5	\$181.4	\$217.2	\$35.8	19.7%	\$186.2	\$4.8	2.6%
Medical Assistance	2,420.3	2,802.2	2,817.0	14.8	0.5%	2,849.7	47.5	1.7%
<b>Total</b>	<b>\$2,603.8</b>	<b>\$2,983.6</b>	<b>\$3,034.2</b>	<b>\$50.6</b>	<b>1.7%</b>	<b>\$3,035.9</b>	<b>\$52.2</b>	<b>1.8%</b>

### Expenditures by Source

Expenditures by Source	FY2020 Actual	FY2021 Enacted	FY2021 Governor	Change from Enacted		FY2022 Governor	Change from Enacted	
General Revenue	\$896.3	\$974.9	\$945.8	(\$29.1)	-3.0%	\$1,023.8	\$48.9	5.0%
Federal Funds	1,645.5	1,969.2	2,048.9	79.7	4.0%	1,970.4	1.2	0.1%
Restricted Receipts	61.9	39.5	39.5	-	-	41.6	2.1	5.4%
<b>Total</b>	<b>\$2,603.8</b>	<b>\$2,983.6</b>	<b>\$3,034.2</b>	<b>\$50.6</b>	<b>1.7%</b>	<b>\$3,035.9</b>	<b>\$52.2</b>	<b>1.8%</b>

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

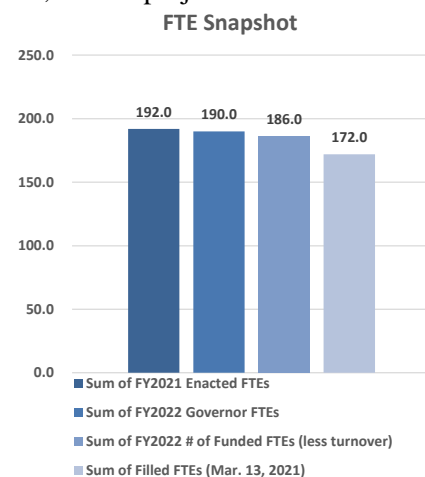
Authorized FTE Levels	186.0	192.0	192.0	-	-	190.0	(2.0)	-1.0%
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The Executive Office of Health and Human Services (EOHHS) is the umbrella agency which oversees the Departments of Health (DOH); Human Services (DHS); Children, Youth, and Families (DCYF); and Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH). EOHHS coordinates the organization, finance, and delivery of publicly-funded health and human services programs and serves as the single State agency for Medicaid. Its mission is to ensure access to high quality and cost effective services which foster the health, safety, and independence of all Rhode Islanders.

### MAJOR ISSUES AND TRENDS

The Governor's Budget typically focuses on cost containment measures within the Medical Assistance (Medicaid) program. The FY2022 Budget contains considerably fewer initiatives compared to a typical budget year and instead seeks general revenue savings primarily through an enhanced federal match due to COVID-19, which is available through at least the first half of FY2022. The proposed savings are applied against the November 2020 Caseload Estimating Conference estimate, which projected the need for an additional \$69.1 million from general revenues to fund the Medicaid program in FY2022 compared to the FY2021 Enacted level. The Budget contains a net general revenue increase of \$45.1 million for the Medicaid program in FY2022.

The Governor's Budget authorizes 190.0 FTE positions for EOHHS in FY2022, a reduction of 2.0 FTEs relative to the FY2021 Enacted level. The Budget transfers the Office of Medical Review and 10.0 FTE positions to DHS. The Budget transfers 1.0 Deputy Chief of Legal Services from DHS to EOHHS, consistent with the State's consolidation of health and human services legal staff within the Executive Office. The Budget authorizes and adds funding for 3.0 new FTE positions for Medicaid initiative implementation and adds, but does not fund, 4.0 other new FTE positions for data analytics and financial management.



### COVID-19

The federal Coronavirus Aid, Relief, and Economic Security (CARES) Act passed on March 27, 2020, included a \$1,250.0 million federal Coronavirus Relief Fund (CRF) allocation for Rhode Island to navigate the impacts of the COVID-19 pandemic. States are permitted to use the funds under guidance from the United States Treasury. The FY2021 Budget as Enacted included \$38.9 million from this funding stream for EOHHS to provide financial relief and other support programs for an array of health and human services

providers. The Executive Office also spent \$17.4 million in CRF funds in the last quarter of FY2020 for a workforce stabilization program that provided hazard pay for front-line workers. The FY2021 Revised updates the costs associated with these programs and adds \$33.3 million in CRF funds for a total of \$72.2 million. However, of this increase, \$19.6 million is double-counted in the Governor's Budget; the actual change is \$13.7 million. The FY2021 Revised Budget also includes \$2.9 million in 100.0 percent federal disaster relief funding through the Federal Emergency Management Agency (FEMA) for COVID data support. The FY2022 Budget removes most COVID-related funding, as these were primarily time-limited funds. The provider support programs are discussed in more detail within the Medical Assistance program.

*Analyst Note: The Governor's Budget Amendment dated April 19, 2021, removes the \$19.6 million that was double-counted in the FY2021 Revised recommendation.*

### **Unified Health Infrastructure Project**

In September 2016, the State launched Phase II of the Unified Health Infrastructure Project (UHIP), the largest scale IT project the State has undertaken. The project, renamed RI Bridges, integrates more than 15 health and human services eligibility-determination systems into one. The system has been troublesome and expensive for the State, far exceeding the initial general revenue projections of \$89.3 million. In July 2020, the State submitted an Implementation Advanced Planning Document Update (IAPD-U) to the federal government, which projected total project costs of \$154.2 million in State funds (\$681.2 million all funds) through September 30, 2021. These costs are shared across EOHHS, DHS, and HealthSource RI.

	<b>EOHHS UHIP Funding</b>					
	<b>Pre FY2019</b>	<b>FY2019 Actual</b>	<b>FY2020 Actual</b>	<b>FY2021 Governor</b>	<b>FY2022 Governor</b>	<b>Grand Total</b>
General Revenue	\$35,914,263	\$4,921,729	\$1,958,043	\$9,714,306	\$11,408,246	<b>\$63,916,587</b>
Federal Funds	236,386,854	40,143,291	36,146,322	42,653,372	40,480,735	<b>\$395,810,574</b>
Restricted Receipts	-	-	25,742,877	-	-	<b>\$25,742,877</b>
<b>Total</b>	<b>\$272,301,117</b>	<b>\$45,065,020</b>	<b>\$63,847,242</b>	<b>\$52,367,678</b>	<b>\$51,888,981</b>	<b>\$485,470,038</b>

Phase II of the UHIP project has been plagued with technical failures resulting in delays and errors in eligibility processing and payments to service providers. The State continues to make "offline" payments to nursing facilities for applications they have submitted but which RI Bridges has not fully processed. While advances are being made, the State has begun reconciling payments previously made to nursing facilities in order to properly claim a Medicaid match. The State continues to negotiate with the developer, Deloitte, to ensure that a functional eligibility system is procured.

The initial Deloitte contract was set to expire on March 31, 2019. On March 15, 2019, the State announced plans to extend the contract through June 30, 2021, with revisions to reflect a settlement with Deloitte. Under the terms of the extended contract, the State agreed not to sue the company in exchange for a 25.0 percent rate reduction for fixed-price services through FY2021, reducing the cost of services by an estimated \$75.0 million, as well as a direct cash payment of \$50.0 million. The settlement payment was received in February 2020 and the full \$50.0 million was included in restricted accounts in the FY2020 Budget as Enacted. The Deloitte contract was extended for an additional four months, through October 31, 2021, and the Request for Proposals (RFP) process is currently underway to procure a new contract beginning November 1, 2021.

### **Health System Transformation Project**

The Governor's Budget includes \$25.2 million from federal funds and \$22.1 million from restricted receipts to reflect the approved level of funding for the Health System Transformation Project (HSTP) in FY2022.

The Health System Transformation Project is an ongoing initiative that began in FY2017. It was a product of the Governor's Working Group to Reinvent Medicaid, which established a model to reform the State's Medicaid program to shift to value-based payments; coordinate physical, behavioral, and long-term

healthcare; rebalance the care delivery system away from high-cost settings; and promote efficiency, transparency, and flexibility in publicly-funded healthcare.

The primary focus of HSTP has been to partner with the State's institutions of higher education to bolster the health workforce and with the State's managed care organizations (MCOs) to establish Accountable Entities (AEs). Accountable Entities are integrated provider organizations responsible for improving quality of care and outcomes for patients while also managing costs. This delivery system provides coordinated care and reduces unnecessary and ineffective utilization of services. Currently, the State has approved the operation of six certified Accountable Entities: Blackstone Valley Community Health Care, Coastal Medical, Integrated Healthcare Partners, Integra Community Care Network, Providence Community Health Centers, and Prospect Health Services.

On October 20, 2016, the federal government approved an amendment to the State's Section 1115 Waiver to provide funding for HSTP. This amendment brought in up to \$130.0 million in federal funding. The amount was determined by matching 50.0 percent of the State's existing investment in health professional education at the time the amendment was submitted, which totaled approximately \$260.0 million. The federal match enabled the State to free up \$130.0 million, which was deposited into a restricted receipt account to be invested in the development of Accountable Entities. The federal government also agreed to match these restricted receipt expenditures. Because the State did not have a program fully developed in the first year, the full federal match originally approved will not be used. The State expects to use approximately \$110.0 million in federal funds and \$130.0 million in restricted receipts, for a total of approximately \$240.0 million, for the duration of the Health System Transformation Project.

### CENTRAL MANAGEMENT

EOHHS' Central Management division is responsible for consolidating and coordinating major programmatic and administrative functions of the four health and human services agencies, including budget, finance, and legal services.

<b>Central Management</b>	<b>General Revenue</b>
FY2021 Enacted	\$34,993,486
<i>Target and Other Adjustments</i>	<i>(54,925)</i>
UHIP Contracts	1,689,495
Personnel	965,606
Medicaid Initiative Implementation	811,082
Health Information Technology/APCD	702,162
RIPIN Contract	(279,000)
Medicaid Report	(138,000)
Clinical Evaluator	90,000
<b>FY2022 Governor</b>	<b>\$38,779,906</b>

<b>Central Management</b>	<b>Other Fund Changes</b>
Adult Use Marijuana (restricted receipts)	\$1,433,333
Health Care Cost Trends (restricted receipts)	502,752

### **Unified Health Infrastructure Project (UHIP) Contracts** **\$1.7 million**

The Budget includes \$1.7 million more from general revenues relative to the FY2021 Enacted Budget for contracted services to support the ongoing development and maintenance of the RI Bridges system. The Governor's Budget is consistent with the State's July 2020 IAPD-U, less \$422,656 in proposed reductions to the Deloitte, KPMG, and CSG contracts. The Governor also eliminates \$263,608 that was included for the procurement of a maintenance planning vendor. Following its budget submission, the Executive Office noted that this work could be done with existing funding.

<b>UHIP Contracts - General Revenue</b>	<b>FY2021 Enacted</b>	<b>FY2022 IAPD-U</b>	<b>Proposed Reductions</b>	<b>FY2022 Governor</b>	<b>Change to Enacted</b>
Deloitte Consulting LLP	\$4,741,775	\$6,392,595	(\$146,000)	\$6,246,595	\$1,504,820
Automated Health Systems, Inc.	2,345,745	2,619,077	-	2,619,077	273,332
KPMG	784,134	786,654	(260,456)	526,198	(257,936)
Faulkner Consulting Group	557,420	735,596	-	735,596	178,176
Knowledge Services/ Guidesoft Inc.	381,351	448,674	-	448,674	67,323
CSG Government Solutions Inc.	73,668	156,494	(16,200)	140,294	66,626
TBD - Maintenance Planning Vendor	-	263,608	(263,608)	-	-
All Other	190,229	47,383	-	47,383	(142,846)
<b>Total</b>	<b>\$9,074,322</b>	<b>\$11,450,081</b>	<b>(\$686,264)</b>	<b>\$10,763,817</b>	<b>\$1,689,495</b>

The majority of the increase in general revenue expenditures is attributable to the Deloitte contract. The change reflects the expiration of the 25.0 percent rate discount. As noted previously, the 2019 settlement with Deloitte included a rate reduction through June 30, 2021. The Deloitte contract was later extended for an additional four months, through October 31, 2021. The 25.0 percent discount is not included in the four-month extension; therefore, the FY2022 Budget is predicated on an undiscounted contract. A new contract beginning November 1, 2021, will be procured through a competitive bidding process. The State anticipates that Deloitte will bid and likely be awarded the new contract; however, if the contract is awarded to a different vendor, the funding currently allocated to Deloitte will be utilized for the alternative contract.

UHIP expenditures are primarily federally-funded. Design components are eligible for a 90.0 percent federal Medicaid match, maintenance components are eligible for a 75.0 percent match, and a small portion of the UHIP infrastructure is funded through a Children's Health Insurance Program (CHIP) match of approximately 70.0 percent. Non-IAPD funding is matched at 50.0 percent. In total, the Governor's Budget funds UHIP contract expenses at an effective general revenue match rate of 22.7 percent.

#### **Personnel**

**\$965,606**

Excluding the 3.0 FTE positions added for proposed Medicaid initiatives, which are accounted for separately below, the Governor's Budget includes \$13.5 million from general revenues (\$31.5 million all funds) for personnel costs in FY2022. This represents an increase of \$965,606 from general revenues relative to the FY2021 Enacted level.

<b>EOHHS Salaries and Benefits</b>	<b>FTEs</b>	<b>General Revenue</b>	<b>Federal Funds</b>	<b>Restricted Receipts</b>
Base Budget	192.0	\$13,129,575	\$14,457,050	\$1,734,756
Transfer In		415,671	2,564,357	116,205
New Positions	4.0	-	-	-
Transfer Legal	1.0	-	-	-
Transfer OMR	(10.0)	(479,614)	(1,100,672)	-
Adjustments		466,780	194,081	-
<b>Subtotal</b>	<b>187.0</b>	<b>\$13,532,412</b>	<b>\$16,114,817</b>	<b>\$1,850,961</b>
<i>Medicaid Positions (separate)</i>	<i>3.0</i>	<i>186,212</i>	<i>186,212</i>	<i>-</i>
<b>Total</b>	<b>190.0</b>	<b>\$13,718,624</b>	<b>\$16,301,029</b>	<b>\$1,850,961</b>

- Base Budget:** Based on its cost allocation plan, the Executive Office's request included \$13.1 million from general revenues, \$14.5 million from federal funds, and \$1.7 million from restricted receipts to fully fund its existing 192.0 FTE positions. This represents a general revenue increase of \$562,769 relative to the FY2021 Enacted level. The cost allocation plan determines the percentage of staffing costs that are allocable to federal and restricted fund sources. The base budget also contemplates the restoration of one-time savings that were included in the Enacted Budget and updates expenses for employee benefits in FY2022.
- Transfer In:** A number of positions are cost allocated from other agencies to federal grants and other programs that are housed in EOHHS. The Budget includes transfers from the Office of the Health

Insurance Commissioner as well as the Department of Administration, RIDOH, DHS, and DCYF. Most of these positions are allocated to UHIP, HSTP, and the Prescription Drug Monitoring Program (PDMP). The Budget adds \$415,671 from general revenues (\$3.1 million all funds) to allocate these positions to EOHHS.

- **New Positions:** The Governor’s Budget adds, but does not fund, 4.0 FTE positions for data management and finance in FY2022. This includes 1.0 Assistant Director for Financial and Contract Management, 1.0 Chief Data Analyst, 1.0 Chief of Family Health Systems, and 1.0 Senior Human Services Policy and Systems Specialist.
- **Transfer Legal:** The Governor’s Budget transfers 1.0 Deputy Chief of Legal Services from DHS to EOHHS. All health and human services legal staff are centralized within the Executive Office; however, DHS has one lawyer that is not properly accounted for. Supporting documentation indicates that there is no additional funding required to transfer the position because it is already cost allocated to EOHHS; however, it appears that the funding for the position was excluded from the Executive Office’s request. The Governor’s Budget does not contemplate additional funding for the position.
- **Transfer OMR:** The Governor’s Budget transfers the Office of Medical Review from the Executive Office to the Department of Human Services in FY2022. OMR completes the medical eligibility process for Medicaid long-term services and supports (LTSS). DHS is responsible for financial eligibility determination for all Medicaid benefits, including LTSS. The transfer is intended to streamline the Medicaid eligibility determination process for LTSS applications by consolidating the functions within one agency. The shift eliminates 10.0 FTE positions and \$479,614 in general revenue expenses from EOHHS but adds an equivalent amount to DHS; there is no net impact to the State.
- **Adjustments:** The Governor’s Budget adds \$466,780 from general revenues to make other adjustments to EOHHS’ personnel budget. This includes additional benefit updates as well as a \$280,000 general revenue addition for turnover.

*Analyst Note: It appears that the turnover amount should be a savings. Turnover is typically reflected as a savings to recognize that some positions may be fully or partially vacant throughout the fiscal year. As indicated above, the base budget reflects the amount required to fully fund all staff; a positive turnover value appears to add funding that is not necessary. This may provide funding for the 4.0 FTE positions that are supposed to be unfunded.*

### **Medicaid Initiative Implementation**

**\$811,082**

The Governor’s Budget includes \$811,082 from general revenues (\$1.8 million all funds) to support implementation of several Medicaid budget initiatives. These initiatives are described in detail in the Medical Assistance program.

<b>Initiative</b>	<b>General Revenue</b>	<b>Federal Funds</b>	<b>All Funds</b>
Rite Share - Contracts	\$361,855	\$434,355	\$796,210
Third Party Liability - Contracts	189,800	189,800	379,600
LTSS Resiliency - Contracts and Staff (2.0 FTE)	180,723	326,883	507,606
Program Integrity - Staff (1.0 FTE)	78,704	78,704	157,409
<b>Total - Medicaid Initiatives</b>	<b>\$811,082</b>	<b>\$1,029,742</b>	<b>\$1,840,824</b>

- **Rite Share:** The Governor adds \$361,855 from general revenues to support the changes to the Rite Share program included in Article 15. This includes \$86,250 from general revenues and \$258,750 from federal funds to support changes to the RI Bridges system at the 75/25 maintenance match rate. The Budget also adds \$275,605 from general revenues for contracted support. This includes \$175,605 from general revenues and \$175,605 from federal funds for a contract with Automated Health Systems to provide additional administrative support to implement the program changes. The Budget also adds \$100,000 from general revenues for health services support staff. Supporting documentation indicates

that this contract should be funded at a 50/50 administrative match rate; however, the Budget appears to exclude the \$100,000 in federal funds.

- **Third Party Liability:** The Governor adds \$189,800 from general revenues and \$189,800 from federal funds to procure a single-source contract for the Third Party Liability (TPL) optimization initiative. This involves eliminating two existing TPL contracts, funded with \$187,250 from general revenues, and adding a new contract funded with \$377,050 from general revenues.
- **LTSS Resiliency and Rebalancing:** The Governor adds \$180,723 from general revenues to implement the Medicaid Long-Term Services and Supports (LTSS) Resiliency and Rebalancing initiative included in Article 12. This includes funding for 2.0 Implementation Director of Policy and Programs FTE positions funded at a 50/50 match rate. These positions will administer and oversee the various programmatic changes associated with the initiative. The Budget includes \$107,508 from general revenues and \$107,508 to fund the positions, assuming an October 1, 2021, start date. The Budget also includes \$73,215 from general revenues and \$219,375 from federal funds for contracted IT support to provide the necessary system upgrades to implement the home care rate modifiers and tiered reimbursement rates for assisted living facilities.
- **Program Integrity:** The Governor adds 1.0 Implementation Director of Policy and Programs FTE position to implement the program integrity enhancements included in the Medical Assistance program. The Budget includes \$78,704 from general revenues and \$78,704 from federal funds to finance the salaries and benefit expenses associated with the position.

#### **Health Information Technology/APCD**

**\$702,162**

The Budget adds \$702,162 from general revenues for the Executive Office's Health Information Technology (HIT) and All Payer Claims Database (APCD) projects. This includes an additional \$664,871 from general revenues for HIT and \$37,291 for APCD as follows:

- **Health Information Technology:** Health Information Technology (HIT) refers to a group of projects to incorporate technology into health and human services programming in order to improve the quality, safety, and efficiency of healthcare in Rhode Island. This infrastructure includes CurrentCare, which allows medical professionals to securely access their patients' health information. CurrentCare is operated by the Rhode Island Quality Institute and is funded by a \$1 per member per month (PMPM) enrollment fee from all health insurers in the State, including approximately \$370,000 per month paid by the State for Medicaid enrollees. The HIT infrastructure also includes the Quality Reporting System (QRS), which simplifies reporting and creates a single solution for quality measurement needs among State programs and providers, and the Prescription Drug Monitoring Program (PDMP), which collects dispensing data for controlled substances to assist providers in making informed prescribing decisions.

HIT projects have historically been funded through a 90.0 percent federal match, with a 100.0 percent federal match for some activities, including the PDMP. Beginning October 1, 2021, the cost allocation methodology will change significantly, reducing the federal share of HIT expenses to 75.0 percent. The Executive Office requested additional general revenue funding to maintain HIT infrastructure.

The Executive Office's current services budget included reductions to the HIT infrastructure relative to the FY2021 Enacted level to reflect the expiration of one-time funding, resulting in \$271,512 in general revenue savings. The Executive Office then requested an additional	<b>HIT Budget - General Revenue</b>	<b>FY2022 Request</b>	<b>FY2022 Governor</b>
	FY2021 Enacted	\$807,435	\$807,435
	Current Service Savings	(271,512)	(271,512)
	CurrentCare PMPM	685,602	520,383
	CurrentCare Update	160,000	-
	PDMP Integration	135,200	-
	Quality Reporting System	416,000	416,000
	TBD - Roadmap Projects	800,000	-
	<b>Total</b>	<b>\$2,732,725</b>	<b>\$1,472,306</b>
	<i>Change to Enacted</i>	<i>1,925,290</i>	<i>664,871</i>



\$2.2 million from general revenues to fund the HIT infrastructure at the new match rate in FY2022. This included \$685,602 to fund the CurrentCare PMPM for Medicaid beneficiaries, \$160,000 for a CurrentCare update, \$135,200 for PDMP integration, \$416,000 for the Quality Reporting System, and \$800,000 for long-term planning roadmap projects. The Governor's Budget incorporates part of the request, but corrects an error in the calculation for the CurrentCare PMPM, shifts the funding requested for PDMP integration to restricted Opioid Stewardship funds, and excludes the \$960,000 requested for roadmap projects and the CurrentCare update. The Governor's Budget represents a net general revenue increase of \$664,871 relative to the FY2021 Enacted Budget.

- **All Payer Claims Database:** The All Payer Claims Database (APCD), known as HealthFacts RI, is a statewide database that provides claims data information from all payers, public and private, to promote transparency surrounding health care cost data. This initiative also includes the State's Data Ecosystem which is a data analytics tool for all health and human services programming in Rhode Island that focuses on outcomes data and the social determinants of health.

The APCD and Data Ecosystem have historically been funded primarily through a 90.0 percent federal match for development activities. In FY2022, because projects will transition towards maintenance, the federal match will be reduced to 75.0 percent for most activities. The Executive Office requested additional general revenue funding to maintain the APCD and Data Ecosystem infrastructure.

The Executive Office's current services budget did not include general revenue funding for the APCD and Data Ecosystem in FY2022, resulting in \$396,305 in general revenue savings relative to the FY2021 Enacted level. The Executive	<b>APCD Budget - General Revenue</b>	<b>FY2022 Request</b>	<b>FY2022 Governor</b>
	FY2021 Enacted	\$396,305	\$396,305
	Base Budget	(396,305)	(396,305)
	OnPoint Health Data	288,663	213,948
	Freedman Healthcare	275,929	183,978
	Cloud Maintenance	31,500	31,500
	Other	4,170	4,170
	<b>Total</b>	<b>\$600,262</b>	<b>\$433,596</b>
Office then requested an additional \$600,262 from general revenues to fund the systems at the new match rate. This included \$564,592 for the two maintenance vendors, Freedman Healthcare and OnPoint Health Data, and \$31,500 to transition the systems to a cloud-based infrastructure. The Governor's Budget includes funding as requested, but shifts \$166,666 of the general revenue request to restricted receipts related to the Adult Use Marijuana proposal included in Article 11. These changes result in a net general revenue increase of \$37,291 for the APCD and Data Ecosystem relative to the FY2021 Enacted Budget.	<i>Change to Enacted</i>	<i>203,957</i>	<i>37,291</i>

Office then requested an additional \$600,262 from general revenues to fund the systems at the new match rate. This included \$564,592 for the two maintenance vendors, Freedman Healthcare and OnPoint Health Data, and \$31,500 to transition the systems to a cloud-based infrastructure. The Governor's Budget includes funding as requested, but shifts \$166,666 of the general revenue request to restricted receipts related to the Adult Use Marijuana proposal included in Article 11. These changes result in a net general revenue increase of \$37,291 for the APCD and Data Ecosystem relative to the FY2021 Enacted Budget.

The Governor's Budget adds another \$166,666 from restricted receipts, for a total of \$333,333, to finance additional Adult Use Marijuana data analytics that were not contemplated in the Executive Office's request. The Governor's Budget also adds \$2.3 million in federal funds for ongoing data analytics work related to COVID-19 in FY2022. These funds are provided through a FEMA workstream that is 100.0 percent federally-funded but restricted to work related to COVID-19. The Governor's Budget recognizes the additional expenses associated with COVID data analytics but does not assume general revenue savings by adding these funds.

*Analyst Note: If the Adult Use Marijuana initiative does not move forward and the restricted receipt funds are not available, the request will not be fully funded and may need to be supplanted by general revenues.*

#### **RIPIN Contract**

**(\$279,000)**

The Governor's Budget includes \$846,000 from general revenues and \$846,000 from federal funds for the Rhode Island Parent Information Network (RIPIN) call center contract in FY2022. This represents a general revenue savings of \$279,000 (\$558,000 all funds) compared to the FY2021 Enacted Budget.

The FY2019 Budget as Enacted included a Medicaid savings initiative that involved redesigning the Rhody Health Options (RHO) program, a Medicaid delivery system for dual eligible beneficiaries (those eligible for both Medicare and Medicaid). The initiative shifted beneficiaries from the RHO Phase I managed care plan to either RHO Phase II, Rhody Health Partners, or fee-for-service on October 1, 2018. RIPIN provides case management services for high-risk individuals in the Rhody Health Options (RHO) transition population. The contract was initially funded with \$937,500 from general revenues and \$937,500 from federal funds. The FY2021 Budget as Enacted increased general revenue funding to \$1.1 million as requested. The Executive Office noted that it could achieve savings in FY2022 by reducing the general revenue portion of the contract to \$846,000. The all funds reductions include: \$279,000 to reduce the number of new fee-for-service clients the State refers to RIPIN who, if referred would enroll in preventive services and potentially avoid higher levels of care in the future; \$186,000 to eliminate renewal outreach that provides individuals with support in navigating the LTSS renewal process and helps them submit required information to maintain coverage; and \$93,000 to lower the intensity of ongoing care management for 175 individuals by reducing the current contract requirements regarding home visits. The Governor's Budget includes the reductions.

**Medicaid Report**

**(\$138,000)**

RIGL 42-7.2-5 requires that the Executive Office of Health and Human Services submit an annual, comprehensive overview of all Medicaid expenditures, outcomes, administrative costs, and utilization rates for each fiscal year. The Medicaid report includes spending and trends by population and major service area, including populations served by other departments within the Secretariat.

Under current law, the report is due by March 15 of each year. According to EOHHS, because of the timing and requirements of the report as is, State staff do not compile the report in-house. It is completed by a contractor, Milliman, which already provides other claims data analysis and rate setting support for the Medicaid program. The report is generated at an annual expense of \$138,000 from general revenues and \$138,000 from federal funds.

Article 12 shifts the deadline for the annual Medicaid report from March 15 to September 15 of each year. This would shift the next deadline from March 15, 2022, to September 15, 2022. As a result, a report would not be completed during FY2022 and the next report would be submitted during FY2023. The Governor's Budget removes funding for the report in FY2022, accordingly.

*Analyst Note: This report has not been completed since September 2019, when it was submitted six months late. It is unclear why EOHHS has continued funding this portion of the Milliman contract since then.*

**Clinical Evaluator**

**\$90,000**

The Governor adds \$90,000 from general revenues (\$180,000 all funds) to contract a full-time clinician with expertise in children's intellectual and developmental disabilities and children's behavioral health. The clinician's primary focus will be to assess the current structure of the State's home-based services model, conduct clinical oversight of the agencies involved, research best practices across the country, and develop a plan for restructuring programs to best meet the needs of children served under the health and human services umbrella.

**Adult Use Marijuana (restricted receipts)**

**\$1.4 million**

The Budget includes \$1.4 million in a new restricted receipt account in EOHHS related to the Governor's proposed legal Adult Use Marijuana program included in Article 11. Oversight and regulation of the program is centralized in the Office of Cannabis Regulation within the Department of Business Regulation, with multi-agency cooperation from law enforcement, health, and revenue agencies.

As noted above, the \$1.4 million allocation to EOHHS includes \$333,333 for the All Payer Claims Database and Data Ecosystem to assess the public health impacts of legalization. The Budget also provides \$1.1 million in assistance and grants funding for substance abuse disorder prevention, treatment, and recovery

services as well as training and education. The funds will be directed to the State's health equity zones to address these community needs.

**Health Care Cost Trends (restricted receipts)**

**\$502,752**

The Governor's Budget includes \$502,752 in restricted receipts to finance the data analytics component of the Health Care Cost Trends project.

In August 2018, the Governor convened the Cost Trend Steering Committee to advise the Rhode Island Health Care Cost Trends project. The project's goal is to provide all Rhode Islanders with access to high-quality, affordable healthcare while ensuring that spending does not increase at a rate higher than the consumer price index. Key stakeholders including hospital systems, health insurers, physicians' groups, advocates, and researchers agreed to a voluntary target of 3.2 percent total healthcare cost growth.

EOHHS and the Office of the Health Insurance Commissioner (OHIC) partnered on the project to work with community stakeholders. The project has historically been funded by the Peterson Center, however, funding for the project ends in August 2021. Article 15 establishes a fee of up to \$1 per commercially covered individual in the State to establish a funding stream for the project. The fee will raise \$502,752 in restricted receipts in FY2022 to fund the program and the data analysis required to track and steer healthcare spending.

*Analyst Note: The Governor's Budget accounts for \$502,752 in restricted receipts from the fee. Of this amount, \$330,980 (65.8 percent) is paid through Medicaid to cover the fee on behalf of Medicaid beneficiaries. It appears that the State is indirectly funding the majority of this project, although only one-third of insured individuals in the State are covered by Medicaid.*

**MEDICAL ASSISTANCE**

The Medical Assistance (Medicaid) program provides medical benefits to low-income, elderly, and disabled individuals. The State pays for a growing portion of Medicaid services through *managed care*, whereby the State contracts with managed care organizations (Neighborhood Health Plan of Rhode Island, Tufts Health Plan, and United Healthcare) and pays a fixed monthly fee, or capitation rate, for each enrolled beneficiary. A smaller portion of Medicaid services continue to be financed through *fee-for-service* arrangements, whereby providers bill the Medicaid program directly based on the specific services utilized.

<b>Medical Assistance</b>	<b>General Revenue</b>
FY2021 Enacted	\$939,951,700
<i>Target and Other Adjustments</i>	
November 2020 Caseload Estimating Conference	69,329,531
Enhanced FMAP	(46,669,826)
Hospital Payments	29,405,188
LTSS Resiliency and Rebalancing	(4,517,203)
Managed Care Risk Margin	(1,244,186)
RIte Share	(729,128)
Program Integrity	(700,938)
Home Stabilization	660,000
Third Party Liability	(575,791)
Health Care Cost Trends	150,000
Community Health Workers	(115,082)
Perinatal Doula Services	112,252
<b>FY2022 Governor</b>	<b>\$985,056,517</b>
<b>Medical Assistance</b>	<b>Other Fund Changes</b>
COVID Programs (federal funds)	(\$38,784,000)

**November 2020 Caseload Estimating Conference****\$69.3 million**

November 2020 CEC	FY2021 Enacted		FY2022 CEC		Change to Enacted	
	GR	AF	GR	AF	GR	AF
Hospitals - Regular	\$22,478,338	\$55,937,481	\$22,044,615	\$49,000,000	(\$433,723)	(\$6,937,481)
Hospitals - DSH	66,290,193	142,301,035	32,855,159	71,564,276	(33,435,034)	(70,736,759)
Nursing and Hospice Care	150,808,350	363,000,000	169,260,863	373,500,000	18,452,513	10,500,000
Home and Community Care	35,313,250	85,000,000	38,973,050	86,000,000	3,659,800	1,000,000
Managed Care	311,503,420	795,200,000	347,879,341	806,300,000	36,375,921	11,100,000
Rhody Health Partners	119,564,936	285,600,000	134,169,403	294,300,000	14,604,467	8,700,000
Rhody Health Options	55,163,670	132,600,000	68,821,648	151,700,000	13,657,978	19,100,000
Medicaid Expansion	68,508,350	640,790,064	68,562,743	642,000,000	54,393	1,209,936
Pharmacy	(78,856)	(791,566)	(122,700)	(822,420)	(43,844)	(30,854)
Clawback	65,723,517	65,723,517	75,772,723	75,772,723	10,049,206	10,049,206
Other Medical Services	44,676,532	138,534,296	51,064,386	140,000,000	6,387,854	1,465,704
<b>Total</b>	<b>\$939,951,700</b>	<b>\$2,703,894,827</b>	<b>\$1,009,281,231</b>	<b>\$2,689,314,579</b>	<b>\$69,329,531</b>	<b>(\$14,580,248)</b>

Each November and May, the Caseload Estimating Conference (CEC) estimates expenditures for human services and medical entitlement programs for the current and budget year. These adopted expenditure levels determine the appropriations for the Governor's and Enacted Budgets. Projections are based on enrollment trends as well as inflation-based price adjustments.

The November 2020 CEC projected general revenue expenditures of \$1,009.3 million in the medical assistance program in FY2022, or \$69.3 million more than the FY2021 Budget as Enacted. The FY2022 estimate is \$14.6 million less from all funds compared to the Enacted Budget. The projected increase in general revenue expenditures is the net of a \$92.1 million addition to account for the anticipated expiration of an enhanced federal match, an expected \$33.4 million cut to the Disproportionate Share Hospital (DSH) program, and a \$10.6 million increase for all other changes.

- **Enhanced Federal Match:** In March 2020, the federal government authorized a temporary 6.2 percentage point increase to the Federal Medical Assistance Percentage (FMAP) for the duration of the COVID-19 public health emergency. This reduces the State's share of Medicaid expenditures by shifting expenses to the federal government. The enhanced rate provides an estimated \$30.7 million in general revenue relief per quarter within the Medical Assistance program, with additional savings of approximately \$5.4 million per quarter across BHDDH, DCYF, and DHS.

FMAP Savings Per Quarter	General Revenue
Hospitals - Regular	(\$782,116)
Hospitals - DSH	-
Nursing and Hospice Care	(5,626,500)
Home and Community Care	(1,317,500)
Managed Care	(11,848,404)
Rhody Health Partners	(4,389,328)
Rhody Health Options	(2,055,300)
Medicaid Expansion	-
Pharmacy	-
Clawback	(2,413,562)
Other Medical Services	(2,272,533)
<b>Total</b>	<b>(\$30,705,243)</b>

At the time of the November 2020 CEC, the enhanced FMAP was authorized through March 31, 2021, or for three quarters of FY2021. The FY2021 Budget as Enacted contemplated \$92.1 million in general revenue savings in the Medicaid program, accordingly. Because caseload estimates are based on current law, the FY2022 estimates did not carry forward any savings attributable to the enhanced FMAP, thereby adding back \$92.1 million from general revenues compared to the Enacted Budget.

- **Disproportionate Share Hospital (DSH) Program:** The DSH program is jointly funded by the State and federal government and compensates community hospitals for uncompensated care that they provide to uninsured or underinsured patients. The adopted caseload estimate assumed a significant reduction in the DSH payment in response to pending cuts at the federal level, reducing the all funds DSH payment from \$142.3 million in FY2021 to \$71.6 million in FY2022. This assumption resulted in a \$33.4 million reduction in general revenue expenditures captured in the caseload estimate.
- **Other Changes:** The November 2020 CEC estimate also includes \$10.6 million in additional general revenue expenditures to adjust for all other program enrollment and price trends. The conference

typically includes price increases ranging from 2.5 to 3.5 percent to account for medical benefits inflation and statutory rate increases to hospitals, nursing homes, and home care providers. The impact of inflation is mitigated in the FY2022 estimate by an expected reduction in Medicaid enrollment. Prior to the onset of the COVID-19 pandemic, Medicaid enrollment was gradually declining; however, in order to be eligible for the enhanced federal match, the State cannot terminate any beneficiaries during the public health emergency. This results in a number of enrollees remaining on Medicaid that would have otherwise been terminated. With the current law expiration of the enhanced rate in March 2021, the conference assumed that terminations would resume again at the end of FY2021 and continue into FY2022, contributing to large reductions in program caseloads.

The savings attributable to the Governor's proposed Medicaid initiatives, described below, are calculated relative to the caseload estimate, rather than the Enacted Budget.

**Enhanced FMAP**

**(\$46.7 million)**

The Governor's Budget includes \$46.7 million in general revenue savings to reflect the extension of the 6.2 percent enhanced federal match into FY2022. As noted above, the November 2020 CEC assumed that the enhanced rate would be available only through March 31, 2021, and did not include savings in the FY2022 adopted estimate. Following the conference, federal guidance indicated that the enhanced FMAP would be available through at least December 31, 2021, or for the first half of FY2022. The Governor's Budget assumes significant savings from this updated guidance, however, the enhanced rate is still conditioned on the assumption that states still may not terminate beneficiaries until the end of the public health emergency. This means that individuals will remain on Medicaid caseload for an additional 9 months compared to the November conference. The \$46.7 million general revenue savings included in the Governor's Budget accounts for the expenses associated with retaining additional beneficiaries.

**Hospital Payments**

**\$29.4 million**

The Budget increases general revenue payments to hospitals by \$29.4 million (\$64.0 million all funds) relative to the adopted caseload estimate by restoring the DSH payment and eliminating the supplemental upper payment limit (UPL) and Graduate Medical Education (GME) payments.

- **Disproportionate Share Hospital Payment:** The Governor's Budget restores the aggregate DSH payment to \$142.5 million in FY2022, consistent with prior year DSH payments. This increases general revenue funding by \$32.6 million (\$70.9 million all funds) compared to the November estimate. As previously noted, the November CEC estimate reduced the State's DSH payment by approximately half based on planned federal cuts in current law at the time. These cuts were later delayed by the Coronavirus Response and Relief Supplemental Appropriations Act in December 2020. The Governor's Budget includes the full payment, accordingly.

*Analyst Note: The American Rescue Plan (ARP) passed on March 11, 2021, included a provision which allows states to claim the 6.2 percent enhanced FMAP for the DSH payment. Previous guidance exempted DSH payments from the enhanced rate. The ARP provision is not accounted for in the Governor's Budget. This change will not amend the cap, but will reduce the general revenue share of the FY2022 DSH payment by \$8.8 million and increase federal funds by an equivalent amount.*

- Outpatient Upper Payment Limit:** Upper Payment Limit (UPL) payments compensate hospitals for the difference between what hospitals receive for Medicaid services and what they are paid under Medicare reimbursement principles. These payments are authorized, but not required, by federal law. A portion of the payments are eligible for the favorable Expansion federal match rate; the State pays approximately one-third of the total cost. Currently, the State only makes UPL payments for outpatient services; the inpatient portion was eliminated in the FY2020 Enacted Budget. Article 12 eliminates the outpatient portion.

The November 2020 CEC estimate includes a total of \$4.9 million for outpatient UPL payments in FY2022, of which \$1.7 million is from general revenues. The Governor's Budget removes funding for the UPL payment in FY2022; however, the Budget applies an incorrect federal match and takes more general revenues than were included in the estimate. The Budget includes \$2.2 million in general revenue savings, which is overstated by \$418,808.

- Graduate Medical Education:** Article 12 eliminates the Graduate Medical Education (GME) payment to Rhode Island Hospital in FY2022. The GME program, created in 2014, provides funding for academic Level I trauma center hospitals that have a minimum of 25,000 inpatient discharges and provide training for at least 250 interns and residents per year. Rhode Island Hospital is the only hospital that qualifies for this funding. The payment is made in June of each year.

In prior years, Rhode Island Hospital received a State-only payment because the federal government did not allow a match for GME. However, the State applied for and received approval for federal Medicaid matching funds for the program in October 2019. The approval document authorizes \$548,800 in federal matching funds in FY2022 to supplement the State's \$1.0 million general revenue payment. The November 2020 CEC included \$1.5 million from all funds based on this approval document. The Executive Office anticipates a full federal match of \$1.2 million for the FY2021 and FY2022 payments, although this has not yet been approved. Because caseload estimates are based on current law, the FY2022 estimate only includes the \$548,800 federal match. The Governor's Budget removes \$1.0 million from general revenues and \$1.2 million from federal funds for the GME payment in FY2022 based on the Executive Office's expectations; however, this exceeds the caseload estimate and overstates the federal funds savings by \$629,375.

### **LTSS Resiliency and Rebalancing**

**(\$4.5 million)**

Article 12 contains a number of initiatives designed to work in tandem to rebalance the State's array of long-term care programs by shifting away from institutional settings and towards home- and community-based services (HCBS). This includes reforming program eligibility, modifying rates, and establishing a wage pass-through program for direct care workers, among other targeted investments. The Governor's Budget assumes that these investments will in turn reduce nursing home admissions, which are significantly more expensive than HCBS, thereby resulting in net savings to the State. According to the Executive Office, this initiative will result in an estimated reduction of 101,070 nursing home bed days in FY2022, resulting in \$8.9 million in general revenue savings (\$19.6 million all funds) in FY2022. The nursing home savings are offset by a number of investments as follows:

Outpatient UPL	
Hospital	FY2022 Adopted
Butler	-
Kent	488,429
Women and Infants	526,493
<b>Care New England</b>	<b>\$1,014,923</b>
Bradley	-
Miriam	550,548
Newport	160,290
Rhode Island Hospital	2,247,859
<b>Lifespan</b>	<b>\$2,958,696</b>
Roger Williams	346,164
St. Joseph's	220,956
<b>Prospect - CharterCARE</b>	<b>\$567,120</b>
Landmark	149,008
South County	119,590
Westerly	36,232
Rehabilitation	6,670
<b>Other</b>	<b>\$311,500</b>
<b>Total</b>	<b>\$4,852,239</b>
<i>General Revenue</i>	<i>\$1,739,831</i>

<b>LTSS Resiliency and Rebalancing</b>	<b>General Revenue</b>	<b>Federal Funds</b>	<b>All Funds</b>
Nursing Home Reductions	(\$8,894,050)	(\$10,730,950)	(\$19,625,000)
Maintenance of Need	2,433,630	2,936,251	5,369,881
Assisted Living Rates	1,121,262	2,108,461	3,229,723
Home Care Wages	662,244	799,018	1,461,262
Shared Living Rates	123,181	191,029	314,210
Nursing Home Rates	36,530	44,076	80,606
<b>Total - Medicaid Impact</b>	<b>(\$4,517,203)</b>	<b>(\$4,652,115)</b>	<b>(\$9,169,318)</b>

The Governor's Budget makes additional changes outside of the Medicaid program, including an additional \$180,723 from general revenues in Central Management for implementation as well as \$208,747 in general revenue savings at the Department of Human Services by eliminating the Category F Supplemental Security Income payment.

- **Maintenance of Need:** Article 12 raises the HCBS Maintenance of Need allowance from 100.0 percent of the federal poverty level plus \$20 per month (\$1,093 per month) to 300.0 percent of the federal standard for supplemental security income (\$2,382 per month) to enable additional individuals to retain more of their income while receiving services in their homes. The intent is to make home-based services a more attractive long-term care option as an alternative to institutional care.

Medicaid does not cover room and board expenses when individuals receive services in home- or community-based living arrangements. To ensure that beneficiaries opting for care in these settings have adequate resources to meet these and other personal needs, the State allows individuals in HCBS programs to retain part of their income. This is known as the Maintenance of Need. By increasing the allowance, individuals will be able to retain more of their income to cover more of their expenses at home. This will reduce the likelihood that individuals need move into institutional settings because staying home is cost prohibitive. The increase in the Maintenance of Need allowance means that individuals will contribute less towards their cost of care. The Budget adds \$2.4 million from general revenues (\$5.4 million all funds) to recognize the corresponding increase in the cost to the State for these services.

*Analyst Note: The funding is added entirely to the Medicaid program; however, approximately half is for the population of individuals with intellectual or developmental disabilities whose services are funded through the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH). The Governor's Budget Amendment dated April 12, 2021, shifts half of the additional costs from EOHS to BHDDH, which reduces the impact within the Medicaid program but is budget neutral to the State.*

- **Assisted Living Rates:** Article 12 increases assisted living rates in both fee-for-service and managed care. Currently, assisted living facilities are reimbursed at \$69.00 per day for all beneficiaries. The rate does not compensate facilities for the difference in costs to provide care for higher-need patients; this creates a disincentive for assisted living providers to care for patients with higher acuity. The Governor's Budget establishes a tiered rate structure to reimburse assisted living based on residents' level of need as follows:

<b>Assisted Living Tiered Reimbursement</b>				
<b>Tier</b>	<b>Description</b>	<b>Population</b>	<b>Rate</b>	<b>Increase</b>
A	Basic	57.1%	\$78.00	13.0%
B	Enhanced care and transition services	40.5%	\$98.00	42.0%
C	Serious cognitive decline and co-morbidities that may require skilled care or stabilization services	2.4%	\$121.00	75.4%

The Budget adds \$1.1 million from general revenues (\$3.2 million all funds) to fund the rate increases, representing a composite rate increase of 23.0 percent based on the share of assisted living residents expected to be assigned to each tier. The tiered structure is effective October 1, 2021.

*Analyst Note: The Governor's Budget Amendment dated April 12, 2021, increases the general revenue portion of the tiered reimbursement rates by \$612,225 to \$1.7 million. There is no accompanying federal funds change. The Governor's Budget originally included \$612,225 in general revenue savings attributable to the elimination of the State-only Category F Supplemental Security Income payment within the assisted living budget line. These initiatives are related, as the savings are reinvested in higher assisted living rates; however, Category F is budgeted separately in DHS. The amendment shifts the savings to DHS, leaving a higher amount in EOHHS.*

Assisted Living Rates - Medicaid	FY2022 Governor		As Amended	
	General Revenue	Federal Funds	General Revenue	Federal Funds
Medicaid Population	\$1,145,480	\$1,393,261	\$1,145,480	\$1,393,261
Remove Category F	(612,225)	-	-	-
Reinvest Category F in Tiered Rates	588,007	715,199	588,007	715,199
<b>Total</b>	<b>\$1,121,262</b>	<b>\$2,108,460</b>	<b>\$1,733,487</b>	<b>\$2,108,460</b>

- **Home Care Wages:** Article 12 establishes a targeted wage pass-through program for home care workers to bolster the State's ability to provide services to individuals in their homes.
  - **Shift Differential:** The article increases the shift differential rate modifier for Personal Care and Combined Personal Care/Homemaker services delivered by Certified Nursing Assistants (CNAs). The modifier grants extra pay to CNAs that deliver direct care services during non-standard hours (evenings, nights, weekends, and holidays). The Budget increases the existing modifier from \$0.38 per 15 minutes (\$1.50 per hour) to \$0.56 per 15 minutes (\$2.25 per hour) effective July 1, 2021. The intent is to increase the number of staff that can care for individuals in their homes during off-hours, thereby reducing the need for 24-hour residential care. The rate modifier is paid to HCBS providers (employers) through the Medicaid reimbursement rate, but the article requires that 100.0 percent of the modifier be passed directly to CNAs and imposes reporting requirements on employers to confirm that the wage is passed through. The Budget includes \$259,734 from general revenues to fund the shift modifier.
  - **Behavioral Health Enhancement:** The article also adds a new behavioral healthcare rate enhancement of \$0.39 per 15 minutes (\$1.55 per hour) for Personal Care, Combined Personal Care/Homemaker, and Homemaker Only services for providers with at least 30.0 percent of staff with behavioral healthcare training. The enhancement applies to CNAs who have completed a required behavioral health certificate training program, effective January 1, 2022. Similar to the shift differential noted above, the rate enhancement provides extra pay for CNAs that specialize in behavioral healthcare. The article requires that 100.0 percent of the enhancement be passed directly to CNAs and imposes reporting requirements on employers to confirm that the wage is passed through. The Budget includes \$402,511 from general revenues to fund the behavioral health enhancement.

*Analyst Note: A portion of home care expenses are incurred by DHS' Office of Healthy Aging for the Home and Community Care Co-Pay program. There should be funds added to DHS to account for the modifiers. All costs for the direct care wage enhancements are accounted for in EOHHS in the Governor's Budget.*

- **Shared Living:** Article 12 authorizes a 10.0 percent rate increase for shared living caregiver stipends beginning July 1, 2021. Currently, shared living providers are paid rates ranging from \$24.23 per day to \$48.11 per day. Approximately 200 individuals utilize shared living arrangements. EOHHS anticipates that increasing shared living rates will provide an incentive for willing caregivers to utilize shared living as an alternative to more intensive options. The Budget includes \$123,181 from general revenues (\$314,210 all funds) to fund the rate increase.
- **Nursing Home Rates:** Article 12 allows the Executive Office of Health and Human Services to revise the methodology used to determine nursing home rates by re-weighting rates towards behavioral healthcare effective October 1, 2021. The resolution increases the acuity-based rates for beneficiaries



with behavioral health symptoms and cognitive performance diagnoses by 10.0 percent to recognize the additional staff time needed for behavioral health patients and adds \$516,870 from general revenues (\$1.1 million all funds) to fund the increase. The Budget simultaneously reduces rates for all other diagnoses categories by approximately 1.0 percent, reducing general revenues by \$480,340 (\$1.0 million all funds).

*Analyst Note: This part of the LTSS Resiliency and Rebalancing initiative is supposed to be budget neutral per the Executive Office's request. The Governor's Budget updated the costs associated with the behavioral health increase, but did not update the savings associated with the rate reduction for other diagnoses, leaving residual funding. The Governor's Budget Amendment dated April 12, 2021, corrects the reduction for other diagnoses categories such that there is no net impact from this change.*

### **Managed Care Risk Margin**

**(\$1.2 million)**

Article 12 reduces the risk margin included in the State's managed care rates from 1.5 percent to 1.25 percent. The Governor includes \$1.2 million in general revenue savings (\$4.0 million all funds) in FY2022, offset by a \$79,045 revenue loss from the 2.0 percent insurance premium tax.

Most Medicaid beneficiaries are enrolled in managed care programs, whereby the State pays a health plan a per member per month capitation rate to provide comprehensive coverage. Managed care is the alternative to fee-for-service, where the State pays providers directly based on the services each member actually uses. The managed care structure is similar to a private insurance arrangement, where beneficiaries pay a premium regardless of whether or not services are actually used. Rhode Island operates its managed care programs using risk-based managed care organizations (MCOs).

Federal actuarial soundness requirements mandate that states account for risk in managed care arrangements. Rhode Island does so by including a risk adjustment within the monthly capitation rates, which allows the State and Medicaid managed care organizations to share in aggregate gains or losses associated with insuring Medicaid beneficiaries. The arrangement provides financial protection by addressing potential claims volatility that MCOs may face by covering an array of different Medicaid coverage groups, particularly high-need populations. The margin recognizes that rates are developed prospectively and that the actual expense of providing care may vary. Federal requirements do not set the margin; according to EOHHS, most states' use margins ranging from 0.5 percent to 2.5 percent of monthly capitation rates. Rhode Island Medicaid currently uses a 1.5 percent margin; the Budget reduces the margin to 1.25 percent and includes savings to reflect a reduction in the capitation payments to the MCOs.

### **RItE Share**

**(\$729,128)**

The Governor's Budget includes \$729,128 in general revenue savings (\$2.0 million all funds) related to an initiative to streamline the RItE Share eligibility determination process.

Article 15 amends RIGL 40-8.4-12 to promote enrollment in the RItE Share program, Rhode Island's premium assistance program for working Medicaid beneficiaries, by ensuring that the State has the requisite eligibility information from employers. The article requires certain employers to submit employee eligibility information to the State and establishes penalties for non-compliance.

The RItE Share premium assistance program subsidizes the costs of enrolling working Medicaid beneficiaries in employer-sponsored health insurance (ESI) plans. The program is an alternative to RItE Care or Medicaid Expansion, Rhode Island's primary managed care programs that provide health insurance coverage to low-income children, pregnant women, families, and non-disabled adults. Instead of enrolling individuals in either RItE Care or Expansion, the RItE Share program pays all or a portion of the premium for an approved ESI plan. RItE Share participants are also eligible to receive any services and benefits that would be available through RItE Care or Expansion that are not available through the employer's plan, known as wraparound services. On average, the all funds cost avoided by enrolling one individual in RItE Share instead of RItE Care or Expansion is approximately \$1,600 per year.

Average RItE Share enrollment has steadily declined over the last decade, although overall participation in Medicaid has increased. This is partly attributable to the current RItE Share enrollment process, which Article 15 seeks to amend. Currently, the State requires employees to furnish information about available ESI plans and EOHHS must confirm with their employers. This puts the burden of enrollment on employees and is inefficient for employers, who often respond to EOHHS on a per-employee basis. Article 15 shifts the burden of ESI data collection from the employee to the employer to efficiently enroll all eligible employees from a single employer at the same time.

By streamlining the RItE Share eligibility determination process, the Budget assumes that approximately 3,500 members will be enrolled in RItE Share instead of either RItE Care or Expansion starting in January 2022, resulting in \$729,128 in general revenue savings (\$2.7 million all funds) to the Medicaid program. This would result in a \$54,000 loss in insurance premium tax revenues, as the \$2.7 million in savings would otherwise be subject to a 2.0 percent tax. The savings in FY2022 are offset by \$361,855 in implementation costs, noted in the Central Management program, including \$275,605 for contracted staff and \$86,250 for system enhancements.

**Program Integrity** **(\$700,938)**

The Governor's Budget includes \$700,938 in general revenue savings (\$1.5 million all funds) by expanding program integrity activities. The program integrity function at EOHHS currently reviews and monitors Medicaid fee-for-service providers and claims to ensure compliance and appropriate billing practices. This initiative adds a position to the unit to monitor managed care programs to optimize the efforts of the unit. The expenses associated with the position are noted in the Central Management program. The additional program integrity position will work collaboratively with the State's managed care organizations (MCOs) to proactively identify and take action on incidents of fraud, waste, and abuse in the Medicaid program.

**Home Stabilization** **\$660,000**

The Governor adds \$660,000 from general revenues (\$1.5 million all funds) to finance a rate increase for home stabilization services. This program provides support for Medicaid-eligible individuals in need of stable housing by identifying, applying for, and navigating housing or rental assistance, transitioning into or maintaining housing, and preventing eviction. The benefit is available for six months per individual.

The November 2020 CEC estimate included \$1.1 million for the program in FY2022, including \$516,620 from general revenues, to provide six months of benefits for 1,302 members. The CEC estimate is based on the current monthly rate of \$145.85. The Governor's Budget increases the reimbursement rate to \$331.00 and adds \$660,000 from general revenues to fund the rate increase. The rate change was requested by the provider community to reflect the actual cost to provide home stabilization services.

	<b>FY2022</b>	<b>FY2022</b>	<b>Change to</b>
<b>Home Stabilization</b>	<b>Nov CEC</b>	<b>Governor</b>	<b>Nov CEC</b>
Beneficiaries	1,302	1,302	-
Months of Benefit	6	6	-
Rate Per Month	\$145.85	\$331.00	\$185.15
<b>Total Cost</b>	<b>\$1,140,000</b>	<b>\$2,590,000</b>	<b>\$1,450,000</b>
<i>General Revenue</i>	<i>516,620</i>	<i>1,176,620</i>	<i>660,000</i>

**Third Party Liability** **(\$575,791)**

By law, the Medicaid fee-for-service program is the payer of last resort. This means that if another insurer or program has the responsibility to pay for medical costs incurred by a Medicaid beneficiary, that entity is required to pay all or part of the cost of the claim prior to Medicaid making any payment. This is known as third party liability (TPL). The federal government requires states to make reasonable efforts to ascertain TPL and ensure that Medicaid is the payer of last resort.

Rhode Island Medicaid's current TPL structure involves two contracts. The first is a fiscal intermediary contract with DXC Technology, which provides a monthly feed of TPL coverages for cost avoidance

purposes. The feed is not updated regularly and is not currently set up to retroactively apply TPL if it becomes known after a claim has already been paid by Medicaid. The other contract is with Stellarware, which is used to identify coverages for subrogation (other, non-medical insurance such as casualty insurance) and collects approximately \$1.0 million annually.

According to EOHHS, the Medicaid program needs to make a series of improvements to TPL collection management in order to maximize cost avoidance and subrogation revenue. The Governor's Budget eliminates the two existing contracts and adds funding to procure a single-source contract with a software as a service (SaaS) vendor to ensure that TPL efforts are better coordinated. The contract expenses are noted in the Central Management program. According to EOHHS, due to the federal government's focus on Medicaid enterprise system modernization, a number of SaaS vendors have emerged in recent years to address the types of issues that Rhode Island experiences with its existing TPL structure. Importantly, SaaS vendors are paid for performance, which motivates the vendor to maximize their collections.

By enhancing the focus on TPL, EOHHS expects to shift \$1.1 million in liability, including \$575,791 from general revenues, to third parties in FY2022. This translates to direct savings to the Medicaid program. The estimate captures six months of savings, as some transition time will be required to procure a new contract and shift between vendors. The out-year savings are likely to be much greater.

### **Health Care Cost Trends**

**\$150,000**

The Governor's Budget includes \$150,000 from general revenues (\$330,980 all funds) to fund a \$1 Health Care Cost Trends assessment per Medicaid beneficiary per year within State's managed care rates.

In August 2018, the Governor convened the Cost Trend Steering Committee to advise the Rhode Island Health Care Cost Trends project. The project's goal is to provide all Rhode Islanders with access to high-quality, affordable healthcare while ensuring that spending does not increase at a rate higher than the consumer price index. Key stakeholders including hospital systems, health insurers, physicians' groups, advocates, and researchers agreed to a voluntary target of 3.2 percent total healthcare cost growth.

EOHHS and the Office of the Health Insurance Commissioner (OHIC) partnered on the project to work with community stakeholders. The project has historically been funded by the Peterson Center, however, funding for the project ends in August 2021. Article 15 establishes a fee of up to \$1 per commercially covered individual in the State to establish a funding stream for the project. This includes Medicaid managed care beneficiaries. The Governor's Budget adds the funding to pay the assessment on their behalf.

### **Community Health Workers**

**(\$115,082)**

Article 12 adds Medicaid coverage for care management services provided by community health workers. Care management refers to a comprehensive set of services and activities that support patients in managing their health conditions or risks by coordinating healthcare and connecting patients with other resources outside of the healthcare system. There is a growing evidence base which shows that addressing patients' holistic needs has significant potential to yield cost savings in Medicaid and the healthcare system generally. A study published in Health Affairs in February 2020 showed a return on investment of \$2.47 for every dollar invested in community health workers. By covering community health worker services under Medicaid, EOHHS anticipates a \$2.25 annual return on investment (ROI).

Based on prior year care management data, an estimated 2,000 high-risk Medicaid members will utilize community health workers each year under the new coverage group. Assuming that each community health worker can provide care management services for 55 members, this initiative requires 36 full-time community health workers per year. At an hourly rate of \$48.50, this requires annual funding of \$3.6 million, including \$1.2 million from general revenues.

<b>Community Health Workers</b>	<b>FY2022</b>	<b>Out-Years</b>
Total CHWs Needed	36	36
Medicaid Rate - Hourly per CHW	\$48.50	\$48.50
Months Paid	9	12
<b>Annual Cost</b>	<b>\$2,722,500</b>	<b>\$3,630,000</b>
<i>General Revenue</i>	<i>920,653</i>	<i>1,227,537</i>
ROI Assumption	\$1.125	\$2.25
<b>Annual ROI</b>	<b>(\$3,062,813)</b>	<b>(\$8,167,500)</b>
<i>General Revenue</i>	<i>(1,035,735)</i>	<i>(2,761,959)</i>
<b>Net Impact</b>	<b>(\$340,313)</b>	<b>(\$4,537,500)</b>
<i>General Revenue</i>	<i>(115,082)</i>	<i>(1,534,422)</i>

The Budget assumes a three-quarter impact from this initiative in FY2022, with the coverage and reimbursement effective October 1, 2021. The Budget also assumes a \$1.125 return on investment in the first year of implementation to reflect that it may take some time to see the full \$2.25 return on investment. The Budget adds \$920,653 from general revenues (\$2.7 million all funds) to fund the 36 community health workers in FY2022. The investment is offset by an anticipated \$1.0 million in general revenue savings (\$3.1 million all funds) via the return on investment. The net impact to the state is a \$115,082 general revenue savings (\$340,313 all funds). In future years, the net general revenue savings is expected to grow to \$1.5 million (\$4.5 million all funds).

#### **Perinatal Doula Services**

**\$112,252**

Article 12 adds Medicaid coverage for perinatal doula services. The Governor includes \$112,252 from general revenues (\$278,022 all funds) to cover \$850 per birth for these services. This investment would generate an additional \$5,560 from the 2.0 percent insurance premium tax.

Doulas are non-medical professionals trained in childbirth who provide individuals with continuous physical, emotional, and informational support before, during, and after birth. During childbirth, doulas provide breathing techniques, massages, advice, and advocacy. Studies show that one-on-one support during labor and delivery is associated with improved outcomes, particularly in communities of color, including shorter labor periods, reduced risk for costly C-section procedures and premature births, and a reduction in the use of pain medication. EOHHS anticipates that doula coverage will reduce the likelihood of higher-cost interventions in labor and delivery within Medicaid populations.

The Governor's Budget assumes that 10.0 percent of Medicaid births, or 456 births, will be assisted by a doula. The Governor's Budget assumes that providing doula services will result in 52 fewer C-section births for savings of \$109,578, offset by an increase of \$387,600 to cover the additional cost of providing doula services for 456 individuals. This results in a net expenditure increase of \$278,022 in FY2022, including \$112,252 from general revenues.

#### **COVID Programs (federal funds)**

**(\$38.8 million)**

The FY2021 Budget as Enacted allocated \$38.8 million in federal Coronavirus Relief Funds (CRF) for the Executive Office's response to the COVID-19 pandemic. These were time-limited funds that are not available in FY2022. The Governor's Budget removes the funding, accordingly. The programs included:

- **LTSS Resiliency:** \$19.6 million for the Long Term Services and Supports (LTSS) Resiliency Fund, which provided financial support to nursing homes and home- and community-based providers.
- **Pediatric Provider Rates and Immunizations:** \$6.1 million for pediatric providers to address short-term cash flow concerns and maintain access to services, including immunizations.
- **Early Intervention:** \$5.0 million to offset revenue losses for early intervention and children's service provider agencies that offer an array of behavioral and therapeutic services.

- **Workforce Stabilization:** \$4.0 million to reflect the expenses incurred for the Workforce Stabilization Loan Fund in FY2021, which provided payroll support to frontline workers in congregate care settings earning under \$20 per hour.
- **HCBS Access:** \$3.0 million to support existing direct support professionals and increase the number of staff to support community-based developmental disability organizations.
- **Primary Care Technical Assistance:** \$1.1 million to provide assistance with the use of telemedicine services and financial and infrastructure support with a focus on primary care providers and community health teams.

*Analyst Note: The Governor's Budget Amendment dated April 12, 2021, adds \$5.9 million from general revenues to the Medicaid program to reflect the additional caseload related to the transition of patients from Eleanor Slater Hospital (ESH) into community-based settings paid by Medicaid. The savings are already accounted for in the Governor's Budget recommendation for the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals. The amendment adds \$2.9 million from general revenues (\$6.9 million all funds) to reflect the additional Medicaid expenses associated with patients discharged from ESH. The estimate accounts for the rate increases that are included in Article 12. The amendment also includes \$2.9 million from general revenues (\$7.0 million all funds) to reflect that the proposed rate increases will also affect existing, non-ESH populations that may also be discharged to community-based settings as a result of the rate increases.*



## Department of Children, Youth, and Families

Expenditures by Program	FY2020 Actual	FY2021 Enacted	FY2021 Governor	Change from Enacted		FY2022 Governor	Change from Enacted	
Central Management	\$14.5	\$12.8	\$12.8	\$0.0	0.2%	\$15.5	\$2.7	20.7%
Children's Behavioral Health	14.7	12.3	12.3	(0.0)	0.0%	13.1	0.8	6.3%
Child Welfare	201.0	207.0	208.3	1.3	0.6%	213.9	6.9	3.3%
Juvenile Correctional Services	21.6	22.4	22.3	(0.1)	-0.6%	21.9	(0.5)	-2.4%
Higher Education Incentive Grants	0.2	0.2	0.2	-	-	0.2	-	-
<b>Total</b>	<b>\$252.1</b>	<b>\$254.7</b>	<b>\$255.9</b>	<b>\$1.2</b>	<b>0.5%</b>	<b>\$264.5</b>	<b>\$9.8</b>	<b>3.8%</b>

### Expenditures by Source

General Revenue	\$170.7	\$170.9	\$169.1	(\$1.8)	-1.0%	\$183.4	\$12.6	7.4%
Federal Funds	79.4	80.6	83.2	2.6	3.2%	79.4	(1.2)	-1.5%
Restricted Receipts	1.9	2.1	2.5	0.4	19.3%	1.5	(0.6)	-28.5%
Other Funds	0.1	1.2	1.2	-	-	0.3	(0.9)	-78.9%
<b>Total</b>	<b>\$252.1</b>	<b>\$254.7</b>	<b>\$255.9</b>	<b>\$1.2</b>	<b>0.5%</b>	<b>\$264.5</b>	<b>\$9.8</b>	<b>3.8%</b>

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

Authorized FTE Levels	621.5	617.5	617.5	-	-	627.5	10.0	1.6%
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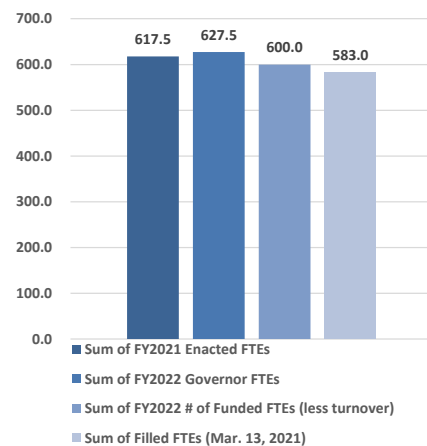
The Department of Children, Youth, and Families (DCYF) is charged with implementing a statewide network of supports to protect vulnerable children and families. The Department develops, oversees, and evaluates programs which provide opportunities for children to reach their full potential. DCYF has three major operational divisions: Children's Behavioral Health Services, Child Welfare (including child protective services, family services, and permanency support), and Juvenile Corrections (including the Rhode Island Training School and juvenile probation). The Department supports an average of 3,400 children and their families, and indirectly serves thousands more through community-based programs.

### MAJOR ISSUES AND TRENDS

The Budget includes \$264.5 million from all funds for the Department of Children, Youth, and Families in FY2022. This includes \$183.4 million from general revenues, \$79.4 million from federal funds, \$1.5 million from restricted receipts, and \$250,000 from RICAP funds. General revenue funding increases by \$12.6 million (7.4 percent) relative to the FY2021 Budget as Enacted.

The Budget maintains the Enacted level of 617.5 FTEs in FY2021 and increases the Department's FTE authorization by 10.0 positions in FY2022. This reflects the addition of 2.0 Paralegal positions, 1.0 Social Case Worker II position to perform utilization management services, and 7.0 new frontline staff. The Budget provides funding for approximately 600.0 of the 627.5 positions authorized for FY2022, or 95.6 percent.

FTE Snapshot



### Accreditation

In light of ongoing challenges at the Department, the 2019 General Assembly required that DCYF seek accreditation from the national Council on Accreditation (COA) in order to ascertain how its operations compare to national standards and identify areas for improvement. Article 13 of the FY2020 Budget as Enacted amended RIGL 42-72-5.3 to require that the Department initiate the application process by September 1, 2019, with a final accreditation plan due by October 1, 2020, to inform the Governor and General Assembly regarding necessary organizational changes to obtain and maintain accreditation along with the resources needed in order to do so.

The Department engaged with COA in September 2019 and submitted its accreditation plan on October 1, 2020. The plan analyzes the Department's alignment with 59 COA standards, staffing needs, and necessary practice and policy shifts as well as a timeline for reaching accreditation. The analysis is limited to the Department's child welfare and behavioral health standards and does not include benchmarks for the juvenile justice population, which is reviewed separately by the Annie E. Casey Foundation.

The analysis found that many of the Department's practice models, screening tools, risk assessments, and service planning already comport with many COA standards. The report recommended replacing the Department's case management information system, known as RICHIST.

However, the report also highlighted that staffing is the primary structural barrier to attaining and maintaining accreditation. Specifically, the Department would need to add 34.0 Child Protective Investigators, 7.0 Child Protective Supervisors, 24.0 Social Case Workers, and 5.0 Casework Supervisors to meet COA per-worker caseload standards in the Child Protective Services and Family Services units. In addition, the report identified the need for 2.0 FTEs to notify kin of a DCYF placement; 1.0 FTE to monitor assessments of adolescent life skills development; 10.0 FTEs to enhance clinical capacity for behavioral health services; 5.0 FTEs for a permanent unit to manage accreditation and ongoing reform activities; and 3.0 additional staff to support continuous data monitoring and staff training and development functions at DCYF. The report also recommended pay increases for frontline staff with advanced degrees. The additional 91.0 FTE positions and pay incentives would require a sustained investment of approximately \$11.3 million from all funds per year. Based on FY2022 planning values, the Senate Fiscal Office estimates that approximately 71.5 percent, or \$8.1 million, would need to be funded through general revenues. The report also recommends an additional \$300,000 to boost efforts to recruit resource families and \$291,851 for fixed expenditures to maintain support from COA, including site visits and application fees.

The report recommends a "Prioritized Practice Accreditation" approach for the Department, occurring over a four-year period, where the Department completes a self-study and gradually demonstrates alignment with COA standards. The timeline is "contingent upon the approval and appropriation by the Governor and the General Assembly of sufficient and sustained funding necessary for the Department to achieve COA accreditation." The Governor's Budget provides a funding mechanism to replace the RICHIST system, described in more detail below, but does not appear to account for the additional staff and other expenses.

#### ***Rhode Island Children's Information System (RICHIST) Upgrade***

Article 4 of the Governor's Budget authorizes the issuance of \$17.0 million in certificates of participation (COPs) to provide 60.0 percent of the estimated \$28.0 million required to replace the Department of Children, Youth, and Families' child welfare case management system, known as RICHIST. The remaining 40.0 percent, or \$11.0 million, would be supported by federal funds.

The total funding of \$28.0 million would be utilized over three years, FY2022 through FY2024, as follows:

<b>Rhode Island Children's Information System</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>	<b>Total</b>
Certificates of Participation	\$2,000,000	\$10,000,000	\$5,000,000	\$17,000,000
Federal Funds	1,300,000	6,500,000	3,200,000	11,000,000
<b>Total</b>	<b>\$3,300,000</b>	<b>\$16,500,000</b>	<b>\$8,200,000</b>	<b>\$28,000,000</b>

*Analyst Note: The Governor's recommendation for FY2022 does not include the \$1.3 million in federal funds planned for this project. The Governor's Budget Amendment dated April 19, 2021, adds the funding within DCYF's Central Management program to account for the federal match.*

RICHIST was developed in 1998 and serves as a registry for all confidential case, financial, provider, and staff management information. RICHIST also generates the caseload and financial data which the Department reports to the Governor, General Assembly, and federal government. While Rhode Island was a national leader when RICHIST was first developed, it now relies on antiquated technology that has not



adapted well to changes over the last 23 years. Most significantly, the existing RICHIST system does not enable easy mobility for staff in the field which inhibits the Department's ability to operate efficiently.

The new system would be a modular system that enables data analytics and reporting, allows easy access to real-time information when making important decisions for children and families, and simplifies the system's mobile interface. The federal government encourages use of modular systems because they are more comprehensive and flexible, and enhance the ability to navigate case information and incorporate data analytics into child welfare practice. Modern systems are also more dynamic, allowing child welfare agencies to respond more adeptly to frequent changes in standards and practices. The Governor's Budget assumes the use of a Custom Off the Shelf (COTS) software package which can be adapted from interfaces being used in other states, as opposed to custom-building a solution from scratch. The existing system will be maintained as portions of the new system are developed and phased in, with a full transition occurring when all components of the new system are sufficiently tested.

The annual debt service on the COPs authorized by Article 4 would be approximately \$2.0 million, based on an assumed interest rate of 2.75 percent over ten years. These payments would be budgeted within the Department of Administration beginning in FY2023, with payments through FY2032. Including interest, the total cost to the State will be \$19.7 million at the end of the ten-year period.

### ***Children's Rights Settlement***

In January 2018, the State and DCYF settled a long-standing class action lawsuit. The lawsuit, initially filed in 2007, demanded systemic reforms to the State's child welfare system and cited deficiencies throughout DCYF, including excessive caseworker assignments and an inappropriate residential service array. The settlement outlined a number of new screening and reporting requirements to be met by the Department and overseen by the Office of the Child Advocate. The Department continues to monitor these benchmarks and provides monthly reports pursuant to the Settlement. The Budget contains \$138,000 in annual general revenue funding within the Child Welfare program for a data validator for this purpose.

### **CENTRAL MANAGEMENT**

The Central Management program includes the Office of the Director and Support Services. Central Management functions are primarily administrative and strive to improve policies and maximize operational efficiency. These functions provide coordination and oversight, fiscal management, accountability supports, facility management, legal services, and youth development services.

<b>Central Management</b>	<b>General Revenue</b>
FY2021 Enacted	\$9,096,210
<i>Target and Other Adjustments</i>	<i>(32,405)</i>
Personnel	2,681,018
Fleet Modernization	173,369
Sublet	(54,417)
<b>FY2022 Governor</b>	<b>\$11,863,775</b>
<b><i>Personnel</i></b>	<b><i>\$2.7 million</i></b>

The Governor's Budget provides \$6.9 million from general revenues and \$2.0 million from federal funds for Central Management personnel in FY2022. This represents a general revenue increase of \$2.7 million compared to the Enacted Budget and is primarily attributable to the restoration of turnover savings. The FY2021 Enacted Budget included \$3.1 million in general revenue turnover savings based on updated personnel costs and projections when the Budget was enacted in December 2020. The Governor's Budget appears to treat most of this as one-time savings. The Governor's Budget also updates the program's personnel roster, transfers 2.0 vacancies and repurposes them as frontline staff in Child Welfare, and appears to double-count the expenses associated with 3.0 FTE positions, adding \$265,000 from general revenues and \$40,000 from federal funds.

The Governor's Budget also adds 2.0 new Paralegal positions to improve the Department's advocacy work. The positions are funded with \$137,138 from general revenues (\$196,255 all funds). According to the Department, increasing desk time for legal staff will expedite the court process to encourage permanency for youth involved with DCYF. Additional desk time supports the ability to meet with Social Case Workers to discuss and prepare for court events, review court documents, and update case records.

### **Fleet Modernization**

**\$173,369**

The Department currently owns a fleet of 84 vehicles which are used by frontline staff to complete required investigative and other work both in and out of State. About half of these vehicles have over 150,000 miles on them. The Department also has 20 vehicles that were procured under an emergency lease to replace vehicles that were damaged during protests in the summer of 2020. The lease expires at the end of FY2021.

The Department requested \$110,160 from general revenues to continue these leases, at \$459 per vehicle per month, in FY2022. The Department then requested an additional \$147,870 from general revenues in FY2022 to modernize the fleet and replace another 20 old, high-mileage vehicles with leased, fuel-efficient vehicles. These investments would generate savings by reducing maintenance costs. The Governor's Budget provides the funding as requested and provides for the purchase of an additional 20 vehicles through the State Fleet Revolving Loan Fund.

<b>Purpose</b>	<b>General Revenue</b>
Extend Lease of 20 Vehicles	\$110,160
Lease 10 Passenger Vans	73,800
Lease 10 4-5 Passenger Vehicles	74,070
Lease Insurance	55,000
Federal Lease Reimbursement	(14,168)
Maintenance Savings	(125,493)
<b>Total</b>	<b>\$173,369</b>

### **Sublet**

**(\$54,417)**

The Department currently rents its primary office building located at 101 Friendship Street in Providence as well as a number of smaller facilities across the State. The Department pays approximately \$3.0 million annually in rental costs, most of which is funded through general revenues. The 101 Friendship lease is the primary rental expense at approximately \$2.5 million per year, and is currently signed through FY2026.

The Department's request projected \$2.9 million in rental costs across all programs in FY2022, including \$2.8 million from general revenues, based on historical expenses. The request represented \$372,814 more from general revenues for rent compared to the Enacted Budget. Based on its experience with staff working remotely during the COVID-19 pandemic, the Department then proposed reducing these costs by continuing to use telework and shared workspaces to reduce the number of staff on-site going forward. Reducing the overall usage of the space would allow the Department to sublet a portion of the lease, generating \$478,123 in general revenue savings. The Governor recommends subletting to staff with the Department of Human Services beginning July 1, 2021. However, because the savings are reflected in comparison to the base increase that was requested for FY2022, the savings are less significant relative to the Enacted Budget. The Budget accounts for a net general revenue savings of \$105,309 across the Department, including \$54,417 within the Central Management program.

<b>Rental Costs - General Revenue</b>	<b>FY2019 Actual</b>	<b>FY2020 Actual</b>	<b>FY2021 Enacted</b>	<b>FY2022 Projected</b>	<b>Sublet Savings</b>	<b>FY2022 Governor</b>	<b>Change to Enacted</b>
Central Management	\$449,716	\$465,936	\$392,708	\$456,464	(\$118,173)	\$338,291	(\$54,417)
Children's Behavioral Health	116,521	116,949	92,377	116,858	(27,798)	89,060	(3,317)
Child Welfare	2,162,902	2,257,165	1,903,457	2,183,912	(314,698)	1,869,214	(34,243)
Juvenile Corrections	60,432	64,718	58,004	62,126	(17,454)	44,672	(13,332)
<b>Total</b>	<b>\$2,789,571</b>	<b>\$2,904,768</b>	<b>\$2,446,546</b>	<b>\$2,819,360</b>	<b>(\$478,123)</b>	<b>\$2,341,237</b>	<b>(\$105,309)</b>

## **CHILDREN'S BEHAVIORAL HEALTH SERVICES**

The Children's Behavioral Health Services program designs, implements, and monitors a statewide system of care for children and youth requiring mental health services, including those children who are involved with the Department due to abuse, neglect, or delinquency. The Department seeks to support all children and youth with developmental disabilities or emotional disturbances in the least restrictive settings possible.

<b>Children's Behavioral Health Services</b>	<b>General Revenue</b>
FY2021 Enacted	\$5,958,010
<i>Target and Other Adjustments</i>	
Assistance and Grants	43,817
Enhanced FMAP	602,190
Utilization Management	(315,140)
Sublet	72,632
<b>FY2022 Governor</b>	<b>(\$3,317)</b>

**Assistance and Grants** **\$602,190**

The Governor's Budget includes a general revenue increase of \$602,190 from general revenues for direct services within the Children's Behavioral Health Services program, based on the Department's projected need. This provides full funding for the Department's array of behavioral healthcare services, including an average of 30 placements at Bradley Hospital, one-on-one intensive individual supervision, and a number of community based services. The increase is primarily related to an increase in Bradley direct billing and residential placements, which are expected to grow compared to FY2020 and FY2021, when the Department saw a reduction in utilization across all services due to the COVID-19 pandemic. The Governor's Budget is consistent with FY2018 and FY2019 spending.

**Enhanced FMAP** **(\$315,140)**

The Budget includes \$315,140 in general revenue savings to reflect the extension of the enhanced federal medical assistance percentage (FMAP) through the first half of FY2022. Pursuant to the Families First Coronavirus Response Act (FFCRA), the enhanced FMAP shifts an additional 6.2 percent of eligible Medicaid and Title IV-E expenses from general revenues to federal funds during the COVID-19 public health emergency. On January 22, 2021, the federal Secretary of Health and Human Services issued a letter stating that the public health emergency "will likely remain in place for the entirety of [calendar year] 2021." The Governor's Budget includes two quarters of savings within the Children's Behavioral Health program, accordingly, based on an estimated \$5.1 million in eligible expenses.

**Utilization Management** **\$72,632**

The Budget adds 1.0 Social Case Worker II position and \$72,632 from general revenues (\$95,175 all funds) to enhance the Department's utilization management function. While the purpose of this addition is to optimize utilization of congregate care placements within the Child Welfare program, the Department's utilization management unit is housed within the Children's Behavioral Health Services program. The scope of this initiative is described in more detail within the Child Welfare program.

**Sublet** **(\$3,317)**

The Department currently rents its primary office building located at 101 Friendship Street in Providence as well as a number of smaller facilities across the State. The Department pays approximately \$3.0 million annually in rental costs, most of which is funded through general revenues. The 101 Friendship lease is the primary rental expense at approximately \$2.5 million per year, and is currently signed through FY2026.

The Department's request projected \$2.9 million in rental costs across all programs in FY2022, including \$2.8 million from general revenues, based on historical expenses. The request represented \$372,814 more from general revenues for rent compared to the Enacted Budget. Based on its experience with staff working remotely during the COVID-19 pandemic, the Department then proposed reducing these costs by continuing to use telework and shared workspaces to reduce the number of staff on-site going forward. Reducing the overall usage of the space would allow the Department to sublet a portion of the lease, generating \$478,123 in general revenue savings. The Governor recommends subletting to staff with the Department of Human Services beginning July 1, 2021. However, because the savings are reflected in comparison to the base increase that was requested for FY2022, the savings are less significant relative to

the Enacted Budget. The Budget accounts for a net general revenue savings of \$105,309 across the Department, including \$3,317 within the Children's Behavioral Health Services program.

Rental Costs - General Revenue	FY2019 Actual	FY2020 Actual	FY2021 Enacted	FY2022 Projected	Sublet Savings	FY2022 Governor	Change to Enacted
Central Management	\$449,716	\$465,936	\$392,708	\$456,464	(\$118,173)	\$338,291	(\$54,417)
Children's Behavioral Health	116,521	116,949	92,377	116,858	(27,798)	89,060	(3,317)
Child Welfare	2,162,902	2,257,165	1,903,457	2,183,912	(314,698)	1,869,214	(34,243)
Juvenile Corrections	60,432	64,718	58,004	62,126	(17,454)	44,672	(13,332)
<b>Total</b>	<b>\$2,789,571</b>	<b>\$2,904,768</b>	<b>\$2,446,546</b>	<b>\$2,819,360</b>	<b>(\$478,123)</b>	<b>\$2,341,237</b>	<b>(\$105,309)</b>

## CHILD WELFARE

The Child Welfare division has two major sub-programs:

- **Child Protective Services (CPS):** CPS reviews and responds to reports of child abuse and neglect. CPS staff includes child protective investigators who specialize in the investigation of these reports. If a child is deemed to be at imminent risk of harm, they may be removed from the home and placed in State care for up to 48 hours, pending petitions before the Rhode Island Family Court.
- **Family Services Unit (FSU):** Staff members within Family Services provide ongoing social services and case management to children and families who become involved with DCYF due to abuse, neglect, substance abuse, or behavioral health issues.

The Child Welfare program includes out-of-home placements such as foster and congregate care. Foster care settings include kinship and non-kinship placements as well as private agency homes. Congregate care settings encompass residential treatment facilities, group homes, semi-independent living, and independent living. Child Welfare also includes the Permanency Services Unit, which oversees the administration of the adoption and guardianship subsidy programs for children and youth in permanent placements.

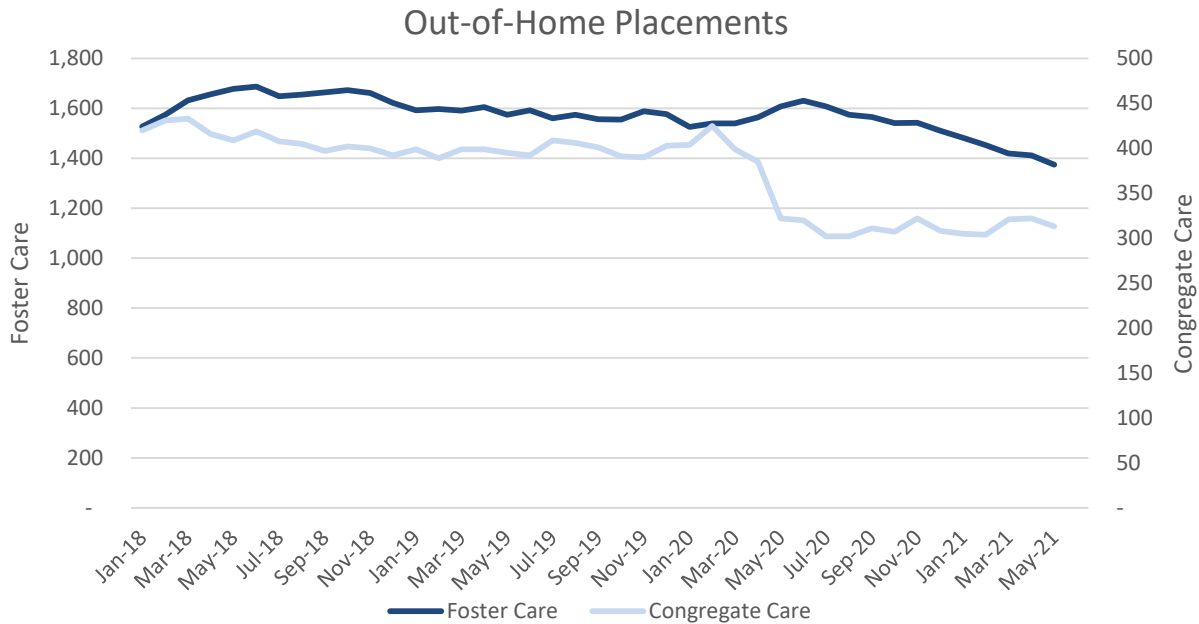
The Governor's Budget includes \$213.9 million from all funds to support Child Welfare. This is \$6.9 million more from all funds compared to the FY2021 Budget as Enacted level of \$207.0 million. Actual all funds expenditures were \$199.1 million in FY2019 and \$201.0 million in FY2020.

Child Welfare	General Revenue
FY2021 Enacted	\$137,210,160
<i>Target and Other Adjustments</i>	<i>(17,972)</i>
Caseload Adjustment	7,956,433
Personnel	4,030,688
Recruitment and Retention	(2,505,305)
Enhanced FMAP	(2,217,780)
TANF	(2,173,501)
Female Youth Project	1,004,097
Families First	384,166
Extreme Family Finding	40,785
Utilization Management	(38,386)
Sublet	(13,368)
<b>FY2022 Governor</b>	<b>\$143,660,017</b>

### **Caseload Adjustment** **\$8.0 million**

The Budget provides a base increase of \$8.0 million from general revenues to fund direct services within the Department compared to the Enacted Budget. Of this amount, \$5.6 million was included in DCYF's budget request, based on updated caseload projections and expected case mix. The Governor's Budget revises these projections utilizing more updated information and provides an additional \$2.3 million from general revenues, accordingly.

The majority of expenditures in the Child Welfare program are caseload-driven and funded through the assistance and grants category. Funding includes per diem reimbursement for foster families, private agency foster care, group homes, and residential treatment centers as well as subsidies for youth who have been adopted or are placed under a guardianship arrangement. Since the onset of the COVID-19 pandemic, the Department has experienced significantly fewer child abuse and neglect reports and investigations, with a corresponding reduction in the number of children entering State care. There has been a 24.2 percent reduction in CPS reports since March 2020 and a 7.0 percent reduction in out-of-home placements. While caseloads remain relatively low as of May 2021, the Department has indicated that they are likely to increase again post-COVID as children return to day care, school, and other in-person activities and more incidents are reported. The FY2022 Budget is consistent with this assumption and provides funding for approximately 1,800 foster care placements, 325 congregate care placements, and 3,100 adoption/guardianship subsidies.



**Personnel**

**\$4.0 million**

The Governor’s Budget provides \$34.6 million from general revenues, \$14.9 million from federal funds, and \$133,168 from restricted receipts for Child Welfare personnel in FY2022. This represents a general revenue increase of \$4.0 million compared to the Enacted Budget and is primarily attributable to the restoration of turnover savings. The FY2021 Enacted Budget included \$4.6 million in general revenue turnover savings based on updated personnel costs and projections when the Budget was enacted in December 2020. The Governor’s Budget appears to treat most of this as one-time savings. The Governor’s Budget also updates the program’s personnel roster to reflect the employee titles and pay grades that are currently authorized and transfers 7.0 vacancies from other programs and repurposes them as frontline staff in Child Welfare.

The Governor’s Budget also adds 7.0 new FTEs to bolster the Department’s frontline staff capacity and adds \$518,056 from general revenues (\$737,012 all funds) to support these new positions. Supporting documentation provided by the Office of Management and Budget also indicates the intent to eliminate 9.0 FTE positions from Juvenile Corrections and repurpose the positions to increase frontline staff capacity in Child Welfare. However, the Budget does not appear to include the transfer. It appears that there should be \$920,000 in general revenue savings within Juvenile Corrections and approximately \$900,000 from all funds, including \$650,000 from general revenues, in new expenses accounted for in Child Welfare.

**Recruitment and Retention****(\$2.5 million)**

The Budget assumes \$2.5 million in general revenue savings (\$2.8 million all funds) by enhancing foster family recruitment and retention. The Department has focused on bolstering its frontline staff and foster family licensing unit in recent years, resulting in a significant number of new foster homes. The Department's goal is to continue this effort to increase the pool of foster families in the State, allowing for additional home-based care options. In August 2020, the Department restructured its foster care rate methodology which resulted in increases in the per diem rates, with the goal of aligning the reimbursement rate with the cost to support foster children and attracting new families to apply. The Department also repurposed vacancies in FY2021 to hire additional frontline staff and the Governor's Budget adds another 7.0 FTEs, as noted above. Through these efforts to increase the available supply of foster families and provide additional supports, the Governor's Budget assumes that Department will be able to shift approximately 40 youth from more expensive private agency foster care and congregate care settings into DCYF foster care. The difference in per diem costs for these placements is significant; the average daily cost of DCYF foster care is \$30, while private agency foster care is \$100 per day and congregate care is \$350 per day. The Budget assumes approximately \$3.3 million in private agency and congregate care savings, with \$500,000 reinvested in DCYF foster care, for net all funds savings of \$2.8 million.

**Enhanced FMAP****(\$2.2 million)**

The Budget includes \$2.2 million in general revenue savings to reflect the extension of the enhanced federal medical assistance percentage (FMAP) through the first half of FY2022. Pursuant to the Families First Coronavirus Response Act (FFCRA), the enhanced FMAP shifts an additional 6.2 percent of eligible Medicaid and Title IV-E expenses from general revenues to federal funds during the COVID-19 public health emergency. On January 22, 2021, the federal Secretary of Health and Human Services issued a letter stating that the public health emergency "will likely remain in place for the entirety of [calendar year] 2021." The Governor's Budget includes two quarters of savings within the Child Welfare program, accordingly, based on an estimated \$35.8 million in eligible expenses.

**TANF****(\$2.2 million)**

The Governor's Budget shifts \$2.2 million from general revenues to federal funds to reflect an increase in the federal Temporary Assistance for Needy Families (TANF) allocation for child care expenses incurred by the Department.

**Female Youth Project****\$1.0 million**

The Governor's Budget includes \$1.0 million from general revenues (\$3.5 million all funds) to establish an in-State Psychiatric Residential Treatment Facility (PRTF) for female youth. PRTFs are non-hospital facilities that provide intensive inpatient services for individuals under the age of 21 with complex behavioral health or other needs. The Department has identified a need to develop in-State capacity to service female youth with complex behavioral health needs who are currently served out-of-State, at the Rhode Island Training School, or in a hospital. These alternative placements are expensive and often not appropriate to achieve positive outcomes. All services provided in a PRTF are Medicaid claimable, providing an opportunity for DCYF to leverage additional federal funds for approximately 40 female youth who fit the criteria for this type of facility.

Instead of a typical Request for Proposals (RFP) process, the Executive Office of Health and Human Services (EOHHS) advised DCYF to create certification standards, whereby any provider that meets the standards can become a PRTF. The Department must submit these standards to the Centers for Medicare and Medicaid Services (CMS) and expects approval after 90 days. The Department can engage with providers during the approval waiting period so that planning and preparation can occur in the interim.

The Budget assumes that the Department submits standards at the beginning of the fiscal year and a PRTF will be fully functional by October 1, 2021. The Budget assumes that an average of 24 female youth will be served by the facility in FY2022 at an estimated \$1,000 per diem rate, for an additional cost of \$6.6

million over three quarters, including \$3.3 million from general revenues. However, because many of these individuals are likely to transition from high-end out-of-State residential placements currently funded by DCYF, the Budget also assumes \$3.0 million in other placement savings, including \$2.3 million from general revenues. The net change is a \$1.0 million general revenue increase (\$3.5 million all funds).

**Families First**

**\$384,166**

The federal Families First Prevention Services Act seeks to reduce states' reliance on group and residential treatment homes and instead prioritizes home-based care. In addition to enhancing reimbursement for certain behavioral health treatments, beginning on October 1, 2021, the federal government will only provide matching Title IV-E funds for residential programs that are designated as Qualified Residential Treatment Programs (QRTPs). QRTPs are a subset of licensed group care facilities which meet detailed assessment, case planning, documentation, staffing, and other requirements. The Department anticipates a loss of \$384,166 in federal matching funds for residential services that will no longer be eligible for a federal match. The Governor's Budget provides \$384,166 from general revenues, accordingly.

*Analyst Note: The alternative option would be to ensure that all residential programs are compliant with the Families First Prevention Services Act as certified QRTPs. However, the Department does not receive a substantive amount of Title IV-E funding for group homes and the expense to transform the residential model would be more substantial than the current proposal to cover the loss of federal funds.*

**Extreme Family Finding**

**\$40,783**

The Budget includes a general revenue increase of \$40,783 to provide for intensive permanency support services known as Extreme Family Finding (EFF). The Department, in collaboration with Adoption RI, supports intensive family search and identification services in order to locate permanent placements for youth who have been in the child welfare system for extended periods of time. EFF is an evolving practice where a private investigator utilizes record mining and genograms to locate family members and help youth with challenging behaviors, mental health issues, or disabilities make kinship connections. In addition to fostering important connections, this effort can also help move youth out of the system, thereby reducing congregate care and length of stay in State care. The program also provides wraparound support and post-placement services. Adoption RI received a time-limited and funding-limited external grant to launch this program which expired in December 2020.

The Governor's Budget adds \$132,000 from general revenues to replace the grant funding and maintain the partnership with Adoption RI for EFF services. However, the Budget also assumes that the Department will see savings by reducing the number of high-need youth in the foster care system. Based on the program's previous success engaging with seven youth, locating over 300 family members, and finding permanent placements for five, the Budget assumes that the program will engage with ten youth and find permanent placements for at least five, generating \$91,217 in general revenue savings. The Budget includes a half-year of savings, assuming that it could take about six months to locate permanent homes. The Budget provides a net general revenue increase of \$40,783 to support EFF, accordingly.

**Utilization Management**

**(\$38,386)**

The Budget adds 1.0 Social Case Worker II position to enhance the Department's utilization management (UM) capacity. This additional staff member would help perform regular reviews of youth in congregate care to ensure that continued placement is consistent with each youth's level of need, strengthen progress towards timely permanence for children, and to ensure accountability for consistent and high-quality practice and services within group care settings. According to the Department, youth placed in congregate care are less likely to find permanent homes than those who live in home-based settings. Ensuring that congregate care is a placement of last resort will improve the Department's goal of achieving permanency.

Although the Department has seen significant reductions in high-cost congregate care utilization in the last several years, there remains an opportunity to reduce utilization of costly services, such as residential treatment centers, for youth that do not require such a level of care. Utilization management enables the

Department to reduce the use of restrictive forms of care and improve clinical and functional outcomes for children while also reducing costs. The Department currently has a UM unit with two employees that regularly evaluates about one-third of youth placed into congregate care to identify youth who can step down to a less intensive setting and provide information to Family Services, Probation Management, and other stakeholders. The UM reviews are currently limited to youth who come into care due to abuse and neglect, which is only a subset of congregate care placements, due to resource constraints and the requirements of the Children's Rights Settlement. An expansion of the UM function to all youth residing in group care settings will help reduce the use of highly restrictive and costly congregate care placements.

The Governor's Budget assumes that the additional staff member will examine 33 cases per year, based on past performance by the existing UM unit. The Budget assumes that the additional position will transition at least one youth from a congregate care setting, at an average per diem of approximately \$350, into a foster care setting, at an average per diem of approximately \$30, in the last half of the fiscal year. This will generate \$38,386 in general revenue savings (\$53,794 all funds), although it appears there may be a potential for additional savings if more individuals are moved into foster care.

**Sublet** **(\$34,243)**

The Department currently rents its primary office building located at 101 Friendship Street in Providence as well as a number of smaller facilities across the State. The Department pays approximately \$3.0 million annually in rental costs, most of which is funded through general revenues. The 101 Friendship lease is the primary rental expense at approximately \$2.5 million per year, and is currently signed through FY2026.

The Department's request projected \$2.9 million in rental costs across all programs in FY2022, including \$2.8 million from general revenues, based on historical expenses. The request represented \$372,814 more from general revenues for rent compared to the Enacted Budget. Based on its experience with staff working remotely during the COVID-19 pandemic, the Department then proposed reducing these costs by continuing to use telework and shared workspaces to reduce the number of staff on-site going forward. Reducing the overall usage of the space would allow the Department to sublet a portion of the lease, generating \$478,123 in general revenue savings. The Governor recommends subletting to staff with the Department of Human Services beginning July 1, 2021. However, because the savings are reflected in comparison to the base increase that was requested for FY2022, the savings are less significant relative to the Enacted Budget. The Budget accounts for a net general revenue savings of \$105,309 across the Department, including \$34,243 within the Child Welfare program.

	FY2019	FY2020	FY2021	FY2022	Sublet	FY2022	Change to
Rental Costs - General Revenue	Actual	Actual	Enacted	Projected	Savings	Governor	Enacted
Central Management	\$449,716	\$465,936	\$392,708	\$456,464	(\$118,173)	\$338,291	(\$54,417)
Children's Behavioral Health	116,521	116,949	92,377	116,858	(27,798)	89,060	(3,317)
Child Welfare	2,162,902	2,257,165	1,903,457	2,183,912	(314,698)	1,869,214	(34,243)
Juvenile Corrections	60,432	64,718	58,004	62,126	(17,454)	44,672	(13,332)
<b>Total</b>	<b>\$2,789,571</b>	<b>\$2,904,768</b>	<b>\$2,446,546</b>	<b>\$2,819,360</b>	<b>(\$478,123)</b>	<b>\$2,341,237</b>	<b>(\$105,309)</b>

### JUVENILE CORRECTIONAL SERVICES

Juvenile Correctional Services includes two major sub-programs:

- **Rhode Island Training School (RITS):** The RITS is a secure correctional facility for adjudicated juvenile offenders as well as those who are detained and awaiting trial. The facility has a maximum capacity of 148, with 124 beds for male residents and 24 beds for female residents. The Training School is a 24-hour, 365-day operation providing housing, food, clothing, medical care, education, vocational training, and other programs and services to meet the needs of its residents.
- **Juvenile Probation and Parole:** Juvenile Probation supervises all formerly adjudicated youth placed on probation by the Family Court. Each youth is evaluated to determine their risk for recidivism. Staff



members then create and enforce individualized plans to address the factors which contribute to delinquent behavior in order to prevent recidivism.

<b>Juvenile Correctional Services</b>	<b>General Revenue</b>
FY2021 Enacted	\$18,395,931
<hr/>	
<i>Target and Other Adjustments</i>	<i>(68,823)</i>
Personnel	3,246,414
Community Based Services	(636,789)
Centralized Service Charges	422,620
Sublet	(13,332)
<b>FY2022 Governor</b>	<b>\$21,346,021</b>

**Personnel** **\$3.2 million**

The Governor's Budget provides \$17.7 million from general revenues and \$203,536 from federal funds for Juvenile Corrections personnel in FY2022. This represents a general revenue increase of \$3.2 million compared to the Enacted Budget. This is primarily related to the restoration of \$2.4 million in public safety personnel costs at the Training School that were shifted to federal Coronavirus Relief Funds (CRF) in the Enacted Budget. These funds are not available in FY2022 and are transferred back to general revenues, accordingly. The FY2021 Enacted Budget also included \$3.0 million in general revenue turnover savings based on updated personnel costs and projections when the Budget was enacted in December 2020. The Governor's Budget appears to treat much of this as one-time savings. The Governor's Budget also updates the program's personnel roster and transfers 3.0 vacant positions to Child Welfare.

Supporting documentation provided by the Office of Management and Budget indicates the intent to eliminate 9.0 FTE positions from Juvenile Corrections to align staffing levels with the consistently declining census at the Training School and repurpose the positions to increase frontline staff capacity in Child Welfare. However, the Budget does not appear to remove the positions from the program or the approximately \$920,000 in associated funding. It appears that there should be savings within Juvenile Corrections and new expenses accounted for in Child Welfare. The 9.0 FTE positions which are slated for elimination are currently filled.

**Community Based Services** **(\$636,789)**

The Governor's Budget reduces general revenue assistance and grants spending within Juvenile Correctional Services by \$636,789 in FY2022 to reflect the elimination of an Outreach and Tracking program operated by Tides Family Services. Outreach and Tracking is a community-based, intensive supervision program with a goal of family preservation and school completion for youth and families involved with juvenile probation. According to Tides Family Services, the program includes 24/7 emergency services, counseling, school court advocacy, referrals to therapeutic recreation activities, and case coordination. The program was eliminated in the Department's request, based on a lack of referrals to the program. The program operated for just over a year and saw 28 referrals, with 13 from within DCYF; 13 from the Truancy, Drug, and Family Courts; and 2 from community providers.

**Centralized Service Charges** **\$422,620**

The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, facilities management, and human resources. These expenditures were previously centralized in the Department of Administration, and are now reflected in each agency based on actual use. The FY2021 Budget as Enacted included \$207,904 for facilities management expenses within Juvenile Correctional Services. The Governor's Budget increases these charges by \$422,620 to reflect the historical level of facilities management charges within the program.

**Sublet****(\$13,332)**

The Department currently rents its primary office building located at 101 Friendship Street in Providence as well as a number of smaller facilities across the State. The Department pays approximately \$3.0 million annually in rental costs, most of which is funded through general revenues. The 101 Friendship lease is the primary rental expense at approximately \$2.5 million per year, and is currently signed through FY2026.

The Department's request projected \$2.9 million in rental costs across all programs in FY2022, including \$2.8 million from general revenues, based on historical expenses. The request represented \$372,814 more from general revenues for rent compared to the Enacted Budget. Based on its experience with staff working remotely during the COVID-19 pandemic, the Department then proposed reducing these costs by continuing to use telework and shared workspaces to reduce the number of staff on-site going forward. Reducing the overall usage of the space would allow the Department to sublet a portion of the lease, generating \$478,123 in general revenue savings. The Governor recommends subletting to staff with the Department of Human Services beginning July 1, 2021. However, because the savings are reflected in comparison to the base increase that was requested for FY2022, the savings are less significant relative to the Enacted Budget. The Budget accounts for a net general revenue savings of \$105,309 across the Department, including \$13,332 within the Juvenile Correctional Services program.

<b>Rental Costs - General Revenue</b>	<b>FY2019 Actual</b>	<b>FY2020 Actual</b>	<b>FY2021 Enacted</b>	<b>FY2022 Projected</b>	<b>Sublet Savings</b>	<b>FY2022 Governor</b>	<b>Change to Enacted</b>
Central Management	\$449,716	\$465,936	\$392,708	\$456,464	(\$118,173)	\$338,291	(\$54,417)
Children's Behavioral Health	116,521	116,949	92,377	116,858	(27,798)	89,060	(3,317)
Child Welfare	2,162,902	2,257,165	1,903,457	2,183,912	(314,698)	1,869,214	(34,243)
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<b>Total</b>	<b>\$2,789,571</b>	<b>\$2,904,768</b>	<b>\$2,446,546</b>	<b>\$2,819,360</b>	<b>(\$478,123)</b>	<b>\$2,341,237</b>	<b>(\$105,309)</b>

**HIGHER EDUCATION INCENTIVE GRANTS**

The Higher Education Incentive Grant Program provides tuition assistance for former foster youth to attend a wide range of post-secondary institutions. This program is funded by State higher education incentive grants and federal Educational and Training Vouchers (ETVs). General revenue funding for the incentive program is set by statute at \$200,000 per year; there is an additional \$195,107 in federal ETV funding and \$4,893 in restricted receipts accounted for within the Child Welfare program. DCYF coordinates with the Office of the Post-Secondary Education Commissioner's Division of Higher Education Assistance (DHEA) to administer this grant program and provide tuition assistance to between 50 and 75 former foster youth each year. DHEA provides information regarding cost of attendance and financial aid for each applicant to the program. This allows DCYF to ensure that funding is distributed equitably across participants.

<b>Higher Education Incentive Grants</b>	<b>General Revenue</b>
FY2021 Enacted	\$200,000
<i>Target and Other Adjustments</i>	-
<b>FY2022 Governor</b>	<b>\$200,000</b>

**CAPITAL PROJECTS**

The Budget includes a total of \$5.9 million from Rhode Island Capital Plan (RICAP) funds from FY2021 through FY2026, including \$1.2 million in FY2021 and \$250,000 in FY2022. Projects include:

- Acquisition and installation of a generator at the Training School to maintain functionality of HVAC, security, and other mechanical systems in the event of a power outage. The Budget includes \$717,000 to make a one-time purchase in FY2021, consistent with the Enacted level. The Budget does not include funding in FY2022. Funding has been provided for this project annually since FY2013 and repeatedly shifted to out-years. Prior to FY2021, only \$63,740 has been spent since the funding was first requested. As of May 14, 2021, the Department has spent \$322,455 related to this project in FY2021.

- Improvements and ongoing maintenance at the Training School, including resolving leaks and other structural issues. The Budget includes \$470,614 in FY2021 and \$250,000 per year in FY2022 through FY2026 related to ongoing maintenance projects. The Department spent \$2.2 million through FY2020 for asset protection. As of May 14, 2021, the Department has spent \$119,250 related to this project in FY2021.
- Redesigning the Rhode Island Training School to update the facility to reflect the needs of the juvenile justice population. The Budget includes \$1.8 million in RICAP funding in FY2023 and \$1.8 million in FY2024. With a capacity of 148 and average census ranging from 25 to 50, the Department has identified the need to repurpose the space. The plan includes closing portions of the Training School and repurposing modules as residential treatment centers to shift the focus towards therapy and rehabilitation.



## Department of Health

Expenditures By Program	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$15.4	\$15.6	\$27.3	\$11.7	74.7%	\$18.9	\$3.3	21.4%
Community Health and Equity	99.2	106.1	109.8	3.7	3.5%	111.4	5.3	5.0%
COVID-19	14.9	86.8	406.0	319.3	368%	161.7	75.0	86.4%
Customer Services	13.2	14.5	17.2	2.7	18.8%	17.0	2.5	17.4%
Environmental Health	13.0	13.6	14.0	0.4	2.9%	13.9	0.4	2.6%
Health Laboratories and Medical Examiner	13.2	16.6	14.8	(1.7)	-10.5%	12.2	(4.4)	-26.3%
Policy, Information and Communications	5.2	5.0	5.8	0.8	15.1%	5.2	0.2	3.6%
Preparedness, Response, Infectious Disease, &	19.0	320.5	47.4	(273.1)	-85.2%	24.0	(296.5)	-92.5%
<b>Total</b>	<b>\$193.2</b>	<b>\$578.6</b>	<b>\$642.3</b>	<b>\$63.6</b>	<b>11.0%</b>	<b>\$364.4</b>	<b>(\$214.2)</b>	<b>-37.0%</b>

Expenditures By Source								
General Revenue	\$38.3	\$110.3	\$32.8	(\$5.5)	-5.0%	\$30.6	(\$79.7)	-72.3%
Federal Funds	112.0	420.4	547.3	126.9	30.2%	277.7	(142.7)	-33.9%
Restricted Receipts	42.5	47.8	62.0	14.2	29.7%	55.6	7.7	16.2%
Other Funds	0.4	0.2	0.2	0.0	0.0%	0.6	0.4	200%
<b>Total</b>	<b>\$193.2</b>	<b>\$578.6</b>	<b>\$642.3</b>	<b>\$135.6</b>	<b>23.4%</b>	<b>\$364.4</b>	<b>(\$214.2)</b>	<b>-37.0%</b>

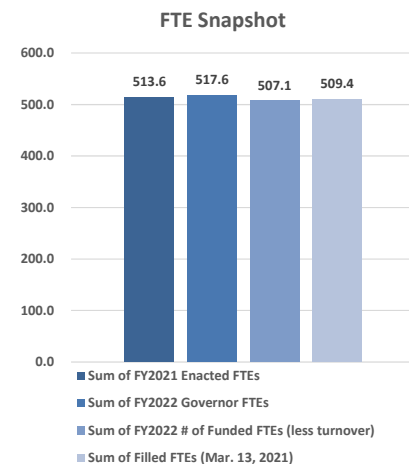
Authorized FTE Levels 499.6 513.6 513.6 - - 517.6 4.0 0.8%  
*\$ in millions. Totals may vary due to rounding.*

The mission of the Rhode Island Department of Health (RIDOH) is to prevent disease and to protect and promote the health and safety of the people of Rhode Island. Since Rhode Island has no local health departments, the Department coordinates public health activities across the State. The Department's responsibilities include licensing and regulation, collection and analysis of health data, disease surveillance, prevention, and control, vital records, and state laboratories. The Department also houses the Office of the Medical Examiner, the agency responsible for investigating and certifying suspicious or otherwise unexplained deaths.

### MAJOR ISSUES AND TRENDS

The FY2022 Budget allocates funding for the eight programs within the Department of Health (DOH): Central Management, Community Health and Equity, COVID-19, Customer Services, Environmental Health, Health Laboratories and Medical Examiner, Policy, Information and Communications, and Preparedness, Response, Infectious Diseases and Emergency Response. The Budget includes \$364.4 million in all funds for FY2022, a decrease of \$214.2 million from the FY2021 Budget as Enacted. General revenues comprise 8.4 percent of the total funds, equaling \$30.6 million, a decrease of \$79.7 million from the FY2021 Budget as Enacted.

The Budget increases the FTE authorization by 4.0 FTEs compared to the FY2021 Budget as Enacted. This includes 6.0 new positions, offset by the elimination of 2.0 FTEs to reflect the closure of the Vital Records satellite location at the Division of Motor Vehicles. The new positions include 3.0 FTE positions funded by general revenues for the proposed Shellfish Dockside Program, 2.0 FTE positions funded by restricted receipts for the adult-use marijuana program, and 1.0 FTE position funded by restricted receipts for a Supervisor Accountant to oversee the Opioid Stewardship Fund.



**CENTRAL MANAGEMENT**

Central Management provides overall leadership, management, and administrative functions for the Department. The Division includes two subprograms: Executive Functions and the Health Equity Institute.

<b>Central Management</b>	<b>General Revenue</b>
FY2021 Enacted	\$3,177,680
<i>Target and Other Adjustments</i>	
Facilities Management	9,475
	452,750
<b>FY2022 Governor</b>	<b>\$3,639,905</b>

**Facilities Management** **\$452,750**

The Budget increases general revenue for centralized services by \$452,750. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, facilities management, and human resources. Beginning in FY2019, these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2021 Budget as Enacted appropriated \$2.3 million for facilities management, which is increased by \$452,750 to \$2.7 million in the FY2022 Governor's Budget.

**COMMUNITY HEALTH AND EQUITY**

The Division of Community Health and Equity aims to eliminate health disparities, assure healthy child development, control disease, and strive for healthy communities. The division includes four centers: chronic care and disease management, health promotion and wellness, perinatal and early childhood health, and preventive services.

<b>Community Health and Equity</b>	<b>General Revenue</b>
FY2021 Enacted	\$527,012
<i>Target and Other Adjustments</i>	
Home Visiting Programs	5,475
Shift from COVID-19 Funding	605,538
First Connections Expansion	116,032
	95,755
<b>FY2022 Governor</b>	<b>\$1,349,812</b>

**Home Visiting Program** **\$605,538**

The Family Home Visiting program provides pregnant women and families with services to improve maternal and child health, prevent child abuse and neglect, encourage positive parenting, promote child development, and improve school readiness. The program is funded by the Department of Health; coordinated along with the Departments of Children, Youth, and Families (DCYF) and Human Services (DHS); and administered by local, community-based agencies.

Family Home Visiting encompasses three sub-programs: Healthy Families America, Nurse-Family Partnership, and Parents as Teachers. These programs are currently supported by a federal Maternal, Infant, and Early Childhood Home Visiting (MIECHV) formula grant. Federal grant funding will be reduced in FY2022 and RIDOH will need to reduce capacity from 1,400 to 1,150 families. The Governor proposes establishing a costs not otherwise matchable (CNOM) program in order to maintain Family Home Visiting services at the current capacity. CNOMs are programs that cover populations that are not mandatory under federal Medicaid rules, but for which the federal government authorizes Medicaid reimbursement. Rhode Island establishes its CNOM programs in the Section 1115 waiver. Two of the home visiting sub-programs, Healthy Families America and Nurse-Family Partnership, are already included in the waiver as a CNOM program but are not funded as such. The Budget adds \$605,538 from general revenues (\$1.4 million all funds) to maintain the current capacity of the Family Home Visiting Program.

**Shift from COVID-19 Funding****\$116,032**

The Budget increases general revenues by \$116,032 to reflect a shift to general revenue for personnel expenditures. The FY2021 Budget as Enacted shifted personnel to COVID-19 related activities, and were therefore eligible for reimbursement through Coronavirus Relief Funds. The Budget shifts the personnel costs back from federal funds to general revenues.

**First Connections Expansion****\$95,755**

The First Connections Program is a referral-based program that works to connect families with services such as food assistance, behavioral health services, child care, long-term family home visiting, Early Intervention (EI), and other community-based services and supports. The goal of the program is to reduce poor outcomes for children. Article 12 of the Budget would authorize the State to seek Medicaid coverage and reimbursement for services provided to pregnant women. The Budget includes a general revenue increase of \$95,755 (\$226,800 all funds) to expand the program to pregnant women to support positive outcomes for pregnant women and their children.

**Federal Fund Adjustments****\$3.0 million**

The Budget increases federal funds by \$3.0 million within the Community Health and Equity Program as compared to the FY2021 Budget as Enacted. The following table illustrates the various federal fund adjustments.

<b>Federal Fund Adjustments</b>	<b>FY2020 Actuals</b>	<b>FY2021 Enacted</b>	<b>FY2021 Revised</b>	<b>Change from Enacted</b>	<b>FY2022 Governor</b>	<b>Change from Enacted</b>
Immunizations	\$15,419,258	\$13,996,871	\$13,999,610	\$2,739	\$16,707,911	\$2,711,040
Tobacco Control Program	-	-	1,364,143	1,364,143	1,369,518	1,369,518
Chronic Disease Prevention And Control	1,052,364	1,144,045	1,146,089	2,044	-	(1,144,045)
Support for Expectant/Parenting Teens	898,414	828,699	829,265	0.0	-	(828,699)
Suicide Prevention Project	417,274	-	746,605	746,605	643,727	643,727
WIC Benefits	14,043,891	15,700,000	15,700,000	-	15,100,000	(600,000)
Prescription Drug Overdose Prevention	3,059,134	3,760,304	3,766,388	6,084	4,338,018	577,714
All changes less than \$500,000	29,370,966	30,447,394	29,826,768	(620,626)	30,688,208	240,814
<b>Total</b>	<b>\$64,261,301</b>	<b>\$65,877,313</b>	<b>\$67,378,868</b>	<b>\$1,501,555</b>	<b>\$68,847,382</b>	<b>\$2,970,069</b>

*Totals may vary due to rounding.*

- **Immunizations:** The Budget increases by \$2.7 million in federal funds for the immunization program to reflect an increased demand for flu and other vaccines unrelated to the COVID-19 pandemic.
- **Tobacco Control Program:** The Budget increases by \$1.4 million in federal funds for the tobacco control program which works to prevent tobacco use and exposure to second-hand smoke. Previously this was funded under the Chronic Disease Prevention and Control Program.
- **Support for Expectant/Parenting Teens:** The Budget eliminates \$828,699 in federal funds related to supporting expectant and parenting teen. The program was funded through a federal grant which ended in December 2021.

**COVID-19**

The COVID-19 program was established within the Department of Health to support Rhode Island's pandemic response. The Department of Health is responsible for coordinating the State's efforts in combatting COVID-19 with contact tracing and case investigations, treatment, testing, vaccinations, and lab processing.

COVID-19	General Revenue
FY2021 Enacted	\$86,750,000
<i>Target and Other Adjustments</i>	<i>0</i>
Shift to Federal Funds	(86,750,000)
<b>FY2022 Governor</b>	<b>-</b>

COVID-19	Other Fund Changes
COVID-19 Expenditures	\$161,721,718

**Shift to Federal Funds** **(\$86.8 million)**

In the FY2022 Budget, expenditures related to the COVID-19 pandemic are fully funded by federal dollars and do not require any matching state funds. In February 2021, the Federal Emergency Management Agency (FEMA) announced that all work eligible under FEMA's existing COVID-19 policies are reimbursable with a 100.0 percent federal share, rather than the typical 75.0 percent reimbursement. The change in the federal share eliminates the need for general revenues.

**COVID-19 Expenditures (federal funds)** **\$161.7 million**

The Budget includes \$161.7 million in federal funds to support the State's response to the COVID-19 pandemic. Expenditures are funded through stimulus funds, grants, and FEMA disaster resources. The funding within the Department of Health will support efforts in testing, contact tracing, vaccination, and other public health related activities. The Budget includes \$134.4 million in FEMA funds and \$27.3 million in stimulus reserves.

COVID-19 Federal Funds	FY2022
Testing	\$73.1
Contact Tracing and Case Investigations	29.2
Stimulus Reserve	27.3
Vaccinations	22.4
Public Health Communications and Data Analytics	4.9
High Density Support	2.7
Technology Enablement	2.0
<b>Total</b>	<b>\$161.7</b>

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

- **Testing:** The Budget increases by \$73.1 million in federal funds for costs related to testing of COVID-19. This includes testing and lab supplies, infrastructure for testing sites, and transportation costs.
- **Contact Tracing and Case Investigations:** The Budget includes \$29.2 million in federal funds for the infrastructure required for contract tracing and investigations and the personnel to manage the overall process.
- **Stimulus Reserve:** The Budget includes \$27.3 million in federal funds for stimulus reserves. This was included in the Budget on the assumption that additional coronavirus relief funds would be passed by Congress. In March, Congress passed the American Rescue Plan, which is anticipated to provide \$1.1 billion in funding to the State to be spent through 2024.
- **Vaccinations:** The Budget includes \$22.4 million in federal funds for the distribution of the COVID-19 vaccine. This includes cold storage, security, transportation, and supplies of the vaccine, personnel to conduct vaccinations, infrastructure, and communications and outreach.
- **Public Health Communications and Data Analytics:** The Budget increases by \$4.9 million in federal funds for communications, data, modeling and analytics related to the COVID-19 pandemic.



- **High Density Support:** The Budget includes \$2.7 million in federal funds to provide resources for communities that have had a disproportionate spread of COVID-19 infection and mortality. The efforts include hygiene and mask campaigns, testing, vaccinations and communications.
- **Technical Enablement:** The Budget increases federal funds by \$2.0 million for the development of technology related to the COVID-19 pandemic. This includes expenses for the CrushCovid application which provides support to users with contact tracing and locating available resources.

## CUSTOMER SERVICES

The Division of Customer Services has licensure and regulatory responsibilities of health care professionals and facilities, and is comprised of three centers: Professional Licensing, Boards and Commissions; the Center for Vital Records', and the Center for Health Facilities Regulation.

<b>Customer Services</b>	<b>General Revenue</b>
FY2021 Enacted	\$6,416,479
<i>Target and Other Adjustments</i>	<i>(13,548)</i>
Shift from COVID-19 Funding	1,811,299
Vital Records Program	(275,875)
<b>FY2022 Governor</b>	<b>\$7,938,355</b>

<b>Customer Services</b>	<b>Other Fund Changes</b>
Opioid Stewardship Fund	\$1,912,497
Adult-Use Marijuana	366,785

### **Shift from COVID-19 Funding** **\$1.8 million**

The Budget increases general revenues by \$1.8 million to reflect a shift back to general revenue for personnel expenditures. The FY2021 Budget as Enacted shifted personnel to COVID-19 related activities, and were therefore eligible for reimbursement through Coronavirus Relief Funds. The Budget shifts the personnel costs back from federal funds to general revenues.

### **Vital Records Program** **(\$264,910)**

The Budget reduces general revenues by \$264,910 (\$158,537 all funds) to reflect the elimination of the Vital Records Program satellite location at the Division of Motor Vehicles. The satellite location has temporarily been closed since the start of the COVID-19 pandemic, and the Budget would make the closure permanent. Customers would still be able to request vital records online or in-person at the Department of Health.

### **Adult-Use Marijuana (restricted receipts)** **\$366,785**

Article 11 of the Budget legalizes recreational adult-use marijuana and provides restricted receipt funding to DOH for food safety staffing and operational costs related to the adult-use marijuana market. DOH is allocated \$366,785 in restricted receipts for adult-use marijuana expenditures, of which \$225,112 is dedicated to the personnel costs of 2.0 FTEs and \$141,673 is allocated to operating costs.

### **Opioid Stewardship Fund (restricted receipts)** **\$1.9 million**

Article 13 of the FY2020 Budget as Enacted established an opioid registration fee deposited quarterly to the Opioid Stewardship Fund by all manufacturers, distributors, and wholesalers of opioids. The fee is calculated based on the licensee's in-state market share of opioid sales. The total annual amount of the Fund equals \$5.0 million and is subject to indirect cost recoveries, adjusting the total available restricted receipts to \$4.5 million. The FY2022 Budget allocates \$1.9 million for 1.0 supervising accountant to administer the funds, staffing costs for FTE positions working on Rhode Island's opioid response efforts including the Prescription Drug Monitoring Program (PDMP), and shifts funding from general revenues for the Toxicology and Drug Chemistry labs. The remaining available funds are distributed among the following

departments: Corrections, Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH), and the Executive Office of Health and Human Services (EOHHS).

### ENVIRONMENTAL HEALTH

The Environmental Health program holds responsibility for the licensure and regulatory activities related to Environmental Health and all activities related to Healthy Homes. The program regulates and provides oversight of population-based activities related to safe food; clean water; healthy homes in the areas of lead, asbestos, radon; and, health and safety in the workplace. The program includes three Centers: the Center for Food Protection, the Center for Drinking Water Quality, and the Center for Healthy Homes and Environment.

Environmental Health	General Revenue
FY2021 Enacted	\$2,649,946
<i>Target and Other Adjustments</i>	<i>(24,534)</i>
Shift from COVID-19 Funding	2,829,400
Dockside Shellfish Program	366,300
<b>FY2022 Governor</b>	<b>\$5,821,112</b>

#### ***Shift from COVID-19 Funding***

***\$2.8 million***

The Budget increases general revenues by \$2.8 million to reflect a shift back to general revenue for personnel expenditures. The FY2021 Budget as Enacted shifted personnel to COVID-19 related activities, and were therefore eligible for reimbursement through Coronavirus Relief Funds. The Budget shifts the personnel costs back from federal funds to general revenues.

#### ***Shellfish Dockside Sampling Program***

***\$366,300***

Article 10 of the Budget authorizes the Director of DOH, with the assistance of Department of Environmental Management (DEM), to establish a shellfish dockside sampling program. The article also provides DOH with the authority to set a shellfish-licensing fee through rules and regulations. In April 2019, the National Marine Fisheries Council closed a large portion of fishing grounds used for harvesting surf clams in order to protect certain marine species. Authorizing DOH to establish the program allows companies in the State to continue processing certain shellfish and ensure they are safe for human consumption.

The new dockside program would require 2.0 FTE Lab Scientist positions and 1.0 FTE Food Specialist with \$296,952 in personnel funding. The Budget also includes \$69,186 in operating costs for the purchase and maintenance of dockside testing equipment. Personnel and operating costs would increase by \$366,300. The expenditures are fully funded by the proposed license fee, which would be deposited as general revenues.

### HEALTH LABORATORIES AND MEDICAL EXAMINER

The Health Laboratories and Medical Examiner provides laboratory services to state and municipal agencies, health care providers, and the general public, for the purposes of public health, environmental protection, and forensic science.

The Medical Examiner investigates and certifies the cause of death in the case of all known or suspected homicides, suicides, accidents, sudden infant deaths, drug related deaths, medically unattended or unexplained deaths, and deaths which may be evidence of an epidemic or other threat to the public health. The Division also provides expert testimony in criminal and civil cases.

<b>Health Laboratories and Medical Examiner</b>	<b>General Revenue</b>
FY2021 Enacted	\$8,329,909
<i>Target and Other Adjustments</i>	(50,017)
COVID-19 Related Personnel Shift	1,910,476
Shift to Opioid Stewardship Funds	(1,457,797)
<b>FY2022 Governor</b>	<b>\$8,732,571</b>

**COVID-19 Related Personnel Shift** **\$1.9 million**

The Budget increases general revenues by \$1.9 million to reflect a shift back to general revenue for personnel expenditures. The FY2021 Budget as Enacted shifted personnel to COVID-19 related activities, and were therefore eligible for reimbursement through Coronavirus Relief Funds. The Budget shifts the personnel costs back from federal funds to general revenues.

**Shift to Opioid Stewardship Funds** **(\$1.5 million)**

The Budget includes a general revenue savings of \$1.5 million to reflect a cost shift to opioid stewardship funds. Article 13 of the FY2020 Budget as Enacted established an opioid registration fee paid deposited quarterly to the Opioid Stewardship Fund by all manufacturers, distributors, and wholesalers of opioids. The fee is calculated based on the licensee's in-state market share of opioid sales. The total annual amount of the Fund equals \$5.0 million and is subject to indirect cost recoveries, adjusting the total available restricted receipts to \$4.5 million. In FY2022 there are additional funds available since not all of the fund was allocated in FY2021.

Funds raised through the opioid registration fee must be appropriated by the General Assembly and can only be used for opioid treatment, recovery, prevention, education services, and other related programs. The Budget allocates a total of \$1.5 million for the forensic sciences labs. The Budget includes a total of \$1.2 million in general revenues (\$3.2 million all funds) for the forensic sciences labs.

*Analyst Note: The Opioid Stewardship Fund will fund approximately 45.6 percent of the total costs of the forensic science labs, but it is unclear how much of the labs work is opioid-related.*

**POLICY INFORMATION AND COMMUNICATION**

The Policy Information and Communication division is responsible for public health communications; data collection, analysis, and dissemination; coordination of the Department's legislative and regulatory functions; and ensuring standards of care are maintained in new and existing healthcare facilities. The division includes four centers: Public Health Communications, Health Data and Analysis and Public Informatics, Health Systems Policy and Regulation, and Legislative and Regulatory Affairs.

<b>Policy, Information and Communication</b>	<b>General Revenue</b>
FY2021 Enacted	\$839,975
<i>Target and Other Adjustments</i>	(2,513)
Center for Health Data and Analysis	219,450
COVID-19 Related Personnel Shift	91,567
<b>FY2022 Governor</b>	<b>\$1,148,479</b>

**Center for Health Data and Analysis** **\$219,450**

The Budget increases general revenue expenditures by \$219,450 to support the management of data systems within the Center for Health Data and Analysis. The additional expenditures are funded with a new fee of \$140 proposed in Article 6 of the Budget for special data requests that require CDHA to analyze, calculate, and/or interpret data. The funding allocated from the fee will directly support the staffing costs for hours worked to compile the requested data sets. The fee would be set by the Department of Health through rules and regulations and is expected to generate \$438,900 in general revenues. The fee would apply to external requests that require fifteen or more hours and would not apply to Access to Public Records Act (APRA)

requests as the records must be created and APRA requests are for existing records. Massachusetts also charges fees for special data requests, at a rate of \$140 per hour.

**COVID-19 Related Personnel Shift** **\$91,567**

The Budget increases general revenues by \$91,567 to reflect a shift back to general revenue for personnel expenditures. The FY2021 Budget as Enacted shifted personnel to COVID-19 related activities, and were therefore eligible for reimbursement through Coronavirus Relief Funds. The Budget shifts the personnel costs back from federal funds to general revenues.

**PREPAREDNESS, RESPONSE, INFECTIOUS DISEASE, AND EMERGENCY MEDICAL SERVICES**

The Preparedness, Response, Infectious Disease, and Emergency Medical Services division includes four centers: Emergency Preparedness and Response; Infectious Disease and Epidemiology; HIV, Hepatitis, STD, and TB Epidemiology; and, Emergency Medical Services.

The division prepares for and responds to catastrophic events, disasters, and emergencies. It also monitors and works to prevent the spread of infectious diseases, and licenses and regulates emergency medical services in the state.

<b>Preparedness, Response, Infections Disease, and Emergency Medical Services</b>	<b>General Revenue</b>
FY2021 Enacted	\$1,563,083
<i>Target and Other Adjustments</i>	<i>(44,264)</i>
COVID-19 Related Personnel Shift	433,702
<b>FY2022 Governor</b>	<b>\$1,952,521</b>

**COVID-19 Related Personnel Shift** **\$433,702**

The Budget increases general revenues by \$433,702 to reflect a shift back to general revenue for personnel expenditures. The FY2021 Budget as Enacted shifted personnel to COVID-19 related activities, and were therefore eligible for reimbursement through Coronavirus Relief Funds. The Budget shifts the personnel costs back from federal funds to general revenues.

**CAPITAL PROJECTS**

The Budget includes \$600,000 in RICAP funds within DOH for various capital improvement projects in FY2022, with a total project fund of \$2.6 million from FY2020 through FY2026. The funding will support the Laboratory Medical Equipment Fund to replace laboratory equipment at the DOH State Health Laboratory. Much of the equipment is obsolete or no longer supported by the manufacturer. Failure to replace the equipment could result in the Health Labs losing the capability to complete necessary testing on food and water, infectious diseases, insect-borne viruses, forensics, and air quality.

## Department of Human Services

Expenditures By Program	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$9.7	\$13.6	\$14.3	\$0.8	5.8%	\$11.7	(\$1.9)	-14.0%
Child Support Enforcement	14.5	14.4	15.0	0.6	4.5%	16.1	1.8	12.3%
Office of Healthy Aging	19.5	34.1	32.3	(1.8)	-5.3%	33.1	(1.0)	-2.9%
Health Care Eligibility	19.0	19.8	19.8	0.0	0.2%	21.4	1.7	8.4%
Individual and Family Support	135.7	174.5	196.6	22.0	12.6%	155.6	(19.0)	-10.9%
Rhode Island Works	88.9	84.8	84.4	(0.4)	-0.5%	91.1	6.3	7.4%
State Funded Programs	282.9	283.1	283.1	0.0	0.0%	255.0	(28.0)	-9.9%
Supplemental Security Income Program	18.8	18.6	18.6	0.0	0.0%	18.5	(0.1)	-0.4%
Veterans Services	44.1	44.1	47.0	2.9	6.5%	43.3	(0.8)	-1.8%
<b>Total</b>	<b>\$633.2</b>	<b>\$686.9</b>	<b>\$711.0</b>	<b>\$24.1</b>	<b>3.5%</b>	<b>\$645.9</b>	<b>(\$41.0)</b>	<b>-6.0%</b>
<b>Expenditures By Source</b>								
General Revenue	\$87.2	\$105.8	\$105.0	(\$0.8)	-0.8%	\$124.7	\$19.0	17.9%
Federal Funds	513.0	571.1	594.8	23.7	4.2%	509.6	(61.5)	-10.8%
Restricted Receipts	28.7	5.5	6.7	1.1	20.5%	6.2	0.7	11.9%
Other Funds	4.3	4.5	4.6	0.1	2.1%	5.3	0.8	18.4%
<b>Total</b>	<b>\$633.2</b>	<b>\$686.9</b>	<b>\$711.0</b>	<b>\$24.1</b>	<b>3.5%</b>	<b>\$645.9</b>	<b>(\$41.0)</b>	<b>-6.0%</b>
Authorized FTE Levels	1,038.1	1,038.1	1,038.1	-	-	1,047.1	9.0	0.9%

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

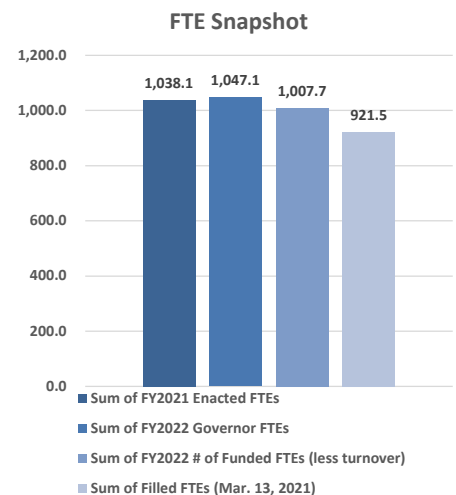
The Department of Human Services (DHS) administers programs and services that support the needs of children and families, adults and children with disabilities, veterans, and the elderly. These services include health care, child care, cash assistance, and other supportive services for working parents and families.

### MAJOR ISSUES AND TRENDS

The FY2022 Budget includes total funding of \$645.9 million, a \$41.0 million decrease from the FY2021 Budget as Enacted. This includes a general revenue increase of \$19.0 million. The majority of the general revenue increase is related to additional funding for personnel at the Veterans' Home. The FY2021 Budget funded personnel costs at the Veterans' Home with federal COVID-19 relief funds. These funds are no longer available for FY2022 and the costs are shifted back to general revenue. The decrease in federal funds is also related to a decrease in COVID-19 relief funds that were included in the FY2021 Budget.

The Budget authorizes 1,047.1 FTE positions for FY2022, an increase of 9.0 FTE positions from the FY2021 Budget as Enacted. The Budget includes an additional 10.0 FTE positions to reflect the transfer of the Office of Medical Review from the Executive Office of Human Services to the Department. This increase is partially offset by the transfer of 1.0 FTE Attorney from the Department's Child Care Licensing Unit to the Executive Office of Health and Human Services.

The Unified Health Infrastructure Project (UHIP) is the largest information technology (IT) project undertaken by the State intended to fully integrate health and human service programs, and establish a State-based health insurance exchange, HealthSource RI. The project was developed in two phases. Phase I, launched in 2013, created an online portal for purchasing commercial health insurance and income-based Medicaid eligibility. Phase II of UHIP, launched in September of 2016, was intended to expand the system to serve as a portal through which residents apply for and enroll in other health and human service programs such as Child Care, Supplemental



Nutrition Assistance Program (SNAP), General Public Assistance (GPA), and Supplemental Security Income (SSI) programs.

Phase II of the UHIP project has been plagued with technical failures resulting in delays in eligibility and payments to providers and individuals. The costs of the project is projected to total \$656.0 million through FY2021, of which \$502.0 million is federal funds and \$153.9 million is state funds. Costs are shared across the Executive Office of Health and Human Services (EOHHS), DHS, and HealthSource RI (HSRI).

The Department's budget includes a total of \$26.1 million related to UHIP expenditures, an increase of \$5.3 million from the FY2021 Budget as Enacted level.

### **Caseload Estimating Conference**

Every November and May, the State revises cash assistance caseload forecasts in order to estimate entitlement program spending for both the current and the following fiscal year. The November 2020 Caseload Estimating Conference adopted estimates dictate the entitlement program appropriations included in the FY2022 Governor's Budget.

Overall spending for cash assistance programs, including RI Works, child care subsidies to working families, Supplemental Security Income (SSI) state supplement, and General Public Assistance (GPA), is estimated to be \$110.4 million in FY2022, an increase of \$6.2 million from the FY2021 Enacted level. The major contributor to this increase is an anticipated increase in the number of child care subsidies as well as additional federal funds to support changes to child care due to the COVID-19 pandemic.

#### **Cash Assistance Program - Nov 2020 Adopted Estimates**

	<b>FY2020 Actuals</b>	<b>FY2021 Enacted</b>	<b>FY2021 Nov. CEC</b>	<b>FY2021 Gov. Rev.</b>	<b>FY2022 Nov. CEC</b>	<b>FY2022 Gov.</b>	<b>Change to Enacted</b>
<b>Rhode Island Works</b>							
Persons	9,050	7,200	7,200	7,200	7,500	7,500	300
Monthly Cost per Person	\$183.0	\$183.5	\$183.5	\$183.5	\$183.5	\$187.2	\$3.7
<b>Federal Funds</b>	<b>21.7</b>	<b>17.8</b>	<b>17.8</b>	<b>17.8</b>	<b>18.8</b>	<b>19.2</b>	<b>1.3</b>
<b>Child Care</b>							
Subsidies	8,724	6,900	6,900	6,900	8,500	8,500	1,600
Annual Cost per Subsidy	\$7,705.0	\$9,645.0	\$9,645.0	\$9,645.0	\$7,775.0	\$8,461.0	(\$1,184.0)
<b>Federal Funds</b>	<b>57.8</b>	<b>58.0</b>	<b>57.6</b>	<b>57.6</b>	<b>56.8</b>	<b>63.0</b>	<b>5.1</b>
<b>General Revenue</b>	<b>9.4</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>	<b>9.3</b>	<b>8.9</b>	<b>(0.1)</b>
<b>SSI- State Supplement</b>							
Persons	33,806	33,500	33,500	33,500	33,750	33,750	250
Monthly Cost per Person	\$47.0	\$46.0	\$46.0	\$46.0	\$46.0	\$45.5	(\$0.5)
<b>General Revenue</b>	<b>18.3</b>	<b>18.6</b>	<b>18.5</b>	<b>18.6</b>	<b>18.7</b>	<b>18.5</b>	<b>(0.1)</b>
<b>General Public Assistance</b>							
Persons	103	88	88	88	100	100	12
Monthly Cost per Person	\$160.0	\$160.0	\$160.0	\$160.0	\$160.0	\$160.0	\$0.0
<b>General Revenue</b>	<b>0.8</b>	<b>0.9</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.9</b>	<b>(0.0)</b>
<b>Total</b>	<b>\$108.1</b>	<b>\$104.3</b>	<b>\$103.7</b>	<b>\$103.8</b>	<b>\$104.4</b>	<b>\$110.4</b>	<b>\$6.2</b>
Federal Funds	79.5	75.8	75.4	75.4	75.7	82.2	6.4
General Revenue	28.5	28.4	28.3	28.4	28.7	28.2	(0.2)

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

**CENTRAL MANAGEMENT**

Central Management, which includes the Office of the Director, supervises, coordinates, and monitors all departmental functions within DHS. This division also includes the Office of Policy Analysis, Research, and Development; the Operations Management Unit; the Collections, Claims, and Recoveries Unit; and, the Fraud Investigation Unit.

<b>Central Management</b>	<b>General Revenue</b>
FY2021 Enacted	\$4,619,609
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<i>Target and Other Adjustments</i>	<i>18,011</i>
RI Community Food Bank Grant	175,000
<b>FY2022 Governor</b>	<b>\$4,812,620</b>

<b>Central Management</b>	<b>Other Funds</b>
Community Service Block Grant (federal funds)	(\$2,763,645)

**RI Community Food Bank Grant** **\$175,000**

The Budget increases general revenues by \$175,000 to \$350,000 to reflect an increase in the community service objective grant for the RI Community Food Bank. The RI Community Food Bank also receives \$364,000 in federal funds for a total of \$714,000 in funding. The additional general revenue funds are in response to increased need for the Community Food Bank in response to the COVID-19 pandemic.

**Community Service Block Grant (federal funds)** **(\$2.8 million)**

The Budget includes a reduction of \$2.8 million in federal funds to support the Community Service Block Grant. The Coronavirus Aid, Relief, and Economic Security (CARES) Act included \$5.5 million in federal funds to be used by DHS; \$4.1 million is included in FY2021 and the remaining \$1.4 million is included in FY2022.

The Community Service Block Grant helps fund the state's seven Community Action Agencies that work with individuals living in poverty and provide services such as employment, education, housing, nutrition, and health.

**CHILD SUPPORT ENFORCEMENT**

The Office of Child Support Enforcement assists families by ensuring payment of court-ordered child support payments. The Office provides the following services: location of non-custodial parents, establishment of paternity, establishment and modification of child support orders, and enforcement, through the use of license suspensions, tax refund intercepts, and liens. Collections recovered from families that receive state support through Rhode Island Works or Medicaid are retained by the State, while other collections are distributed directly to families.

<b>Child Support Enforcement</b>	<b>General Revenue</b>
FY2021 Enacted	3,102,821
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<i>Target and Other Adjustments</i>	<i>(6,072)</i>
Personnel	74,299
Operating Supplies and Expenses	(31,234)
<b>FY2022 Governor</b>	<b>\$3,139,814</b>

<b>Child Support Enforcement</b>	<b>Other Funds</b>
RI Kids Bridge (federal funds/restricted receipts)	\$670,900

**Personnel****\$74,299**

The Budget provides an additional \$74,299 in general revenue for personnel costs. This increase is due to anticipated additional expenses including an increase in employee retirement and health care cost. This also includes \$58,666 to restore funding that was saved in FY2021 due to the Department's participation in the WorkShare program.

Due to the COVID-19 pandemic, the State began an Employee WorkShare Program which allowed eligible state employees to claim federal WorkShare benefits while working 60.0 percent of their regular weekly hours. Employees participated for a total of twelve weeks.

**Operating Supplies and Expenses****(\$31,234)**

The Governor's Budget includes a decrease of \$31,234 in operating supplies and expenses. This decrease is comprised of multiple changes including a \$6,286 decrease in rental property costs as the Department intends to consolidate staff and shifts these costs to federal funds, a \$12,752 decrease in information technology, a \$5,000 decrease in electrical costs and \$7,196 decrease in miscellaneous costs including printing services, staff trainings, and operating supplies.

**RI Kids Bridge (federal funds/restricted receipts)****\$670,900**

The Budget includes an additional \$670,900 (\$624,000 in restricted receipts, \$46,900 in federal funds) for the RI Kids Bridge System. RI Kids Bridge is the IT system that the Child Support Enforcement division uses to deliver services to people involved with the program and to track child support payments. The system is provided by Northrup Grumman and has not yet been integrated into the Unified Health Infrastructure Project (UHIP). The additional funds will support programming, system enhancement, and interface processing.

**OFFICE OF HEALTHY AGING**

The Office of Healthy Aging, previously the Division of Elderly Affairs, provides comprehensive services, advocacy, and public policy dedicated to the needs of older Rhode Islanders, adults with disabilities, their caregivers, and families. The Office implements a system of community-based care for individuals sixty years and older as well as adults with disabilities. The Office is responsible for developing and implementing a State Plan on Aging under the federal Older Americans Act. The Office oversees the Aging and Disability Resource Center (called "The Point") and a network of community information specialists who provide referrals to services and other resources to elders and adults with disabilities.

<b>Office of Healthy Aging</b>	<b>General Revenue</b>
FY2021 Enacted	\$10,707,745
<i>Target and Other Adjustments</i>	<i>119,208</i>
Adult Home and Day Care Services	837,773
Senior Companionship Program	20,000
<b>FY2022 Governor</b>	<b>\$11,684,726</b>

**Adult Home and Day Care Services****\$837,773**

The Budget includes an additional \$837,773 in general revenue and \$1.1 million in federal funds for Adult Home and Day Care services. The majority of the general revenue increase, \$760,093, is related to the expansion of the Office of Healthy Aging @ Home program. The program subsidizes the cost of in-home and adult day health services for non-Medicaid eligible persons. Currently, the program covers persons with incomes up to 200.0 percent of the Federal Poverty Level (FPL) (\$25,760 for 1 person) in 2021. The



Budget expands the program to include persons with incomes of up to 250.0 percent of the FPL (\$28,980 for 1 person) in 2021.

The federal funds increase includes \$249,818 in COVID-19 funds for the extension of the enhanced Federal Medical Assistance Percentage (FMAP) for the fourth quarter of FY2021. Pursuant to the Families First Coronavirus Response Act (FFCRA), the enhanced rate shifts an additional 6.2 percent of Medicaid expenses from general revenues to federal funds during the COVID-19 public health emergency. The Enacted Budget included three quarters of savings, based on current law at the time. The enhanced rate was extended for another quarter in January 2021.

### **Senior Companionship Program**

**\$20,000**

The Budget includes \$20,000 for the Senior Companionship Program. This funding is for a 10.0 percent match to \$197,800 in federal funds to support the program. Program volunteers are people age 55 and older who provide companionship to older adults at home, at day centers, or at other community sites. Volunteers may assist with daily tasks, provide transportation to medical appointments, cook meals, and provide advocacy. Funding for this program support the salary and benefits for 1.0 Program Administrator as well as an average weekly stipend of \$120 for the volunteers.

## **HEALTH CARE ELIGIBILITY**

Health Care Eligibility is responsible for determining Medicaid eligibility. This includes the determination of eligibility for medical benefits for certain low-income individuals and/or families with dependent children, and individuals who meet eligibility criteria within the following populations: RI Works participants; SSI participants; Children with Special Health Care Needs; children in foster care or subsisted adoption within the Department of Children, Youth, and Families; low income families; and aged, blind, or disabled individuals.

<b>Health Care Eligibility</b>	<b>General Revenue</b>
FY2021 Enacted	\$7,780,604
<i>Target and Other Adjustments</i>	<i>149,645</i>
Office of Medical Review	479,617
Operating Supplies and Expenses	(244,106)
<b>FY2022 Governor</b>	<b>\$8,165,760</b>

### **Office of Medical Review**

**\$479,617**

The Budget includes \$479,617 in general revenues and \$965,538 in federal funds to support the transfer of the Office of Medical Review (OMR) from the Executive Office of Health and Human Services to the Department of Human Services. This transfer includes 10.0 FTE positions.

The shift of the OMR is intended to improve the processing of Medicaid Long-Term Care applications by combining all functions of Long Term Service and Supports (LTSS) eligibility within the Department of Human Services.

### **Operating Supplies and Expenses**

**(\$244,106)**

The Budget includes a decrease of \$244,106 in general revenue for operating supplies and expenses. This decrease is mainly related to a \$391,820 decrease for outside property rental. This decrease is partially offset by an increase of \$138,334 in IT charges and \$9,830 in facility management.

The decrease in outside rental property is related to the Department consolidating offices and expanding the number of staff who are working remotely.

**INDIVIDUAL AND FAMILY SUPPORT**

The Division of Individual and Family Support (IFS), also referred to as the Division of Economic Support, operates the Department's economic benefits and work support programs, including the federal Supplemental Nutrition Assistance Program (SNAP), the Emergency Food Assistance Program, child care subsidies, the Rhode Island Works cash assistance program, Supplemental Security Income (SSI), and General Public Assistance (GPA).

The Division also provides services to individuals with disabilities, operating the Office of Rehabilitation Services (ORS), which includes the State's vocational rehabilitation program, services for the blind and visually impaired, and disability determination.

<b>Individual and Family Support</b>	<b>General Revenue</b>
FY2021 Enacted	\$33,076,543
<i>Target and Other Adjustments</i>	<i>678,442</i>
Unified Health Infrastructure Project (UHIP) Contracts	5,566,709
<b>FY2022 Governor</b>	<b>\$39,321,694</b>
<b>Individual and Family Support</b>	<b>Other Funds</b>
COVID-19 Relief Funds (federal funds)	(\$24,157,503)

**Unified Health Infrastructure Project (UHIP) Contracts** **\$5.6 million**

The Budget includes \$5.6 million more from general revenues relative to the FY2021 Enacted Budget for contracted services to support the ongoing development and maintenance of the RI Bridges system. The Governor's Budget is consistent with the State's July 2020 Implementation Advanced Planning Document (IAPD-U).

The FY2021 Budget as Enacted includes a \$5.6 million savings due to a 25.0 percent rate discount that was included in the Deloitte contract for UHIP costs. The Governor's FY2022 Budget does not include this savings as the Deloitte contract expires June 30, 2021.

As noted previously, the 2019 settlement with Deloitte included a rate reduction through June 30, 2021. The Deloitte contract was later extended for an additional four months, through October 31, 2021. The 25.0 percent discount is not included in the four-month extension; therefore, the FY2022 Budget is predicated on an undiscounted contract. A new contract beginning November 1, 2021, will be procured through a competitive bidding process. The State anticipates that Deloitte will bid and likely be awarded the new contract; however, if the contract is awarded to a different vendor, the funding currently allocated to Deloitte will be utilized for the alternative contract.

**COVID-19 Relief Funds (federal funds)** **(\$24.2 million)**

The FY2021 Budget as Enacted included \$27.2 million in federal COVID-19 relief funds. The majority of these funds, \$14.0 million were used to support an additional SNAP payment. SNAP recipients were eligible to receive a one-time additional benefit of \$600 that is funded by the additional CRF. The additional benefit was distributed as food stamps for eligible recipients in December 2020. The remaining funds was used to support child care centers, the Low Income Home Energy Assistant Program (LIHEAP), as well as to fund an additional payment to eligible RI Works families in December 2020. The FY2022 Budget includes \$3.0 million in federal COVID-19 relief funds to continue supporting child care centers that have remained open during the pandemic.

**RHODE ISLAND WORKS/CHILD CARE**

Rhode Island Works provides cash assistance and employment support services, including child care assistance, to enable working parents with children to support their families. Applicants may have up to \$1,000 in resources (excluding a home) and one vehicle per adult. Each month a typical family of three would receive about \$554 in assistance. Rhode Island Works (RIGL 40-5.2-5) replaced the Family Independence Program in 2008. This program is funded through the federal Temporary Assistance to Needy Families (TANF) program.

Prior to FY2020, beneficiaries were not allowed to receive cash assistance for more than 24 months (consecutive or not) within 60 continuous months. Article 13 of the FY2020 Budget as Enacted eliminated this constraint, but retains the 48-month lifetime limit beneficiaries are eligible for cash assistance. The lifetime limit includes Temporary Assistance for Needy Families (TANF) cash assistance paid to the beneficiary in other states. Cash assistance provided to a child will not be counted toward their lifetime limit should they need to apply for benefits as adults.

Article 13 of the FY2022 Budget amends the RI Works program to include children who are over 18 and still in high school, and amends the Income section of the RI Works program, such that the first six months of earned income received by a RI Works member, in compliance with their employment plan, shall be excluded from the family's income as it pertains to receiving cash assistance.

Article 13 of the FY2022 Budget also expands child care supports to include families, at or below 180.0 percent of the Federal Poverty Level, with parents enrolled at a Rhode Island institution of higher education or in a qualified training program. The article also amends child care reimbursement rates for licensed child care centers providing care for infants/toddlers and preschool-aged children.

<b>Rhode Island Works/Child Care</b>	<b>General Revenue</b>
FY2021 Enacted	\$8,981,094
<i>Target and Other Adjustments</i>	<i>\$0</i>
Caseload Estimating Conference - Child Care Assistance	(104,308)
<b>FY2022 Governor</b>	<b>\$8,876,786</b>
<b>Rhode Island Works</b>	<b>Other Fund Changes</b>
Child Care Rates (federal funds)	\$6,000,000
Caseload Estimating Conference - Rhode Island Works (federal funds)	1,328,061
Postsecondary Child Care Assistance (federal funds)	200,000

**Caseload Estimating Conference- Child Care Assistance** **(\$104,308)**

The Budget includes \$8.9 million in general revenue for child care assistance as determined in the November 2020 Caseload Estimating Conference (CEC), a decrease of \$104,308 from FY2021 Enacted levels. While the November 2020 CEC assumed an additional 1,600 child care subsidies, the cost per subsidy decreased by \$1,184 to \$8,461 per subsidy when compared to the FY2021 Budget as Enacted.

The FY2021 Budget as Enacted included 6,900 subsidies and a cost per subsidy of \$9,645, the November 2020 Caseload Estimating Conference increased subsidies in FY2022 to 8,500 while decreasing the cost per subsidy to \$7,775. The November Conference assumed that enrollment would be to stabilize in FY2022 leading to the increase in subsidies, the decrease in cost per subsidy included reimbursement rates consistent with current law and did not include the enhanced child care rates being paid due to the COVID-19 pandemic. The FY2022 Governor's Budget maintains 8,500 subsidies, consistent with the November caseload estimate, but increases the cost per subsidy to \$8,461. This increase includes the enhanced child

care rates that are being paid to providers as a result of the pandemic, as well as increased child care rates included in Article 13 of the Governor's Budget, discussed below.

### **Federal Funds Changes**

**\$7.5 million**

The Budget includes a net increase of \$7.5 million in federal funds, including the following:

- **Child Care Rates:** The Article 13 of the FY2022 Budget includes an additional \$6.0 million in federal funds for increased child care reimbursement rates for licensed child care centers.

The article amends child care reimbursement rates for licensed, child care centers to include a base rate. The base rate will be set at the 25th percentile of the 2018 weekly market rate for both infant/toddler care and preschool aged children. The maximum reimbursement rates for infant/toddler and preschool care that will be paid to licensed child care centers will be implemented in a tiered rate based on the quality rating the provider has achieved within the State's Quality Rating system. The article also includes a weekly reimbursement rate of \$148.50 for licensed, child care centers providing care to school-aged children.

The article states that the base reimbursement rates for licensed family child care providers caring for infants/toddlers and preschool aged children will be determined through a collective bargaining agreement. Like licensed child care centers, the maximum reimbursement rates for infant/toddler and preschool care that will be paid to licensed family child care providers will be implemented in a tiered rate based on the quality rating the provider has achieved within the State's Quality Rating system.

Laws impacting child care reimbursement rates for licensed child care centers were last altered in Article 15 of the FY2019 Budget as Enacted. On May 27, 2020, Governor Raimondo issued Executive Order 20-39 which allowed child care centers that reopened during the pandemic to be reimbursed at a higher rate. Child care providers that were below the 5<sup>th</sup> tier, as determined by the State's Quality Rating system, are now reimbursed at the 5<sup>th</sup> tier level. Providers who were at the 5<sup>th</sup> tier are now reimbursed at the 90<sup>th</sup> percentile. This executive order has been extended ten times and is currently set to expire June 6, 2021.

Child care reimbursement rates for licensed child care centers were last altered in the FY2019 Budget as Enacted. The following tables illustrate the changes in reimbursement rates for infants/toddlers and preschool-aged children.

Licensed Child Care Centers Infant/Toddler Rates	FY2019	Art. 13	Change from	
	Infant/Toddler Rates	Infant/Toddler Rates	FY2019	
Tier 1	\$198.48	\$222.38	\$23.90	12.0%
Tier 2	\$203.32	\$227.65	\$24.33	12.0%
Tier 3	\$218.81	\$239.96	\$21.15	9.7%
Tier 4	\$232.37	\$248.75	\$16.38	7.0%
Tier 5	\$257.54	\$257.54	-	0.0%

Based on FY2018 weekly rate of \$193.64

Licensed Child Care Centers Preschool Rates	FY2019	Art. 13	Change from	
	Preschool Rates	Preschool Rates	FY2019	
Tier 1	\$165.75	\$187.50	\$21.75	13.1%
Tier 2	\$169.80	\$193.88	\$24.08	14.2%
Tier 3	\$177.88	\$208.76	\$30.88	17.4%
Tier 4	\$182.73	\$219.38	\$36.65	20.1%
Tier 5	\$195.67	\$230.00	\$34.33	17.5%

Based on FY2018 weekly rate of \$193.64

- **Caseload Estimating Conference – Rhode Island Works:** The November 2020 Caseload Estimating Conference (CEC) adopted a RI Works caseload estimate of 7,500 at a monthly cost of \$183.50 per person. The FY2021 Budget includes the same number of persons but increases the cost per person to by \$3.70 to \$187.20. The total federal fund cost of the RI Works program in FY2022 is \$19.2 million, an increase of \$1.3 million from the FY2021 Enacted level. The RI Works program is primarily funded through the federal Temporary Assistance to Needy Families (TANF) grant.

The increase in RI Works is related to changes made in Article 13 of the Governor’s Budget. Article 13 amends the definition of a dependent child within the RI Works program to allow children, who turn 18 while in high school, to continue receiving cash assistance regardless of their graduation date and includes \$40,000 in TANF funds to support this expansion. In addition, the Article amends the income section of the RI Works program, such that the first six months of earned income received by a RI Works member be excluded from the family’s income as it pertains to receiving cash assistance and includes \$175,461 for this change. The Article also increases the amount of the clothing allowance, for children living with a family receiving cash assistance to include a child of any age, to \$100 per child per year, up from \$30 and includes \$116,300 to support the expansion.

*Analyst Note: The increase in clothing allowance has already been implemented through a regulatory change by the Department of Human Services as of the first quarter of FY2021. The increase was also included in the November 2020 Caseload Estimating Conference estimates.*

- **Postsecondary Child Care Assistance:** Article 13 of the Budget expands child care assistance eligibility to include families who require child care in order to pursue an educational degree or professional certificate. The Budget includes \$200,000 in federal funds to support this expansion. The Department of Human Services (DHS) administers the child care assistance program, which provides child care to families with incomes at or below 180.0 percent of the federal poverty level, so that parents are able to continue working at a paid employment position or participate in a short-term training apprenticeship or job readiness program. The beneficiary must attend an accredited post-secondary educational institute on a full-time basis, or on a part-time basis in conjunction with employment as approved by DHS.

## STATE FUNDED PROGRAMS

State Funded Programs incorporates two different programs, General Public Assistance (GPA) and the Supplemental Nutrition Assistance Program (SNAP); however, only one of these programs is state-funded.

GPA is a state-funded program (RIGL 40-6-3) that provides basic cash assistance to adults between the ages of 19 and 64, with very limited income and resources, who have an illness, injury, or medical condition that is expected to last 30 days or more and prevents them from working. GPA also includes the hardship contingency fund, intended as the benefit of last resort for Rhode Islanders who do not qualify for Rhode Island Works or SSI. This benefit and funding level is directed by statute and does not typically fluctuate from year to year.

SNAP, or “food stamps”, is a federal nutrition program that provides food assistance to low-income households. SNAP benefits (\$250.0 million in FY2021) are fully federally funded. SNAP’s benefit disbursements are budgeted within this program; however, administrative responsibility of SNAP, as well as corresponding budgetary resources, are maintained by the Individual and Family Support program.

State Funded Programs	General Revenue
FY2021 Enacted	\$908,960

<i>Target and Other Adjustments</i>		-
Caseload Estimating Conference - General Public Assistance		(26,960)
<b>FY2022 Governor</b>		<b>\$882,000</b>

State Funded Programs	Other Fund Changes
SNAP Benefits (federal funds)	(28,014,423)

***Caseload Estimating Conference—General Public Assistance*** **(\$26,960)**

Estimators at the November 2020 Caseload Estimating Conference (CEC) projected that, in FY2022, 100 people would receive general public assistance (GPA) at a monthly cost of \$160.00 per person. Expenditures for monthly cash payments, indigent burials, and the GPA hardship contingency fund are projected to be \$882,000 in FY2021, a \$26,960 general revenue decrease from FY2021 enacted levels.

***SNAP Benefits (federal funds)*** **(\$28.0 million)**

The Budget includes \$254.0 million for Supplemental Nutrition Assistance Program (SNAP) benefits in FY2022, a decrease of \$28.0 million from FY2021 Enacted levels. This decrease is based on the Department's projected need for this program.

#### **SUPPLEMENTAL SECURITY INCOME**

The Supplemental Security Income (SSI) program is a federal income support program that provides basic cash assistance to individuals aged 65 or older and to adults and children with serious disabilities. Individuals eligible for SSI are also eligible for Medical Assistance (Medicaid) and SNAP (food stamps). Like all but four states (Arizona, North Dakota, Mississippi, West Virginia), Rhode Island pays beneficiaries a state supplement to the SSI benefit (RIGL 40-6-27).

The federal government, through the Social Security Administration, pays a basic benefit to SSI recipients. The actual monthly benefit depends on the recipient's income; generally, the more income an individual earns, the lower the monthly benefit. Like most states, Rhode Island provides a supplemental state-funded payment to each recipient of the federal payment. The State also makes a state-only payment to some individuals who exceed the federal income eligibility requirements.

The total payment (state and federal) is set at a specific level and is recalculated each year as the federal benefit is adjusted so that the benefit keeps pace with inflation. As of January 1, 2020, the federal SSI payment was increased 1.6 percent based on the cost of living adjustment (COLA) calculated by the Bureau of Labor and Statistics. The state portion of the SSI payment remained the same at \$39.92 for individuals and \$79.38 for couples. Currently, the maximum federal monthly payment is \$783.00 for an individual and \$1,175.00 for a couple.

For SSI recipients in an assisted living residence, a majority of the payment goes to the facility and the resident retains up to \$20.00 of the payment as a personal needs allowance.

In order to be eligible for SSI, an individual must be age 65 or older, blind, or disabled. For the purposes of determining eligibility for SSI, "disabled" means that an individual over the age of 18 has a medically determinable physical or mental impairment that results in an inability to perform any "substantial gainful activity" and that is either expected to result in death or to last for a year or more. For a child, it is a condition that results in "marked and severe functional limitations" and is expected to either result in death or to last for a year or more.

SSI-eligible individuals must also have “limited resources,” defined as less than \$2,000 in resources for an individual or child, and less than \$3,000 in resources for a couple. Certain assets and resources are not included in the resource calculation, including the individual’s home, household goods and personal effects, burial plots, and a single vehicle.

<b>Supplemental Security Income Program</b>	<b>General Revenue</b>
FY2021 Enacted	\$18,558,000
<i>Target and Other Adjustments</i>	
Caseload Estimating Conference - SSI	(70,747)
<b>FY2022 Governor</b>	<b>\$18,487,253</b>

**Caseload Estimating Conference—SSI** **(\$70,747)**

The November 2022 Caseload Estimating Conference (CEC) adopted an SSI estimate of 33,750 persons at a monthly cost of \$46.00 and \$70,000 for transaction fees, an increase of 250 persons and a decrease of \$0.50 person relative to the FY2021 Budget as Enacted. The total general revenue cost of the SSI program in FY2022 is \$18.5 million, a decrease of \$70,747 from the FY2021 Enacted level.

## VETERANS SERVICES

The Office of Veterans’ Services, previously the Division of Veterans’ Affairs, serves Rhode Island’s veteran population of approximately 70,000. The program operates the Rhode Island Veterans Home, a state-run nursing facility in Bristol, Rhode Island, and the Veterans Cemetery in Exeter, Rhode Island.

<b>Veterans' Services</b>	<b>General Revenue</b>
FY2021 Enacted	\$18,039,632
<i>Target and Other Adjustments</i>	
Veterans' Home - Personnel	11,519,645
RI Serves	84,456
<b>FY2022 Governor</b>	<b>29,371,663</b>

<b>Veterans' Services</b>	<b>Informational</b>
Veterans' Home Maintenance Fees	Informational

**Veterans’ Home – Personnel** **\$11.5 million**

The Budget includes an additional \$11.5 million in general revenue for personnel costs within the Veterans’ Home. The FY2021 Budget shifted \$11.8 million in COVID-related personnel costs from general revenue to Coronavirus Relief Funds (CRF) to cover CRF-eligible, personnel expenses incurred within the Department. The FY2022 Budget shifts these funds back to general revenue. This increase is partially offset by a \$279,136 savings related to an absentee initiative. The Department will work to strengthen the sanctions for sick leave abuse to achieve these savings.

**RI Serves** **\$84,456**

The Budget includes \$153,000 in general revenue for the RI Serves program within the Office of Veterans’ Services, an increase of \$84,456 from FY2021 Enacted levels. The RI Serves program is a network of public, private, and non-profit organizations that serve veterans and their families.

**Veterans’ Home Maintenance Fees** **Informational**

On June 19, 2020, the U.S. Department of Veterans’ Affairs (VA) sent a letter to the RI Department of Human Services’ Office of Veterans’ Services (Office) alleging that beginning July 1, 2019, veterans at the RI Veterans’ Home who have a service connected disability rating of 70.0 percent or more are being billed

for Occupational Therapy (OT) and Physical Therapy (PT). The letter also alleged that Veterans were paying out-of-pocket expenses for services which should be covered under their care at the Veterans' Home.

The VA found the claim that Veterans at the home who have a service connected disability rating of 70.0 percent or more are being billed for Occupational Therapy (OT) and Physical Therapy (PT) is unsubstantiated. However, the claim that Veterans are paying for out-of-pocket expenses was found to be substantiated. As of June 30, 2020, the Office has stopped collecting all maintenance fees as requested by the VA.

Pursuant to RIGL 30-24-10, the Office of Veterans' Services collects a maintenance fee from Veterans' Home residents that is equal to 80.0 percent of the resident's "net income" as defined under the law. Pursuant to federal law, the State may not collect additional fees from veterans for whom the VA pays the State home a prevailing wage to provide care. The VA pays a prevailing wage for residents with a service connected disability rating of 70.0 percent and over. From February 3, 2013, through June 30, 2020, the Veterans' Home was collecting maintenance fees from veterans with a service connect disability rating over 70.0 percent. In November 2020, the Office of Veterans Services (Office) received approval of their Corrective Action Plan from the Veterans Health Administration. The Plan outlines how they will refund maintenance fees that were collected from impacted veterans for whom the VA was paying a prevailing wage rate. According to the Corrective Action Plan, veterans who are eligible for a refund fall into three categories: current residents of the Veterans' Home; eligible veterans who once resided at the Veterans' Home but have since moved out; and deceased eligible veterans.

Since 2013, 53 veterans who are owed refunds totaling \$5.0 million have been impacted by this change.

As of April 13, 2021, the Office has refunded 24 checks totaling \$2.7 million to current residents of the Veterans' Home, two additional current residents are eligible and their refunds are processing. Refunds totaling \$2.2 million for an additional 29 veterans are pending. The Office has notified the next of kin, Power of Attorney, or Executor/Executrix for 34 of the eligible refunds. The next of kin, Power of Attorney, or Executor/Executrix for the final two eligible refunds have not yet been identified.

<b>RIVets Home</b>	<b>Amount</b>	<b>Veterans</b>
Refunded:	\$2,738,566	24
Pending:	2,238,835	29
<b>Total:</b>	<b>\$4,977,401</b>	<b>53</b>

## **CAPITAL PROJECTS**

The Budget includes \$895,000 in Rhode Island Capital (RICAP) funding for FY2022 and \$165,000 in FY2021. Projects include:

**Veterans Cemetery:** The Budget includes \$380,000 in RICAP funding in FY2022 for the expansion of the Veterans' Cemetery as well as crypt installations. This funding will support the design phase of the expansion and installation.

**Veterans' Home:** The Budget includes \$350,000 in RICAP funding in FY2022 for asset protection projects at the RI Veterans' Home. This funding is intended to extend the useful life of the facility by addressing problems as they arise.

**Blind Vending Facilities:** The Budget includes \$165,000 in FY2022 for blind vending facilities. This funding supports the ongoing construction and renovation of vending facilities at building owned or rented by the State. There are currently 11 locations throughout the State that support 6 blind vendors who operate the facilities. This ongoing project provides employment opportunities for persons who are legally blind.



## Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals

Expenditures by Program	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$5.3	\$5.6	\$5.6	\$0.1	1.2%	\$7.1	\$1.6	28.0%
Hospital & Community System Support	3.1	3.4	3.1	(0.3)	-8.4%	3.2	(0.3)	-7.9%
Behavioral Healthcare Services	38.7	41.0	54.3	13.3	32.4%	33.1	(7.9)	-19.2%
Services for the Developmentally Disabled	285.5	304.0	304.5	0.5	0.2%	294.4	(9.6)	-3.2%
Hospital & Community Rehabilitation Services	124.4	132.0	136.2	4.2	3.2%	78.0	(54.0)	-40.9%
<b>Total</b>	<b>\$457.0</b>	<b>\$486.1</b>	<b>\$503.8</b>	<b>\$17.7</b>	<b>3.7%</b>	<b>\$415.9</b>	<b>(\$70.2)</b>	<b>-14.4%</b>

Expenditures by Source								
	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
General Revenue	\$243.5	\$248.9	\$249.5	\$0.7	0.3%	\$220.3	(\$28.5)	-11.5%
Federal Funds	211.7	233.1	250.4	17.3	7.4%	192.9	(40.2)	-17.3%
Restricted Receipts	1.5	3.7	3.5	(0.2)	-6.1%	2.2	(1.5)	-39.3%
Other Funds	0.3	0.4	0.4	-	0.0%	0.4	-	0.0%
<b>Total</b>	<b>\$457.0</b>	<b>\$486.1</b>	<b>\$503.8</b>	<b>\$17.7</b>	<b>3.7%</b>	<b>\$415.9</b>	<b>(\$70.2)</b>	<b>-14.4%</b>

Authorized FTE Levels	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Authorized FTE Levels	1189.4	1188.4	1188.4	-	0.0%	1042.4	(146.0)	-12.3%

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

The Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) provides a comprehensive system of care for individuals with mental or physical illnesses, developmental disabilities, and substance use disorders. BHDDH administers a coordinated system of mental health promotion and substance abuse prevention through contracted, community-based and direct services at the Eleanor Slater Hospital and Rhode Island Community and Living Supports (RICLAS) facilities. BHDDH delivers services to more than 50,000 vulnerable individuals annually.

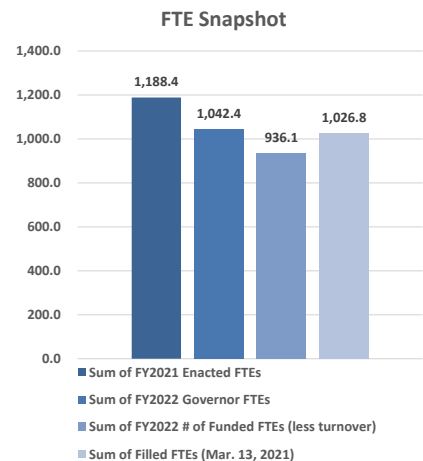
### MAJOR ISSUES AND TRENDS

The Budget includes \$415.9 million from all funds for BHDDH in FY2022, of which \$220.3 million is from general revenue, \$192.9 million is from federal funds, \$2.2 million is from restricted receipts, and \$400,000 is from RICAP funds. The Budget includes an all funds decrease of \$70.2 million (14.4 percent) as compared to the FY2021 Budget as Enacted.

The Budget authorizes 1047.1 FTE positions in FY2022, decreasing the Department's authorized FTE positions by 146.0, a 12.3 percent decrease. The FTE changes include the elimination of 100.0 FTE positions within the Eleanor Slater Hospital (ESH) and 50.0 from the privatization of the Rhode Island Community Living and Supports (RICLAS), offset by 2.0 FTEs to manage the Developmental Disabilities system transformation fund and to include BHDDH in the caseload estimating conference, and 2.0 FTEs related to the legalization of the adult-use marijuana.

The Budget allocates a total of \$87.4 million for personnel expenditures, which includes \$20.2 million in turnover savings. In FY2022, there is \$18.3 million in turnover savings within ESH to reflect an initiative to transition the Eleanor Slater Hospital (ESH) to a licensed mixed-use facility with a reduced census. The Budget also includes \$1.8 million in turnover savings within the Division of Developmental Disabilities to reflect savings from an initiative to privatize the RICLAS program. Total personnel funding in FY2022 fully funds 936.4 FTEs out of a total FTE authorization of 1,042.4.

As of the pay period ending March 13, 2021, there were 1,026.8 filled and 161.6 vacant positions in the Department.



**Advanced Payments to DD Providers:** The FY2020 financial statements audit completed by the Auditor General reported that advances given to DD providers were not reduced by the sale proceeds from state-owned group homes as required. When programs for individuals with intellectual and/or developmental disabilities were established, advances were made to certain providers to provide working capital until provider billings and reimbursements began. The expected duration and repayment terms were not sufficiently defined and balances have existed for decades. These advances remain outstanding with a total balance of \$12.4 million across 21 providers as of June 2020. The advances have been returned by the providers on the last day of the fiscal year with an immediate advance from the State to the providers made the following day. The temporary repayment, also called “check swap”, prevents accounting recognition of the advances in any budgetary period. The current annual advance process lacks statutory authorization, and the long duration of the advance procedure has led providers to dispute that the advances must be paid back to State.

The State Controller, with the approval of the Director of the Department of Administration, may offset outstanding liabilities with the sale of state-owned group homes, but this has not decreased the balance of outstanding advances to any material extent. During fiscal 2020, the State sold six group homes with total proceeds of \$1.1 million; however, these amounts were deposited into the information technology investment fund for the restricted use of that fund rather than reducing the amounts advanced to the related providers of services to developmentally disabled individuals.

**Eleanor Slater Hospital:** Eleanor Slater Hospital provides long-term acute and post-acute hospital level of care to forensic, psychiatric, and medical patients with complex needs. The ESH patient population is heavily dependent on court decisions, as the court decides when forensic patients require hospitalization at ESH and when a patient may be discharged.

Beginning in August of 2019, BHDDH oversight personnel found there was a possibility that Eleanor Slater Hospital (ESH) was out of compliance with Institute of Mental Disease (IMD) exclusion regulations. The regulations do not permit the State to bill Medicaid for patients aged 22-64 when the Hospital is in an IMD status, which occurs when the majority of patients have a primary diagnosis of mental illness. Upon discovering that the State may be violating the IMD exclusion, the State hired a law firm in November 2019 to provide expertise to the State on CMS regulation to understand the Centers for Medicaid and Medicare Services (CMS) regulations. In addition, ESH is licensed as a long-term care hospital but many patients are not receiving and do not need hospital level of care. As a licensed hospital, the State cannot bill for a hospital-level of care if a patient needs a lower level of care. Due to the IMD exclusion and the fact that the Hospital is licensed as a long-term care hospital, the State could not bill Medicaid for patient care beginning in September of 2019.

The State submitted a State Plan Amendment (SPA) to allow Eleanor Slater Hospital to resume billing for certain patients at the Hospital in May of 2020 and the application was approved by the Centers for Medicare and Medicaid Services on March 25, 2021, with an effective date of April 1, 2020. The State is now able to bill Medicaid for patient care and can recoup some of the general revenue that supplemented the loss in federal funds in FY2020 and the beginning of FY2021. Currently, the State is working with an outside, independent contractor to review patient records to ensure the accuracy and eligibility for reimbursement of certain expenses from Medicaid.

The FY2022 Budget did not include any federal funds for ESH, however, a Governor’s Budget Amendment shifts \$5.7 million from general revenue to federal funds to reflect the recent SPA approval.

**Consent Decree:** The State has been under a Consent Decree with the United States Department of Justice since 2014 for violating the Olmstead Decision of the Americans with Disabilities Act. The United States Department of Justice, focusing specifically on sheltered workshops, concluded that the State’s services for individuals with developmental disabilities were not adequately integrated within the community. The State subsequently entered into a Consent Decree, which requires the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH) to foster more supportive and less isolated

employment opportunities and day services for individuals with intellectual and developmental disabilities. Employment placements must be typical jobs that pay at least minimum wage and support employment for 20 hours or more per week. The Consent Decree requires funding to support a reformed system of care within the Division of Developmental Disabilities (DD) until FY2024.

With three years left in the Consent Decree, the presiding judge has issued a court order with guidance on how the State should move forward to achieve the goals of the Consent Decree. The guidance states that the State must create a 3-year budget strategy to transform the DD system that is a result of collaboration between the State and DD providers. The FY2022 Budget includes a general revenue appropriation of \$10.0 million (\$15.0 million all funds) to support the system transformation. The fund would include \$6.0 million general revenue (\$7.0 million all funds) dedicated to helping providers strengthen their operating and service delivery models, and increase access to tools and technology. The fund includes \$2.0 million general revenue (\$4.0 million all funds) to allow providers to participate in an outcome-based payment methodology. The fund would also invest \$2.0 million (\$4.0 million all funds) in the State's infrastructure to manage the initiative and including the Department in the twice-annual Caseload Estimating Conference.

### CENTRAL MANAGEMENT

The Office of the Director provides overall management and policy direction for the Department. The program oversees most functions within BHDDH. The program's functions include Management and Administration, Legislative Affairs, Constituent Affairs, Advocacy, Hospital Appeals, Strategic Planning, Community and Provider Involvement, and Public Education. The program also centralizes emergency management, asset management, and capital projects, performance improvement, and funds development for the Department.

<b>Central Management</b>	<b>General Revenue</b>
FY2021 Enacted	\$3,971,436
<i>Target and Other Adjustments</i>	<i>(25,805)</i>
Personnel Adjustments	846,270
RICLAS Privatization Contract	357,615
Cost Allocation Plan Contract	300,000
<b>FY2022 Governor</b>	<b>\$5,449,516</b>

#### **Personnel Adjustments** **\$846,270**

The Budget increases general revenues by \$846,270 in FY2022, including various statewide personnel adjustments and \$607,132 to reflect shifts in personnel costs from the Department's cost allocation plan. The cost allocation plan shifts money across sources and programs, which determines which portion of personnel costs are eligible for matching federal funds.

#### **RICLAS Privatization Contract** **\$357,615**

The Budget increases general revenues by \$357,615 (\$671,250 all funds) for a contract to assist the Department with the privatization of the Rhode Island Community Living and Supports, the public group home system for adults with intellectual and/or developmental disabilities. The contractor will provide planning and implementation assistance to transfer the RICLAS population to private developmental disability organizations (DDOs).

#### **Cost Allocation Plan Contract** **\$300,000**

The Budget increases general revenues by \$300,000 for a contract with Public Consulting Group (PCG) for consulting services related to the Department's cost allocation plan. PCG assists the State in determining which portion of personnel costs are eligible for matching federal funds, allowing the State to maximize federal dollars.

**HOSPITAL AND COMMUNITY SYSTEM SUPPORT**

The Hospital and Community System program provides financial management support for the entire Department, including the hospital and community patient care facilities. Operational areas within the program include Budget Development, Program Analysis, Business Services, Accounting, and Financial Control, Federal Grants, Contract Management, Revenue Collection, Billing and Accounts Receivable, Patient Resources and Benefits, Rate Setting, and Financial Reporting.

<b>Hospital &amp; Community System Support</b>	<b>General Revenue</b>
FY2021 Enacted	\$2,840,854
<i>Target and Other Adjustments</i>	<i>(78,793)</i>
Cost Allocation Plan	674,897
<b>FY2022 Governor</b>	<b>\$3,436,958</b>

**Cost Allocation Plan** **\$674,897**

The Budget increases general revenues by \$674,897 (\$276,189 all funds) to reflect shifts in personnel costs from the Department's cost allocation plan. The cost allocation plan shifts money across sources and programs, which determines which portion of personnel costs are eligible for matching federal funds. Costs primarily shifted from the Hospital and Community Rehabilitation Services division to other divisions.

**BEHAVIORAL HEALTHCARE SERVICES**

The Division of Behavioral Healthcare Services is comprised of two subprograms: Integrated Mental Health Services and Substance Use Disorder Treatment and Prevention Services. The Division plans, coordinates, and administers a comprehensive system of mental health promotion and substance use disorder prevention, intervention, and treatment activities. The program, primarily funded by federal grants, provides screening, early interventions, referrals, clinical treatment services, and recovery support activities. The program coordinates with other departments and agencies in the State, including the criminal justice system, public healthcare system, child welfare, education, and other allied human service entities.

<b>Behavioral Healthcare Services</b>	<b>General Revenue</b>
FY2021 Enacted	\$2,537,473
<i>Target and Other Adjustments</i>	<i>(19,861)</i>
Cost Allocation Plan	311,581
<b>FY2022 Governor</b>	<b>\$2,245,753</b>

<b>Behavioral Healthcare Services</b>	<b>Other Fund Changes</b>
Adult-Use Marijuana	\$236,734
Opioid Stewardship Fund	(17,681)

**Cost Allocation Plan** **\$311,581**

The Budget increases general revenues by \$311,581 (\$489,082 all funds) to reflect shifts in personnel costs from the Department's cost allocation plan. The cost allocation plan shifts money across sources and programs, which determines which portion of personnel costs are eligible for matching federal funds. Costs primarily shifted from the Hospital and Community Rehabilitation Services division to other divisions.

**Adult-Use Marijuana (restricted receipts)** **\$236,734**

Article 11 of the Budget legalizes recreational adult-use marijuana and provides restricted receipt funding to BHDDH. The Budget includes \$236,734 for 2.0 FTE positions and operational costs to promote and oversee prevention and treatment related to the legalization of adult-use marijuana.

**Opioid Stewardship Fund (restricted receipts)** **(\$17,681)**

Article 13 of the FY2020 Budget as Enacted established an opioid registration fee paid deposited quarterly to the Opioid Stewardship Fund by all manufacturers, distributors, and wholesalers of opioids. The fee is

calculated based on the licensee's in-state market share of opioid sales. The total annual amount of the Fund equals \$5.0 million and is subject to indirect cost recoveries, adjusting the total available restricted receipts to \$4.5 million. However, since not all funds were allocated in FY2021, there is \$6.2 million in available Opioid Stewardship Funds for FY2022.

The FY2022 Budget includes \$1.8 million within BHDDH for opioid-related treatment services, reflecting a decrease of \$17,681 as compared to the FY2021 Budget as Enacted. The funding in the Budget includes \$780,000 for recovery and supportive housing, \$500,000 for Medication-Assisted Treatment (MAT), \$350,000 for the Behavioral Health Online Database, and \$200,000 for the Recovery Friendly Workplace program.

### **SERVICES FOR THE DEVELOPMENTALLY DISABLED**

The Division of Developmental Disabilities (DD) supports a statewide network of programs for adults with developmental disabilities. These supports include several levels of residential care, community placements, day programs, and respite programs. The program works to provide access to appropriate services in the least restrictive environment possible. The program manages a population that ranges from those previously institutionalized at the Ladd School, before the closure of the facility in 1994, to those with mild functional disabilities in need of daytime supports and vocational training to function within the community.

The program serves approximately 4,500 individuals through State-run programs and community-based providers, including those who only receive case management services. The system consists of 24-hour, nursing-level facilities; the State group home system, otherwise known as Rhode Island Community Living and Supports (RICLAS); and a private residential provider network. As of March 2020, 1,183 individuals were served in residential placements, including 398 in Shared Living Arrangements and 1,177 in group home settings. DD clients are also served through day programs, supportive employment, and programs that provide support to allow individuals to continue living with their families. Many clients are served by more than one program.

The Budget includes \$294.4 million from all funds for the Division, including \$131.5 million from general revenue for the Division of Developmental Disabilities for FY2022. This is \$6.7 million more general revenue than the FY2021 Budget as Enacted and \$4.1 million more than actual expenditures in FY2020.

<b>Services for the Developmentally Disabled</b>	<b>General Revenue</b>
FY2021 Enacted	\$124,786,530
<i>Target and Other Adjustments</i>	<i>319,137</i>
DD Transition Fund	10,000,000
Enhanced FMAP	(8,843,943)
Caseload	8,648,943
RICLAS Privatization	(3,747,814)
Centralized Service Charges	347,035
<b>FY2022 Governor</b>	<b>\$131,509,888</b>

#### **DD Transition Fund**

**\$10.0 million**

The Budget adds \$10.0 million in general revenue (\$15.0 million all funds) to support the Developmental Disability (DD) system transformation. The presiding judge of the Consent Decree case ordered the State to negotiate with providers and other stakeholders to develop a plan for the remaining years of the Consent Decree to ensure compliance by FY2024. The Fund is a result of these negotiations and would be used to invest in tools and technology for providers to support individual needs and transform the system into an outcome-based payment methodology. The funding includes \$157,409 in general revenues (\$314,818 all funds) for 2.0 Assistant Directors of Financial and Contract Management FTEs to manage the fund and to help prepare data for submission to the twice-yearly caseload estimating conference.

The fund also includes \$6.0 million general revenue (\$7.0 million all funds) dedicated to helping providers strengthen their operating and service delivery models, and increase access to tools and technology. The fund includes \$2.0 million general revenue (\$4.0 million all funds) to allow providers to participate in an outcome-based payment methodology. The fund invests \$2.0 million (\$4.0 million all funds) in the State's infrastructure to manage the initiative.

### **Enhanced FMAP**

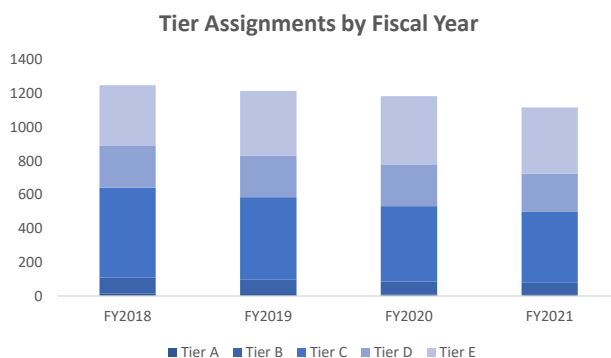
**(\$8.8 million)**

The Governor's Budget includes \$8.8 million in general revenue savings to reflect the extension of the 6.2 percent enhanced federal match into FY2022. Federal guidance indicates that the enhanced FMAP would be available through at least December 31, 2021, or for the first half of FY2022. Pursuant to the Families First Coronavirus Response Act (FFCRA), the enhanced FMAP shifts an additional 6.2 percent of eligible Medicaid expenses from general revenues to federal funds during the COVID-19 public health emergency. The Governor's Budget includes two quarters of savings, accordingly.

### **DD Caseload**

**\$8.6 million**

The Budget includes an additional \$8.6 million from general revenue to support the program's projected caseload needs for FY2022. The adjustment for FY2022 includes an additional \$3.1 million in general revenue (\$6.8 million all funds) to reflect the Department shifting from quarterly to annual per-person budget authorizations. Previously, individual authorizations were done on a quarterly basis, which providers have argued are overly burdensome on providers. At the end of each quarter, any remaining funds were eliminated and not carried over to the next quarter. The shift to annual authorizations increases access to services by allowing individuals to use their authorized funding throughout the year. While the change does not increase an individual's authorized funding level, there will likely be an increase in spending since individuals now have more time to use authorizations. The chart below displays the DD population tier levels by fiscal year.



### **RICLAS Privatization**

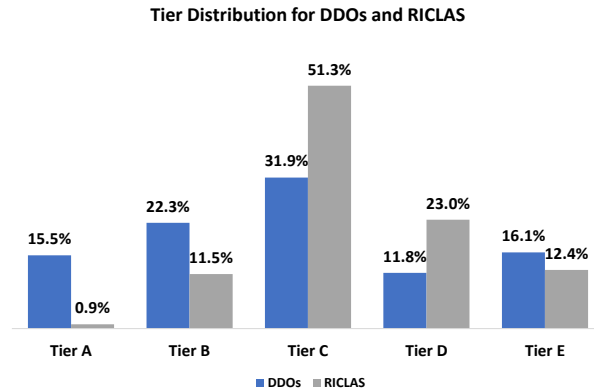
**(\$3.7 million)**

The Budget proposes the privatization of Rhode Island Community Living and Supports (RICLAS), the state-run group home system for individuals with developmental disabilities, for a net general revenue savings of \$3.7 million (\$11.7 million all funds). RICLAS operates 20 group homes, all of which are state-owned and state-run. The operations and clients of the RICLAS system would be transitioned over to private Licensed Developmental Disability Organizations (DDOs) by October 1, 2021.

There are 115 individuals receiving services under the RICLAS system and over 3,800 individuals receiving services from private DDOs as of March, 2021. The majority of RICLAS participants are former Ladd School patients, which closed as part of a deinstitutionalization initiative in 1994. Individuals in the RICLAS system tend to be older with an average age of 60, and tend to have more complex health statuses.

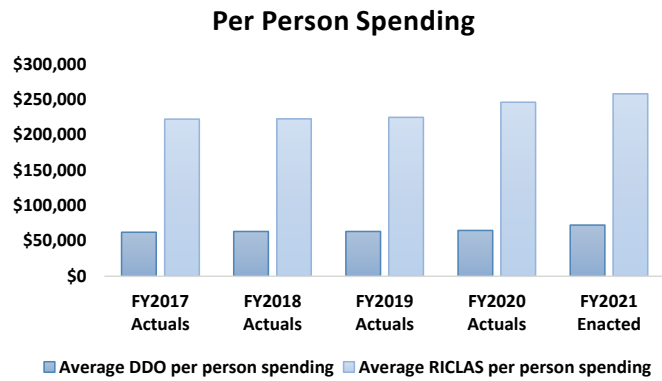
Rhode Island uses the Support Intensity Scale (SIS-A) to determine the needs and related funding for individuals receiving services. The SIS-A assigns individuals a tier level, and services are recommended to

individuals based on the assigned tier level. The table below displays the distribution of tiers in the DDO system and the RICLAS system.



As state employees, RICLAS personnel are eligible to receive worker’s compensation, retirement benefits, health insurance, longevity pay, and other benefits provided to state employees. There are 273 FTEs, excluding 54 employees who hold statutory status, that serve 20 group homes. The Budget includes \$3.4 million in general revenue to maintain the salaries and benefits of the remaining employees.

BHDDH must meet several deadlines to ensure compliance with laws regarding the privatization of state services to meet the October 1, 2021, expected closure date. At least six months before privatization, BHDDH would be required to notify the affected Collective Bargaining Units of the intent to solicit proposals to privatize the system, which was completed on March 12, 2020. At least 60 days before the request for proposals (RFP) is issued, the cost analysis and statement of work must be sent to the affected collective bargaining units. Before the RFP is issued, all individuals, their families and/or guardians must be notified of the intent to issue an RFP for potential privatization. After at least 60 days, BHDDH would evaluate all bids and award the bid to DDO providers.



**HOSPITAL AND COMMUNITY REHABILITATION SERVICES**

The Hospital and Community Rehabilitation Services Program provides a continuum of treatment and residential options for psychiatric and developmentally disabled clients. The Hospital facilities are licensed by the Department of Health (DOH) and accredited by the national board for health care organizations, the Joint Commission on Accreditation of Healthcare Organizations (JCAHO). The Eleanor Slater Hospital (ESH) has two campuses; the Pastore Center in Cranston and the Zambarano Campus in Burrillville. The Pastore Center campus focuses on long-term psychiatric and psychogeriatric services while the Zambarano campus focuses on long-term and rehabilitative care.

<b>Hospital &amp; Community Rehabilitation Services</b>	<b>General Revenue</b>
FY2021 Enacted	\$114,719,440
<i>Target and Other Adjustments</i>	797,335
ESH Transformation	(38,732,858)
Pharmaceuticals	2,036,302
Cost Allocation Plan	(1,115,821)
<b>FY2022 Governor</b>	<b>\$77,704,398</b>

<b>Hospital &amp; Community Rehabilitation Services</b>	<b>Other Fund Changes</b>
ESH Consolidation	Informational

**ESH Transformation** **(\$38.7 million)**

The Budget includes \$38.7 million in general revenue in savings related to the transformation of the Eleanor Slater Hospital (ESH), including \$24.2 million in personnel costs and \$14.6 million in operating expenses. ESH provides care for approximately 200 patients across two campuses. The census consists of forensics, undocumented patients, psychiatric patients, and long-term medical patients. Since ESH essentially operates as a nursing home rather than a Long-Term Care Hospital as it is licensed and the Hospital was out of compliance with the Institutes for Mental Disease (IMD) exclusion, it has been unable to bill Medicaid since September 2019. The IMD exclusion prohibits Medicaid billing for adults aged 16-64 receiving psychiatric care in a treatment facility with more than 16 beds. The Budget eliminates \$14.9 million in federal funds to reflect the inability to bill Medicaid.

ESH has since been evaluating the needs of patients to determine if the Hospital is the appropriate level of care and began to discharge patients who do not require hospital level of care. In addition, BHDDH has engaged with Alvarez & Marsal to assist with the development of a new footprint for ESH. The plans to discharge patients to more appropriate levels of care will allow the Department to reduce staffing and operating costs. The redesign plan also would close all buildings on the Pastore campus except for the Benton building, which would be separately licensed as an Institute for Mental Disease and would serve forensic patients who are hospitalized by court order. A new facility on the Zambarano campus would be built and licensed as a mixed-use facility for skilled nursing, custodial care, and traumatic brain injuries.

The State submitted a State Plan Amendment (SPA) to allow Eleanor Slater Hospital to resume billing for certain patients at the Hospital in May of 2020 and the application was approved by the Centers for Medicare and Medicaid Services on March 25, 2021, with an effective date of April 1, 2020. The approval means that the State can resume billing Medicaid for certain patients at the Hospital, and can recoup some funds for when billing was not permitted due to non-compliance. The Governor's Budget Amendment dated April 12, 2021, shifts \$5.7 million from general revenue to federal funds to reflect the approval of the State Plan Amendment (SPA). The Amendment also shifts \$25,000 from general revenue to restricted receipts for the SPA. The amendment did not include any savings from previous fiscal years that may now be able to be recouped. Currently, the State is working with an outside, independent contractor to review patient records to ensure the accuracy and eligibility for reimbursement of certain expenses from Medicaid.

*Analyst Note: Governor McKee has recently announced plans to put the plans to transform the footprint of the hospital on hold until stakeholders and the General Assembly can be included in the transformation plan.*

**Pharmaceuticals** **\$2.0 million**

The FY2021 Budget includes \$2.9 million in general revenue for pharmaceuticals at ESH, a \$2.0 million general revenue increase at the Hospital. Historically, these expenses have been paid by Medicaid Part D; however, without the ability to bill Medicaid due to the billing issues at ESH, the funding had to be replaced with general revenues. In FY2020, the total pharmaceutical expenditures at the Hospital were \$3.5 million.



**Cost Allocation Plan****(\$1.1 million)**

The Budget reduces general revenues by \$1.1 million to reflect shifts in personnel costs from other divisions as part of the Department's cost allocation plan. The cost allocation plan shifts money across sources and programs, which determines which portion of personnel costs are eligible for matching federal funds.

**Eleanor Slater Hospital Consolidation (COPs and RICAP Funds)****(Informational)**

Article 4 amends a previously authorized issuance of certificates of participation (COPs) to allow remaining funds to be used for any Eleanor Slater Hospital (ESH) building, including the construction of a new healthcare facility on the Zambarano campus. The Budget also authorizes the issuance of \$53.6 million in new COPs for the construction of the proposed new facility with a total estimated project cost of \$64.9 million. The new COPs will be paid over fifteen years, at an interest rate of 2.75 percent.

The new footprint ensures that the State is in compliance with federal regulations and transforms the State's long-term acute care hospital into a newly constructed long-term care facility and a separately licensed Institute for Mental Disease (IMD) hospital at the existing Benton building on the Pastore campus in Cranston. The new Zambarano building would be licensed as a mixed-use facility for skilled nursing, custodial care, intermediate care, and traumatic brain injury. The Regan and Adolph Meyer buildings would be closed under the proposed plan.



## Governor's Commission on Disabilities

<b>Expenditures By Program</b>	<b>FY2020 Actual</b>	<b>FY2021 Enacted</b>	<b>FY2021 Revised</b>	<b>Change from Enacted</b>	<b>FY2022 Governor</b>	<b>Change from Enacted</b>		
Governor's Commission on Disabilities	\$1,475,214	\$1,583,171	\$1,584,649	\$1,478	0.1%	\$1,524,032	(\$59,139)	-3.7%
<b>Expenditures By Source</b>								
General Revenue	\$996,865	\$1,072,008	\$1,073,478	\$1,470	0.1%	\$1,084,261	\$12,253	1.1%
Federal Funds	458,709	400,000	400,000	-	0.0%	380,316	(19,684)	-4.9%
Restricted Receipts	19,640	111,163	111,171	8	0.0%	59,455	(51,708)	-46.5%
<b>Grand Total</b>	<b>\$1,475,214</b>	<b>\$1,583,171</b>	<b>\$1,584,649</b>	<b>\$1,478</b>	<b>0.1%</b>	<b>\$1,524,032</b>	<b>(\$59,139)</b>	<b>-3.7%</b>
Authorized FTE Levels	4.0	4.0	4.0	-	-	4.0	-	-

The Governor's Commission on Disabilities advocates for individuals with disabilities, expands economic opportunities for businesses owned by or employing individuals with disabilities and their families, and ensures that individuals with disabilities have access to government. The Commission is responsible for coordinating compliance by state agencies with federal and state disability rights laws.

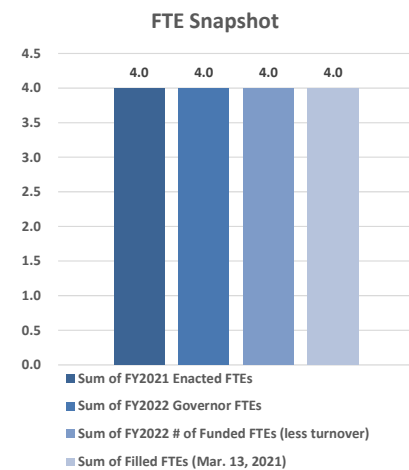
### MAJOR ISSUES AND TRENDS

The FY2021 Revised Budget includes \$1.6 million, of which \$1.1 million is general revenue. This reflects an all funds increase of \$1,478 from the FY2021 Budget as Enacted. The increase covers the payroll assessed fringe benefit assessment costs required for the last nine payroll periods to finance the ongoing Voluntary Retirement Incentive Program. The assessed fringe benefit personnel expense is a bi-weekly assessment of 3.95 percent charged to direct salaries.

For FY2022, the Budget includes \$1.5 million, of which \$1.1 million is general revenue. This reflects an all funds decrease of \$59,139 from the FY2021 Budget as Enacted. The decrease primarily reflects reduced donations appropriated under the Technical Assistance – GCD restricted receipt funds.

The Budget includes \$507,850 in general revenue for continued funding of the Livable Homes Modification Program.

The Budget includes 4.0 FTE positions in FY2021 and FY2022, consistent with the enacted level.



<b>Governor's Commission on Disabilities</b>	<b>General Revenue</b>
FY2021 Enacted	\$1,072,008
<i>Target and Other Adjustments</i>	9,406
Personnel Adjustments	27,690
Centralized Services	(24,843)
Livable Home Modification Grant Program	Informational
<b>FY2022 Governor</b>	<b>\$1,084,261</b>
<b>Other Fund Changes</b>	
Technical Assistance - GCD	(51,901)
Handicapped Accessibility Capital Projects	Informational

**Personnel Adjustments****\$27,690**

The Budget increases general revenue by \$27,690 for various adjustments including step and grade changes and the consolidation of personnel expenses under the central management line sequence.

**Centralized Service Adjustment****(\$24,843)**

The Budget decreases general revenue expenditures by \$24,843 for statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. As of FY2019, these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2021 Budget as Enacted appropriated \$28,682 for these expenses, which is reduced by \$24,843 to \$3,839 in the FY2022 proposed budget.

**Livable Home Modification Grant Program****Informational**

The Governor's Commission on Disabilities (GCD) has administered the Livable Home Modification grant program since January 2018. The grant program allocates funding for home modification projects to allow people to stay in their homes longer and decrease the length and frequency of nursing home stays. Improvements include bathroom modifications, wheelchair ramps, and stability rails, along with other home modifications. Since inception, the Commission has awarded and paid \$1.1 million for 454 awards.

Fiscal Year	# of Grants		Amount	
	Awarded	Amount	# Paid	Paid
FY2018	48	\$154,248	27	\$86,304
FY2019	164	435,458	161	423,795
FY2020	155	420,093	179	499,701
<b>Total</b>	<b>367</b>	<b>\$1,009,799</b>	<b>367</b>	<b>\$1,009,800</b>

The Governor continues to support the Livable Home Modification Grant Program and includes \$528,295 in general revenue to support the Livable Home Modification Grant Program in the FY2021 Supplemental Budget and includes \$507,850 to support the Livable Home Modification Grant Program in FY2022.

The FY2021 Supplemental Budget and the FY2022 Budget disperse the appropriations amongst the categories where expenditures occur. Approximately 92.5 percent of the appropriations will be used on grant awards in FY2021 and 96.9 percent is projected to be spent on grant awards in FY2022. The Commission tracks the project awards by the fiscal year in which they are awarded. The project and award are carried forward into succeeding fiscal years until the project is completed.

Liveable Homes Modification	FY2021	FY2022
	Governor	Governor
Salary and Benefits	\$12,320	\$0
Contract Services	23,160	15,504
Operating Costs	3,948	420
Grants and Awards	488,867	491,926
<b>Total</b>	<b>\$528,295</b>	<b>\$507,850</b>

In FY2019, the Commission started a waiting list. At the beginning of FY2020, there was \$28,586 of FY2019 funds awarded, but the project was not yet completed. This created the need to re-appropriate those funds into FY2020. In January 2020, the Commission began a new waiting list, after all of the FY2020 appropriation and the proposed reappropriated funds had all been awarded.

In response to the number of projects that the Commission had already committed to, the Commission modified the Livable Home Modification program regulations in 2019 by reducing the maximum award from \$5,000 to \$4,000, a 20.0 percent reduction. Due to the COVID-19 Pandemic, the number of awards decreased in 2020 and 2021 as many of the approved recipients were reluctant to have contractors in their homes.

*Analyst Note: Senate Bill 2021-S-0158 proposes to codify the current Livable Home Modification Grant program with a hard grant amount of \$5,000 or 50.0 percent of the modification cost. The legislation was held for further study on March 4, 2021.*

**Technical Assistance –GCD (restricted receipts)****(\$51,901)**

The Budget decreases restricted receipts by \$51,901 under the Technical Assistance-GCD line sequence. This line houses donations received by the Commission. In recent years the majority of the donations paid for the annual July series of Public Forums on the Concerns of People with Disabilities and their Families. Other donations and expenses from the line include ADA/RIGL 42-87 training fees and the occasional disability parking signs. Funding under this line sequence was significantly higher in the FY2021 Budget as Enacted because the line included donations for the year-long celebration of the 30th anniversary of the signing of the Americans with Disabilities Act (ADA), which are not required in FY2022. In addition, due to the COVID-19 pandemic, the Commission did not conduct forums last July nor were there any in-person ADA anniversary events, which decreased receipts into the line sequence.

**Handicapped Accessibility Capital Projects (RICAP funds)****Informational**

All handicapped accessibility capital projects are consolidated into the Department of Administration to improve project coordination and oversight; however, the Commission still has a role in determining and prioritizing specific handicapped accessibility projects. The project involves accessibility renovations to State structures to comply with the federal Americans with Disabilities Act (ADA). The project and funds were originally under the Governor’s Commission of Disabilities budget.

The Budget provides a total of \$5.0 million in Rhode Island Capital Plan (RICAP) funds for ADA and accessibility renovations at state buildings, including \$1.0 million annually from FY2022 through FY2026. Expenditures prior to FY2020 total \$5.6 million.



## Commission on the Deaf and Hard of Hearing

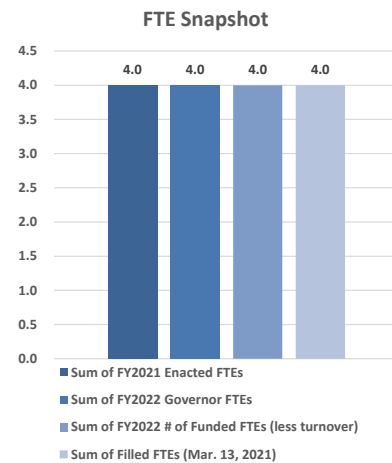
Expenditure by Program	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$673,997	\$650,270	\$651,960	\$1,690	0.3%	\$775,242	\$124,972	19.2%
<b>Expenditure by Source</b>								
General Revenue	\$496,573	\$507,816	\$509,463	\$1,647	0.3%	\$612,440	\$104,624	20.6%
Federal Funds	46,057	-	-	-	-	-	-	-
Restricted Receipts	131,367	142,454	142,497	11,130	7.8%	162,802	20,348	14.3%
<b>Total</b>	<b>\$673,997</b>	<b>\$650,270</b>	<b>\$651,960</b>	<b>\$1,690</b>	<b>0.3%</b>	<b>\$775,242</b>	<b>\$124,972</b>	<b>19.2%</b>
Authorized FTE Levels	4.0	4.0	4.0	-	-	4.0	-	-

The Commission on the Deaf and Hard of Hearing (CDHH) advocates and coordinates the promotion of an environment in which deaf and hard of hearing persons in Rhode Island are afforded equal opportunity in all aspects of their lives. The CDHH develops policy and provides recommendations for programs and legislation that will enhance cooperation and coordination among agencies and organizations that currently serve, or have the potential to serve, the deaf and hard of hearing community.

### MAJOR ISSUES AND TRENDS

The Budget includes total funding of \$775,242, including \$612,440 from general revenue for FY2022. General revenue increases by 20.6 percent from the FY2021 Budget as Enacted. Increases in general revenue and restricted receipts reflect an increased number of referrals for sign language interpreters and Communication Access Real-time Translation (CART) services, also known as real-time captioning. The increase in referrals is likely the result of the COVID-19 pandemic.

The Budget authorizes 4.0 FTE positions in FY2021 and FY2022, consistent with the enacted budget.



Central Management	General Revenue
FY2021 Enacted	\$507,816
<i>Target and Other Adjustments</i>	15,789
Temporary Services	61,200
Interpreters and CART Services	27,635
<b>FY2022 Governor</b>	<b>\$612,440</b>

### **Temporary Services** **\$61,200**

The Budget includes a general revenue increase of \$61,200 (\$96,923 all funds) for temporary services. Historically, funds have been used for temporary staff at the Commission. Temporary staff complete interpreter referral services, general office support, and other needs of the Commission. According to the Commission, the increased funding would allow for 100.0 percent of referrals for interpreters and CART services to be fulfilled. Currently, the Commission is able to fulfill 82.0 percent of referral requests due to not enough staff to meet the current need for referral services.

### **Interpreters and CART Services** **\$27,635**

The Budget increases general revenue by \$27,635 for sign language interpreters and Communication Access Real-time Translation (CART) services, also known as real-time captioning.

The FY2022 Budget restores general revenue funding that was shifted to restricted receipts in FY2021 in the FY2021 Budget as Enacted. The funding supports payments to on-call interpreters' and call center expenses for emergency referral requests and expenses and hourly fees for non-emergent interpreters and CART operators. CDHH assists individuals by referring qualified sign language interpreters and CART providers to government/state agencies, private and non-profit businesses, healthcare providers, employers, K-12 schools, colleges and universities, and law enforcement agencies.



## Office of the Child Advocate

<b>Expenditures by Program</b>	<b>FY2020 Actual</b>	<b>FY2021 Enacted</b>	<b>FY2021 Governor</b>	<b>Change from Enacted</b>		<b>FY2022 Governor</b>	<b>Change from Enacted</b>	
Office of the Child Advocate	\$1,028,374	\$1,233,388	\$1,237,225	\$3,837	0.3%	\$1,179,668	(\$53,720)	-4.4%
<b>Expenditures by Source</b>								
General Revenue	\$865,115	\$1,005,223	\$1,008,314	\$3,091	0.3%	\$1,044,909	\$39,686	3.9%
Federal Funds	163,259	228,165	228,911	746	0.3%	134,759	(93,406)	-40.9%
<b>Total</b>	<b>\$1,028,374</b>	<b>\$1,233,388</b>	<b>\$1,237,225</b>	<b>\$3,837</b>	<b>0.3%</b>	<b>\$1,179,668</b>	<b>(\$53,720)</b>	<b>-4.4%</b>
Authorized FTE Levels	10.0	10.0	10.0	-	-	10.0	-	-

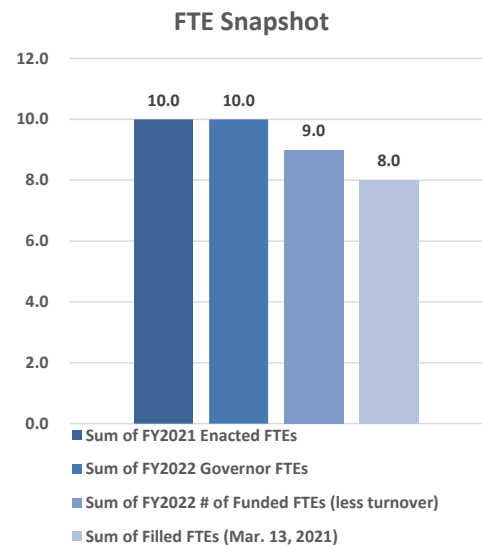
The Office of the Child Advocate (OCA) is mandated by statute to protect the legal, civil, and special rights of all children in the care of the Department of Children, Youth, and Families (DCYF). The Office strives to improve conditions and circumstances through monitoring, intervention, and advocacy. The OCA receives federal funding through the Victims of Crime Act (VOCA) to provide public education and support services for victims of crime and their families. The Office reviews all youth residential programs, including the Rhode Island Training School, and oversees compliance by all DCYF-contracted providers. The General Assembly amended the Office's statutory charge in 2016, and again in 2019, further requiring the Child Advocate to investigate any child fatality or near fatality if:

- The child is involved with, or the child's family previously received services from, DCYF;
- The incident involves alleged abuse or neglect and the child's family had prior contact with DCYF; or
- The child's sibling, household member, or daycare provider was the subject of a child abuse or neglect investigation within 12 months of the incident.

### MAJOR ISSUES AND TRENDS

In January 2018, the State and DCYF settled a long-standing class action lawsuit. The lawsuit, initially filed in 2007, demanded systemic reforms to the State's child welfare system and cited deficiencies throughout DCYF, including excessive caseworker assignments and an inappropriate residential service array. The settlement outlined a number of new screening and reporting requirements to be met by the Department and overseen by the Office of the Child Advocate.

The Budget provides \$1.2 million from all funds for the Office of the Child Advocate in FY2022. This represents a modest all funds reduction compared to the Enacted Budget and is related to personnel expenses. The Governor's Budget increases general revenue spending by \$39,686 (3.9 percent) and reduces federal funding by \$93,406 (40.9 percent) for a net reduction of \$53,720 relative to the Enacted level. The Budget authorizes 10.0 FTE positions in both FY2021 and FY2022.



<b>Office of the Child Advocate</b>	<b>General Revenue</b>
FY2021 Enacted	\$1,005,223
<i>Target and Other Adjustments</i>	
	8,079
Personnel	31,607
<b>FY2022 Governor</b>	<b>\$1,044,909</b>

**Personnel** **\$31,607**

The Governor's Budget adds \$31,607 from general revenues for personnel expenses compared to the FY2021 Enacted level. This is the net of the following changes:

- **Case Management Coordinator:** Due to a reduction in federal VOCA grant funding, the Office's FY2022 request shifted 20.0 percent of the expenses associated with the Case Management Coordinator position to general revenues. This position was previously funded entirely with federal VOCA funds. The Governor's Budget includes funding for the position as requested, adding \$17,233 from general revenues to cover 20.0 percent of the \$86,164 for salaries and benefits for this employee.
- **Workshare:** The Governor's Budget adds \$12,825 to restore one-time savings that were included in the Enacted Budget due to staff participation in the Workshare program. The Workshare program allowed the State to achieve savings in the wake of the devastating financial impact of COVID-19. Through this program, eligible full-time employees were allowed to work 60.0 percent of their regular weekly hours (three business days) from June 14, 2020, to September 5, 2020. Three employees within the Office of the Child Advocate participated in Workshare. The program is not occurring in FY2022.
- **Update Benefits:** The Governor's Budget adds \$1,549 from general revenues to update healthcare, retirement, and other benefits expenses for the Office's remaining positions in FY2022.
- **Grants Manager:** The Governor's Budget freezes the Office's vacant Grants Manager position in FY2022. While this results in general revenue savings relative to the Office's FY2022 request, the position was 100.0 percent federally-funded in FY2021 and there are no general revenue savings compared to the Enacted Budget. Due to a reduction in federal VOCA grant funding, the Office requested \$18,658 from general revenues to cover 20.0 percent of the \$93,291 for salaries and benefits for this position in FY2022. The Governor's Budget does not include the funding.

## Office of the Mental Health Advocate

<b>Expenditures by Program</b>	<b>FY2020 Actuals</b>	<b>FY2021 Enacted</b>	<b>FY2021 Governor</b>	<b>Change from Enacted</b>		<b>FY2022 Governor</b>	<b>Change from Enacted</b>	
Central Management	\$620,923	\$630,982	\$632,932	\$1,950	0.3%	\$646,303	\$15,321	2.4%
<b>Expenditures by Source</b>								
General Revenue	\$620,923	\$630,982	\$632,932	\$1,950	0.3%	\$646,303	\$15,321	2.4%
Authorized FTE Levels	4.0	4.0	4.0	-	-	4.0	-	-

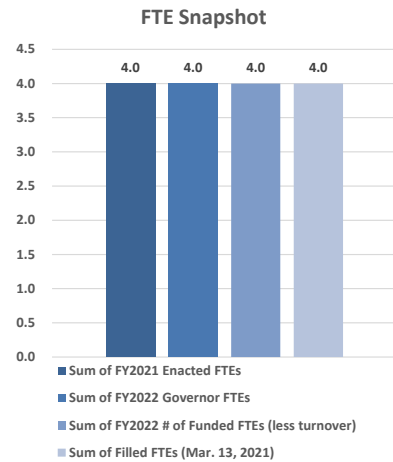
The Office of the Mental Health Advocate (OMHA) is statutorily mandated to protect the legal, civil, and special rights of people living with mental illness in Rhode Island. This includes providing legal representation at involuntary commitment proceedings, monitoring policies and procedures at inpatient treatment facilities and community-based mental health programs, proposing and evaluating legislation, and litigating civil and treatment rights disputes.

The Office also advocates for improvements in the mental health system by monitoring and evaluating the quality of services available to clients and combating the stigmatization and discrimination associated with mental illness. The Office seeks to close gaps in the programs administered by mental health providers, including the shortcomings in services related to emergency hospitalizations, psychiatric care for prison inmates, and homelessness among individuals with chronic mental illness.

### MAJOR ISSUES AND TRENDS

The FY2022 Budget includes \$646,303 from general revenues, an increase of 2.4 percent as compared to the FY2021 Budget as Enacted. The Office is funded entirely through general revenues.

The Budget authorizes and fully funds 4.0 FTE positions in FY2022, consistent with the FY2021 Budget as Enacted. The 4.0 FTE positions include 1.0 Mental Health Advocate, 2.0 Staff Attorneys, and 1.0 Administrative Assistant.



<b>Central Management</b>	<b>General Revenue</b>
FY2021 Enacted	\$630,982
<i>Target and Other Adjustments</i>	15,321
<b>FY2022 Governor</b>	<b>\$646,303</b>



## Elementary and Secondary Education

Expenditures By Program	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Administration of the Comprehensive Education Strategy	\$214.7	\$317.6	\$331.9	\$14.3	4.5%	\$262.6	(\$55.0)	-17.3%
Central Falls School District	42.0	47.0	47.0	-	0.0%	47.7	0.7	1.5%
Davies Career and Technical Center	19.2	20.7	20.6	(0.1)	-0.7%	22.1	1.3	6.5%
Rhode Island School for the Deaf	7.8	8.0	7.9	(0.2)	-1.9%	8.2	0.2	2.3%
Metropolitan Career and Technical School	9.6	10.0	10.0	-	-	9.6	(0.4)	-3.8%
Education Aid	974.8	1,063.5	1,066.4	2.9	0.3%	1,058.5	(5.0)	-0.5%
School Construction Aid	79.7	80.0	80.0	-	-	80.0	-	-
Teacher Retirement	112.9	118.4	118.4	-	-	123.9	5.5	4.7%
<b>Total</b>	<b>\$1,460.5</b>	<b>\$1,665.2</b>	<b>\$1,682.1</b>	<b>\$16.9</b>	<b>1.0%</b>	<b>\$1,612.6</b>	<b>(\$52.6)</b>	<b>-3.2%</b>
<b>Expenditures By Source</b>								
General Revenue	\$1,195.0	\$1,282.5	\$1,282.4	(\$0.1)	0.0%	\$1,328.1	\$45.6	3.6%
Federal Funds	232.3	337.8	352.4	14.7	4.3%	234.4	(103.4)	-30.6%
Restricted Receipts	32.1	42.9	45.8	2.9	6.8%	47.2	4.3	10.1%
Other Funds	1.1	2.0	1.4	(0.6)	-28.6%	2.9	0.9	45.5%
<b>Total</b>	<b>\$1,460.5</b>	<b>\$1,665.2</b>	<b>\$1,682.1</b>	<b>\$16.9</b>	<b>1.0%</b>	<b>\$1,612.6</b>	<b>(\$52.6)</b>	<b>-3.2%</b>
Authorized FTE Levels	325.1	325.1	325.1	-	-	325.1	-	-

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

The Rhode Island Department of Elementary and Secondary Education, under the leadership of the Board of Education, is responsible for a strategic plan defining goals and objectives for elementary and secondary education; preparation and presentation annually of an educational budget for the Department of Elementary and Secondary Education, subordinate boards and agencies, and State aid to local school districts; approval of the basic subjects and courses of study to be taught, and instructional standards required to be maintained in the public elementary and secondary schools of the State; and, adoption of standards and qualifications for the certification of teachers and provision for the issuance of certificates.

### MAJOR ISSUES AND TRENDS

The Budget fully funds the education funding formula and provides funding for categorical aid accounting for most of the \$45.6 million general revenue increase in FY2022. The aid categories are level funded or reduced relative to the FY2021 Enacted Budget. Regional transportation shows a decrease in the distribution tables since the numbers are based on the June 2020 data in the Uniform Chart of Accounts (UCOA); however, the funding necessary to level fund the category is included in the Budget. The decreased expenditures are likely due to COVID-related school closings.

Other general revenue increases include \$441,180 for 3.0 new FTE positions, including 1.0 FTE Social Studies Education Specialist, 1.0 FTE Transformation Specialist to support the Department's shift from a compliance-focused institution to a supportive organization offering more technical assistance and planning for low-performing districts, and 1.0 FTE Communications Specialist. The Budget also includes \$600,000 in general revenue to support the current testing levels for the Scholastic Aptitude Test (SAT), \$560,000 to replace Opioid Stewardship Funds used to support mental/behavioral health training, curricula, and materials to increase in-classroom training resources in FY2021; and, \$115,000 in general revenue to expand assessments for English Learners.

The reduction in federal funds is due primarily to the expiration of federal CARES Act support for expenditures related to COVID-19. None of the funding in the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) or the American Relief Bill are provided in the Budget. The restricted receipt increase is due to increased costs associated with statewide transportation and the increase

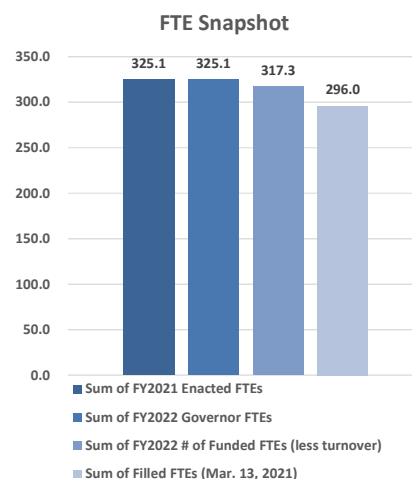
in other funds is due primarily to increases for Davies Health asset protection and the HVAC repair and replacement project.

As of April 2021, Congress has passed three COVID relief bills to address the impact of the coronavirus pandemic on states and school districts. The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed in March 2020, the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) was passed in December 2020, and the American Rescue Plan (ARP) Act was passed in March 2021. While other difference exist between the bills, all three of them require that the majority of the funding, 90.0 percent, or more, be distributed to districts, no more than 10.0 percent can be reserved by the state education agency (SEA), and no more than 0.05 percent of the reserve amount can be used for administrative costs.

For Elementary and Secondary School Emergency Relief (ESSER) II funds, provided through the ARP Act, 5.0 percent of the reserve amount must be used for interventions to address learning loss, 1.0 percent for summer enrichment programs, and 1.0 percent for comprehensive afterschool programs. All three acts require a maintenance of effort (MOE) that requires states to maintain support for elementary and secondary education and for higher education in FY2020 through FY2022; however, the calculation of this MOE varies slightly. A per-district distribution of funds is provided at the end of this analysis.

<b>Federal COVID-19 Related Emergency Relief</b>			
	<b>ESSER I (CARES Act)</b> (available for obligation through September 30, 2022)	<b>ESSER II (CRRSA)</b> (available for obligation through September 30, 2023)	<b>ESSER III (ARP)</b> (available for obligation through September 30, 2023)
<b>Total Award</b>	<b>\$46,350,444</b>	<b>\$184,791,567</b>	<b>\$415,015,610</b>
Minimum LEA Distribution	41,715,400	166,312,410	373,514,049
Maximum SEA Reservation	4,635,044	18,479,157	41,501,561
<i>Maximum SEA Administration</i>	<i>231,752</i>	<i>923,958</i>	<i>2,075,078</i>

The Budget provides 325.1 FTE positions across the Elementary and Secondary Education system, including 142.1 FTE positions at the Department of Elementary and Secondary Education, 123.0 FTE positions at Davies, and 60.0 FTE positions at the School for the Deaf. While resulting in a zero net change of FTE positions across the system, relative to the FY2021 Budget as Enacted, there is an increase of 3.0 FTE positions in the Administration of the Comprehensive Education Strategy program and a decrease of 3.0 at the Davies Career and Technical School. The FTE level in FY2021 is consistent with the budget as enacted.



**ADMINISTRATION OF THE COMPREHENSIVE EDUCATION STRATEGY (ACES)**

The Administration of the Comprehensive Education Strategy (ACES) program encompasses the offices of Accelerating School Performance, Educator Excellence and Instruction Effectiveness, Fiscal Integrity and Efficiencies, and Legal. Through these offices, the Department provides leadership and support for the entire elementary and secondary education system in Rhode Island.

<b>Administration of the Comprehensive Education Strategy</b>	<b>General Revenue</b>
FY2021 Enacted	\$21,621,645
<i>Target and Other Adjustments</i>	
Scholastic Aptitude Test (SAT)	189,681
Behavioral Health Training (shift to general revenue)	600,000
Alternative Assessments (shift to federal funds)	590,000
Social Studies Education Specialist (1.0 FTE position)	(150,000)
Transformation Specialist (1.0 FTE position)	149,000
Communications Manager (1.0 FTE position)	146,090
WIDA ACCESS Tests	146,090
WIDA ACCESS Tests	115,000
<b>FY2022 Governor</b>	<b>\$23,407,506</b>

***Scholastic Aptitude Test (SAT)*** **\$600,000**

The Budget includes an increase of \$600,000 in general revenue, \$1.8 million in total, to pay for assessments previously supported by Title VI funds. The testing period for the Scholastic Aptitude Test (SAT) and the Preliminary Scholastic Aptitude Test (PSAT) was cancelled in FY2020 due to COVID-19; however, there was an additional testing period provided in fall FY2021. Since the funds provided in the FY2020 Budget were not shifted into FY2021, the Department used federal Title VI funds for the additional testing period, resulting in a shortfall of federal funds in FY2022. These general revenues will be used to fill that deficit.

***Behavioral Health Training (shift to general revenue)*** **\$590,000**

The Budget provides \$590,000 in general revenue to support mental/behavioral health training, curricula, and materials to increase in-classroom training resources. This funding is to replace restricted receipts from the Opioid Stewardship Fund that were used in the FY2021 Budget. The enhanced training is intended to help teachers intervene more effectively when students show signs of challenges and allow teachers to teach students behavioral health skills. Of the total funding, \$330,000 will be used to train one individual at each school across the State as a “trainer”. The remaining \$260,000 will be used to purchase materials to support each trainer in training their fellow teachers.

Article 13 of the FY2020 Budget as Enacted established an opioid registration fee paid quarterly to the Opioid Stewardship Fund by all manufacturers, distributors, and wholesalers of opioids. The total amount of the fund is set at \$5.0 million and licensees pay their share of the total based on the licensee’s in-state market share of opioid sales. The fund is subject to indirect cost recoveries, adjusting the total available restricted receipts to \$4.5 million.

*Analyst Note: This shift also occurs in the FY2021 Revised Budget as recommended by the Governor.*

***Alternative Assessments (shift to federal funds)*** **(\$150,000)**

The Budget shifts \$150,000 in general revenue funded costs to federal funds. There is a total of \$49.4 million in federal Individuals with Disabilities Education Act (IDEA) funds in the Budget for Elementary and Secondary Education, including \$49.1 million in ACES, \$254,712 in Davies, and \$75,850 in the School for the Deaf. According to the Department, the additional costs should be supported by the IDEA budget indefinitely.

***Social Studies Education Specialist (1.0 FTE position)*** **\$149,000**

The Budget provides 1.0 new FTE position and \$149,000 salary and benefits for a social studies education specialist. This position will develop social studies standards for middle and schools, as well as create standards, curriculum, and professional development.

**Transformation Specialist (1.0 new FTE position)****\$146,090**

The Budget provides \$146,090 and 1.0 new FTE position for a Transformation Specialist to support Rhode Island's persistently lowest-performing schools. Under the leadership of the new Commissioner, the Department is shifting from a compliance-focused institution to a supportive organization offering more technical assistance and planning for districts. This positions will directly engage with districts to recommend service providers and consultants in the realm of school transformation; support academic achievement; visit and evaluate district and school performance; and, identify best practices in schools across the State.

*Analyst Note: These positions would be in addition to the 1.0 new FTE position (\$150,000 general revenue) added in FY2020 to support school principals, increase the diversity of the state's school leadership and educator pipeline, and support the principal certification process. The FY2020 Budget as Enacted also included 1.0 new FTE position (\$120,000 general revenue) for a new school improvement position to support districts in creating school improvement teams, strategic plans, and a district review process.*

*In addition, according to RIDE, these positions, which were included in the Governor's FY2021 Budget but not in the enacted, were filled in November 2020.*

**Deputy Commissioner for School Transformation (1.0 FTE position) (\$288,041):** This position is proposed to address the large number of failing schools in Rhode Island.

**Director of School Improvement (1.0 FTE position) (\$189,110):** This position will address student achievement gaps in Rhode Island and work to improve failing schools.

**Education Specialist for School Improvement (1.0 FTE position) (\$145,433):** This position will support the effort to improve struggling schools and to close student achievement gaps.

**Communications Manager (1.0 FTE position)****\$146,090**

The Communications Manager will focus on digital communication including web content and social media. Duties include developing overall layout and production design for print and electronic graphics, flyers, and report, as well transforming statistical data into visual graphics. The position will oversee brand consistency on all web and print content, assist in the development of talking points and briefings, as well as press kits, letters to the editor, and op-eds. The Budget includes \$146,090 in salary and benefits for this position.

**WIDA ACCESS Tests****\$115,000**

The Budget includes \$115,000 in general revenue, in addition to \$425,000 in ongoing federal funds, to support increased WIDA (World-Class Instructional Design and Assessment) ACCESS (Assessing Comprehension and Communication in English State to State) assessment costs for multilingual learners. WIDA is a consortium of state departments of education that developed the ACCESS test that is administered annually to English Learners to monitor the student's language development. Approximately 14,000 tests were administered in FY2019, 15,500 in FY2020, and 18,000 are projected in FY2022. Currently, a standard test costs \$27.75, while a Braille test costs \$187.75 and an alternative assessment \$141.25.

**CENTRAL FALLS SCHOOL DISTRICT**

The State of Rhode Island assumed control of the Central Falls School District in 1991 when it was determined that the City of Central Falls could not afford to meet its contractual, legal, and regulatory



obligations related to school funding because its tax base had sustained little or no growth over several years. Since FY1993, the State has been responsible for 100.0 percent of the education expenditures for the Central Falls School District.

Since FY2012, Central Falls has been funded according to the education funding formula. The Budget provides \$47.7 million for the Central Falls School Department in FY2022. This includes the funding formula distribution as well as \$8.5 million in funding through the Central Falls Stabilization Fund, excluding aid received through other education aid categories. (See Education Aid in the Special Report section of this publication for further detail.)

<b>Central Falls</b>	<b>General Revenue</b>
FY2021 Enacted	\$45,109,045
<i>Target and Other Adjustments</i>	
Central Falls Stabilization	1,484,109
Funding Formula Adjustment	1,109,592
<b>FY2022 Governor</b>	<b>\$47,702,746</b>

### **Central Falls Stabilization**

**\$1.5 million**

The Budget funds this category at \$8.5 million in FY2022, an increase of \$1.5 million over the FY2021 Budget as Enacted. Central Falls schools are currently 100.0 percent state funded, with the State providing both the local and state contributions calculated through the formula, as well as the local share that would be supported outside of the core amount. For example, the total foundation amount calculated through the funding formula is \$41.1 million in FY2022; however, the Budget provides an additional \$6.6 million. Generally, the costs outside the foundation aid formula, such as transportation, facility maintenance and retiree health benefits, are paid by the district. This program 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 resulting in a corresponding increase in district expenses. Consequently, the stabilization fund has been used to replace aid lost through the implementation of the funding formula and local payments to public schools of choice. To date, Central Falls has been unable or unwilling to absorb any educational costs.

### **Funding Formula Adjustment**

**\$1.1 million**

Since FY1993, the State has been responsible for 100.0 percent of the education expenditures for the Central Falls School District; however, beginning in FY2012, the district's state funding has been determined through the new funding formula. In FY2022, the district will receive an increase of \$1.1 million in funding formula aid; however, the stabilization aid and other categorical aid provide for a net increase of \$2.6 million over the previous fiscal year.

## **DAVIES CAREER AND TECHNICAL CENTER**

The Davies Career and Technical School provides a high school education program in occupational areas for students in grades nine through twelve. The school provides an integrated academic and vocation curriculum with up-to-date technology programs to provide a solid foundation for students entering

postsecondary education or the community. Davies operates as a local education agency and is governed by a Board of Trustees.

The Budget provides \$14.4 million in general revenue funding for the Davies Career and Technical School, an increase of \$710,922 from the FY2021 Budget as Enacted. (See Education Aid in the Special Report section of this publication for further detail.)

<b>Davies Career and Technical School</b>	<b>General Revenue</b>
FY2021 Enacted	\$13,726,982
<i>Target and Other Adjustments</i>	
Davies Stabilization Fund	383,600
Funding Formula Adjustment	327,322
<b>FY2022 Governor</b>	<b>\$14,437,904</b>

***Davies Stabilization Fund*** **\$383,600**

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 Budget provides an additional \$383,600 (\$5.3 million total) in FY2022. Based on the budget documents, the increase is due primarily to step increase for teachers.

***Funding Formula Adjustment*** **\$327,322**

The Davies School receives funding from state and federal sources; however, beginning in FY2012, it receives its State funding as determined through the new funding formula. In FY2022, the Davies School will receive an increase of \$327,322 in funding formula aid (\$9.1 million in total aid). Instead of being entirely State funded, the sending districts now pay a portion of the tuition for each student from their district. Furthermore, Davies is now responsible for the cost of transporting students to and from their sending districts. The estimated cost for transportation is about \$600,000 annually.

## **RHODE ISLAND SCHOOL FOR THE DEAF**

The Rhode Island School for the Deaf (RISD) is a public school which offers educational programs to approximately 85 deaf and hard of hearing youth (and their families) from birth through age 21 in the elementary program, junior and senior high school, and early intervention and preschool programs.

<b>School for the Deaf</b>	<b>General Revenue</b>
FY2021 Enacted	\$6,718,335
<i>Target and Other Adjustments</i>	
Restoration of Turnover Savings	435,000
<b>FY2022 Governor</b>	<b>\$7,242,627</b>

***Restoration of Turnover Savings*** **\$435,000**

The Budget restores \$435,000 in general revenue funded turnover savings relative to the FY2021 Budget as Enacted. As of March 29, 2021, all of the 60.0 FTE positions authorized were filled. According to the School, RISD needs to fill every FTE currently available in order to meet every student individual education plan (IEP) as required by state and federal law. In the last five years, student enrollment at RISD has increase by 22.4 percent (15 students) at an average annual rate of 4.4 percent. As enrollment has increased, additional staff have been needed and RISD does not anticipate achieving much, if any, turnover savings.

In FY2022, the Department requested \$101,832 in salary and benefits for 1.0 new FTE Speech Pathologist position at RISD; however, the position was not included in the Budget.

## METROPOLITAN CAREER AND TECHNICAL SCHOOL

The Metropolitan Career and Technical School (Met School) is a career and technical public school district with two campuses in Providence and a third in Newport. It provides a comprehensive education which includes internships, individual learning plans, advisory, and a college transition program for students in grades nine through twelve.

The Budget provides \$9.3 million in general revenue funding for the Met, level funded with the FY2020 Budget as Enacted. This includes \$1.3 million for the Met School Stabilization Fund. The Met School is governed by a board, appointed by the Board of Education but operated independently. Also, unlike Davies, the employees at the Met School are not state employees. (See Education Aid in the Special Report section of this publication for further detail.)

<b>Metropolitan Career and Technical School</b>	<b>General Revenue</b>
FY2021 Enacted	\$9,342,007
<i>Target and Other Adjustments</i>	
Funding Formula Adjustment	320,126
Met School Stabilization Fund	(320,126)
<b>FY2022 Governor</b>	<b>\$9,342,007</b>

### **Funding Formula Adjustment** **\$320,126**

In FY2022, the Met School will receive an increase of \$320,126 in funding formula aid (\$8.0 million in total aid). Previously, the Met School was 100.0 percent state funded; however, beginning in FY2012, it received its general revenue funding through the new funding formula and sending districts pay a portion of the tuition for each student from their district. Furthermore, the Met School is now responsible for the cost of transporting students to and from their sending districts and will no longer be reimbursed by sending districts for transportation costs. Generally, the school provides RIPTA passes to students; however, due to the lack of RIPTA services available to students in Woonsocket, the school contracts for bus service for those students. The total estimated cost to the school is about \$177,000 annually.

### **Met School Stabilization Fund** **(\$320,126)**

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 \$320,126 decrease relative to the enacted budget (\$1.3 million total) provided in FY2022 is to provide a zero net impact on funding relative to FY2021.

## EDUCATION AID

The Department provides direct support to schools and school districts, including charter and state-owned schools through this program. This program also provides funding for group home beds, non-public textbook reimbursement, state-level professional development, the early childhood demonstration pilot project, state E-rate reimbursement, and the state's share of the school breakfast program.

Education Aid	General Revenue
FY2021 Enacted	\$987,621,657
<i>Target and Other Adjustments</i>	
Funding Formula Distribution	34,850,688
Categorical Aid	(425,048)
<b>FY2022 Governor</b>	<b>\$1,022,047,297</b>

Education Aid	Other Funds
Statewide Transportation (restricted receipts)	\$4,618,259

### **Funding Formula Distribution**

**\$34.9 million**

The FY2022 Budget Request includes an additional \$34.9 million for the education funding formula distribution, for a total of \$981.2 million for all the school districts except Central Falls and the state schools, which are included as separate budget programs.

The increase for all school districts, charter schools, Davies Career & Technical School (Davies), and the Metropolitan Career and Technical School (Met) totals \$36.6 million. The difference is due to the increase in funding to Central Falls (\$1.1 million), Davies (\$327,322), and the Met (\$320,126) in FY2022 relative to the FY2021 enacted level.

The Education Adequacy Act (2010-S-2770, Substitute A as Amended) provided a new school funding formula that creates a single methodology for distributing state aid to all public schools. The core principle behind the formula is that state funding should follow the student; therefore, distribution could change annually based on shifts in enrollment. There are no changes in funding methodology for the School for the Deaf, since it is an education program that already has a state, federal and local share.

The formula establishes a per-pupil spending amount (\$10,635 in FY2022) and allocates this funding based on student enrollment. The formula also includes a single factor to adjust the core foundation amount to address the effects of poverty and other factors influencing educational needs. The high need student weight, or student success factor, increases the core foundation amount by 40.0 percent, (\$4,254 in FY2022) for each student eligible for free or reduced lunch. The formula accounts for local revenue generating capacity and overall poverty level by using the EWAV (Equalized Weighted Assessed Valuation) and the concentration of pre-kindergarten through sixth grade students eligible for free or reduced price lunch.

Article 11 of the FY2017 Budget as Enacted changed the threshold for the high-need student weight to a family income at or below 185.0 percent of the federal poverty guidelines. The change is in response to the United States Department of Agriculture no longer requiring districts to collect eligibility data. Since this income level is the same threshold as that used for the free or reduced lunch program, the Department of Elementary and Secondary Education (Department) does not anticipate a change in the eligibility numbers.

The Act included a multi-year transition plan to ease districts into the new formula, allowing time to adjust for gains or losses in education aid. The plan provides a transition period of ten years for those districts projected to receive less school aid than they did through the aid distribution in FY2011, and seven years for those districts projected to receive more aid. As of FY2022 the funding formula distribution is fully phased in. (See Education Aid in the Special Report section of this publication.)

**Categorical Aid**

**(\$425,048)**

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 to address the priorities and funding needs of the districts. These categories include Transportation, High-Cost Special Education, Career & Technical Education, Early Childhood, and the Regionalization Bonus. Article 11 of the FY2017 Budget as enacted added two new aid categories: English Learners and Density Fund. The Density Fund support ended in FY2019. In the FY2019 Budget as Enacted a temporary category for School Resource Officer Support was added. (The Central Falls, Davies and Met School Stabilization Funds are addressed in the relevant sections of this analysis.)

The FY2022 Budget includes funding for all of the categories, except the Regionalization Bonus.

- 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 \$7.7 million in FY2022, level with the FY2021 Budget as Enacted.

<b>Governor's FY2022 Education Aid</b>		
<b>Categorical</b>	<b>Change from Enacted</b>	<b>Total Funding</b>
Transportation	-	7.7
Early Childhood	-	14.9
High-Cost Special Education	-	4.5
Career & Tech. Schools	-	4.5
English Learners	-	5.0
Regionalization Bonus	-	-
Group Home Aid	(0.1)	2.9
School Resource Officer Support	(0.3)	-
<b>Total</b>	<b>(\$0.4)</b>	<b>\$39.5</b>

*\$ in millions*

*Analyst Note: For Regional Transportation, only \$4.2 million of the \$4.6 in the Budget is distributed to districts in the aid tables, since the distribution is based on the June 30, 2020, unaudited expenditure data from the Uniform Chart of Accounts (UCOA). However, the full \$4.6 million needed to level fund regional transportation relative to the FY2021 Budget as Enacted is included in the funding. The decrease in spending is likely due to virtual learning practices implemented in response to COVID-19.*

- 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 level funds this category at \$14.9 million in FY2022.
- 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 \$74,445 for FY2022). 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 FY2022, level with the FY2021 Budget as Enacted. An additional \$4.6 million would be needed to fully fund this category.
- Career and Technical Schools:** This fund contributes toward the initial investment needed to transform existing programs or create new programs and the costs associate with facilities, equipment maintenance and repair, and supplies associated with higher-cost programs at career and technical schools. The Budget funds this category at \$4.5 million in FY2022, level with the previous year.
- English/Multilingual Learners:** Article 11 of the FY2017 Budget as Enacted established a 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 FY2022, the per-pupil weight increases to \$1,064, to reflect 10.0 percent of the \$10,635 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 level funds this category in FY2022 at \$5.0 million; however, an additional \$5.8 million would be needed to fully fund this category.

- **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 FY2022. This category has not been funded since FY2014, as no new regionalized districts have been formed.
- **School Resource Officer Support:** Article 9 of the FY2019 Budget as Enacted establishes a new aid category to support new Resource Officers at public middle and high schools. The program provides support for districts to add Resource Officers but does not mandate their use. For FY2019 through FY2021, the State will reimburse one half the cost of salaries and benefits for qualifying positions created after July 1, 2018; however, for schools with < 1,200 students, only one resource officer position is eligible for reimbursement. Schools with  $\geq 1,200$  students may receive reimbursement for up to 2 positions. Each resource officer can only be assigned to one school. The Budget does not fund this category since the program expired in FY2021.

### **Group Home Aid**

**(\$100,048)**

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. When enacted, the Act maintained the current funding for group homes as a categorical grant program, and provided \$15,000 annually per bed, except for group home beds associated with Bradley Hospital Children's Residential and Family Treatment (CRAFT) Program, which received \$22,000 per bed. Through Article 11 of the FY2017 Budget as Enacted, the per-bed aid increased 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 FY2022 Budget includes \$2.9 million to fund group home beds. This is \$100,048 less than the FY2021 Budget as Enacted. This adjustment represents the most recent update on the number of group home beds per district and the decrease 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.

**Statewide Transportation (restricted receipts)****\$4.6 million**

The statewide student transportation program was created to help districts provide transportation for students attending private schools outside their transportation district, special needs students, homeless students, and foster youth with greater service and cost efficiencies. Transportation is provided to students who attend private, parochial, and charter schools, as well as career & technical education centers and other approved programs. This program maximizes the sharing of buses when possible to achieve service and cost efficiencies. This program is entirely funded by participating school districts but managed by the Department. Payments from the participating districts are deposited into a restricted receipt account within the Department for payment to the vendor providing the transportation services. The costs associated with the statewide transportation program are expected to increase in FY2021 due to an increase in rates and in resources and accommodations needed to transport a growing number of students. Due to the federal McKinney-Vento Homeless Education Assistance Act, districts are required to provide transportation for homeless students to and from their school of origin if it is in the student's best interest. Also, the federal Every Student Succeeds Act requires that students placed in foster care be bused to their district of origin if it is the best interest of the student. Both of these initiatives have led to greater participation in the program and the need to service more locations.

The FY2022 Budget includes an estimated increase in expenditures for the statewide transportation program of \$4.6 million in restricted receipts (\$35.1 million total), relative to the FY2021 Budget as Enacted. The FY2021 Revised Budget includes an increase of \$2.8 million. Based on information received from the Department, the primary reasons for the increase include:

- Student capacity limits, instituted to meet social distancing guidelines, resulted in 199 additional routes
- The rate increase for emergency bus vendors increase by 46.0 percent relative to the FY2019 rates
- PPE and sanitization costs of \$50 per day were paid to vendors for each vehicle
- The contract allows the vendor to bill 50.0 percent per day for routes with Covid-related service interruptions
- The new five-year contract with First Student began on July 1, 2020, with a 5.0 percent rate increase
- The new five-year contract for the system manager also began on July 1, 2020, with a \$1.0 million increase due to the team expanding from 8 to 14 employees; the system manager was located in a separate area from the Department, due to social distancing guidelines; and, the state mandated an increase in the insurance bond.

**SCHOOL CONSTRUCTION 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 FY2021, the minimum state share is 35.0 percent for school districts and the maximum is 93.8 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 was reported to the chairs of the House and Senate Finance Committees. Furthermore, any project approval granted prior to the adoption of the school construction regulations in 2007, which was currently inactive, had not receive voter approval, or had not been previously financed, was deemed 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 2011 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.

<b>School Bond Refinancing Incentive Estimated Savings Summary</b>			
<b>Municipality</b>	<b>Local Savings</b>	<b>State Savings</b>	<b>Total Savings</b>
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
<b>Total Savings</b>	<b>\$12,489,103</b>	<b>\$3,122,350</b>	<b>\$15,611,453</b>

Article 9 of the FY2019 Budget as Enacted provided temporary incentives to encourage districts to improve the condition of public school buildings in Rhode Island, establishes a permanent incentive for school safety and security projects, and established school maintenance expenditure requirements.

For FY2022, the Budget provides \$80.0 million, level funded with the FY2021 Budget as Enacted. For FY2022, the Department projects expenditures of \$79.4 million in school housing aid, an increase of \$278,993 from the FY2021 Budget as Enacted. The surplus will be deposited into the School Building Authority Capital Fund.

*Analyst Note: Beginning in FY2023, the school construction aid entitlements are projected to exceed the \$80.0 million, traditional included in the annual budget. For FY2023 the projection is \$93.4 million, in FY2024 it is \$100.6 million, and in FY2025 it is \$117.3 million.*



<b>School Construction Aid</b>	<b>General Revenue</b>
FY2021 Enacted	\$80,000,000
<i>Target and Other Adjustments</i>	
School Building Authority Capital Fund	Informational
<b>FY2022 Governor</b>	<b>\$80,000,000</b>

**School Building Authority Capital Fund****Informational**

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 FY2022, the Budget provides \$590,814 in general revenue from the surplus construction aid to the Capital Fund. Beginning in FY2023, a surplus in construction aid will no longer be available at the current \$80.0 million funding level.

Through Article 9, the FY2019 Budget also shifted the 3.0 FTE positions currently responsible for the administration of the school construction program from general revenue to a new school construction services restricted receipt account, and added 1.0 FTE Director of School Construction Services. The new restricted receipt account, named the "School Construction Services", is funded by the Rhode Island Health and Education Building Corporation (RIHEBC) from the School Building Authority Capital Fund, fees generated from the origination of municipal bonds and other financing vehicles used for school construction, and its own reserves. There is no limit on the amount or type of expenses that will be funded; however, Article 9 limited the fee that RIHEBC can impose on cities, towns and districts to one tenth of one percent (0.001) of the principal amount of the bond. In FY2021, RIHEBC expects to collect \$300,000 in school bond fees. In FY2022, this revenue is estimated at \$175,000.

In FY2018, RIHEBC was required to transfer \$6.0 million to the State Controller. In FY2019, RIHEBC supported \$737,735 in SBA personnel expenses. These expenses increased to \$770,946 in FY2020, and \$768,976 in FY2021. Personnel expenses are projected to be \$793,596 in FY2022.

**TEACHER RETIREMENT**

Since 1949, all teachers are required to become members of the State Retirement System. The State pays 40.0 percent of the employer's share of the retirement contribution each year. These funds, which are actuarially determined annually, are appropriated to the Department of Education for transfer to the State Retirement Fund.

On November 17, 2011, the General Assembly passed the Rhode Island Retirement Security Act of 2011 (RIRSA) to reform the state and local pension systems. The Act introduces a hybrid pension structure for all State employees, except public safety employees and judges, to shift risk to the employee by combining the attributes of both the defined benefit and defined contribution plans.

<b>Teacher Retirement</b>	<b>General Revenue</b>
FY2021 Enacted	\$118,375,402
<i>Target and Other Adjustments</i>	
Defined Benefit Plan	4,831,705
Defined Contribution Plan	709,059
<b>FY2022 Governor</b>	<b>\$123,916,166</b>

**Defined Benefit Plan****\$4.8 million**

The Budget provides total funding of \$119.0 million for the State's contribution to the teacher retirement defined benefit plan, reflecting a net increase of \$4.8 million from the FY2021 Budget as Enacted. The employer contribution rates are actuarially determined annually, and appropriated to the Department of Education for transfer to the State Retirement Fund. For teachers the State pays 40.0 percent of the employer contribution. This projection is based on 2.5 percent annual wage growth.

**Defined Contribution Plan****\$709,059**

The Budget provides \$4.8 million in general revenue for the State's share of the contribution to the new defined contribution portion of the hybrid pension system, reflecting a net increase of \$709,059 from FY2021 Budget as Enacted. The plan includes a mandatory 5.0 percent employee and 1.0 percent employer contribution. For teachers the State pays 40.0 percent of the employer contribution.

**CAPITAL PROJECTS**

The Budget includes a total of \$975,000 in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2021 and \$2.6 million in FY2022. This provides an increase of \$975,000 in FY2021 and \$915,000 in FY2022 relative to the FY2021 Budget as Enacted, including:

- **Davies Asset Protection:** \$150,000 in FY2021 and \$665,000 in FY2022 for asset protection projects at Davies. While level funded in FY2021, FY2022 reflects an increase of \$515,000 over the FY2021 Budget as Enacted. The increase is due to the annual maintenance of effort requirements implemented by the Department in response to the requirements promulgated with the implementation of the \$250.0 million general obligation bond. Although Davies is not a beneficiary of the bond, the Department is enforcing the formula-based funding requirements on the schools' budget request.
- **Davies HVAC:** \$500,000 in FY2021 and \$900,000 in FY2022 to replace and repair the HVAC system at Davies. Davies recently developed a facility master plan to guide ongoing repairs and upgrades. The assessment evaluated the educational space for academic and technical programs, future enrollment patterns, energy efficiencies, building condition, traffic studies, and Americans with Disabilities Act compliance and provided an extensive list of deferred maintenance and renovation projects. However, due to the dire need in other schools around the State and the need for a substantial investment to address the major repairs at Davies, the master plan is being advanced in smaller projects. Consequently, the funding in FY2021 is to address old HVAC units in classrooms that would not be addressed through a new facility, which is currently on hold.
- **Davies Health Care Classrooms:** \$500,000 in FY2022 for the architectural and engineering phase of the Davies Health Care Classroom Improvements to design replacement space for the Health Care classrooms and eliminate the detached modular classroom building where the program is currently housed. The remaining \$4.5 million is provide in FY2023 when construction is scheduled to occur. This project was previously scheduled to begin in FY2021; however, the late passage of the FY2021 Budget delayed progress.

## Federal COVID-19 Related Emergency Relief to LEAs

District	ESSER I (CARES Act) (available for obligation through September 30, 2021)	ESSER II (CRRSA) (available for obligation through September 30, 2022)	ESSER III (ARP) (available for obligation through September 30, 2023)	Total
Barrington	\$79,799	\$288,735	\$648,458	\$1,016,992
Burrillville	394,852	1,548,747	3,478,266	5,421,865
Charlestown	-	-	-	-
Coventry	623,392	2,419,802	5,434,532	8,477,726
Cranston	2,304,283	9,038,195	20,298,503	31,640,981
Cumberland	530,621	2,252,791	5,059,448	7,842,860
East Greenwich	69,858	241,108	541,494	852,460
East Providence	1,343,727	5,270,561	11,836,931	18,451,219
Foster	52,429	180,788	406,023	639,240
Glocester	149,926	581,253	1,305,412	2,036,591
Hopkinton	-	-	-	-
Jamestown	98,636	342,190	768,511	1,209,337
Johnston	660,667	2,591,365	5,819,839	9,071,871
Lincoln	476,313	1,931,628	4,338,162	6,746,103
Little Compton	33,278	64,348	144,517	242,143
Middletown	263,613	953,185	2,140,718	3,357,516
Narragansett	184,416	672,411	1,510,139	2,366,966
Newport	795,683	3,079,969	6,917,172	10,792,824
New Shoreham	12,538	-	-	12,538
North Kingstown	452,552	1,775,065	3,986,543	6,214,160
North Providence	720,309	2,825,301	6,345,224	9,890,834
North Smithfield	182,153	682,368	1,532,502	2,397,023
Pawtucket	3,618,740	14,193,947	31,877,588	49,690,275
Portsmouth	243,247	894,792	2,009,575	3,147,614
Providence	14,390,236	57,702,326	129,591,234	201,683,796
Richmond	-	-	-	-
Scituate	211,568	775,558	1,741,794	2,728,920
Smithfield	202,518	794,344	1,783,984	2,780,846
South Kingstown	352,990	1,344,338	3,019,191	4,716,519
Tiverton	194,599	763,284	1,714,228	2,672,111
Warwick	1,488,005	5,470,524	12,286,019	19,244,548
Westerly	552,501	2,020,394	4,537,517	7,110,412
West Warwick	961,349	3,705,668	8,322,405	12,989,422
Woonsocket	3,308,150	12,975,705	29,141,589	45,425,444
Bristol-Warren	485,476	1,904,207	4,276,577	6,666,260
Exeter-West Greenwich	142,555	521,496	1,171,205	1,835,256
Chariho	315,655	1,183,347	2,657,629	4,156,631
Foster-Glocester	90,511	535,272	1,202,144	1,827,927
Central Falls	1,575,794	6,790,598	15,250,718	23,617,110
<b>District Total</b>	<b>\$37,562,936</b>	<b>\$148,315,610</b>	<b>\$333,095,791</b>	<b>\$518,974,337</b>
Charter School Total	3,454,925	14,938,873	33,550,589	51,944,387
Davies	269,601	1,171,943	2,632,018	4,073,562
Met School	316,356	1,437,897	3,229,313	4,983,566
Urban Collaborative	85,140	333,948	749,999	1,169,087
School for the Deaf	26,441	114,139	256,339	396,919
<b>Total</b>	<b>\$41,715,400</b>	<b>\$166,312,410</b>	<b>\$373,514,049</b>	<b>\$581,541,859</b>

Source: Rhode Island Department of Education



## Public Higher Education

Expenditures By Program	FY2020	FY2021	FY2021			FY2022		
	Actual	Enacted	Governor	Change from Enacted		Governor	Change from Enacted	
Office of Postsecondary Commissioner	\$35.4	\$40.8	\$50.6	\$9.8	24.0%	\$44.4	\$3.6	8.8%
University of Rhode Island	823.3	861.7	847.7	(14.0)	-1.6%	836.0	(25.7)	-3.0%
Rhode Island College	184.8	202.9	198.9	(4.0)	-2.0%	185.3	(17.5)	-8.6%
Community College of R.I.	164.1	169.4	164.7	(4.6)	-2.7%	169.2	(0.2)	-0.1%
<b>Total</b>	<b>\$1,207.5</b>	<b>\$1,274.8</b>	<b>\$1,261.9</b>	<b>(\$12.9)</b>	<b>-1.0%</b>	<b>\$1,234.9</b>	<b>(\$39.9)</b>	<b>-3.1%</b>
<b>Expenditures By Source</b>								
General Revenue	\$231.4	\$238.0	\$238.0	\$0.1	0.0%	\$244.1	\$6.1	2.6%
Federal Funds	23.9	31.4	18.1	(13.3)	-42.4%	16.4	(14.9)	-47.6%
Restricted Receipts	1.7	3.0	3.0	0.0	0.1%	4.1	1.2	39.9%
Other Funds	950.5	1,002.5	1,002.9	0.4	0.0%	970.2	(32.3)	-3.2%
<b>Total</b>	<b>\$1,207.5</b>	<b>\$1,274.8</b>	<b>\$1,261.9</b>	<b>(\$12.9)</b>	<b>-1.0%</b>	<b>\$1,234.9</b>	<b>(\$39.9)</b>	<b>-3.1%</b>
Third Party Funded FTE	523.8	523.8	523.8	-	-	523.8	-	0.0%
Authorized FTE Levels	3,860.5	3,860.5	3,860.5	-	-	3,862.5	2.0	0.1%
<b>Total</b>	<b>4,384.3</b>	<b>4,384.3</b>	<b>4,384.3</b>	<b>-</b>	<b>-</b>	<b>4,386.3</b>	<b>2.0</b>	<b>0.0%</b>

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

Prior to January 1, 2013, higher education in Rhode Island functioned under the direction of the Board of Governors for Higher Education. The FY2013 Budget as Enacted established a new Board of Education consisting of 11 members, appointed by the Governor with the advice and consent of the Senate. The Board of Governors for Higher Education and the Board of Regents for Elementary and Secondary Education were abolished as of January 1, 2013.

The major responsibilities of the Board of Education (Board), pertaining to higher education, include the governance of public institutions of higher learning and the regulation of proprietary schools; the preparation of a public higher education budget and capital development program; and the development of policies in pursuit of the primary goals of excellence, opportunity and access, diversity and responsiveness, coordination and accountability in public higher education.

The system of public higher education consists of three major institutions located at eight different campuses across the State of Rhode Island: the University of Rhode Island (URI), Rhode Island College (RIC), and the Community College of Rhode Island (CCRI).

The FY2015 Budget as Enacted established the Council on Postsecondary Education, which has duties and responsibilities per RIGL 16-59-1 and 16-59-4, much the same as the former Board of Governors for Higher Education.

### MAJOR ISSUES AND TRENDS

The FY2022 Budget includes total funding of \$1,234.9 million, representing a decrease of \$39.9 million (3.1 percent) from the FY2021 Budget as Enacted, including a general revenue increase of \$6.1 million (2.6 percent). The increase includes \$8.0 million in state funding to promote alignment between the State's priorities for higher education and institutional practice and policy, partially offset by a decrease of \$1.6 million for general obligation debt service. The increased state funding will be split among the three institutions, providing \$7.0 million to URI, \$35,770 to RIC, and \$168,214 to CCRI.

## State Appropriation to Higher Education Institutions (not including G.O. Bond debt service)

	FY2019 Actuals	FY2020 Actual	FY2021 Enacted	FY2022 Gov	Change to FY2021 Enacted	Percent Change to Enacted	Change to FY2020 Actual	Percent Change to Actual
University of Rhode Island	\$80,967,459	\$79,141,738	\$78,152,796	\$85,145,516	\$6,992,720	8.9%	\$6,003,778	7.6%
Rhode Island College	48,845,066	47,805,887	52,172,385	52,208,155	35,770	0.1%	4,402,268	9.2%
Community College of R.I.	50,528,140	46,580,079	52,258,866	52,427,080	168,214	0.3%	5,847,001	12.6%
	<b>\$180,340,665</b>	<b>\$173,527,704</b>	<b>\$182,584,047</b>	<b>\$189,780,751</b>	<b>\$7,196,704</b>	<b>3.9%</b>	<b>\$16,253,047</b>	<b>9.4%</b>

According to the Office of Management and Budget, the proposed FY2022 appropriation to each institution was based on the FY2020 Final Enacted Budget with general revenue added to replace the scoop for the federal Higher Education Emergency Relief (HEER) Funds and account for the benefit adjustment for personnel. Excluding general obligation bond debt services, the three institutions requested a total increase in state appropriation of \$14.1 million, including \$8.1 million for URI and \$6.0 million for RIC. CCRI's budget request represents a current services budget with no new or expanded initiatives. The Governor recommends a total increase of \$7.2 million. The Budget includes tuition and mandatory fee increases at all three institutions.

The decrease in federal funds of \$14.9 million (47.6 percent) is due primarily to the discontinuation of federal Higher Education Emergency Relief Funds (HEERF) provided through the original Coronavirus Aid, Relief and Economic Security Act, 2020 (CARES Act). Restricted receipts increase by \$1.2 million (39.9 percent) due to an increased revenue projection from the Higher Education and Industry Centers as the new center in Woonsocket is scheduled to open in October 2021.

Based on current projections, there will not be sufficient funding for the Dual/Concurrent Enrollment program and the RI Promise I Need-Based Scholarship program in FY2023. On December 6, 2017, the Council on Postsecondary Education voted to authorize the Commissioner to transfer the Federal Family Education Loan Portfolio to the United States

Office of the Postsecondary Commissioner  
Projection of DHEA Revenues/Expenses for FY2020 through FY2022

	FY2020 Enacted	FY2021 Projected	FY2022 Projected	FY2023 Projected
<b>Revenues</b>				
Reserves	\$21,298,391	\$14,803,391	\$8,007,560	\$312,560
CollegeBound Fund Fees (from Treasurer)	5,800,000	5,500,000	4,600,000	4,400,000
<b>Total</b>	<b>\$27,098,391</b>	<b>\$20,303,391</b>	<b>\$12,607,560</b>	<b>\$4,712,560</b>
<b>Expenditures</b>				
Promise 1 Scholarship (CollegeBound Fees)	(5,595,000)	(5,595,000)	(5,595,000)	(5,595,000)
Promise 1 Scholarship (DHEA Reserves)	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)
Dual/Concurrent Enrollment (DHEA Reserves)	(2,300,000)	(2,300,000)	(2,300,000)	(2,300,000)
Personnel Expenses (DHEA Reserves)	(400,000)	(400,831)	(400,000)	(400,000)
<b>Total</b>	<b>(\$12,295,000)</b>	<b>(\$12,295,831)</b>	<b>(\$12,295,000)</b>	<b>(\$11,895,000)</b>
<b>Ending Balance</b>	<b>\$14,803,391</b>	<b>\$8,007,560</b>	<b>\$312,560</b>	<b>(\$7,182,440)</b>

Source: Reserves and expenditure projections from the OPC. CollegeBound Fee projections from the General Treasurer's Office.

Department of Education. The transfer was completed in FY2018; consequently, the Division of Higher Education Assistance (DHEA) no longer receives any guaranty agency fee revenues. Without the revenues, the reserves balance declines and will be exhausted in FY2022. Pursuant to RIGL 16-57-6.1(b) and 16-56-6, CollegeBound Fund fees **must be used** for need-based grant programs; thereby limiting the use of these funds. Additionally, revenues from the CollegeBound fund are expected to decline due to the raising average age of participants and smaller contributions. The revenues are based on the amount of assets under management.

The average age of the participants is currently 16; and, as these participants enter college, they will withdraw assets. Furthermore, the new, younger participants are not joining in the numbers needed to offset withdrawals, and these new participants are generally making smaller contributions to their savings plans. Historically generating about \$6.0 million annually, the General Treasurer projects revenue to decline to \$5.5 million in FY2021, \$4.6 million in FY2022, and \$4.3 million in FY2023. These revenues are used to partially support the need-based Promise I grant program.

The American Rescue Plan, passed in March 2021, was the third appropriation of federal coronavirus aid to institutions of higher education. In total, the three state institutions have or will receive approximately \$172.7 million in federal aid. Of the total aid, roughly one-half is earmarked for emergency financial aid grants to students. Also, the FY2020 Revised Budget reduced general support the institutions by an amount roughly equivalent to the institutional allocation for the Higher Education Emergency Relief Funds (HEERF) provided through the original Coronavirus Aid, Relief and Economic Security Act, 2020 (CARES Act). The table below provides the current projections for federal, coronavirus-related aid.

### Federal Coronavirus Aid to Higher Education Institutions

<b>Coronavirus Aid, Relief and Economic Security Act, 2020 (CARES Act)</b>	<b>URI</b>	<b>RIC</b>	<b>CCRI</b>	<b>Total</b>
<b>HEERF I</b>				
Institutional Allocation	\$5.6	\$3.7	\$5.0	\$14.3
Minimum Amount for Student Grants	5.6	3.7	5.0	14.3
Strengthening Institutions Program (SIP)	-	0.4	0.5	0.9
<b>Total</b>	<b>\$11.2</b>	<b>\$7.8</b>	<b>\$10.5</b>	<b>\$29.5</b>
<b>Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA)</b>				
<b>HEERF II</b>				
Institutional Allocation	\$11.8	\$8.4	\$17.0	\$37.2
Minimum Amount for Student Grants	5.6	3.7	5.0	14.3
Strengthening Institutions Program (SIP)	-	0.5	0.9	1.4
<b>Total</b>	<b>\$17.4</b>	<b>\$12.6</b>	<b>\$22.9</b>	<b>\$52.9</b>
<b>American Rescue Plan, March 2021 (ARP) (funds available for use through September 30, 2023)</b>				
<b>HEERF III (Estimated Distribution)</b>				
Institutional Allocation	\$15.4	\$10.6	\$19.2	\$45.1
Minimum Amount for Student Grants	15.4	10.6	19.2	45.1
<b>Total</b>	<b>\$30.8</b>	<b>\$21.2</b>	<b>\$38.3</b>	<b>\$90.3</b>
<b>Grand Total</b>	<b>\$59.5</b>	<b>\$41.6</b>	<b>\$71.7</b>	<b>\$172.7</b>

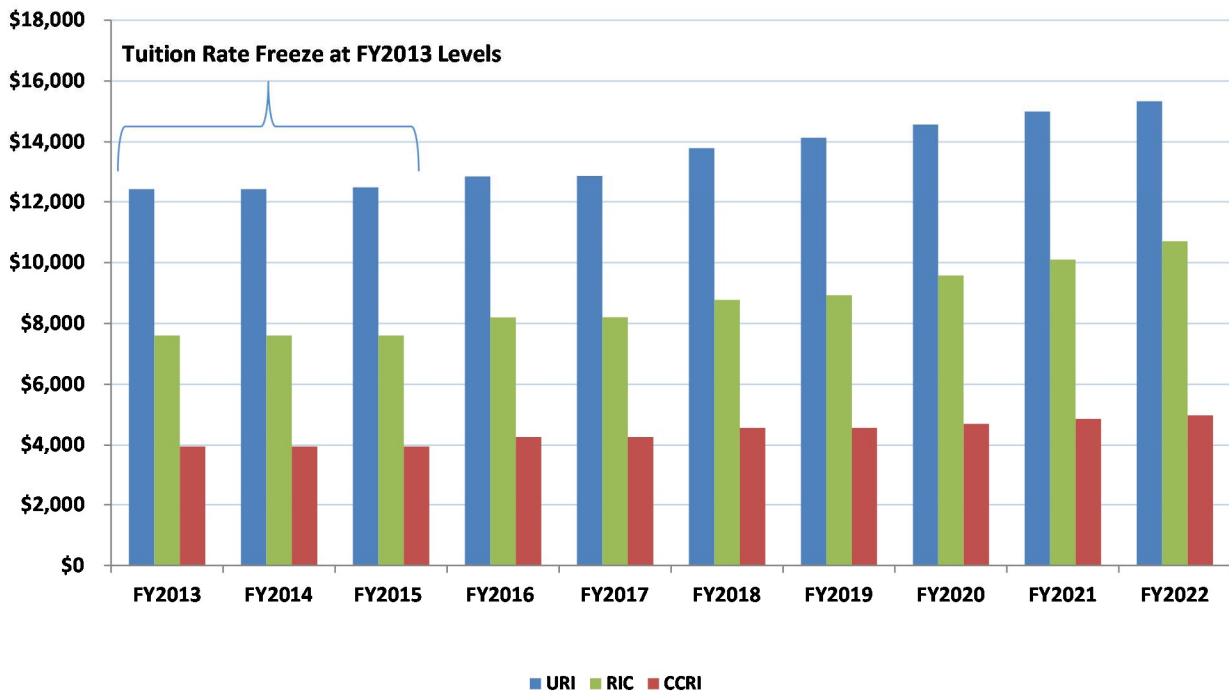
*\$ in millions*

While details are still a bit unclear, it appears that the institutional funds may be used to defray expenses associated with the coronavirus including lost revenue, technology cost associated with the transition to distance learning, previously incurred expenses, faculty and staff trainings, payroll, and financial aid grants to students. A portion of the funds must be used to implement evidence-based practices to monitor and suppress the virus in accordance with public health guidelines, and to conduct direct outreach to financial aid applicants about the opportunity to receive a financial aid adjustment due to the recent unemployment of a family member or dependent students, or other circumstances.

### Tuition and Fees

Actual tuition and fee rates, by institution, along with a projection for FY2021 and FY2022, are shown in the following graph.

## In-State Undergraduate Tuition & Fees



URI	FY2018	FY2019	FY2020	FY2021	FY2022	Change from FY2021	
In-State Tuition	\$12,002	\$12,248	\$12,590	\$12,922	\$13,250	\$328	2.5%
Out-of-State Tuition	28,252	28,972	29,710	30,496	31,272	776	2.5%
Mandatory Fees	1,790	1,890	1,976	2,082	2,082	-	-
<b>Tuition &amp; Fee Revenue</b>	<b>316,248,105</b>	<b>323,265,906</b>	<b>334,895,206</b>	<b>343,782,541</b>	<b>352,063,419</b>	<b>8,280,878</b>	<b>2.4%</b>
<b>RIC</b>							
In-State Tuition	\$7,637	\$7,790	\$8,218	\$8,835	\$9,277	\$442	5.0%
Out-of-State Tuition	20,150	20,553	21,683	23,310	24,475	1,165	5.0%
Northeast Neighbors Program	11,456	11,685	12,328	13,252	13,915	663	5.0%
Mandatory Fees	1,139	1,139	1,360	1,268	1,425	157	12.4%
<b>Tuition &amp; Fee Revenue</b>	<b>72,656,239</b>	<b>70,945,602</b>	<b>65,868,388</b>	<b>66,521,065</b>	<b>67,839,867</b>	<b>1,318,802</b>	<b>2.0%</b>
<b>CCRI</b>							
In-State Tuition	\$4,148	\$4,148	\$4,284	\$4,414	\$4,524	\$110	2.5%
Out-of-State Tuition	11,740	11,740	12,128	12,492	12,804	312	2.5%
Mandatory Fees	416	416	416	446	456	10	2.2%
<b>Tuition &amp; Fee Revenue</b>	<b>53,493,373</b>	<b>53,997,972</b>	<b>56,551,293</b>	<b>54,196,881</b>	<b>55,544,270</b>	<b>1,347,389</b>	<b>2.5%</b>

In FY2022, URI is projecting an increase in tuition and fee revenue of \$8.3 million, or 2.4 percent, based on an increase in in-state tuition of \$328, or 2.5 percent; and, out-of-state tuition of \$776, or 2.5 percent. RIC is projecting an increase in tuition and fee revenue of \$1.3 million, or 2.0 percent, based on an increase in in-state tuition of \$442, or 5.0 percent; an increase in out-of-state tuition of \$1,165, or 5.0 percent; and, an increase in mandatory fees of \$157, or 12.4 percent, partially offset by a decrease in enrollment of 3.0 percent. CCRI projects an increase in tuition and fee revenue of \$1.3 million, or 2.5 percent, based on an increase in in-state tuition of \$110, or 2.5 percent; an increase in out-of-state tuition of \$312, or 2.5 percent; and, an increase in mandatory fees of \$10, or 2.2 percent.



**State Support for Public Education**

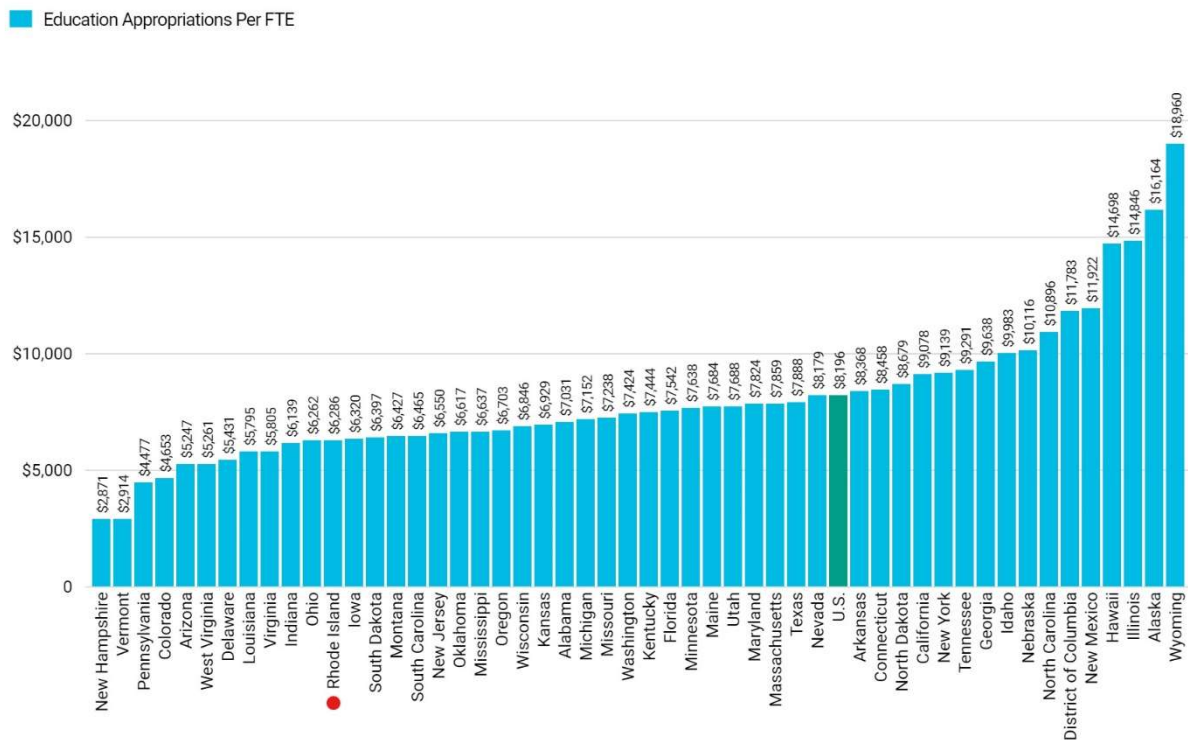
When looking at state support for public higher education, many policy makers tend to take a regional approach. For example, if looking at New England, Rhode Island is in the middle of the pack. In FY2019, the most recent data available, Connecticut appropriated \$2,172 more per student FTE than Rhode Island and Massachusetts appropriated \$1,573 more. Based on Rhode Island’s FY2019 FTE enrollment of 30,204, the difference in per-student FTE between Rhode Island and Massachusetts is \$47.5 million.

However, on a national perspective in FY2019, the State of Wyoming appropriated \$12,674 more per student FTE than Rhode Island. The chart below is from the State Higher Education Executive Officers Association (SHEEO). The chart illustrates state appropriations to public higher education based on student FTEs. The State of Rhode Island appropriates \$1,910 less per student than the national average.

FY2019 State Educational Appropriations per FTE	
Connecticut	\$8,458
Massachusetts	7,859
Maine	7,684
<b>Rhode Island</b>	<b>6,286</b>
Vermont	2,914
New Hampshire	2,871
<b>Regional Average</b>	<b>\$6,012</b>

Source: State Higher Education Executive Officers (SHEEO)

Public Higher Education Appropriations Per FTE by State, FY 2019 (Adjusted)



Notes:

1. Education appropriations are a measure of state and local support available for public higher education operating expenses, and exclude appropriations for independent institutions, financial aid for students attending independent or out-of-state institutions, research, hospitals, and medical education.
2. The U.S. calculation does not include the District of Columbia.
3. Constant dollars adjusted by the Higher Education Cost Adjustment (HECA).
4. Adjusted to account for interstate differences using the Enrollment Mix Index (EMI).
5. Adjusted to account for interstate differences using the Cost of Living Index (COLI). The COLI is not a measure of inflation over time.

Source(s): State Higher Education Executive Officers Association

In FY2022, the three state institutions requested a \$14.1 million increase in the State general revenue support, excluding general obligation debt service. The Governor recommends \$7.2 million.

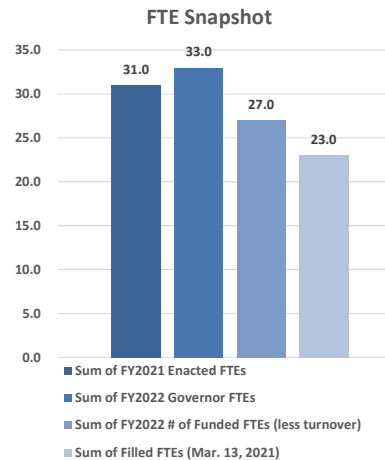
## OFFICE OF THE POSTSECONDARY COMMISSIONER

Expenditures By Source	FY2019	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
	Actual	Actual	Enacted	Governor	Enacted	%	Governor	Enacted	%
General Revenue	\$15.9	\$16.1	\$16.8	\$16.9	\$0.7	4.6%	\$17.3	\$1.2	7.7%
Federal Funds	8.0	8.3	8.4	18.1	9.8	118.1%	11.2	2.9	34.9%
Restricted Receipts	1.9	1.1	2.3	2.3	1.3	119.5%	3.5	2.4	231.1%
Other Funds	10.3	9.9	13.4	13.4	3.5	34.8%	12.4	2.5	25.0%
<b>Total</b>	<b>\$36.1</b>	<b>\$35.4</b>	<b>\$40.8</b>	<b>\$50.6</b>	<b>\$15.2</b>	<b>43.1%</b>	<b>\$44.4</b>	<b>\$9.0</b>	<b>25.6%</b>

\$ in millions

The mission of the Office of the Postsecondary Commissioner (OPC), formerly the Office of Higher Education, is to support the work of the Board of Education and the Council on Postsecondary Education in providing an excellent, accessible, and affordable system of higher education designed to improve the education attainment of Rhode Island citizens, support economic development, and enrich the civic, social, and cultural life of the residents of the State. The Commissioner works with the presidents of the state higher education institutions to determine the benefits or disadvantages of proposed new programs, departments, courses of study, and policies with the scope and role adopted by the Council on Postsecondary Education. The OPC also supports specific programs, such as early college access and veterans affairs. The FY2016 Budget as Enacted created a new Division of Higher Education Assistance (DHEA) within the Office of the Postsecondary Commissioner and eliminated the Rhode Island Higher Education Assistance Authority. The OPC provides research, policy, and fiscal analysis, and seeks to ensure that higher education in Rhode Island remains economically and geographically accessible.

The Budget provides 33.0 FTE positions for the OPC in FY2022, including 1.0 FTE that is third-party funded. This represents an increase of 2.0 FTE positions from the FY2021 Budget as Enacted. The increase is due to the addition of 2.0 FTE Executive Assistant positions for the Northern RI Education Center. Of the positions provided 10.0 are available only for the State's Higher Education Centers located in Woonsocket and Westerly, and 10.0 for the Nursing Education Center.



Office of Postsecondary Commissioner	General Revenue
FY2021 Enacted	\$16,793,746
<i>Target and Other Adjustments</i>	<i>98,690</i>
Rhode Island Promise Scholarship Program	446,974
Reduction in Turnover Savings	290,330
<b>FY2022 Governor</b>	<b>\$17,339,410</b>
<b>Office of Post Secondary Commissioner</b>	<b>Other Fund Changes</b>
GEER funds I and II (federal funds)	\$3,095,402
Higher Education and Industry Centers (2.0 FTE position) (restricted receipts)	190,356

**Rhode Island Promise Scholarship Program****\$446,974**

The Budget includes an additional \$446,974 in general revenue (\$7.7 million total) to fund the Rhode Island Promise Scholarship program (RI Promise). Article 3 of the FY2018 Budget established the 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. FY2022 represents the sixth year of the program. The Budget assumes no enrollment growth for the fall of 2021 cohort. The increase is due entirely to the 2.5 percent increase in tuition and fees at the College. The program is scheduled to sunset

with the high school graduating class of 2021; however, section 15 of Article 1 would repeal the sunset and make the program permanent.

***Reduction in Turnover Savings***

***\$290,330***

The Budget reduces turnover savings within the OPC from \$440,000 to \$149,670 by adding \$290,330 in general revenue. With an average cost per FTE of \$96,493, this increase represent funding for 3.0 positions. The Budget funds 27.0 positions. As of March 13, 2021, 23.0 positions were filled.

***GEER Funds I and II (federal funds)***

***\$3.1 million***

The Budget provides \$3.1 million in Governor's Emergency Education Relief (GEER) Funds in FY2022 and \$776,200 in FY2021. Based on a memorandum from Governor Raimondo, dated January 14, 2021, the funds will be used for specific criteria related to three projects.

- **Higher Education and Education Training Opportunities:** A total of \$470,884 in federal GEER funds, will be used in FY2022 to improve access and accessibility to higher education and education training programs in communities where there currently is not a public higher education campus in an effort to serve students and workers dislocated by the pandemic. The project will create a communication plan to increase awareness of new education training programs at the Northern RI Education Center where the pandemic has been devastating to high-density communities. Employer-driven, training programs will be designed and implemented to support unemployed or underemployed individuals. This project started in November 2021 and is scheduled for completion in December 2022.
- **Innovation and Institutional Effectiveness:** A total of \$1.0 million in federal GEER Funds, including \$667,200 in FY2021 and \$332,800 in FY2022, will be used to support innovation and institutional effectiveness at institutions that have been most financially impacted by COVID to support ongoing operations. The funds will support activities such as the payment of services to Alvarez & Marsal for analyzing institutional improvement at Rhode Island College in relation to the COVID-19 pandemic. Areas identified for further growth include the dual/concurrent enrollment program, and the recruitment and matriculation of Rhode Island students from postsecondary education, including the seamless transfer of students from the Community College of Rhode Island to four-year institutions.
- **Education-Related Jobs and Child Care Programming:** A total of \$2.4 million in federal GEER funds, including \$109,000 in FY2021 and \$2.3 million FY2022, will be used to build an infrastructure to protect education-related jobs and to increase the quality of child care programming to address learning loss among the State's youngest learners. The funds will be used to implement an Early Childhood Care & Education (ECCE) Workforce Center at the OPC to develop and implement programming that supports at least 80 incumbent child care workers in earning credits and/or degrees to allow them to advance to higher wage positions.

***Higher Education and Industry Centers (2.0 FTE position) (restricted receipts)***

***\$190,356***

The Budget includes an additional \$190,356 in restricted receipt funding for 2.0 new FTE Executive Assistant positions at the Northern Rhode Island Higher Education and Industry Centers. The Northern Center is expected to open in October 2021. The Higher Education Facilities are self-supporting through occupancy fees charged for the use of the facility.

## UNIVERSITY OF RHODE ISLAND

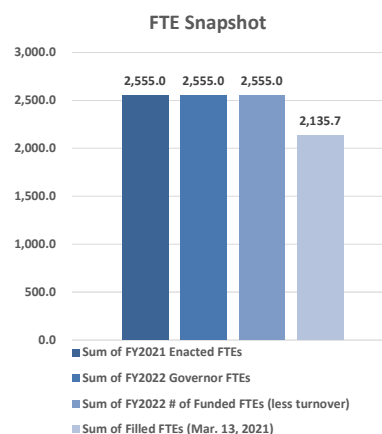
Expenditures By Source	FY2019 Actual	FY2020 Actual	FY2021 Enacted	FY2021 Governor	Change from Enacted		FY2022 Governor	Change from Enacted	
General Revenue	\$110.0	\$112.7	\$109.5	\$109.5	\$0.0	0.0%	\$115.0	\$5.4	5.0%
Federal Funds	-	4.5	14.0	-	(\$14.0)	-100.0%	-	(\$14.0)	-100.0%
Other Funds	687.5	706.1	738.2	738.2	0.0	0.0%	721.0	(17.2)	-2.3%
<b>Total</b>	<b>\$797.4</b>	<b>\$823.3</b>	<b>\$861.7</b>	<b>\$847.7</b>	<b>(\$14.0)</b>	<b>-1.6%</b>	<b>\$836.0</b>	<b>(\$25.7)</b>	<b>-3.0%</b>

\$ in millions

The University of Rhode Island (URI) was founded in 1888 as an agricultural school known as the Rhode Island College of Agriculture and Mechanic Arts. The college was actually the second State college established in Rhode Island. The Agricultural Experiment Station building was the first structure on campus, and was built in 1889; the building was later renamed Taft Hall. Today, Taft Hall houses internship, international exchange, and foreign student programs. In 1955, the school became known as the University of Rhode Island.

URI quickly evolved beyond its genesis as a land grant and agricultural school, and today has retained a focus on biological and natural sciences, along with a developing focus on technology in areas such as ocean engineering, chemistry, pharmacy, economics, nursing, and renewable energy. URI has the third oldest continuously operating marine laboratory in the United States, the oldest turfgrass research program in the country, and has implemented green building technology in the expansion and renovation of its facilities. URI provides Bachelor's, Master's, and Doctorate level degrees.

URI has four campuses: the 1,250 acre Kingston Campus; the 153 acre Bay Campus in Narragansett; the Providence Campus, located in the Shepard Building on Washington Street in Providence; and, the W. Alton Jones Campus located on 2,300 acres in West Greenwich. The Budget provides 2,555 FTE positions, consistent with the FY2021 Budget as Enacted, including 357.8 positions that are third party funded.



### Major Issues and Trends

In addition to the 2.5 percent increase in tuition and fee revenue, URI requested a general revenue, state appropriation increase of \$8.1 million excluding general obligation debt service. Of the requested increase for personnel costs, \$6.0 million is for COLAs and associated fringe benefits, \$300,000 for contracts such as audit feeds and background checks, and \$200,000 is for 10 new graduate assistants. The student aid increase includes \$2.7 million to offset tuition increase and \$580,772 for waivers for new graduate assistants as well increased cost for tuition growth. Operating costs increase by \$940,316 (2.0 percent) for insurance and utility increases.

While approving the tuition and fee increase, the Governor recommends a general revenue increase of \$7.0 million, excluding debt service for general obligation bonds. The recommendation is \$1.1 million less than requested by URI.

**University of Rhode Island  
FY2022 Budget Request  
Increase over FY2021 Budget as  
Enacted**

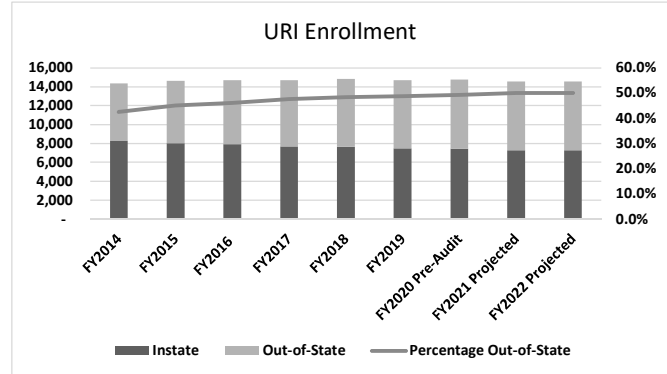
Revenue Initiative	Amount
State Appropriation <sup>1</sup>	\$8.1
Tuition and Fees	8.3
Miscellaneous	1.3
<b>Total</b>	<b>\$17.7</b>
Expenditure Initiatives	Amount
Personnel	\$8.5
Student Aid	3.4
Operating	0.9
<b>Total</b>	<b>\$12.7</b>

<sup>1</sup> Excludes G.O. debt service.

\$ in millions.

**Enrollment**

In-state enrollment is projected to be 7,267 full-time equivalent students and out-of-state students are projected at 7,306 in FY2022, level with FY2021 projections.



University of Rhode Island	General Revenue
FY2021 Enacted	\$109,533,078
<i>Target and Other Adjustments</i>	-
State Appropriation	6,983,825
General Obligation Debt Service	(1,543,043)
State Crime Lab	8,895
<b>FY2022 Governor</b>	<b>\$114,982,755</b>

**State Appropriation**

**\$7.0 million**

State general revenue support for URI increase by \$7.0 million in FY2022 to a total of \$85.1 million, excluding general obligation bond debt service. In 2016, the General Assembly passed the Performance Incentive Funding Act to promote alignment between the State’s priorities for higher education and institutional practice and policy. The statute delineates three priorities for the public institutions including improving graduation/persistence; increasing graduates in high-demand, high-wage fields (HDHW); and, advancing institutions missions. The institution-specific performance measures were designed by the Commissioner, in consultation with the Council on Postsecondary Education (Council). Data collection began in FY2017. Under the statute, the institutions do not lose any funding, since the statute is triggered by the allocation of “otherwise unrestricted higher education general revenue”. The Budget no longer itemizes performance incentive funding, instead it is rolled into general support.

**General Obligation Debt Service**

**(\$1.5 Million)**

The Budget includes \$29.8 million in general revenue for general obligation debt service at URI in FY2022 and \$31.4 million in FY2021. This is a decrease of \$1.5 million in FY2022 and level funded in FY2021 relative to the FY2021 Budget as Enacted. The change is due primarily to the issuance of bonds for the College of Engineering projects at URI.

	FY2021 Enacted	FY2021 Revised	Change from Enacted		FY2022 Governor	Change from Enacted	
University of Rhode Island	\$31,380,282	\$31,380,282	\$0	0.0%	\$29,837,239	(\$1,543,043)	-4.9%
Rhode Island College	5,706,171	5,706,171	-	-	6,024,998	318,827	5.6%
Community College of Rhode Island	1,486,945	1,486,945	-	-	1,095,685	(391,260)	-26.3%
<b>Total</b>	<b>\$38,573,398</b>	<b>\$38,573,398</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$36,957,922</b>	<b>(\$1,615,476)</b>	<b>-4.2%</b>

Source: Rhode Island Budget Office

**State Crime Lab**

**\$8,895**

The Budget provides an additional \$8,895 in general revenue (\$1.3 million total) for the State Crime Lab, consistent with the requested budget.

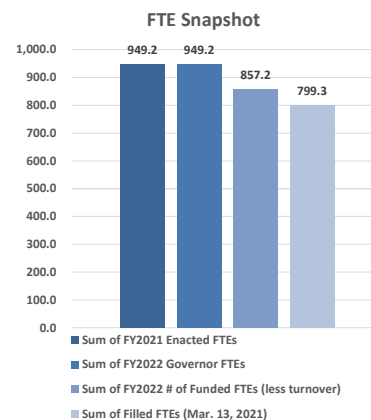
**RHODE ISLAND COLLEGE (RIC)**

Expenditures By Source	FY2019 Actual	FY2020 Actual	FY2021 Enacted	FY2021 Governor	Change from Enacted		FY2022 Governor	Change from Enacted	
General Revenue	\$55.3	\$54.1	\$57.9	\$57.9	\$0.0	0.0%	\$58.2	\$0.4	0.6%
Federal Funds	-	7.0	4.0	-	(\$4.0)	-100.0%	-	(\$4.0)	-100.0%
Other Funds	141.4	123.7	141.0	141.0	-	0.0%	127.1	(13.9)	-9.9%
<b>Total</b>	<b>\$196.7</b>	<b>\$184.8</b>	<b>\$202.9</b>	<b>\$198.9</b>	<b>(\$4.0)</b>	<b>-2.0%</b>	<b>\$185.3</b>	<b>(\$17.5)</b>	<b>-8.6%</b>

\$ in millions

Rhode Island College (RIC) was established in 1854 as the Rhode Island State Normal School, with the mission of providing teacher preparation to Rhode Island residents. In 1959, RIC moved to its current campus location on 180 acres off of Mount Pleasant Avenue in Providence and was renamed Rhode Island College to reflect expanded curriculum.

Today, RIC provides comprehensive education at the Bachelor's and Master's level, with a focus on Rhode Island residents. Rhode Island College is accredited by the New England Commission of Higher Education, the Council on Social Work Education, National Association of Schools of Art and Design, National Association of Schools of Music, National Association of State Directors of Teacher Education and Certification, National Council for Accreditation of Teacher Education, and the Commission on Collegiate Nursing Education.



The Budget includes 949.2 FTE positions in FY2022, including 76.0 third-party funded positions, consistent with the FY2021 Budget as Enacted.

**Major Issues and Trends**

The Budget includes a tuition increase of 5.0 percent for both in-state (\$442) and out-of-state students (\$1,165). Mandatory fees increase by 12.4 percent (\$157) relative to FY2021; however, several fees that were waived or reduced in FY2021 are reinstated in FY2022. The increase relative to FY2020 is 4.8 percent (\$65). Based on projected decline enrollment of 3.0 percent, the tuition and fee increase is projected to net an increase of \$1.3 million. In addition, RIC requested an increase in the state general revenue appropriation of \$6.0 million, excluding G.O. debt service, relative to the FY2021 Budget as Enacted. Beginning in FY2022, RIC will no longer be subsidizing the Henry Barnard School for a savings of \$2.6 million, and the college will also resume assessing the indirect cost recovery on auxiliary enterprises for additional revenue of \$1.6 million relative to FY2021.

Rhode Island College FY2022 Budget Request Increase over FY2021 Budget as Enacted	
Revenue Initiatives	Change
State Appropriation <sup>1</sup>	\$6.0
Tuition and Fee increase from FY2021 Revised Request <sup>2</sup>	1.3
Henry Barnard School Subsidy Savings	2.6
Auxiliary Indirect Cost Recovery	1.6
Sales and service	0.2
<b>Total</b>	<b>\$11.6</b>

<sup>1</sup> Excludes general obligation bond debt service.

<sup>2</sup> The FY2021 Revised request lower tuition and fee revenue by \$14.4 million based on actual experience.

\$ in million. Totals may not add due to rounding.

**Analyst Note:** At RIC, the FY2022 Request shows an 11.5 percent decrease (739 students) in FTE enrollment and a 17.8 percent (\$14.4 million) decrease in tuition and fee revenue.

Of the requested increase, 51.6 percent is for fixed costs and commitments such as the third and final year of contracted salary adjustments to bring faculty salaries in line with peer institutions (\$4.2 million), contracted COLAs for July 1, 2021 (\$1.6 million), and healthcare and fringe benefit costs to meet the budget planning values instructions (\$750,000). The request also restores temporary cuts from FY2021 that were possible due to the nature of remote instruction. An initiative to target new student populations with online, evening, and weekend class scheduling is intended to increase enrollment by reaching the students where they are and appealing to a broader population of more diverse learners. The request also includes a 4.9 percent increase in student aid (\$470,079) to offset the impact of the tuition increase for low income students.

**Rhode Island College  
FY2022 Budget Request**  
*Increase over FY2021 Budget as Enacted*

Expenditure Request	Change
Fixed Personnel Costs	\$6.0
Restoration of FY2021 Temporary Cuts	2.4
Targeting New Student Populations Initiative	2.3
Early Retirement Program <sup>1</sup>	0.5
Financial Aid - 5.0 Percent Increase	0.5
<b>Total</b>	<b>\$11.6</b>

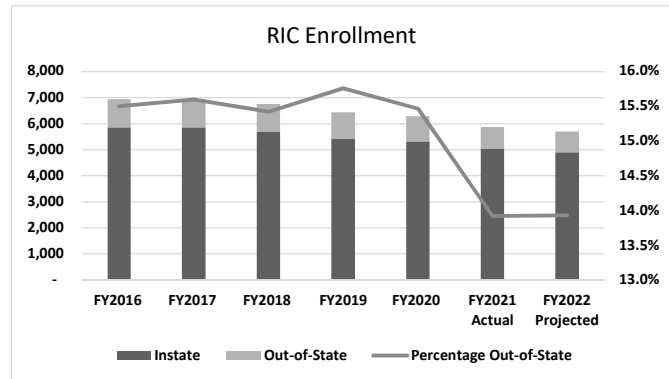
<sup>1</sup> Represents the net of projected \$1.8 million in payouts versus \$1.3 million in savings for FY2022.  
\$ in million. Totals may not add due to rounding.

While approving the tuition and fee increase, the Governor recommends a general revenue increase of \$35,770, excluding debt service for general obligation bonds. The recommendation is \$5.9 million less than the request.

RIC is proposing an early retirement program targeting faculty and staff not reached by the State program. The program is expected to target employees 62 years of age, or older, with 20 or more years of service at RIC as of June 19, 2021. Qualified employees will be eligible to received 50.0 percent of their current annual salary, or 50.0 percent of the third year of the faculty salary schedule, whichever is higher, with a minimum payout of \$20,000. The enrollment period will begin in April 2021 with program participants confirmed in May 2021.

**Enrollment**

Total enrollment is projected to be 5,693 full-time equivalent students in FY2022, a decrease of 176 students, or 3.0 percent, relative to FY2021 Actual enrollment.



Rhode Island College	General Revenue
FY2021 Enacted	\$57,878,556
<i>Target and Other Adjustments</i>	-
General Obligation Debt Service	318,827
State Appropriation	35,770
<b>FY2022 Governor</b>	<b>\$58,233,153</b>

**General Obligation Debt Service \$318,827**

The Budget provides \$6.0 million in FY2022 for general obligation debt service at RIC funded by general revenue, and \$5.7 million in FY2021. This is an increase of \$318,827 in FY2022 level funded in FY2021 relative to the FY2021 Budget as Enacted.

	FY2021 Enacted	FY2021 Revised	Change from Enacted		FY2022 Governor	Change from Enacted	
University of Rhode Island	\$31,380,282	\$31,380,282	\$0	0.0%	\$29,837,239	(\$1,543,043)	-4.9%
Rhode Island College	5,706,171	5,706,171	-	-	6,024,998	318,827	5.6%
Community College of Rhode Island	1,486,945	1,486,945	-	-	1,095,685	(391,260)	-26.3%
<b>Total</b>	<b>\$38,573,398</b>	<b>\$38,573,398</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$36,957,922</b>	<b>(\$1,615,476)</b>	<b>-4.2%</b>

Source: Rhode Island Budget Office

**State Appropriation**

**\$35,770**

State general revenue support for RIC increase by \$35,770 in FY2022 to a total of \$52.2 million, excluding general obligation bond debt service. In 2016, the General Assembly passed the Performance Incentive Funding Act to promote alignment between the State’s priorities for higher education and institutional practice and policy. The statute delineates three priorities for the public institutions including improving graduation/persistence; increasing graduates in high-demand, high-wage fields (HDHW); and, advancing institutions missions. The institution-specific performance measures were designed by the Commissioner, in consultation with the Council on Postsecondary Education (Council), and data collection began in FY2017. Under the statute, the institutions do not lose any funding, since the statute is triggered by the allocation of “otherwise unrestricted higher education general revenue”. The Budget reduces the line item for the performance incentive funding and increases the general education support.

**COMMUNITY COLLEGE OF RHODE ISLAND (CCRI)**

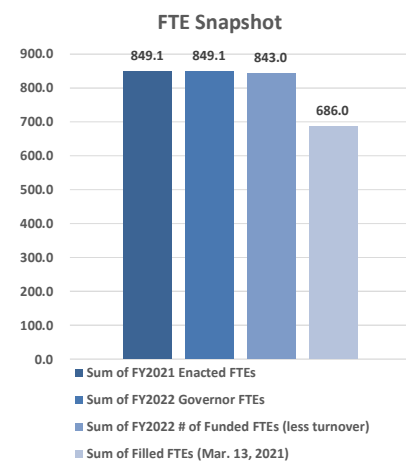
Expenditures By Source	FY2019 Actual	FY2020 Actual	FY2021 Enacted	FY2021 Governor	Change from Enacted		FY2022 Governor	Change from Enacted	
General Revenue	\$52.4	\$48.5	\$53.7	\$53.7	\$0.0	0.0%	\$53.5	(\$0.2)	-0.4%
Federal Funds	-	4.2	5.0	-	(5.0)	-100.0%	5.3	0.3	5.0%
Restricted Receipts	0.6	0.6	0.7	0.7	-	-	0.7	0.0	0.7%
Other Funds	107.4	110.7	110.0	110.3	0.4	0.3%	109.7	(0.2)	-0.2%
<b>Total</b>	<b>\$160.4</b>	<b>\$164.1</b>	<b>\$169.4</b>	<b>\$164.7</b>	<b>(\$4.6)</b>	<b>-2.7%</b>	<b>\$169.2</b>	<b>(\$0.2)</b>	<b>-0.1%</b>

\$ in millions

The Community College of Rhode Island (CCRI) was established by the General Assembly in 1960 as Rhode Island Junior College. The first class of 325 students enrolled at a temporary Providence location in the fall of 1964. CCRI has provided a variety of career, technical, and academic programs and has established partnerships with businesses and non-profit organizations to provide worker training.

Today, CCRI has four main campuses: the 205 acre Knight Campus in Warwick; the 300 acre Flanagan Campus in Lincoln; the 7 acre Liston Campus in downtown Providence; and the 5 acre Newport County Campus in Newport. In addition, CCRI holds classes in the Westerly Higher Education and Industry Center.

The Budget includes 849.1 FTE positions in FY2022 and FY2021, including 89.0 third-party funded FTE positions, consistent with the enacted level.





**Major Issues and Trends**

CCRI’s budget request represents a current services budget with no new or expanded initiatives. The request includes a 2.5 percent increase in tuition and mandatory fees that is projected to increase tuition and fee revenue by \$1.3 million (2.5 percent) over the FY2021 Budget as Enacted. The state appropriation request remains level with the enacted at \$54.4 million. While approving the tuition and fee increase, the Governor recommends an increase of \$168,214 in general revenue funding.

The expenditure request includes an increase in personnel costs of \$1.8 million or 2.0 percent, reflecting fringe benefit changes, restoration of some FY2021 funding, and a reduction in turnover. Bad debt increases by \$200,000 or 28.6 percent based on a five-year experience calculation and driven primarily by students not meeting financial aid requirements or defaulting on payment plans. Student aid is increased by \$100,334 or 2.5 percent to offset the impact of the tuition increase on lower-income students. There is also a \$833,125 reduction, 35.9 percent, in projected general obligation bond debt service.

**Community College of Rhode Island  
FY2022 Budget Request  
Increase over FY2021 Budget as  
Enacted**

Revenue Initiatives	Amount
Tuition and Fee Increase	\$1.3
State Appropriation <sup>1</sup>	-
<b>Total</b>	<b>\$1.3</b>

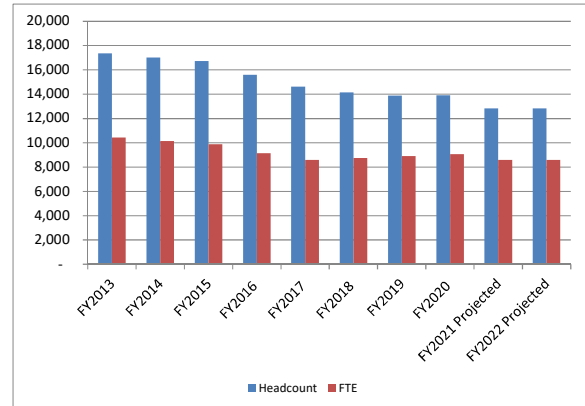
Expenditure Request	Amount
Personnel	\$1.8
Bad Debt	0.2
Student Aid	0.1
G.O. Debt Service	(0.8)
<b>Total</b>	<b>\$1.3</b>

<sup>1</sup> Does not include G.O. bond debt service.  
\$ in millions

**Enrollment**

The table shows the actual student enrollment, both by headcount and by FTE, from 2013 through 2020, and a projection for 2021 and 2022. In FY2022, enrollment is projected to decrease by 1,102 full-time equivalent students, or 5.2 percent, relative to FY2020.

Year	Headcount		FTE	FTE % Change
	Headcount	% Change		
FY2013	17,351	-1.1%	10,433	-1.5%
FY2014	17,017	-1.9%	10,141	-2.8%
FY2015	16,718	-1.8%	9,882	-2.6%
FY2016	15,611	-6.6%	9,128	-7.6%
FY2017	14,624	-6.3%	8,593	-5.9%
FY2018	14,155	-3.2%	8,732	1.6%
FY2019	13,878	-2.0%	8,899	1.9%
FY2020	13,923	0.3%	9,065	1.9%
FY2021 Projected	12,821	-7.9%	8,592	-5.2%
FY2022 Projected	12,821	0.0%	8,592	0.0%
<b>10-Year Average</b>	<b>14,892</b>	<b>-3.0%</b>	<b>9,206</b>	<b>-2.0%</b>



Community College of Rhode Island	General Revenue
FY2021 Enacted	\$53,745,811
Target and Other Adjustments	-
General Obligation Debt Service	(391,260)
State Appropriation	168,214
<b>FY2022 Governor</b>	<b>\$53,522,765</b>
<b>General Obligation Debt Service</b>	<b>(\$391,260)</b>

The Budget provides \$1.1 million in FY2022 and \$1.5 million in FY2021 for general obligation debt service at CCRI funded by general revenue. This is a decrease of \$391,260 and level funded respectively from the FY2021 Budget as Enacted.

	FY2021 Enacted	FY2021 Revised	Change from Enacted		FY2022 Governor	Change from Enacted	
University of Rhode Island	\$31,380,282	\$31,380,282	\$0	0.0%	\$29,837,239	(\$1,543,043)	-4.9%
Rhode Island College	5,706,171	5,706,171	-	-	6,024,998	318,827	5.6%
Community College of Rhode Island	1,486,945	1,486,945	-	-	1,095,685	(391,260)	-26.3%
<b>Total</b>	<b>\$38,573,398</b>	<b>\$38,573,398</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$36,957,922</b>	<b>(\$1,615,476)</b>	<b>-4.2%</b>

Source: Rhode Island Budget Office

### State Appropriation

**\$168,214**

State general revenue support for CCRI increases by \$168,214 in FY2022 to a total of \$52.4 million, excluding general obligation bond debt service. In 2016, the General Assembly passed the Performance Incentive Funding Act to promote alignment between the State's priorities for higher education and institutional practice and policy. The statute delineates three priorities for the public institutions including improving graduation/persistence; increasing graduates in high-demand, high-wage fields (HDHW); and, advancing institutions missions. The institution-specific performance measures were designed by the Commissioner, in consultation with the Council on Postsecondary Education (Council), and data collection began in FY2017. Under the statute, the institutions do not lose any funding, since the statute is triggered by the allocation of "otherwise unrestricted higher education general revenue". The Budget provides an additional \$529,483 in performance incentive funding for CCRI in FY2021, for a total of \$3.0 million. Included in this increase is \$268,995 to support three additional student advisors at CCRI. The Budget no longer itemizes performance incentive funding, instead it is rolled into general support

### CAPITAL PROJECTS

The Budget includes a total of \$31.3 million in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2022 and \$16.5 million in FY2021, including the following.

**URI, RIC, CCRI – Asset Protection:** Asset Protection projects are budgeted from Rhode Island Capital Plan funds (RICAP) and are used to maintain and repair facilities, including roads, buildings, and infrastructure. The asset protection program includes a number of projects at various facilities, and allows each school to shift funding based on current priorities. In FY2021, there is a total of \$7.8 million, including \$2.5 million in RICAP asset protection funding for URI, \$4.2 million for RIC, and \$1.1 million for CCRI. In FY2022, the Budget includes a total of \$17.7 million in asset protection funding for URI (\$9.9 million), RIC (\$4.7 million), and CCRI (\$3.0 million).

**OPC – Northern RI Education Center –** The Budget provides \$3.9 million, split between FY2021 and FY2022, to expand the RI Education Center model to Northern RI. The new Center is scheduled to open in October 2021 in Woonsocket.

**RIC Infrastructure Modernization:** The Budget provides \$959,015 in RICAP funding in FY2021 and \$4.6 million in FY2022 to modernize and replace steam lines, water lines, and the electrical distribution system across the RIC campus. Improvements will address issues of water quality, limit power failures, and eliminate steam plumes throughout the campus.

**CCRI Knight Campus Renewal:** The Budget includes \$1.6 million in RICAP funding in FY2021 and \$2.8 million in FY2022 for the renovation of 280,000 square feet of the 385,000 square-foot Knight Campus Megastructure, including lighting, painting and replacement of carpeting/tile.

**CCRI Flanagan Campus Renewal:** The Budget provides \$2.0 million in FY2022 to begin the renewal of the Flanagan Campus in Lincoln. Funding for this \$13.7 million project includes \$12.5 million in RICAP funds, \$901,994 in College funds, and \$300,000 in private funding. The project includes the modernization

and code compliance upgrades to all of the science labs at the Lincoln campus, as well as the refurbishment of the exterior including heat resistance paint, window replacement, and light abatement.

**CCRI Data, Cabling, and Power Infrastructure:** The Budget provides \$303,000 in FY2021 and \$1.5 million in FY2022 to assess, design, and construct a modernized data cabling and power infrastructure across the four CCRI campuses. The project will upgrade network wiring infrastructure and deliver more capacity to support additional classroom technology, wireless devices and security systems, including cameras, emergency alarm systems, and HVAC control systems.

**CCRI Knight Campus Lab Renovation:** The Budget provides \$1.6 million in FY2021 and \$887,902 in FY2022 to modernize the second floor labs on CCRI's Knight Campus. The Engineering and Physics labs have not been renovated since the mega-structure was built in the 1970's. The project will bring the labs up to current code, including Americans with Disability (ADA) requirements and enclosures to prevent distractions from people walking past the lab. The equipment will be modernized to reflect current employer expectations.



## Rhode Island State Council on the Arts

Expenditures By Program	FY2020	FY2021	FY2021			FY2022		
	Actual	Enacted	Governor	Change from Enacted		Governor	Change from Enacted	
Central Management	\$3,339,291	\$3,448,552	\$4,581,718	\$1,133,166	32.9%	\$3,817,667	\$369,115	10.7%
<b>Total</b>	<b>\$3,339,291</b>	<b>\$3,448,552.0</b>	<b>\$4,581,718</b>	<b>\$1,133,166</b>	<b>32.9%</b>	<b>\$3,817,667</b>	<b>\$369,115</b>	<b>10.7%</b>
<b>Expenditures By Source</b>								
General Revenue	\$2,002,855	\$2,002,026	\$2,004,658	\$2,632	0.1%	\$2,088,105	\$86,079	4.3%
Federal Funds	1,038,635	828,776	1,959,310	1,130,534	136.4%	1,164,562	335,786	40.5%
Restricted Receipts	43,320	15,000	15,000	-	-	70,000	55,000	366.7%
Other Funds	254,481	602,750	602,750	-	-	495,000	(107,750)	-17.9%
<b>Total</b>	<b>\$3,339,291</b>	<b>\$3,448,552</b>	<b>\$4,581,718</b>	<b>\$1,133,166</b>	<b>32.9%</b>	<b>\$3,817,667</b>	<b>\$369,115</b>	<b>10.7%</b>
Authorized FTE Levels	8.6	8.6	8.6	-	-	9.6	1.0	11.6%

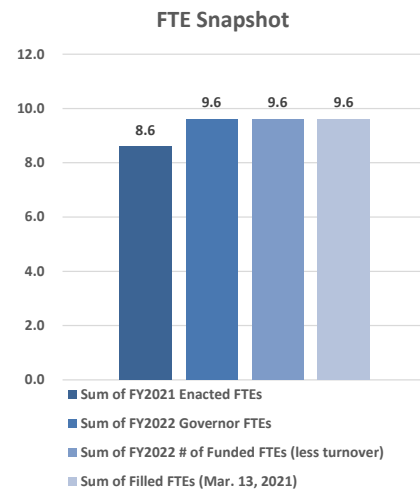
The Rhode Island State Council on the Arts (RISCA) provides grants, technical assistance and support to arts organizations, schools, community centers, social service organizations, and local governments to bring the arts into the lives of Rhode Islanders. RISCA provides these services through grant making, partnerships, education and technical assistance. RISCA also manages the Art for Public Facilities Program providing art for state buildings.

### MAJOR ISSUES AND TRENDS

The general revenue increase in FY2022 is due primarily to an increase in discretionary grants and an appropriation for the Governor's Portrait fund. Federal funds increase due to increased support from the annual partnership agreement with the National Endowment for the Arts. The other funds decrease in FY2022 is for the Percent for Arts program. The increase in restricted receipts is due to the delayed completion of the Arts and Health Network project, a partnership between RISCA and the Department of Health to further the integration of arts and health into the State's policy, practice, and research agendas. The funding was part of a \$50,000 grant from ArtPlace American, LLC, providing \$10,000 in FY2021 and \$40,000 in FY2022. ArtPlace America is a collaboration of foundations, federal agencies, and financial institutions working to position arts and culture as a core sector of community planning and development.

The FY2021 Revised Budget includes \$1.0 million in federal Coronavirus Aid, Relief, and Economic Security (CARES) act funds for workforce and business readiness. In the distribution of these funds, particular emphasis was given to supporting underserved communities and organization led or served by people of color. With the funds, the Council awarded 390 grants to individual artists in amount of \$800 to \$1,000, and 84 grants to nonprofit arts organization in an amount of \$44 to \$27,500 for documented losses.

The Budget authorizes 8.6 FTE positions in FY2021 and 9.6 FTE positions FY2022, an increase of 1.0 FTE position in FY2022.



*Analyst Note: RISCA currently has 9.6 filled FTE positions due to a new federally-funded Senior Administrative Aide/Communications Director that was filled in November 2020, before the passage of the FY2021 Budget. The position was included in the September 21, 2020, Governor's Budget Amendment; however, it was not included in*

*the FY2021 Budget as Enacted. The Governor did not include the position in the FY2021 proposed Supplemental Budget.*

<b>RI State Council on the Arts</b>	<b>General Revenue</b>
FY2021 Enacted	\$2,002,026

<i>Target and Other Adjustments</i>	11,079
Discretionary Grant Funding	50,000
Governor's Portrait	25,000
Percent for the Arts	Informational
<b>FY2022 Governor</b>	<b>\$2,088,105</b>

<b>RI State Council on the Arts</b>	<b>Other Fund Changes</b>
Senior Administrative Aide/Communications Director (1.0 FTE position) (federal funds)	87,377
RI Arts and Health Network (restricted receipts)	30,000

***Discretionary Grant Funding*** ***\$50,000***

The Budget provides an additional \$50,000 (\$640,000 total) for discretionary grants. The discretionary grant program is a competitive, peer-led process that provides funding to diverse arts programs across the State. In FY2003, the program was funded with \$905,700 in general revenue. In FY2019, the funding was \$590,000. In FY2022, RISCA requests an increase of \$410,000 for the discretionary arts program to bring total general revenue support to \$1.0 million. According to data provided by RISCA, every dollar invested in the arts returns more than \$100 to our economy.

***Governor's Portrait*** ***\$25,000***

The Budget provides \$25,000 in general revenue toward the commissioning of a governor's portrait. Section 8 of Article 2 amends RIGL 42-75-13, creating the Governor's Portrait Donation Fund as a restricted receipt account for any revenue received by the Rhode Island Council on the Arts from contributions received to supplement the state appropriation for the purchase of a governor's portrait pursuant to RIGL 37-8-9. In addition to the general revenue, the Budget authorizes \$25,000 in restricted receipt expenditures from this fund.

***Percent for the Arts*** ***Informational***

The Rhode Island State Council on the Arts administers the State's Percent for Public Art Program, which was established in 1987 to expand the public experience of art, foster the development of artists, and create a more humane environment. It also serves to stimulate the state's economy.

In accordance with Rhode Island General Law, at least 1.0 percent of state government capital construction costs are allocated for the acquisition of works of art to be placed in public places. The 1.0 percent is generally spent on the project from which the funds were derived; any amounts not expended by RISCA are retained to provide for the maintenance and restoration of existing works.

The following table shows recently completed, current, and future projects of the program.

<b>1% for Public Art Program - 2011 to Present</b>	<b>Location</b>	<b>Art Project Cost</b>
<i>Completed Projects</i>		
URI - School of Pharmacy	Kingston	\$995,020
URI - Chemistry	Kingston	501,000
Wickford Junction	Wickford	315,000
Intermodal Station	Warwick	300,000
Veterans Home	Bristol	210,000
RIC - Art Center	Providence	170,000
Virks Building	Cranston	120,000
Division of Motor Vehicles	Cranston	88,000
Met School	Providence	78,000
Rhode Island School for the Deaf	Providence	43,000
URI - Harrington Hall	Kingston	35,000
Division of Motor Vehicles- Conservation	Cranston	2,000
Rhode Island State Police	Lincoln	45,000
Rhode Island Fire Academy	Exeter	30,000
<i>Current Projects (Budget)</i>		
URI - College of Engineering	Kingston	714,356
Garrahy Parking Garage	Providence	300,000
Attorney General	Cranston	265,000
Pawtucket-Central Falls Train Station	Pawtucket	59,000
Barry and Simpson Buildings, Pastore Complex	Cranston	215,297
National Guard Joint Force Headquarters	East Greenwich	35,000
<i>Future Projects (Budget)</i>		
Eleanor Slater Hospital	Cranston	370,000
RIC Gaige Lee Hall	Providence	360,000
RIC Fogerty	Providence	45,000
RIC Horace Mann	Providence	190,000
URI- Narragansett Bay Campus	Narragansett	214,000
URI- Fine Arts Center	Kingston	400,000
<b>Total</b>		<b>\$6,099,673</b>

**Cultural Arts and the Economy****Informational**

In March 2021 voters approved \$6.0 million bond to continue the Cultural Arts and the Economy Grant program administered by the Rhode Island State Council on the Arts (RISCA) for capital improvements, preservation, and renovation of public and nonprofit performance centers, museums, and cultural art centers.

- **Trinity Repertory Company (\$2.5 million):** For the Lederer Theater and the Pell Chafee Performance Centers in Providence.
- **Rhode Island Philharmonic (\$1.5 million):** For the Carter Center for Music Education and Performance in East Providence.
- **Other Nonprofit Cultural Organizations (\$2.0 million):** These funds will be allocated by RISCA for 1:1 matching grants to nonprofit cultural organizations that lease or own their performance space and for program administration costs at RISCA.

The 2014 referenda provided funding to begin State Cultural Arts and the Economy Grants Program. The Commerce Corporation of Rhode Island, in consultation with the Rhode Island Council on the Arts, administer this program, which offered matching grants to public and non-profit historic sites, museums, artistic organizations, performance centers, and cultural art centers for capital preservation and renovation projects. The Commerce Corporation of Rhode Island developed rules and regulations to administer the program. As of April 2021, there is remaining balance for this program of \$307,802 which will be bundled into the October 1, 2021, grant cycle.

**Senior Administrative Aide/Communications Director (federal funds)****\$87,377**

The Budget provides \$87,377 in federal National Endowment for the Arts funds and 1.0 FTE position for a Senior Administrative Aide/Communications and Public Engagement Director. Through the recent

strategic planning process, RISCA identified the need to build awareness for the arts in the state. The position will work closely with the staff and external partners to inform and engage the arts community and the general public. The position will help set strategy for the agency, develop key messages for communication to strategic audiences, oversee the development of relevant print/design materials, and ensure that RISCA's social media and communications work is responsive to the needs of artists, and arts and culture organizations. The federal funds are from the annual partnership agreement grant with the National Endowment for the Arts and the position is limited to the term of available funds.

***RI Arts and Health Network (restricted receipts)***

***\$30,000***

The Budget provides an additional \$30,000 (\$40,000 total) in restricted receipts for the Rhode Island Arts and Health Network (RIAHN). RIAHN was developed through collaboration of the Rhode Island Department of Health (RIDOH) and the RISCA to create and support the Rhode Island State Arts and Health Plan (Plan). The Plan outlines a strategy for fully integrating arts and arts-based therapies into healthcare and community settings through innovative and sustainable policy, practice, and research recommendations.



## Rhode Island Atomic Energy Commission

Expenditures By Program	FY2020	FY2021	FY2021			FY2022		
	Actual	Enacted	Governor	Change from Enacted		Governor	Change from Enacted	
Atomic Energy Commission	\$1,309,910	\$1,515,857	\$1,989,154	\$473,297	31.2%	\$1,475,053	(\$40,804)	-2.7%
<b>Expenditures By Source</b>								
General Revenue	\$1,002,739	\$1,059,645	\$1,063,124	\$3,479	0.3%	\$1,068,650	\$9,005	0.8%
Federal Funds	-	7,936	477,000	469,064	5910.6%	-	(7,936)	-100%
Restricted Receipts	(23,599)	99,000	99,000	-	-	25,036	(73,964)	-75%
Other Funds	330,770	349,276	350,030	754	0.2%	381,367	\$32,091	9.2%
<b>Total</b>	<b>\$1,309,910</b>	<b>\$1,515,857</b>	<b>\$1,989,154</b>	<b>\$473,297</b>	<b>31.2%</b>	<b>\$1,475,053</b>	<b>(\$40,804)</b>	<b>-2.7%</b>
Authorized FTE Levels	8.6	8.6	8.6	-	-	8.6	-	-

The Rhode Island Atomic Energy Commission (Commission) operates and maintains the Rhode Island Nuclear Science Center (RINSC), which is used for medical, biological, environmental, and materials research, education and commercial activities. The Commission also provides assistance to other state agencies in their radiation and emergency response programs.

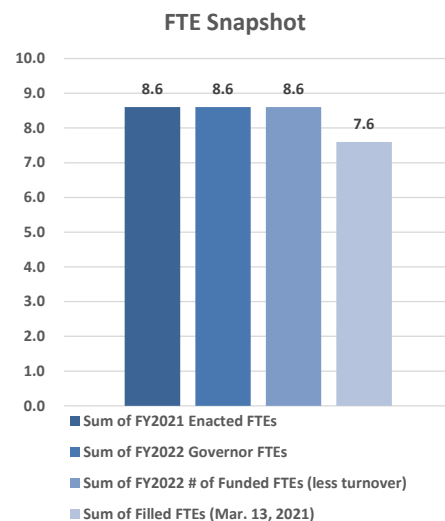
RINSC operates a research reactor and provides laboratories and classrooms for research and education programs for the University of Rhode Island as well as for other colleges and universities in the State and throughout New England. In 2010, the University of Rhode Island (URI) began offering a nuclear engineering minor program of study. For students who perform well, a new nuclear engineer operating course was added in 2016 that prepares students for the operator license exam. URI is currently working to create a major in nuclear engineering. The Commission continues its collaboration with schools and universities in the State. Davies High School, Brown University physics classes, and URI mechanical design students are among those that have recently utilized the facility.

### MAJOR ISSUES AND TRENDS

The FY2021 Revised Budget provides an increase \$469,064 in federal funds due the receipt of a grant from the federal Department of Energy to upgrade some of the reactor control instrumentation. The project started in October 2020 and is expected to complete within the fiscal year. The other funds increase in FY2022 is due to salaries and benefits increases associated with the FTE positions funded through URI.

Article 2 of the FY2019 Budget as Enacted created a new restricted receipt account, the “Atomic Energy Enterprise fund”, for reactor usage fees collected by the Commission to support the technical operations and maintenance of equipment. In FY2022, projected revenues are lower than the enacted level as a primary commercial user is taking longer than anticipated to shift business to RINSC, resulting a decrease of \$73,964 in restricted receipts.

The Budget authorizes 8.6 FTE positions in FY2021 and FY2022 for the program, 1.8 of which are funded through URI for its radiation safety functions. URI funding also covers 40.0 percent of the Commission’s overhead costs, including its building maintenance and repair costs.



<b>Central Management</b>	<b>General Revenue</b>
FY2021 Enacted	\$1,059,645
<i>Target and Other Adjustments</i>	<i>9,005</i>
<b>FY2022 Governor</b>	<b>\$1,068,650</b>

**CAPITAL PROJECTS**

The Budget includes \$50,000 in Rhode Island Capital Plan (RICAP) funded asset protection projects for FY2021 and FY2022. In FY2021, the projects include refurbishing the machine shop, upgrading the electrical panels in the Pump Gate Area, and installing high efficiency LED lighting in the heat exchanger room and the men's room. In FY2022, the Commission is refurbishing Area 26 for RAM Waste Storage, painting the Electronic Shop, and landscaping around the facility grounds.

## Rhode Island Historical Preservation and Heritage Commission

Expenditures By Program	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Historical Preservation and Heritage Commissior	\$2.1	\$2.7	\$2.8	\$0.1	3.9%	\$2.9	\$0.2	6.6%
<b>Total</b>	<b>\$2.1</b>	<b>\$2.7</b>	<b>\$2.8</b>	<b>\$0.1</b>	<b>3.9%</b>	<b>\$2.9</b>	<b>\$0.2</b>	<b>6.6%</b>
<b>Expenditures By Source</b>								
General Revenue	\$1.4	\$1.6	\$1.6	\$0.0	0.1%	\$1.6	(\$0.0)	-0.1%
Federal Funds	0.6	0.5	0.6	-	18.9%	0.7	-	31.4%
Restricted Receipts	0.0	0.4	0.4	-	0.0%	0.4	-	0.5%
Other Funds	0.1	0.1	0.1	-	0.3%	0.2	-	2.6%
<b>Total</b>	<b>\$2.1</b>	<b>\$2.7</b>	<b>\$2.8</b>	<b>\$0.1</b>	<b>3.9%</b>	<b>\$2.9</b>	<b>\$0.2</b>	<b>6.6%</b>
Authorized FTE Levels	15.6	15.6	15.6	-	-	15.6	-	-

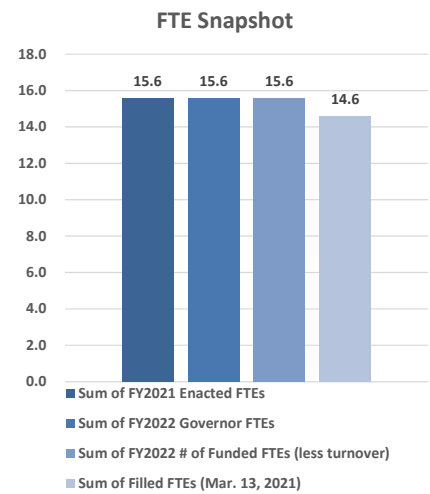
\$ in millions. Totals may vary due to rounding.

The Rhode Island Historical Preservation and Heritage Commission (Commission) operates a statewide historical preservation program that identifies and protects historic buildings, districts, structures, and archaeological sites. The Commission identifies and protects historic and prehistoric sites, buildings, and districts by nominating significant properties to the National Register of Historic Places and the State Register as well as administering grants, loans and tax credits for rehabilitation of historic buildings. The Commission also develops and carries out programs to document and celebrate the rich cultural heritage of Rhode Island's people.

### MAJOR ISSUES AND TRENDS

The Governor's FY2022 Budget includes \$1.6 million in general revenue (\$2.9 million all funds), representing a general revenue decrease of \$950 (\$175,874 all funds increase) relative to the FY2021 Budget as Enacted.

The Budget authorizes 15.6 FTE positions for FY2022, consistent with the FY2021 Budget as Enacted.



<b>Historical Preservation &amp; Heritage Commission</b>	<b>General Revenue</b>
FY2021 Enacted	\$1,562,984
<i>Targets and Other Adjustments</i>	<i>(950)</i>
<b>FY2022 Governor</b>	<b>\$1,562,034</b>
<b>Historical Preservation &amp; Heritage Commission</b>	<b>Other Funds</b>
Survey and Planning (federal funds)	\$139,453
State Preservation Grant (G.O. Bond Proceeds)	Informational
<b>Survey and Planning (federal funds)</b>	<b>\$139,453</b>

The Budget includes \$139,453 in federal funds for the federal Historic Preservation Grant. This grant supports the rehabilitation of historic properties to foster economic development in rural communities.

***State Preservation Grant (G.O. Bond Proceeds)***

***Informational***

In November of 2014, voters approved \$5.0 million in general obligation bonds to recapitalize the State Preservation Grant Program. The State Preservation Grants Program was established to improve and/or repair landmarks and historic facilities such as museums, cultural centers, theatres, and public historic sites.

Through FY2020 the Commission has supported 54 statewide projects awarding \$3.6 million in funds. The final amount of \$491,892 is intended to be spent in FY2021 and FY2022 supporting five additional projects.

In March of 2021, a statewide bond referendum passed that allocated an additional \$1.0 million to the State Preservation Grant program in general obligation bonds. As of March 2021, the Commission does not anticipate expending any of these additional funds in FY2022 and will begin the process of funding eligible projects again in FY2023.

## State Preservation Grant Awards

Recipient	Town	Amount Disbursed	FY2021 to be Spent	FY2022 to be Spent
Bristol Historical and Preservation Society	Bristol	\$75,888	\$0	\$0
Coggeshall Farm Museum	Bristol	29,707	-	-
Friends of Linden Place	Bristol	72,635	-	-
Herreshoff Marine Museum	Bristol	150,000	-	-
Town of Bristol	Bristol	150,000	-	-
City of Central Falls	Central Falls	150,000	-	-
Town of Coventry	Coventry	26,404	-	-
Town of Cumberland	Cumberland	149,041	-	-
Town of East Greenwich	East Greenwich	150,000	-	-
Varnum Continentals, Inc.	East Greenwich	23,609	-	-
City of East Providence	East Providence	69,652	-	-
Friends of Pomham Rocks	East Providence	150,000	-	-
Borders Farm Preservation, Inc.	Foster	30,000	-	-
Foster Preservation Society	Foster	29,703	-	-
Beavertail Lighthouse Museum Association	Jamestown	25,000	-	-
Beavertail Lighthouse Museum Association	Jamestown	42,250	-	-
Historic New England	Johnston	31,240	-	-
Block Island SE Lighthouse Foundation	New Shoreham	150,000	-	-
City of Newport	Newport	150,000	-	-
Fort Adams Trust	Newport	150,000	-	-
International Tennis Hall of Fame	Newport	73,188	-	-
La Forge Restoration Foundation	Newport	300,000	-	-
Newport Art Museum	Newport	150,000	-	-
Newport Restoration Foundation	Newport	16,596	-	-
Preservation Society of Newport County	Newport	150,000	-	-
Preservation Society of Newport County	Newport	-	-	150,000
RI Dept. of Environmental Mgmt.	Newport	150,000	-	-
The Company of the Redwood Library and Athenaeum	Newport	39,783	-	-
Trinity Episcopal Church	Newport	29,508	-	-
Cocumcussoc Association	North Kingstown	47,447	-	-
North Smithfield Heritage Association	North Smithfield	22,890	65,330	-
City of Pawtucket	Pawtucket	106,238	-	-
Old Slater Mill Assoc.	Pawtucket	44,500	-	-
Portsmouth Historical Society	Portsmouth	30,000	-	-
City of Providence	Providence	135,313	-	-
Congdon Street Baptist Church	Providence	79,272	70,728	-
Friends of the Music Mansion, Inc.	Providence	150,000	-	-
Preserve Rhode Island	Providence	150,000	-	-
Providence Athenaeum	Providence	148,806	-	-
Providence Performing Arts Center	Providence	-	150,000	-
Providence Public Library	Providence	150,000	-	-
Trinity Restoration Inc	Providence	94,166	55,834	-
Smithfield Preservation Society	Smithfield	27,476	-	-
Town of Smithfield	Smithfield	31,950	-	-
Historic New England	South Kingstown	39,160	-	-
South County Art Association	South Kingstown	57,967	-	-
Memorial and Library Association of Westerly	Westerly	15,488	-	-
Orlando Smith Trust	Westerly	10,575	-	-
Westerly Armory Restoration, Inc	Westerly	24,750	-	-
American French Genealogical Society	Woonsocket	150,000	-	-
City of Woonsocket	Woonsocket	74,249	-	-
<b>Total</b>		<b>\$3,649,817</b>	<b>\$341,892</b>	<b>\$150,000</b>



## Department of the Attorney General

Expenditures by Program	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
General Division	\$3.9	\$4.3	\$4.3	\$0.0	0.3%	\$4.3	\$0.0	0.6%
Criminal Division	21.5	20.9	21.0	0.1	0.3%	20.5	(0.4)	-1.8%
Civil Division	5.9	6.8	6.9	0.1	1.9%	6.9	0.1	0.8%
Bureau of Criminal Identification	3.4	1.8	4.0	2.2	119.7%	2.8	1.0	56.7%
<b>Total</b>	<b>\$34.6</b>	<b>\$33.8</b>	<b>\$36.2</b>	<b>\$2.4</b>	<b>7.0%</b>	<b>\$34.5</b>	<b>\$0.7</b>	<b>2.2%</b>

### Expenditures by Source

General Revenue	\$28.0	\$29.6	\$29.7	\$0.1	0.3%	\$29.9	\$0.3	1.0%
Federal Funds	4.2	2.9	3.9	1.0	33.9%	2.5	(0.4)	-12.7%
Restricted Receipts	2.4	1.1	2.5	1.3	113.9%	2.0	0.8	72.5%
Other Funds	0.0	0.2	0.2	0.0	0.0%	0.2	(0.0)	-15.6%
<b>Total</b>	<b>\$34.6</b>	<b>\$33.8</b>	<b>\$36.2</b>	<b>\$2.4</b>	<b>7.0%</b>	<b>\$34.5</b>	<b>\$0.7</b>	<b>2.2%</b>

Authorized FTE Levels	239.1	239.1	239.1	-	-	243.12	4.0	1.7%
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*\$ in millions. Totals may vary due to rounding.*

The Department of the Attorney General is the central legal agency of the State. The Department is responsible for the prosecution of all felony criminal cases and misdemeanor, appeals as well as prosecution of misdemeanor cases brought by state law enforcement in the various district courts. Additionally, as chief legal officer of the State, the Attorney General acts to protect consumers against fraudulent business practices; investigates Opens Meetings Act and Access to Public Records compliance; and, acts as the central repository for criminal history and information in the State. The Department is divided into four budget programs: General, Criminal, Civil, and Bureau of Criminal Identification.

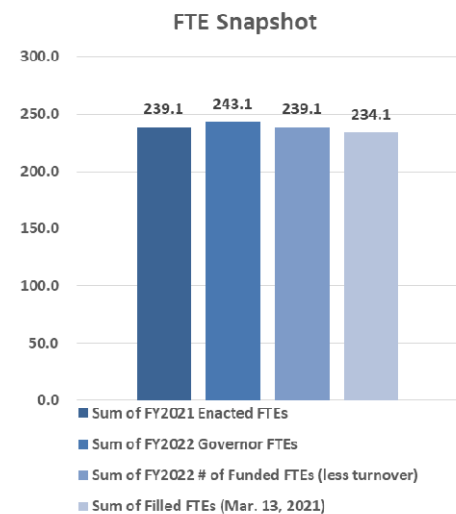
### MAJOR ISSUES AND TRENDS

The Budget includes \$34.5 million in total funding for the Department, an increase of \$740,451 from the FY2021 Budget as Enacted. General revenues increased by \$303,067, or 1.0 percent, from the FY2021 Budget as Enacted, to \$29.9 million. The increase in general revenue is primarily related to the addition of 4.0 FTE positions, 2.0 Staff Attorneys and 2.0 Paralegals. The Budget also includes an additional \$227,672 for the Department-wide replacement of computer servers and storage hardware.

The decrease in federal funds is related to funding for the Rhode Island Victims Outreach Integrated Community Environment (VOICE) project. The Department anticipated completing this project in FY2021, however, there have been setbacks due to the COVID-19 pandemic. The Department will have to shift funding from FY2021 to FY2022 that is expected to be included in a revised budget submission.

The increase in restricted receipts is mainly within the Bureau of Criminal Identification to bring funding for fingerprinting services in line with FY2020 actual levels.

The Budget includes 243.1 FTE positions in FY2022, an increase of 4.0 FTE positions over the FY2021 Enacted level. New positions include 1.0 new Staff Attorney and 1.0 Paralegal within the Special Victims Unit and 1.0 Staff Attorney and 1.0 Paralegals within the Civil Division.



**GENERAL DIVISION**

The General Division is responsible for the overall operations of the Department. It consists of the following units: Executive, Fiscal, Personnel, Operations, Management Information Systems, and Public Information/Legislation. The Division oversees the finances of the Department, prepares and submits the Department's annual budget, and lobbies for the resources necessary for the efficient operation of the Department.

<b>General Division</b>	<b>General Revenue</b>
FY2021 Enacted	\$4,106,493
<hr/>	
<i>Targets and Other Adjustments</i>	<i>(11,526)</i>
Personnel	58,761
Desktop Computer and Hardware Replacement	7,845
<b>FY2022 Governor</b>	<b>\$4,161,573</b>

**Personnel** **\$58,761**

The Budget provides an additional \$58,761 in general revenue for personnel costs. This increase is due to anticipated additional expenses including an increase in employee retirement and health care cost. This also includes \$15,215 to restore funding that was saved in FY2021 due to the Department's participation in the WorkShare program.

Due to the COVID-19 pandemic, the State began an Employee WorkShare Program which allowed eligible state employees to claim federal WorkShare benefits while working 60.0 percent of their regular weekly hours. Employees participated for a total of twelve weeks.

**Desktop Computer and Hardware Replacement** **\$7,845**

The Budget includes an additional \$7,845 in general revenue (\$35,118 total) to replace all laptop and desktop computers as well as upgrade all computer hardware within the General Division. This is a Department-wide initiative to replace and upgrade all computers and laptops. The Department's current operating system uses Windows 7, which is no longer supported by Microsoft as of January 2020. The Department has obtained an extended security package that will allow continued operation on the current computers while they are transitioning to new computers.

**CRIMINAL DIVISION**

The Criminal Division is charged with the prosecution of felony cases and misdemeanor appeals. The Division assists the Attorney General in carrying out the constitutional responsibility to prosecute all felony criminal offenses occurring in the State, as well as all misdemeanor criminal cases brought by State law enforcement agencies or appealed to the Superior Court. Specialized units focus on white-collar crime, narcotics and organized crime, firearms offenses, juvenile offenders, domestic violence and sexual assault, Medicaid fraud, and District Court offenses.



<b>Criminal Division</b>	<b>General Revenue</b>
FY2021 Enacted	\$17,629,585
<i>Targets and Other Adjustments</i>	
Personnel	(5,439)
Operating Expenses	371,328
Protection of State Witnesses	(153,453)
Expert Witness Funding - Medical Professionals	(37,491)
<b>FY2022 Governor</b>	<b>(18,576)</b>
	<b>\$17,785,954</b>

<b>Criminal Division</b>	<b>Other Fund Changes</b>
RI VOICE (federal funds)	(\$324,000)

**Personnel** **\$371,328**

The Budget includes an additional \$371,328 in general revenue for personnel. The Budget adds \$203,163 in funding for two additional FTE positions, 1.0 FTE Attorney and 1.0 FTE Paralegal within the Criminal Division's Special Victims Unit. The Budget also adds an additional \$168,165 for adjustments to personnel expenses including employee retirement and healthcare costs. This also includes \$53,113 to restore funding that was saved in FY2021 due to the Department's participation in the WorkShare program.

Due to the COVID-19 pandemic, the State began an Employee WorkShare Program which allowed eligible state employees to claim federal WorkShare benefits while working 60.0 percent of their regular weekly hours. Employees participated for a total of twelve weeks.

**Operating Expenses** **(\$153,453)**

The Budget includes a decrease of \$153,453 in operating expenses compare to the FY2021 Budget as Enacted. The majority of the decreases bring costs back in line with FY2019 and FY2020 actual costs including decreases of \$46,758 for postage and postal services, \$36,856 for office supplies and equipment, \$36,063 for electricity, \$22,810 for rental and leases of equipment, \$18,904 for the rental of outside property, and \$16,072 for overhead costs for the record center. The Budget also includes a decrease of \$69,448 for information technology and software maintenance costs, offset by an increase of \$93,347 for computer supplies.

**Protection of State Witnesses** **(\$37,491)**

The Budget includes \$58,648 for the protection of state witnesses, a decrease of \$37,491 from the FY2021 Enacted level. This increase brings the Budget back in line with FY2020 actual expenditures. State witnesses include victims of crimes, material witnesses, or any person who is able to provide relevant testimony or information. The witnesses are required to be protected from wrongful actions against them or their family.

The amount of funding needed for the protection of state witnesses can vary each year, but the Department notes that the cost of food, lodging, transportation and other miscellaneous expenses continues to increase.

**Expert Witness Funding – Medical Professionals** **(\$18,576)**

The Budget includes a decrease of \$18,576 for expert witness testimony funding, specifically for medical professionals. The Budget includes a total of \$45,424 for medical professional expert witness testimony. The Department uses expert witnesses in case testimonies. These costs can be unpredictable and difficult to plan for.

The Department spent \$34,000 in FY2019 and \$37,850 in FY2020 for expert medical witness testimony. The FY2021 Budget as Enacted included \$64,000 in funding for expert medical witness testimony.

**RI VOICE (federal funds)****(\$324,000)**

The Budget includes a federal funds decrease of \$324,000 for the Rhode Island Victims Outreach Integrated Community Environment (VOICE) project. The VOICE project is a secure portal that will provide real time access to cases, offender status, and other information to victims of crimes, advocates, and state agencies. The VOICE project began in FY2020 and was scheduled to be completed in FY2021, however, the Department has experienced setbacks related to the COVID-19 pandemic. The Department does not anticipate expending all funding in FY2021 and will carry some funding over to FY2022. This will be included in a revised budget submission.

**CIVIL DIVISION**

The Civil Division is charged with conducting the State's legal affairs and representing the State in legal proceedings. By law, the Attorney General initiates and defends actions in state and federal courts whenever warranted; ensures that representation is provided to state officers, employees, and agencies in all courts; advises state officers and agencies on legal issues; and, issues written opinions on legal issues when requested by governmental officers.

<b>Civil Division</b>	<b>General Revenue</b>
FY2021 Enacted	\$6,031,523
<i>Targets and Other Adjustments</i>	<i>(48,200)</i>
Personnel	311,317
Expert Witness Funding	(194,160)
<b>FY2022 Governor</b>	<b>\$6,100,480</b>

**Personnel****\$311,317**

The Budget increases general revenue funding by \$311,317 related to personnel expenses. The Budget includes an additional \$203,163 for 2.0 FTE positions, 1.0 FTE Staff Attorney and 1.0 FTE Paralegal. The remaining \$108,514 is for adjustments to personnel expenses including employee retirement and healthcare costs. This also includes \$15,419 to restore funding that was saved in FY2021 due to the Department's participation in the WorkShare program.

Due to the COVID-19 pandemic, the State began an Employee WorkShare Program which allowed eligible state employees to claim federal WorkShare benefits while working 60.0 percent of their regular weekly hours. Employees participated for a total of twelve weeks.

**Expert Witness Funding****(\$194,160)**

The Budget includes \$278,400 for expert witness testimony, a decrease of \$194,160 from FY2021. Prior to FY2020, the Department did not include funding within the Civil Department for expert witness testimony; however, recently the Department has pursued additional cases resulting in the need for funding. The Department uses expert witnesses in case testimonies. These costs can be unpredictable and difficult to plan for. The Department spent \$86,959 in FY2020 for expert witness testimony.

**BUREAU OF CRIMINAL IDENTIFICATION**

The Bureau of Criminal Identification (BCI) is the state entity charged with maintaining criminal history information for crimes committed in Rhode Island. The BCI responds to criminal history records requests, analyzes and records fingerprint information, maintains pistol permits, issues security guard licenses, and conducts employee background checks. The BCI is open 24-hours per day, 7-days per week to respond to requests from law enforcement agencies throughout the country. In FY2019, the BCI moved to the Department's new facility located at the Pastore complex. The new facility was completed in 2018 using Google forfeiture federal funds.

<b>Bureau of Criminal Identification</b>	<b>General Revenue</b>
FY2021 Enacted	\$1,814,266
<i>Targets and Other Adjustments</i>	
	(995)
Personnel	23,656
<b>FY2022 Governor</b>	<b>\$1,836,927</b>

**Personnel** **\$23,656**

The Budget includes an additional \$23,656 for personnel costs within the BCI. This increase is related to employee step increases as well as additional funding for medical insurance and employee retirement costs. This also includes \$10,688 to restore funding that was saved in FY2021 due to the Department's participation in the WorkShare program.

Due to the COVID-19 pandemic, the State began an Employee WorkShare Program which allowed eligible state employees to claim federal WorkShare benefits while working 60.0 percent of their regular weekly hours. Employees participated for a total of twelve weeks.

**CAPITAL PROJECTS**

The Budget includes \$177,791 in Rhode Island Capital (RICAP) funding for FY2021 and \$150,000 in FY2022. Funding in FY2021 will be used for construction close-out costs for projects at the Department's 150 South Main Street location, as well as the new BCI building on the Pastore campus. The \$150,000 in funding in FY2022 will be used to support architectural and engineering services for the roof replacement at 150 South Main Street. The roof was last replaced in 1997.



## Department of Corrections

Expenditures By Program	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$15.8	\$16.7	\$17.9	\$1.2	7.2%	\$15.8	(\$0.9)	-5.4%
Community Corrections	15.8	17.5	17.5	0.1	0.3%	18.8	1.3	7.4%
Custody and Security	147.4	153.9	141.8	(12.1)	-7.8%	139.8	(14.1)	-9.2%
Healthcare Services	27.8	21.4	28.3	6.9	32.3%	28.3	6.9	32.5%
Institutional Based Rehab/Population Management	10.4	13.4	14.6	1.2	9.0%	12.0	(1.3)	-9.8%
Institutional Support	39.1	30.5	33.4	2.9	9.5%	26.7	(3.8)	-12.5%
Parole Board	1.4	1.5	1.6	0.1	6.9%	1.5	(0.0)	-2.0%
<b>Total</b>	<b>\$257.8</b>	<b>\$254.7</b>	<b>\$255.0</b>	<b>\$0.3</b>	<b>0.1%</b>	<b>\$242.8</b>	<b>(\$11.9)</b>	<b>-4.7%</b>
<b>Expenditures By Source</b>								
General Revenue	\$185.1	\$163.2	\$118.5	(\$44.8)	-27.4%	\$233.1	\$69.9	42.8%
Federal Funds	53.0	80.6	125.7	45.1	55.9%	2.2	(78.4)	-97.2%
Restricted Receipts	3.5	1.0	1.0	0.0	1.6%	2.3	1.4	143.6%
Other Funds	16.3	9.9	9.9	-	-	5.1	(4.8)	-48.2%
<b>Total</b>	<b>\$257.8</b>	<b>\$254.7</b>	<b>\$255.0</b>	<b>\$0.3</b>	<b>0.1%</b>	<b>\$242.8</b>	<b>(\$11.9)</b>	<b>-4.7%</b>
Authorized FTE Levels	1,416.0	1,411.0	1,411.0	-	-	1,424.0	13.0	0.9%

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

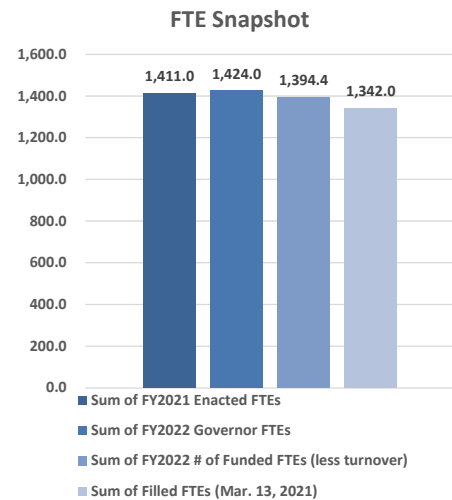
The Rhode Island Department of Corrections (DOC) provides appropriate, safe, secure, and humane control of offenders, while actively assisting and encouraging offenders to become productive and law-abiding members of the community. Additionally, the Rhode Island State Parole Board is budgeted as a unit of the Department, but has independent programmatic decision-making authority. Collectively known as the Adult Correctional Institutions (ACI), there are seven separate occupied facilities, which have a total current capacity of 3,991 beds. In FY2021, the Department has averaged 2,162 inmates (54.2 percent of capacity) housed at the ACI for the fiscal year, including 2,077 men and 85 women. The Department also provides supervision of offenders in the community (home confinement, probation, and parole).

### MAJOR ISSUES AND TRENDS

The Budget includes \$242.8 million in total expenditures for FY2022, including \$233.1 million in general revenue, an increase of \$69.9 million over the FY2021 enacted level. The majority of the general revenue increase is associated with additional personnel costs being shifted back to general revenue within the Custody and Security program. The FY2021 Budget as Enacted used COVID-19 Relief funds to support personnel within Custody and Security, these funds are no longer available in FY2022.

The FY2022 Budget for the Department of Corrections is based on an estimated average daily population of 2,387 individuals, an increase of 120 from the FY2021 Budget as Enacted.

The Budget authorizes 1,424.0 FTE positions for FY2022, an increase of 13.0 FTE positions from the FY2021 Budget as Enacted. The Governor's Budget includes an additional 7.0 Community Correction Assessment Analysts to bring discharge planning services in house, 2.0 Health Program Administrators, 1.0 Co-Hospital Case Manager, and 1.0 Data Analyst within the Department's Healthcare Services Program. The Budget also adds 1.0 Apprenticeship Coordinator position to coordinate the apprenticeship program between the Department of Labor and Training (DLT) and the Department of



Corrections and 1.0 Coordinator of Employment and Training Programs to work with DLT to connect inmates with post-incarceration employment opportunities.

### CENTRAL MANAGEMENT

The Central Management program houses two sub-programs, the Executive program which consists of the Office of the Director, Legal Services, and Internal Affairs, as well as the Administration Program which includes Human Resources, Management Information, Planning and Research, Policy Development and Auditing, the Training Academy and Staff Development, and Financial Resources.

<b>Central Management</b>	<b>General Revenue</b>
FY2021 Enacted	\$16,482,004
<hr/>	
<i>Target and Other Adjustments</i>	<i>(29,025)</i>
Personnel	(624,433)
Computer and Software Operating Expenses	(292,160)
DLT Apprenticeship/Reentry 2.0 FTE Positions	223,380
Contract Professional Services	58,680
Centralized Service Charges	(55,951)
<b>FY2022 Governor</b>	<b>\$15,762,495</b>

#### **Personnel** **(\$624,433)**

The Governor's Budget includes a savings of \$624,433 in personnel costs. The majority of this decrease, \$604,534, is related to the transfer of the Physical Resources Unit from Central Management to the Central Distribution Center internal service fund. While this is a decrease in Central Management the transfer is budget neutral as a whole as the costs are now in the Central Distribution Center internal service fund. The Budget also includes a decrease in regular wages, the Department has experienced savings due to the retirement of a number of positions including the Deputy Chief of Legal Services, the Associate Director of Financial Resources, and the Associate Director of Planning and Research. The Budget includes a savings of \$177,000 related to the Training Unit, and assumes 40 recruits in the FY2022 class, a decrease of 20 recruits from FY2021 Enacted levels. These decreases are partially offset by an additional \$185,710 in longevity pay. The Budget includes an error that caused all funds for longevity pay in the FY2021 Budget as Enacted to be zeroed out within the Department, resulting in what appears to be an increase. The Budget also includes an additional \$127,921 to restore funding that was saved in FY2021 due to the Department's participation in the WorkShare program.

Due to the COVID-19 pandemic, the State began an Employee WorkShare Program which allowed eligible state employees to claim federal WorkShare benefits while working 60.0 percent of their regular weekly hours. Employees participated for a total of twelve weeks.

#### **Computer and Software Operating Expenses** **(\$292,160)**

The Budget includes \$334,833 for computer and software supplies and expenses, a savings of \$292,160 relative to the FY2021 Budget as Enacted. This decrease is intended to align the FY2022 Budget with actual spending in FY2020. In FY2020 the Department spent \$247,936 on computers and software.

#### **DLT Apprenticeship/Reentry 2.0 FTE Positions** **\$223,380**

The Budget includes an additional \$223,380 to support an additional 2.0 FTE positions in the FY2022 Budget. These positions include 1.0 FTE Coordinator of Employment and Training Programs and 1.0 FTE Apprenticeship Coordinator position to coordinate the apprenticeship program between the Department of Labor and Training (DLT). The Department estimates that 75.0 percent of incarcerated inmates have a high school education or higher and would be able to find work if not for being incarcerated. These positions

will work in conjunction with the Department of Labor and Training to provide collaboration and training programs to incarcerated individuals, allowing them to find employment post-incarceration.

**Contract Professional Services**

**\$58,680**

The Governor’s Budget includes an additional \$58,680 for contract professional services. The majority of this increase is related to an additional \$147,885 for IT Support Services, as the Department is moving their Common Business Oriented Language (COBOL) reporting system to a new platform. This increase is partially offset by a decrease of \$55,605 for clerical services, related to the elimination of temporary clerical support throughout the Department, as well as a decrease of \$21,100 for Doctors and Dentists and \$21,100 for University/College Services to align the Budget with FY2020 actual expenditures.

**Centralized Service Charges**

**(\$55,951)**

The Budget includes \$6.1 million in general revenue expenditures for Information Technology, Capital Assets Management, and Human Resource Service Center projected costs in FY2022. This is a decrease of \$55,951 from the FY2021 Budget as Enacted amount of \$6.2 million. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures were reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The Budget decreases these costs for FY2022.

	<b>FY2021 Enacted</b>	<b>FY2022 Governor</b>	<b>Change from Enacted</b>	
<b>Centralized Service Charges</b>				
Information Technology	\$3,970,505	\$4,057,171	\$86,666	2.2%
Capital Asset and Management	-	-	-	-
Human Resources	2,209,350	2,066,733	(142,617)	-6.5%
<b>Total</b>	<b>\$6,179,855</b>	<b>\$6,123,904</b>	<b>(\$55,951)</b>	<b>-0.9%</b>

**COMMUNITY CORRECTIONS**

The Community Corrections program is responsible for supervising offenders serving portions of their sentence under probation, parole, or community confinement, and also provides certain services to victims of crimes. The Probation and Parole unit provides supervision and services for individuals under the jurisdiction of the courts or Parole Board, and attempts to successfully reintegrate individuals from incarceration back into the community. Community Confinement provides supervision to individuals sentenced to “house arrest” by the courts and can include work-release supervision. Community Corrections uses electronic monitoring as a primary component of its supervision strategy. Victim Services provides 24-hour per day automated information about offender status and victim advocacy services, including crisis intervention, referral, and case management.

<b>Community Corrections</b>	<b>General Revenue</b>
FY2021 Enacted	\$17,354,335
<i>Target and Other Adjustments</i>	<i>11,866</i>
Personnel	1,434,788
Justice Reinvestment Initiative	(157,020)
Community Corrections Population	Informational
<b>FY2022 Governor</b>	<b>\$18,643,969</b>

**Personnel**

**\$1.4 million**

The Budget includes an increase of \$1.4 million in general revenue for personnel costs. The majority of this increase, \$704,468, is related to longevity pay. The FY2021 Budget as Enacted includes an error that caused

all funds for longevity pay to be zeroed out within the Department, resulting in what appears to be an increase. The Budget also includes an increase of \$393,550 for adjustments to retirement and healthcare costs; \$472,204 for turnover to reduce overall turnover savings from \$814,906 in the FY2021 Budget as Enacted to \$342,702; an additional \$109,050 in overtime funding to align with FY2020 actual costs; and, an additional \$21,408 for Correctional Officer Briefings and Stipend Payments. The Budget also includes an additional \$314,636 to restore funding that was saved in FY2021 due to the Department's participation in the WorkShare program. These increases are partially offset by a decrease of \$255,474 in regular wages based on FY2020 actual costs and current vacancies and a decrease of \$10,779 related to holiday pay.

Due to the COVID-19 pandemic, the State began an Employee WorkShare Program which allowed eligible state employees to claim federal WorkShare benefits while working 60.0 percent of their regular weekly hours. Employees participated for a total of twelve weeks.

***Justice Reinvestment Initiative***

***(\$157,020)***

The Budget includes \$398,436 in general revenue funding for the Justice Reinvestment Initiative, a decrease of \$157,020 from the FY2021 Budget as Enacted. The majority of this decrease includes a savings of \$108,958 in turnover and \$53,810 in professional services.

Historically, the Budget has included \$600,000 in general revenues for the Justice Reinvestment initiative to deliver cognitive behavioral therapy services to probationers and paroles; however, the Department has not used all of the funding, spending only \$225,475 in FY2020. The Department awarded the cognitive behavioral therapy (CBT) contract to Community Solutions in FY2018 to train staff in evidence-based programming to support about 800 probationers and paroles, who have a higher rate of recidivism. Community Solutions was unable to correctly provide the services required by the Department, and as a result the Department was unable to spend all the funding allocation. The Department has changed vendors since FY2018 and currently uses AdCare.

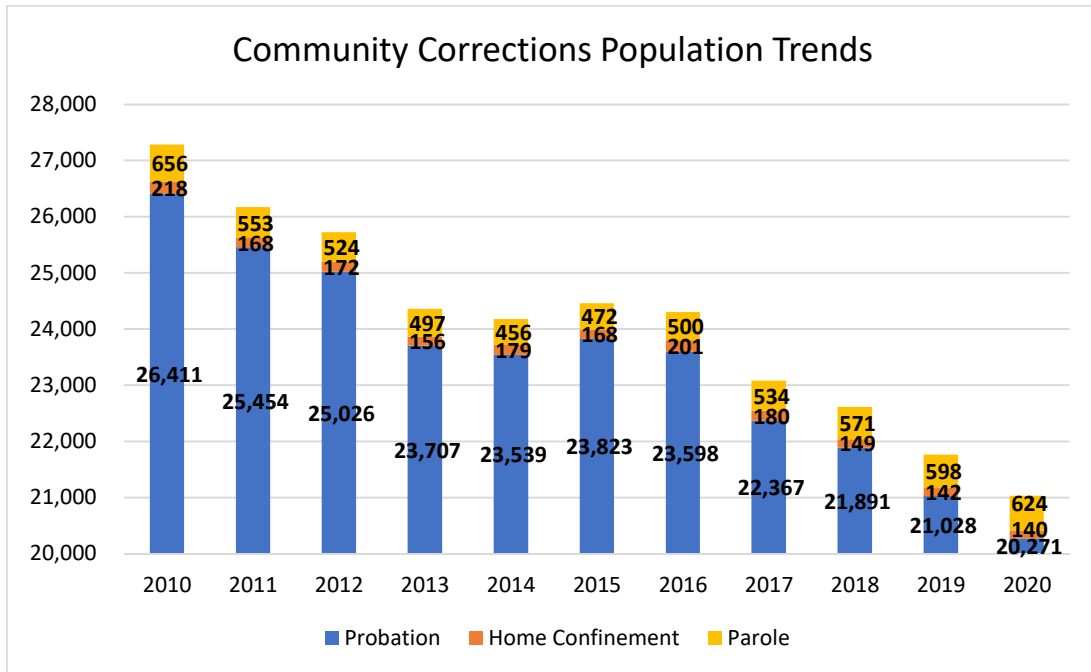
The Justice Reinvestment Initiative was created by the Governor through Executive Order 15-11, as a working group to “examine investments that would break the cycle of crime and incarceration and improve public safety.” The working group was composed of 26 members representing three branches of government and several non-profit advocacy organizations in consultation with the Council of State Governments Justice Center, a non-profit organization that specializes in assisting government leaders in the analysis of justice systems. With the goal of reducing recidivism rates, the group identified three issue areas which presented the greatest challenges, particularly in the management of the pre-trial population: outdated probation policies; ineffective probation practices; and, insufficient assessment and diversion tools. Justice Reinvestment identified these issues as the primary drivers of recidivism costs and developed solutions intended to reduce recidivism.

***Community Corrections Population***

***Informational***

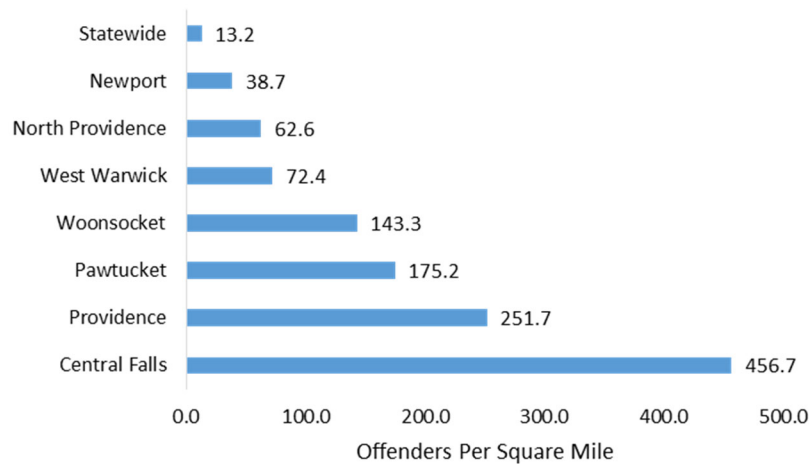
While representing only 7.7 percent of the Department's general revenue budget for FY2022, Community Corrections serves the largest number of individuals. In FY2019, the program served 21,768 cases, 843 less cases than FY2018. Based on Department of Corrections' statistics, 1 out of every 53 adult residents in the State is on probation or parole. This equates to 1 of every 30 men and 1 of every 169 women.





The number of cases in the State’s urban areas is substantially higher than the statewide average. Statewide there are an average of 13.2 probationers and parolees per square mile. This increases to a high of 457 probationers and parolees per square mile in the City of Central Falls.

Probationers and Parolees by Square Mile  
as of December 31, 2020



Source: Department of Corrections

### CUSTODY AND SECURITY

The Custody and Security program is responsible for the secure custody and control of the State’s inmate population to ensure the safety of staff, inmates, and the general public. The program manages six correctional institutions and one jail complex, all located in Cranston at the Pastore Center. Men’s facilities include High Security, Maximum Security, the John J. Moran Medium Security Prison, the currently closed

Donald Price Medium Security facility, Minimum Security, and the Intake Center. Women are housed in the Gloria McDonald. Some female inmates were previously housed in the Bernadette Guay facility; however, this facility was closed in FY2017. The program is the largest within the Department and is divided into two sub-programs: Custody, which includes all staff, activities, and food service within the facilities under care of their respective Wardens, and the Security sub-program which includes the Central Office Warden, the Correctional Emergency Response Team, Facility Security Audit Teams, Crisis Intervention Teams, Special Investigations Unit, the Canine Unit, and a Department Armorer.

<b>Custody and Security</b>	<b>General Revenue</b>
FY2021 Enacted	\$74,341,951
<i>Target and Other Adjustments</i>	<i>\$2,074,815</i>
COVID-19 Relief Funds	71,390,922
Personnel	(5,969,459)
Modular Closures	(3,136,256)
Workshare	30,865
Minimum Security Population Decrease	(17,260)
Inmate Population	Informational
<b>FY2022 Governor</b>	<b>\$138,715,578</b>

**COVID-19 Relief Funds** **\$71.4 million**

The Budget includes an additional \$71.4 million in general revenues for personnel within Custody and Security. The FY2021 Budget as Enacted included \$71.4 million in federal COVID-19 Relief Funds that the Department was able to use for personnel funding, specifically for Correctional Officers.

**Personnel** **(\$6.0 million)**

The Budget includes a general revenue decrease of \$6.0 million related to personnel costs within Custody and Security. The majority of this decrease is related to an \$8.7 million savings in overtime savings for Correctional Officers (CO). The Department anticipates onboarding two new CO classes before the start of FY2022 and one additional CO class in FY2022 that will be included for 15 pay periods. The Budget also includes a decrease of \$145,558 related to changes in health insurance and retirement benefits. These decreases are slightly offset by a regular wages increase of \$1.2 million to support the additional CO positions and a decrease in turnover costs. The FY2021 Budget as Enacted included \$3.8 million in turnover savings, the Governor's Budget increases this amount by \$2.8 million leading to a total turnover savings of \$1.0 million in FY2022.

**Modular Closures** **(\$3.1 million)**

The Budget includes \$3.1 million in savings related to the closure of multiple modules across the Department's facilities. The Governor anticipates that the Department will be able to close 13 modules for six months. The modules include seven in Intake, two in the Women's Facility, two double modules in Medium Security, and two modules at Maximum. The Budget has based these closures off of the operational capacity and the average actual population in each facility.

As of March 2021, the Intake Center was at 67.1 percent capacity, the Women's Facility was at 38.4 percent, Medium Security was at 63.3 percent, and Maximum Security was at 77.1 percent.

**Workshare** **\$30,865**

The Budget includes an additional \$30,865 to restore funding that was saved in FY2021 due to the Department's participation in the WorkShare program.

Due to the COVID-19 pandemic, the State began an Employee WorkShare Program which allowed eligible state employees to claim federal WorkShare benefits while working 60.0 percent of their regular weekly hours. Employees participated for a total of twelve weeks.

**Minimum Security Population Decrease** **(\$17,260)**

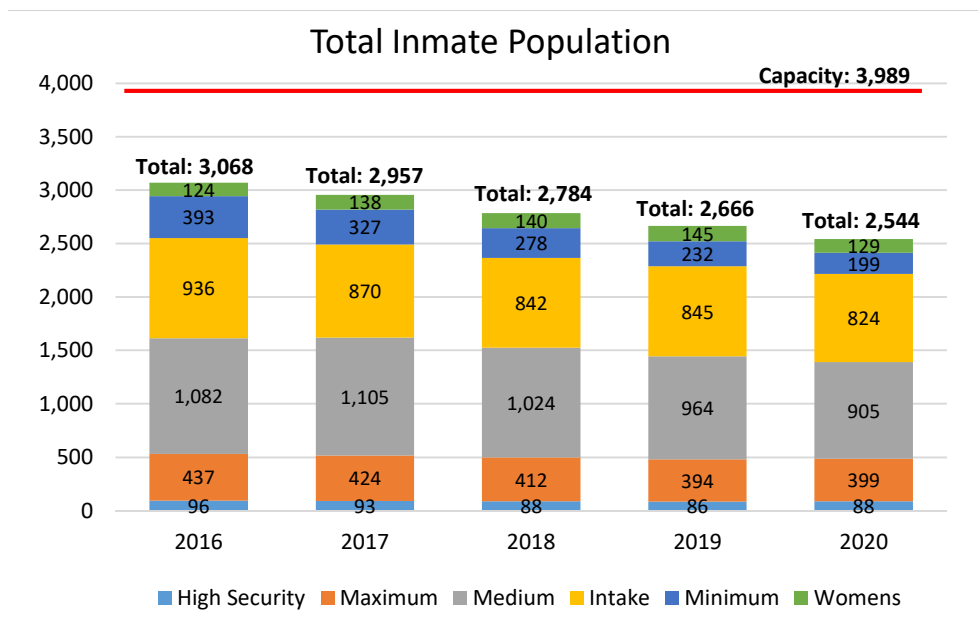
The Budget includes a savings of \$17,260 related to an anticipated decrease in the population at Minimum Security. The Governor assumes that approximately 3.0 percent of the current Minimum Security population, about 21 inmates, will be able to be moved to home confinement.

Article 3 of the Governor’s Budget updates the thresholds for which inmates will be eligible for home confinement after having served specific portions of their term of incarceration. Under current law, people sentenced to six months or less of incarceration are eligible for home confinement upon completion of 3/4ths of their sentence. People with longer sentences are eligible once they are six months from their projected release date, as long as they have served at least one-half (1/2) of their term of incarceration. The amendment would update these thresholds such that people sentenced to six months or less must serve one-half (1/2) of their term of incarceration, people with more than six months must be within one year of their anticipated release date. These changes would allow low-risk inmates to move to home confinement sooner, decreasing costs associated with housing an inmate.

**Inmate Population** **Informational**

The Department’s budget is largely influenced by the number of inmates in its custody at any given time. As the Department does not control the number of inmates entering or leaving its care, its budget is in large part a reflection of overall judicial and prosecutorial policies in the State. Factors may include legislative mandates requiring minimum sentences, variances in sentencing policies based on the judges, and/or prosecution or defense counsel involved in cases.

The Department of Corrections’ Budget was based on an average daily population of 2,267 for the FY2021 Revised Budget, consistent with the FY2020 Enacted level. For FY2022, the Budget assumes a population of 2,387 individuals, an increase of 120 inmates from the FY2021 Budget as Enacted.



**HEALTHCARE SERVICES**

The Healthcare Services program is constitutionally mandated to provide medical, dental, and mental health service provision to all inmates. According to the Department, the inmate population is more likely than the general population to have infectious diseases and other conditions. About 1.0 percent of the inmate population is HIV positive, 25.0 percent is infected with Hepatitis C, 15.0 percent have mental health illnesses, and 70.0 to 90.0 percent have histories of substance abuse.

<b>Healthcare Services</b>	<b>General Revenue</b>
FY2021 Enacted	\$20,527,893
<i>Target and Other Adjustments</i>	<i>(213,416)</i>
COVID-19 Relief Funds	4,962,511
Transitional Care Unit	750,000
Personnel	(593,853)
Healthcare Services 4.0 FTE Positions	489,082
Geriatric Parole	(75,000)
<b>FY2022 Governor</b>	<b>\$25,847,217</b>

<b>Healthcare Services</b>	<b>Other Funds</b>
Opioid Stewardship Fund (restricted receipts)	\$1,427,909

**COVID-19 Relief Funds** **\$4.9 million**

The Budget includes an additional \$4.9 million in general revenues for personnel within Custody and Security. The FY2021 Budget as Enacted included \$4.9 million in federal COVID-19 Relief Funds that the Department was able to use for personnel funding for healthcare services. This increase in general revenue results in an equal decrease in federal funds related to the expenditure of all relevant COVID-19 relief funds in FY2021.

**Transitional Care Unit** **\$750,000**

The Governor's Budget includes \$750,000 in general revenue to support the planning and creation of a Transitional Care Unit (TCU). Currently, the Department cares for severely and persistently mentally ill (SPMI) patients in the Residential Treatment Unit (RTU) at High Security. The RTU is able to house up to 16 patients but often only houses between eight to ten due to security issues. The Department lacks a step-down program for the RTU to help patients integrate from the RTU back into the general population. The TCU is intended to bridge this gap and treat individuals whose needs do not rise to the level of care required in the RTU but who would still benefit from mental health care.

Phase one of this project, focusing on strategic development, is intended to take place in FY2022.

**Personnel** **(\$593,853)**

The Budget includes a reduction of \$593,853 for personnel costs within the Healthcare Services program. The majority of this decrease is related to an additional \$741,982 in turnover savings as well as a \$154,531 decrease in healthcare and retirement costs and \$129,629 in savings related to holiday pay, Correctional Officer briefings and stipend payments. These decreases are partially offset by an additional \$254,885 in regular wages, mainly within nursing services. This increase is intended to allow the Department to fill and retain more nursing positions as they currently experience a high rate of attrition due to low wages. The Budget also includes an additional \$125,304 for overtime costs, and \$52,100 for longevity pay related to the error that caused all funds for longevity pay in the FY2021 Budget as Enacted to be zeroed out within the Department, resulting in what appears to be an increase.

**Healthcare Services 4.0 FTE Positions****\$489,082**

The Budget includes an additional \$489,082 in general revenue to support an additional 4.0 FTE positions within Healthcare Services. These positions include 1.0 FTE Health Program Administrator to oversee a detox unit and working with the Department's geriatric, hospice and high-risk patients; 1.0 FTE Health Program Administrator to work as a practice manager who would work on identifying areas of contract over or under spending; 1.0 FTE Correctional Officer Hospital Case Manager to connect patients with their families and resources needed for discharge planning; and, 1.0 FTE Data Analyst who will have training in health or epidemiology and be devoted to data collection and interpretation of diseases. The Governor's Budget anticipates that allowing the Department to fill these additional positions will result in savings in medical expenditures and Correctional Officer overtime.

**Geriatric Parole****(\$75,000)**

The Budget includes a savings of \$75,000 in general revenue related to geriatric parole. Article 13 of the Governor's Budget expands medical parole within the Department of Corrections to include geriatric parole. Currently, medical parole includes inmates who are permanently, physically incapacitated, and terminally or severely ill but does not include elderly inmates.

Geriatric parole would be available to inmates whose advanced age reduces the risk they pose to the public's safety. All inmates above age 65, except those serving life without parole, will be eligible for geriatric parole. All parole decisions must go through the Department's Parole Board. The Department's Medical Director has identified 28 inmates that could be eligible for medical parole in FY2022, with 12 of the inmates considered highly eligible. This change is anticipated to save a total of \$150,000 in FY2022, \$75,000 of this savings is related to a decrease in hospital treatment costs and the remaining \$75,000 is related to per-diem savings spread across a number of expenditure categories.

Seventeen states currently have geriatric parole. Massachusetts and Connecticut are not among these states; however, inmates in Connecticut who are eligible for medical parole may be paroled to a private nursing home that receives federal funds to help support their care.

**Opioid Stewardship Funds (restricted receipts)****\$1.4 million**

The Budget includes \$2.3 million in restricted receipts from the Opioid Stewardship Fund (OSF), an increase of \$1.4 million from FY2021 Enacted levels. The OSF is comprised of registration fees paid by manufacturers and distributors of opioids. The Department will use this funding to support substance use disorder treatment and recovery services to help inmates accept responsibility for their crimes and reduce rates of relapse and recidivism. Funds will also be used to support the Medication Assisted Treatment (MAT) program which, beginning in 2016, provides buprenorphine, naltrexone, and methadone to incarcerated individuals with an opioid use disorder.

**INSTITUTIONAL BASED REHABILITATION/POPULATION MANAGEMENT**

The Institutional Based Rehabilitation/Population Management program handles educational and vocational training; Correctional Industries; case management services; inmate treatment services, including substance abuse and counseling and other services; and, reentry services, including discharge planning and reentry assistance.

Correctional Industries provides inmate labor and work crews, and certain manufactured items. Correctional Industries services are provided centrally to all state departments and agencies as well as to municipalities. State law requires the State and municipalities to solicit bids from Correctional Industries when soliciting labor and/or supplies offered under the program. The operational cost of the program is

shown on a centralized basis for informational purposes (internal service funding), but the actual costs are reflected in the operating budgets of user agencies.

<b>Institutional Based Rehab/Population Management</b>	<b>General Revenue</b>
FY2021 Enacted	\$12,482,524
<i>Target and Other Adjustments</i>	
Substance Abuse Treatment	37,656
Personnel	(1,919,614)
Discharge Planning Services	461,533
<b>FY2022 Governor</b>	<b>\$11,163,869</b>

**Substance Abuse Treatment** **(\$1.9 million)**

The Budget includes \$1.3 million in general revenue for substance abuse treatment services, including the Medication Assisted Treatment (MAT) program, a decrease of \$1.9 million relative to the FY2021 Budget as Enacted. The decrease represents a shift to fund other substance use disorder treatments through the Opioid Stewardship Funds within the Healthcare Services program.

The Budget includes a total of \$3.6 million in general revenue and restricted receipt funding in both Institutional Based Rehabilitation/Population Management and Healthcare Services for all substance abuse treatments. This represents an all funds decrease of \$491,705 from the FY2021 Budget as Enacted.

*Analyst Note: The Department's FY2022 Budget Request inadvertently excluded about \$800,000 in funding for substance abuse treatments. The Department intends to request the appropriate funding level in the revised budget.*

**Personnel** **\$461,553**

The Budget includes an additional \$461,553 in general revenue related to personnel costs. The majority of this increase is for an additional \$158,772 in longevity pay. The Budget includes an error that caused all funds for longevity pay in the FY2021 Budget as Enacted to be zeroed out within the Department, resulting in what appears to be an increase. The Budget also includes an additional \$103,279 to restore funding that was saved in FY2021 due to the Department's participation in the WorkShare program. The remaining \$199,488 increase is related to increases in salaries for employee promotions as well as adjustments to healthcare and retirement costs.

Due to the COVID-19 pandemic, the State began an Employee WorkShare Program which allowed eligible state employees to claim federal WorkShare benefits while working 60.0 percent of their regular weekly hours. Employees participated for a total of twelve weeks.

**Discharge Planning Services** **\$101,770**

The Budget includes a net increase of \$101,770 in general revenue for an initiative to move discharge planning services from an outside vendor to an in-house Discharge Planning unit. Previously, discharge planning services were provided by an outside vendor, Community Solutions, this contract was terminated in April 2020. Since the vendor contract was terminated, employees within the Department who are not trained as planners are providing discharge services in addition to their regular workload. The Department believes that bringing discharge planning services fully in-house will allow for an uninterrupted continuum of services to inmates prior to their release. It would also allow the Department to better monitor the services provided and correct any issues that were found.

The Budget includes an additional 7.0 FTE Community Correction Assessment Analysts positions for this initiative. Currently, 4.0 FTE positions have been hired and are anticipate to begin working in the Spring of 2021. The additional 3.0 FTE positions are anticipated to be hired by July 2021 requiring a full year of

funding in FY2022. The Budget includes an additional \$333,365 in general revenue and \$155,458 in federal funds to support the additional positions. The Budget also includes an additional \$112,000 for required time-tracking software. These increases are partially offset by a savings of \$343,875 for the elimination of the current discharge planning contract.

### **INSTITUTIONAL SUPPORT**

The Institutional Support program is divided into three sub-programs: the Food Services sub-program, which is responsible for the procurement and preparation of nutritionally-balanced foods for all inmates; the Facilities and Maintenance sub-program, responsible for all maintenance and repairs to the Department's buildings on the Pastore Complex; and, the Classification sub-program, which divides inmates into groups based on their needs.

<b>Institutional Support</b>	<b>General Revenue</b>
FY2021 Enacted	\$20,623,117
<i>Target and Other Adjustments</i>	<i>180,453</i>
Personnel	1,347,166
Centralized Service Charges- Facilities Management	(648,318)
Population Related Increase	77,825
<b>FY2022 Governor</b>	<b>\$21,580,243</b>

#### **Personnel**

**\$1.3 million**

The Budget includes an additional \$1.3 million for personnel costs within the Institutional Support program. The majority of this increase is related an additional \$834,004 in funding for the food services unit to bring costs in line with FY2020 actuals. The Budget includes \$120,378 in longevity pay. The FY2021 Budget as Enacted includes an error that caused all funds for longevity pay to be zeroed out within the Department, resulting in what appears to be an increase. The Budget also includes an additional \$47,613 to restore funding that was saved in FY2021 due to the Department's participation in the WorkShare program. The remaining \$345,171 increase is related to increases in salaries for employee promotions as well as adjustments to healthcare and retirement costs.

Due to the COVID-19 pandemic, the State began an Employee WorkShare Program which allowed eligible state employees to claim federal WorkShare benefits while working 60.0 percent of their regular weekly hours. Employees participated for a total of twelve weeks.

#### **Centralized Service Charges- Facilities Management**

**(\$648,318)**

The Budget includes \$7.3 million for centralized service costs related to facilities management, a decrease of \$648,318 from the FY2021 Enacted Budget. The increase reflects the actual cost of the centralized services used by the Department.

The FY2019 Budget centralized several statewide services in the Department of Administration. These include accounts for information technology, capital asset management and maintenance, and human resources.

#### **Population Related Increase**

**\$77,825**

The Budget includes a net increase of \$77,825 due to population and per-diem related expenses, which fluctuate depending on the number of inmates. The FY2021 Enacted Budget was based on a population of 2,267 inmates. The FY2022 Budget is based on 2,387 inmates, an increase of 120 inmates. This increase leads to an additional \$266,040 in funding for the additional inmates.

The increase is partially offset by a decrease of \$188,215 related to probation and parole reforms in Article 13. The article makes a number of changes to probation and parole including:

- **Probation Violation:** Article 13 amends RIGL 12-19, Sentence and Execution, to limit probation revocation as a response to technical violations when the violation does not constitute a new alleged crime. The Department of Corrections' Division of Rehabilitative Services will be able to use their discretion when deciding to revoke parole and requiring a defendant to appear in court. This will not apply in cases where a defendant poses a public safety risk. If the Division of Rehabilitative Services does revoke probation for a technical violation, a finding must be made on the record to describe the public safety risk posed by the defendant.
- **Technical Violation:** The article expands the Parole Board's discretion to respond to technical violations of parole without requiring the re-arrest of the parolee when there is no new criminal charge. The Parole Board may, at their discretion, issue an arrest warrant for the parolee in response to a technical violation. The amendment will help prevent parole revocation and re-incarceration for low-risk parolees. The article also allows the alleged violator to waive their right to a final parole revocation hearing, if there is no dispute as to the alleged violation and the parolee admits to the violation and accepts the sanction imposed by the Parole Board.

This expansion of the Parole Board's discretion, as well as changes to probation violations detailed above, are anticipated to save \$46,046 in general revenue per-diem savings.

- **Juvenile Parole:** Section 2 of Article 13 amends RIGL 13-8-14.2 to match the Department of Corrections Parole Board's existing guidelines which include special considerations for incarcerated inmates who committed crimes as juveniles younger than 18 years old. The Parole Board adopted the special consideration guidelines in 2018. The guidelines require the consideration of circumstances such as diminished culpability of juveniles, growth and maturation during incarceration, participation in rehabilitation and educational programs while incarcerated, age and immaturity at the time of offence, and evidence of remorse.

The article also amends RIGL 13-8-13 to allow inmates who are given longer sentences for crimes committed before the age of 22 to be considered for earlier parole after ten years of incarceration. This will be retroactive for offenses occurring on or after January 1, 1991. This will not apply to inmates serving a sentence of life without parole.

The Department estimates that 22 juveniles are potentially eligible for parole due to these changes and anticipates \$17,268 in general revenue per diem savings in FY2022.

- **Compliance Credits:** Section 3 of Article 13 amends RIGL 13-8-11 such that, beginning July 1, 2021, eligible people on parole would be allowed to earn five days of compliance credits toward the completion of their sentence for each month served without a violation. Eligible paroles include any offender who is serving post-incarceration parole except those who are serving a sentence for a violation of felony sexual assault or murder, first degree sexual assault, kidnapping of a minor, child molestation sexual assault, or second degree child molestation assault.

The article also amends RIGL 42-56-24 to allow those serving a probation sentence of one year or longer, including those who are serving a probation sentence after serving an incarceration sentence, to be eligible to receive a compliance credit of 10 days for each month that the person remains in compliance with the terms and conditions of their probation. This will only apply to those who have served at least three years of their probation sentence.

Changes to compliance credit eligibility is anticipated to save the Department \$46,866 in general revenue per-diem costs in FY2022.



**PAROLE BOARD**

The Parole Board is a six-member commission, appointed by the Governor that is charged with evaluating and authorizing the early release of inmates who meet certain conditions. The Department determines eligibility criteria, including that inmates must serve at least one-third of their sentence prior to being eligible for parole and must meet defined criteria post-parole and for the duration of their sentence. The Parole Board has one sub-program, the Sex Offender Community Notification (SOCN) Unit. The SOCN Unit is intended to support the sex offender leveling process, notification of the community, and provides support to the Rhode Island Sex Offender Board of Review, the RI Sex Offender Registry, state and local police, as well as the public.

<b>Parole Board</b>	<b>General Revenue</b>
FY2021 Enacted	\$1,434,820
<i>Target and Other Adjustments</i>	<i>(23,271)</i>
Clerical Services	(50,324)
Personnel	40,890
<b>FY2022 Governor</b>	<b>\$1,402,115</b>

**Clerical Services** **(\$50,324)**

The Budget includes a decrease of \$50,324 related to the elimination of temporary clerical support throughout the Department. Clerical services were often provided by temporary employees while full-time employees are out on leave. The Budget eliminates all temporary clerical support services in FY2022.

**Personnel** **\$40,890**

The Budget includes an additional \$40,890 for personnel costs within the Parole Board. The majority of this increase, \$36,211 is to restore funding that was saved in FY2021 due to the Department's participation in the WorkShare program. The remaining \$4,679 increase is related to increases in salaries for employee promotions as well as adjustments to healthcare and retirement costs.

Due to the COVID-19 pandemic, the State began an Employee WorkShare Program which allowed eligible state employees to claim federal WorkShare benefits while working 60.0 percent of their regular weekly hours. Employees participated for a total of twelve weeks.

**CAPITAL PROJECTS**

The Budget includes \$9.9 million in RICAP funds in FY2021, consistent with enacted levels, and \$5.1 million in FY2022, a decrease of \$4.8 million from enacted levels. The Governor's FY2020 Budget consolidated all RICAP projects and funds for the DOC into one asset protection project. The General Assembly did not concur with this consolidation and instead created two separate appropriations, asset protection and facilities management. Creating two broad and separate accounts is intended to provide the Department with more flexibility to spend RICAP funding as needed.

In FY2022 all RICAP funding will be used for asset protection projects. Current asset protection projects include, domestic hot water distribution, security upgrades and security camera installation to keep the Department's facilities up to code.



## Judiciary

Expenditures By Program	FY2019	FY2020	FY2021	FY2021	Change from		FY2022	Change from		
	Actual	Actual	Enacted	Governor	Enacted	%	Governor	Enacted	%	
Supreme Court	\$42.1	\$42.5	\$40.1	\$41.2	\$1.1	2.7%	\$44.3	\$4.2	10.5%	
Superior Court	23.6	23.5	23.8	23.9	0.1	0.4%	25.6	1.9	7.8%	
Family Court	24.6	25.5	26.0	26.2	0.2	0.7%	26.9	0.9	3.4%	
District Court	13.3	14.1	14.2	14.4	0.2	1.3%	14.8	0.6	4.1%	
Traffic Tribunal	8.6	8.9	9.0	9.0	0.0	0.3%	9.8	0.8	9.2%	
Worker's Compensation Court	7.5	8.1	8.9	8.9	0.0	0.3%	9.3	0.4	4.9%	
Judicial Tenure & Discipline	0.1	0.1	0.2	0.2	0.0	0.3%	0.2	0.0	0.7%	
<b>Total</b>	<b>\$119.8</b>	<b>\$122.7</b>	<b>\$122.1</b>	<b>\$123.7</b>	<b>\$1.6</b>	<b>1.3%</b>	<b>\$130.9</b>	<b>\$8.8</b>	<b>7.2%</b>	
<b>Expenditures By Source</b>										
General Revenue	\$100.0	\$101.9	\$103.5	\$103.8	\$0.3	0.3%	\$108.8	\$5.3	5.1%	
Federal Funds	3.1	4.3	3.5	3.8	0.4	10.5%	3.5	0.1	2.5%	
Restricted Receipts	10.6	11.3	12.9	13.9	1.0	7.7%	13.6	0.8	6.0%	
Operating Transfers from Other Funds	6.2	5.3	2.3	2.3	(0.0)	-1.7%	5.0	2.6	113.0%	
<b>Total</b>	<b>\$119.8</b>	<b>\$122.7</b>	<b>\$122.1</b>	<b>\$123.7</b>	<b>\$1.6</b>	<b>1.3%</b>	<b>\$130.9</b>	<b>\$8.8</b>	<b>7.2%</b>	
Authorized FTE Levels	723.3		726.3	726.3	-	-	726.3	-	-	

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

Rhode Island has a unified court system composed of six statewide courts. The Supreme Court is the court of review, the Superior Court is the general trial court, and the Family, District, Traffic Tribunal, and Workers' Compensation Courts are trial courts of special jurisdiction. The entire system is state-funded with the exception of probate courts, which are the responsibility of cities and towns, and the municipal courts, which are local courts of limited jurisdiction.

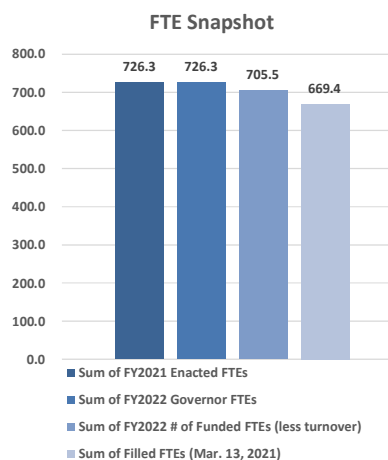
The Chief Justice of the Supreme Court is the executive head of the state court system and has authority over the Judiciary's budget. The Chief Justice appoints the State Court Administrator and an administrative staff to handle budgetary and general administrative functions. Under the direction of the Chief Justice, the Court Administrator manages appropriations for all state courts, except those as provided otherwise by law. Each court has responsibility over its own operations and has a chief judge who appoints an administrator to handle internal court management.

### MAJOR ISSUES AND TRENDS

The Budget includes \$108.8 million in general revenue funding. This is \$5.3 million (5.1 percent) more than the FY2021 Budget as Enacted. \$900,355 of the increase is to replace workshare savings realized in the FY2021 Budget as Enacted, and another \$590,221 in general revenue (\$995,804 in all funds) reduces turnover savings. The other funds increase of 113.0 percent is due primarily to the increased investment in asset protection, HVAC upgrades, the commencement of the Murray and Garrahy Courtroom Restorations, and fan coil replacements across the system. Restricted receipts increase primarily due to the shift of computer equipment purchase to the indirect cost recovery account and increased need for computers and computer upgrades due to the pandemic.

The Budget provides 726.3 FTE positions, consistent with the FY2021 Budget as Enacted and the Judiciary’s request. According to the Judiciary, the Budget does include funding to support the vacancies currently before the Judicial Nominating Commission.

The Judiciary requested a general increase of \$7.9 million relative to the FY2021 Budget as Enacted. The Governor provides an increase of \$5.3 million; however, the Judiciary’s request did not include any turnover savings. In FY2022, the Judiciary is projected to reach \$2.6 million in general revenue turnover (\$2.7 million all funds). The Judiciary indicated this is a reasonable level of turnover.



**SUPREME COURT**

The Supreme Court is the only constitutionally-established court in the State, and is empowered with administrative authority over the entire state court system. The Court is the final court of review, and also issues advisory opinions to Legislative and Executive branches of government and regulates the Rhode Island Bar. Administrative functions include budgeting, human resource management, purchasing, information technology management, and fine and fee collection. The Supreme Court also offers programs related to domestic violence prevention, mandatory continuing legal education, alternative dispute resolution, victim rights information, and the interpreter program.

<b>Supreme Court</b>	<b>General Revenue</b>
FY2021 Enacted	\$34,083,633
<hr/>	
<i>Target and Other Adjustments</i>	<i>867,590</i>
Records Center	268,658
Restoration of Workshare Savings	179,514
Court Offsets	(16,417)
<b>FY2022 Governor</b>	<b>\$35,382,978</b>

**Records Center \$268,658**

There is an increase of \$268,658 for the continuation of a records cleanup project that will ultimately reduce storage costs. The project involves reviewing and destroying records in conformity with the Judiciary’s record retention policy. At this time, the project does not include digitalization of records.

**Restoration of Workshare Savings \$179,514**

The Budget includes \$179,514 (\$900,355 system wide) in general revenue savings from furloughed employees in the Supreme Court eligible to participate in the State’s Workshare program. Approximately 1,600 state employees participated in the program, which included 183 employees within the Judiciary. The Workshare program allowed the State to achieve the savings in the wake of the devastating financial impact of COVID-19. Through this program, eligible full-time employees were allowed to work 60.0 percent of their regular weekly hours (three business days) from June 14, 2020, to September 5, 2020.

**Court Offsets (\$16,417)**

State agencies that occupy court space include the Public Defender’s Office; Office of the Attorney General; the Department of Corrections; the Department of Children, Youth, and Families; and the Department of Public Safety. Agencies that occupy space in court buildings around the State incur costs for a share of building related expenses based on the amount of space that is occupied. In total, the agencies occupy 19.7 percent (89,979 square feet) of useable court space based on a March 2014 study. The Budget provides a decrease of \$16,417 (1.1 percent) relative to the FY2021 Budget, for a total offset of \$1.4 million.

**Court Cost Offsets**

<b>Agency</b>	<b>FY2021</b>	<b>FY2022</b>	<b>Change from FY2021</b>	
Attorney General	\$184,092	\$182,010	(\$2,082)	-1.1%
Children, Youth & Families	55,303	54,678	(625)	-1.1%
Corrections	139,395	137,818	(1,577)	-1.1%
Public Defender	151,516	149,802	(1,714)	-1.1%
Public Safety	921,220	910,801	(10,419)	-1.1%
<b>Total</b>	<b>\$1,451,527</b>	<b>\$1,435,110</b>	<b>(\$16,417)</b>	<b>-1.1%</b>

Operating expenses in FY 2020 were less than the operating expenses in FY 2019 due to the COVID related pandemic and its impact on Court operations. Since the offsets are calculated by applying the occupancy percentages to the actual expenses incurred by the Judiciary two fiscal years prior, such that FY2021 charges are based on FY2019 actual expenditures and FY2022 charges are based on FY2020 actual expenditures, the FY2022 charges are less than what are applied in FY2021. It is the expectation of the Judiciary that rates will return to normal levels in FY2023 based upon FY2021 actual expenditures.

**SUPERIOR COURT**

The Superior Court has jurisdiction for all felony cases, misdemeanor cases that have been appealed or waived from the District Court, civil cases in which the disputed amount exceeds \$10,000, and all probate and zoning appeals. The Court has four locations throughout the state, including Providence, Warwick, Wakefield, and Newport. The Gun Court and Adult Drug Court were established in FY1995 and FY2002, respectively. The Superior Court also has appellate jurisdiction of decisions of local municipal and probate courts. Appeals from various boards and commissions, such as zoning boards and Ethics Commission appeals, are heard in Superior Court as well as petitions to review disciplinary action imposed upon a state or local police officer by the chief of that department. In addition to conducting trials, the Superior Court administers the Court-Annexed Arbitration Program which accelerates the disposition of certain less complex civil cases in which there is \$100,000 or less at issue. Matters such as contract disputes, personal injury claims, and property damage suits may be certified to this alternative dispute resolution program.

<b>Superior Court</b>	<b>General Revenue</b>
FY2021 Enacted	\$23,332,817
<i>Target and Other Adjustments</i>	<i>1,212,518</i>
Turnover Restoration	333,958
Restoration of Workshare Savings	215,131
<b>FY2022 Governor</b>	<b>\$25,094,424</b>

**Turnover Restoration****\$333,958**

The FY2021 Budget included \$3.2 million in general revenue turnover savings system wide, including \$966,461 in the Superior Court. The FY2022 Budget includes \$2.6 million in general revenue turnover savings including \$632,503 in the Superior Court. Reduced turnover requires a funding increase of \$333,958.

**Restoration of Workshare Savings****\$215,131**

The Budget includes \$215,131 (\$900,355 system wide) in general revenue savings from furloughed employees in the Superior Court eligible to participate in the State's Workshare program. Approximately 1,600 state employees participated in the program, which included 183 employees within the Judiciary. The Workshare program allowed the State to achieve the savings in the wake of the devastating financial impact of COVID-19. Through this program, eligible full-time employees were allowed to work 60.0 percent of their regular weekly hours (three business days) from June 14, 2020, to September 5, 2020.

**FAMILY COURT**

The Rhode Island Family Court, established in 1961, was the first statewide Family Court in the United States. The Family Court has jurisdiction to hear and determine all petitions for divorce and any motions in conjunction with divorce proceedings, such as motions relating to the distribution of property, alimony, support and custody of children. It also hears petitions for separate maintenance, and complaints regarding support for parents and children. The Family Court also has jurisdiction over matters relating to delinquent, wayward, dependent, neglected, abused, and mentally deficient or mentally disordered children. In addition, it has jurisdiction over adoptions, paternity proceedings, and a number of other matters involving domestic relations and juveniles. Appeals from decisions of the Family Court are taken directly to the state Supreme Court.

The Court runs specialty court programs, including the Juvenile Drug Court, Domestic Violence Court, Truancy Court, Mental Health Court Clinic, and the Juvenile Re-Entry Court. The Court has four locations throughout the state, including Providence, Warwick, Wakefield, and Newport.

<b>Family Court</b>	<b>General Revenue</b>
FY2021 Enacted	\$22,805,368
<hr/>	
<i>Target and Other Adjustments</i>	<i>716,913</i>
Restoration of Workshare savings	309,121
<b>FY2022 Governor</b>	<b>\$23,831,402</b>

**Restoration of Workshare Savings** **\$309,121**

The Budget includes \$309,102 (\$900,355 system wide) in general revenue savings from furloughed employees in the Family Court eligible to participate in the State's Workshare program. Approximately 1,600 state employees participated in the program, which included 183 employees within the Judiciary. The Workshare program allowed the State to achieve the savings in the wake of the devastating financial impact of COVID-19. Through this program, eligible full-time employees were allowed to work 60.0 percent of their regular weekly hours (three business days) from June 14, 2020, to September 5, 2020.

**DISTRICT COURT**

The District Court has jurisdiction over all criminal misdemeanor cases if the defendant waives the right to a jury trial. If the defendant asks for a jury trial, the case will be transferred to the Superior Court. The District Court also has jurisdiction over bail hearings in felony cases and over violation hearings in misdemeanor cases. The District Court presides over civil trials in which the damages sought total up to \$5,000. If the parties agree, the District Court can hear civil suits for damages to a maximum of \$10,000. District Court jurisdiction also includes Small Claims Court for damages up to \$2,500; violations of municipal ordinances and regulations; violations and hearings on involuntary hospitalization under the mental-health, drug-abuse, and alcohol laws; regulatory appeals, including those related to taxation; and violations of state or local housing codes. Appeals from District Court decisions go to the Superior Court. The Court has four locations throughout the state, including Providence, Warwick, Wakefield, and Newport.

<b>District Court</b>	<b>General Revenue</b>
FY2021 Enacted	\$14,140,491
<hr/>	
<i>Target and Other Adjustments</i>	<i>271,897</i>
Restoration of Workshare savings	124,691
<b>FY2022 Governor</b>	<b>\$14,537,079</b>

**Restoration of Workshare Savings****\$124,691**

The Budget includes \$124,691 (\$900,355 system wide) in general revenue savings from furloughed employees in the District Court eligible to participate in the State's Workshare program. Approximately 1,600 state employees participated in the program, which included 183 employees within the Judiciary. The Workshare program allowed the State to achieve the savings in the wake of the devastating financial impact of COVID-19. Through this program, eligible full-time employees were allowed to work 60.0 percent of their regular weekly hours (three business days) from June 14, 2020, to September 5, 2020.

**TRAFFIC TRIBUNAL**

The Traffic Tribunal replaced the Administrative Adjudication Court in 1999. The Traffic Tribunal is responsible for hearing most traffic cases, distributing and controlling traffic summonses, and maintaining accurate driver accident and violation records. The Traffic Tribunal hears appeals from the Division of Motor Vehicles and the municipal courts as well as certain violations of the Department of Environmental Management. The Tribunal has authority to enforce its own judgments. The Traffic Tribunal has one location, at the Pastore Center in Cranston.

<b>Traffic Tribunal</b>	<b>General Revenue</b>
FY2021 Enacted	\$8,966,306
<i>Target and Other Adjustments</i>	<i>748,704</i>
Restoration of Workshare savings	71,898
<b>FY2022 Governor</b>	<b>\$9,786,908</b>

**Restoration of Workshare Savings****\$71,898**

The Budget includes \$71,898 (\$900,355 system wide) in general revenue savings from furloughed employees in the Traffic Court eligible to participate in the State's Workshare program. Approximately 1,600 state employees participated in the program, which included 183 employees within the Judiciary. The Workshare program allowed the State to achieve the savings in the wake of the devastating financial impact of COVID-19. Through this program, eligible full-time employees were allowed to work 60.0 percent of their regular weekly hours (three business days) from June 14, 2020, to September 5, 2020.

**WORKERS' COMPENSATION COURT**

The Workers' Compensation Court has jurisdiction over all disputes between employers and employees relating to workers' compensation. The court's jurisdiction includes contested cases involving the rehabilitation of injured employees and claims involving disputes between an employer and its workers' compensation insurer. Since FY1990, the expenses incurred in the operation of the court are paid through the Workers' Compensation Administrative Fund (restricted receipts).

<b>Worker's Compensation Court</b>	<b>Restricted Receipts</b>
FY2021 Enacted	\$8,943,104
<i>Target and Other Adjustments</i>	<i>48,899</i>
<b>FY2022 Governor</b>	<b>\$8,992,003</b>

**JUDICIAL TENURE AND DISCIPLINE**

The Commission on Judicial Tenure and Discipline is the program charged with investigating judges who have been charged with misconduct. The Supreme Court may affirm, modify, or reject the recommendations of the Commission.

Judicial Tenure & Discipline	General Revenue
FY2021 Enacted	\$154,779
<i>Target and Other Adjustments</i>	<i>1,084</i>
<b>FY2022 Governor</b>	<b>\$155,863</b>

### CAPITAL PROJECTS

The Budget includes \$2.3 million in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2021 and \$5.0 million in FY2022.

- **Judicial Complexes HVAC:** The Budget includes \$1.0 million in FY2021 and FY2022 to finish the replacement and repair of court-managed HVAC systems at the courthouses system wide. Funds provide for installation of air handler units (AHU) and variable air volume (VAV) systems, replacement of make-up air units and water heaters, and fan coil replacement.
- **Judicial Complexes Asset Protection:** The Budget includes \$521,648 in FY2021 and \$1.5 million FY2022 for asset protection projects throughout the court system. Projects include security and fire suppression upgrades, courtroom restorations, elevator upgrades, and electrical upgrades.
- **Licht Judicial Complex Restoration:** The Budget includes \$761,721 in FY2021 and \$750,000 in FY2022 for restorations to the Licht Judicial Complex. Funds will be used to renovate courtrooms. This includes repairing or replacing all of the furniture, plastering and painting, upgrading lighting, and refinishing floors.
- **Judicial Complexes Fan Coils:** The Budget provides \$750,000 in FY2022 for both the architectural/engineering work and the installation of the fan coils in the Licht, Fogarty, and Murray facilities. This project is projected to continue through FY2024.
- **Murray Courtroom Restoration:** The Budget provides \$700,000 in FY2022 to renovate and restore the interior of the Murray Judicial Complex in Newport. Projects include painting, carpet replacement, woodwork refinishing, and replacement and/or restoration of fixed courtroom seating and benches. Renovations to woodwork are highly labor intensive due to the historical nature of the building. Courtroom ceilings are covered with ornate woodwork and plaster, requiring restoration work to be done by historic preservation specialists. This project is scheduled for in FY2022.
- **Garrahy Courtroom Restoration:** The Budget provides \$250,000 in FY2022 courtroom restoration at the Garrahy Judicial Complex. Projects include replacing carpets, finishing woodwork, and painting.



## Military Staff

Expenditures By Program	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
	Actual	Enacted	Revised	Enacted		Governor	Enacted	
RI National Guard	\$31.4	\$46.2	\$40.8	(\$5.4)	-11.7%	\$41.1	(\$5.1)	-11.0%
<b>Total</b>	<b>\$31.4</b>	<b>\$46.2</b>	<b>\$40.8</b>	<b>(\$5.4)</b>	<b>-11.7%</b>	<b>\$41.1</b>	<b>(\$5.1)</b>	<b>-11.0%</b>
<b>Expenditures By Source</b>								
General Revenue	\$6.7	\$3.3	\$3.3	\$0.0	0.2%	\$2.6	(\$0.7)	-20.6%
Federal Funds	21.2	40.3	34.9	(5.4)	-13.4%	36.6	(3.7)	-9.1%
Restricted Receipts	0.1	0.1	0.1	-	-	0.1	-	0.0%
Operating Transfers from Other Funds	3.4	2.5	2.5	0.0	0.0%	1.8	(0.7)	-27.7%
<b>Grand Total</b>	<b>\$31.4</b>	<b>\$46.2</b>	<b>\$40.8</b>	<b>(\$5.4)</b>	<b>-11.7%</b>	<b>\$41.1</b>	<b>(\$5.1)</b>	<b>-11.0%</b>
Authorized FTE Levels	92.0	92.0	92.0	-	-	92.0	-	-

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

The mission of the Military Staff (Rhode Island National Guard) is to prepare for immediate mobilization in the event of war or national emergency; to maintain peace, order, and public safety in the state in time of man-made or natural disaster or when otherwise directed by the Governor; and, to participate in the development and establishment of local, regional, and nationwide initiatives and programs.

### MAJOR ISSUES AND TRENDS

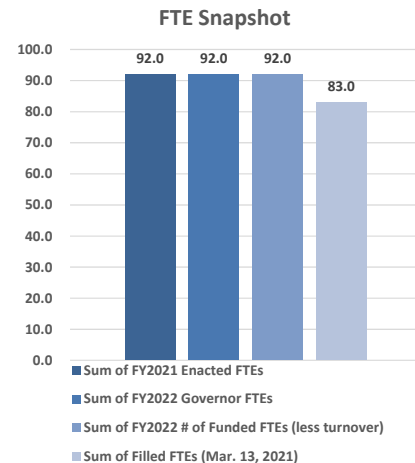
The Budget includes \$40.8 million in FY2021, of which \$3.3 million is general revenue. This reflects an all funds decrease of \$5.4 million from the FY2021 Budget as Enacted.

The Budget includes \$41.1 million in FY2022, of which \$2.6 million is general revenue. This reflects an all funds decrease of \$5.1 million from the FY2021 Budget as Enacted. In addition, federal funds decrease by \$3.7 million and other funds decrease by \$708,133. The net decrease in federal funds largely reflects the elimination of federally funded personnel costs in response to the COVID-19 pandemic, while the net decrease in other funds mainly reflects reduced RICAP funding for the new joint force headquarters at Camp Fogarty, as that project is complete.

The Budget provides 92.0 FTE positions in FY2021 and FY2022, consistent with the enacted level. Approximately 92.0 percent of the authorized FTE positions are supported by federal funds.

### NATIONAL GUARD

The National Guard program is composed of reserve units of the United States Army and Air Force, the Rhode Island National Guard (RING), and the State Historic Militia. The Guard is authorized to have in excess of 3,300 members (2,178 Army National Guard and 1,136 Air National Guard). The Guard has numerous facilities throughout the state, including 14 armories, 3 air bases, 2 training sites, 10 maintenance and support buildings, and housing equipment valued at \$500.0 million. The estimated annual economic impact on the State attributed to National Guard programs exceeds \$238.0 million. The Guard is largely financed through federal funds, including drill and training pay for Army and Air Guard personnel, supplies, equipment, facility maintenance, and capital projects. State funds are provided as a match on some projects and primarily pay employee salary and benefit costs, training, travel, and maintenance.



<b>RI National Guard</b>	<b>General Revenue</b>
FY2021 Enacted	\$3,275,354
<i>Target and Other Adjustments</i>	<i>(148,163)</i>
Injured on Duty (IOD) Savings	(499,439)
State Activation	(62,255)
Turnover	25,000
Centralized Services	18,356
<b>FY2022 Governor</b>	<b>\$2,608,853</b>

<b>RI National Guard</b>	<b>Other Fund Changes</b>
COVID-19 - Personnel Costs	(\$5,500,000)
RICAP Funds	(708,133)

***Injured on Duty (IOD) Savings*** ***(\$499,439)***

The Budget reduces personnel expenses \$499,439 in general revenue reflecting savings achieved through the Injured on Duty (IOD) reforms enacted as part of the FY2020 Budget as Enacted. Since passage of the IOD reforms two long-term Quonset Airport Firefighters on IOD accepted the retirement disability package offered to them. A third firefighter remains on IOD status but the Budget anticipates that the remaining firefighter will either return to duty or be retired on disability. When a federally-funded firefighter is placed on IOD, the salary shifts to 100.0 general revenue funded and the IOD salary is tax exempt. Removing the firefighters from IOD status to return to duty or to retirement on disability eliminates the general revenue expense.

***State Activation*** ***(\$62,255)***

The FY2021 Budget as Enacted included wage and overtime costs for the activation of 2.0 soldiers under State Active Duty (SAD) status. The soldiers were funded on a 25/75 percent basis with 75.0 percent funded from Cares Act funds and Federal Emergency Management Agency (FEMA) funds. The State was required to contribute 25.0 percent matching share. In addition, the Budget included \$51,638 in general revenue for overtime costs related to the State Activation. The FY2022 Budget eliminates \$60,000 for wages and reduces overtime costs by \$2,255 for a total reduction of \$62,255.

*Analyst note: The FY2021 Budget as Enacted included \$5.5 million in federal funds for 502 soldiers that were federally-activated and funded 100.0 percent through the United States Department of Defense as part of the Agency's staffing response to COVID-19. The FY2022 Budget eliminates the federal funds for the Military Staff reflecting staffing and associated funds not required in FY2022.*

***Turnover*** ***\$25,000***

The Budget increases general revenue by \$25,000 reflecting the elimination of projected personnel turnover savings as compared to the previous fiscal year.

***Centralized Services*** ***\$18,356***

The Budget decreases general revenue expenditures to reflect billed amounts for information technology and human resource services. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. The FY2021 Budget as Enacted appropriated \$25,714 for centralized service expenses, which is increased by \$18,356 to \$44,070 in the FY2022 budget.

<b>Centralized Services</b>	<b>FY2021</b>	<b>FY2021</b>	<b>Change</b>	<b>FY2022</b>	<b>Change</b>
	<b>Enacted</b>	<b>Governor</b>		<b>Governor</b>	
Human Resources Service Centers	\$8,275	\$8,275	\$0	\$16,538	\$8,263
Information Technology Charges	17,439	17,439	-	27,532	10,093
<b>Total</b>	<b>\$25,714</b>	<b>\$25,714</b>	<b>\$0</b>	<b>\$44,070</b>	<b>\$18,356</b>

**COVID-19 Response (federal funds)****(\$5.5 million)**

The FY2021 Budget as Enacted included \$5.5 million in federal funds for 502 soldiers that were federally-activated and funded 100.0 percent through the United States Department of Defense as part of the Agency's staffing response to COVID-19. The FY2022 Budget eliminates the federal funds for the Military Staff reflecting staffing and associated funds not required in FY2022.

**CAPITAL PROJECTS**

The Budget includes \$18.1 million (\$15.6 million federal funds and \$2.5 million RICAP) in capital projects for FY2021 and \$18.0 million in FY2022 (\$16.2 million federal funds and \$1.8 million RICAP). The RICAP funded projects include:

<b>Capital Projects - RICAP Funds</b>	<b>FY2021</b>	<b>FY2021</b>	<b>Change</b>	<b>FY2022</b>	<b>Change</b>
	<b>Enacted</b>	<b>Governor</b>		<b>Governor</b>	
Aviation Readiness Center	\$0	\$0	\$0	\$535,263	\$535,263
RICAP - AMC Rehabilitation	-	-	-	366,500	366,500
RICAP - Asset Protection	752,330	752,330	-	930,000	177,670
RICAP - Bristol Readiness Center	192,000	192,000	-	-	(192,000)
RICAP - Joint Force Headquarters Building	1,595,566	1,595,566	-	-	(1,595,566)
<b>Total</b>	<b>\$2,539,896</b>	<b>\$2,539,896</b>	<b>\$0</b>	<b>\$1,831,763</b>	<b>(\$708,133)</b>

- **Aviation Readiness Center:** A \$38.4 million project with \$535,263 in RICAP funds and \$1.3 million in federal funds in FY2022. The project lists out-year funding of \$35.5 million in federal funds and \$1.3 million in RICAP funds through FY 2026 to construct a 73,788 square foot training and readiness center at the Quonset Air Base for the Rhode Island National Guard 1/126<sup>th</sup> Aviation Unit.
- **AMC Rehabilitation:** \$366,500 in RICAP funds and \$366,500 in federal funds for continued roof repairs, as well as electrical and plumbing renovations, and RING member vehicle parking.
- **Asset Protection:** \$930,000 in RICAP and \$6.3 million in federal funds. The project lists out-year funding of \$11.4 million in federal funds and \$2.6 million in RICAP funds through FY 2026 for various asset protection projects.

In addition, the Rhode Island Air National Guard will receive federal appropriations of \$11.6 million in FY2021, \$41.9 million in FY2022, and out-year funding of \$154.7 million through to FY2026. These are for several federal capital projects at the Quonset Air National Guard facilities that are not State projects and the federal funding is not appropriated to the State.



## Rhode Island Emergency Management Agency

Expenditures By Program	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
	Actual	Enacted	Revised	Enacted		Governor	Enacted	
Central Management	\$78.9	\$45.3	\$59.8	\$14.5	32.1%	\$21.4	(\$23.9)	-52.7%
<b>Expenditures By Source</b>								
General Revenue	\$66.3	\$2.7	\$2.4	(\$0.3)	(0.1)	\$2.7	(\$0.1)	-2.2%
Federal Funds	10.9	40.5	55.3	14.8	36.6%	16.5	(24.0)	-59.3%
Restricted Receipts	0.2	0.6	0.6	0.0	0.2%	0.5	(0.0)	-4.7%
Operating Transfers from Other Funds	1.5	1.5	1.5	-	-	1.7	0.3	16.8%
<b>Total</b>	<b>\$78.9</b>	<b>\$45.3</b>	<b>\$59.8</b>	<b>\$14.5</b>	<b>32.1%</b>	<b>\$21.4</b>	<b>(\$23.9)</b>	<b>-52.7%</b>
Authorized FTE Levels	32.0	32.0	32.0	-	-	33.0	1.0	3.1%

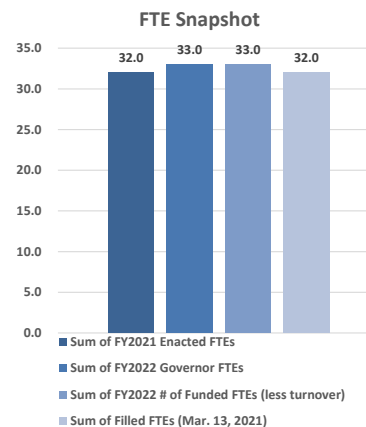
*\$ in millions. Totals may vary due to rounding.*

The Rhode Island Emergency Management Agency (RIEMA) is the coordinating agency for multi-jurisdiction and multi-agency response in the state for all emergencies including natural and technological hazards such as fires, floods, tornadoes, hurricanes, winter storms, chemical releases, weapons of mass destruction, and terrorism incidents. RIEMA is the official coordinating agency of the State for the federal Department of Homeland Security and the Federal Emergency Management Agency in times of state, national, multi-jurisdiction, and multi-agency emergencies and disasters. RIEMA operates and maintains the State Emergency Operations Center, as well as the statewide 800 MHz radio system and network. RIEMA became nationally accredited in October 2016, via the Emergency Management Accreditation Program (EMAP).

### MAJOR ISSUES AND TRENDS

The Budget includes \$59.8 million in FY2021, of which \$2.4 million is general revenue. Federal funds comprise 92.5 percent of the Agency's budget in FY2021, an increase of \$14.8 million.

The FY2022 Budget includes \$21.4 million, of which \$2.7 million is general revenue. Federal funds comprise \$16.5 million (77.0 percent) of the Agency's budget in FY2022, a decrease of \$24.0 million, principally due to lower resource needs to respond to the COVID-19 pandemic. Other funds increase by \$250,000, reflecting the use of RICAP funds for a feasibility study regarding the effective use of RIEMA's current headquarters. The Budget includes 32.0 FTE positions in FY2021 and 33.0 FTE positions in FY2022, reflecting an increase of a 1.0 Fiscal Management Officer position.



<b>Central Management</b>	<b>General Revenue</b>
FY2021 Enacted	\$2,713,353
<i>Target and Other Adjustments</i>	
Personnel	(61,249)
COVID Related Expenses	500,277
Code RED Maintenance Contract	(300,000)
Fiscal Management Officer	(277,750)
<b>FY2022 Governor</b>	<b>36,398</b>
	<b>\$2,655,619</b>

<b>Central Management</b>	<b>Other Fund Changes</b>
COVID Related Expenses	\$31,617,497
Disaster and Emergency Preparedness Grants	6,647,912
Capital Purchases and Equipment	439,676

**Personnel** **\$500,277**

The FY2021 Budget as Enacted shifted \$487,702 in personnel costs from general revenue to federal funds to reflect expenses incurred by the Rhode Island Emergency Management Agency (RIEMA) in response to the COVID-19 pandemic. The Budget for FY2022 adds \$500,277 in general funds reflecting the shift back of these personnel expenses from federal funds to general revenues and includes increases in statewide planning value adjustments set by the Budget Office.

**COVID Related Expenses** **(\$300,000)**

The Budget decreases general revenue by \$300,000 that were for expenses originally projected by RIEMA in response to the COVID-19 pandemic. On March 13, 2020, the President of the United States declared a nationwide emergency relating to the COVID-19 pandemic. Under such federal declaration, referred to as the Stafford Act, federal disaster activities are assumed by the Federal Emergency Management Agency (FEMA). Such activities and assistance allow the State to qualify for a 75.0 percent reimbursement of certain emergency-related expenses. These funds are not required in FY2022.

**Code RED Maintenance Contract** **(\$277,750)**

The Budget decreases general revenue by \$277,750 for the Code Red maintenance contract. The Code RED system is an emergency response notification system which is integrated into the federal Integrated Public Alert and Warning System (IPAWS) that sends public safety alerts through the Emergency Alert System (EAS) and other public alerting systems for emergencies such as active shooters, evacuations, and missing child alerts. The State and all 39 municipalities use this system. Because this operating item is a maintenance issue and not an enhancement to a capital asset, funding is not available via the Rhode Island Capital Fund (RICAP) program. Funding for the maintenance contract is not required in FY2022.

**Fiscal Management Officer** **\$36,398**

The Budget adds \$36,398 in general revenue and \$60,664 in federal funds covering the salary and benefits of a new 1.0 Fiscal Management Officer. The Governor recommends adding the new position to handle overall finance operations including the increased responsibility of managing various federal awards related to the COVID-19 pandemic.

**Federal COVID Related Expenses (federal funds)** **(\$31.6 million)**

The Budget increases personnel expenses \$323,064 and decreases operating expenses by \$31.9 million resulting in a net federal fund decrease of \$31.6 million to reflect expenses projected by RIEMA in response to the COVID-19 pandemic. On March 13, 2020, the President of the United States declared a nationwide emergency relating to the COVID-19 pandemic. Under such federal declaration, referred to as the Stafford Act, federal disaster activities are assumed by the Federal Emergency Management Agency (FEMA). Such activities and assistance allow the State to qualify for a 75.0 percent reimbursement of certain emergency-

related expenses. The expenses incurred include personal protective equipment (PPE), ventilators, and the establishment of emergency field hospitals.

The overall reduction is a reduction in projected spending on additional personal protective equipment (PPE) primarily composed of ventilators, gowns, nitrile gloves, and face masks. The ventilators were a large ticket item in FY2020 and FY2021. The purchase of that equipment (ventilators) is not warranted at this time. RIEMA continues to procure PPE, but not at the level that was required at the onset of the COVID-19 event.

<b>Personnel - Federal COVID Response</b>	<b>FY2021</b>	<b>FY2021</b>	<b>Change</b>	<b>FY2022</b>	<b>Change</b>
	<b>Enacted</b>	<b>Governor</b>		<b>Governor</b>	
COVID-19 Stimulus Reserve	\$0	\$0	\$0	\$30,891	\$30,891
FEMA: COVID-Related Expenses	175,643	1,200,000	1,024,357	779,875	604,232
Relief Fund: COVID-Related Expenses	312,059	115,509	(196,550)	-	(312,059)
<b>Total</b>	<b>\$487,702</b>	<b>\$1,315,509</b>	<b>\$827,807</b>	<b>\$810,766</b>	<b>\$323,064</b>

<b>Operating - Federal COVID Response</b>	<b>FY2021</b>	<b>FY2021</b>	<b>Change</b>	<b>FY2022</b>	<b>Change</b>
	<b>Enacted</b>	<b>Governor</b>		<b>Governor</b>	
COVID-19 Stimulus Reserve	\$0	\$0	\$0	\$7,430	\$7,430
FEMA: Supplies WKS: RIEMA	32,000,000	38,329,050	6,329,050	52,009	(31,947,991)
<b>Total</b>	<b>\$32,000,000</b>	<b>\$38,329,050</b>	<b>\$6,329,050</b>	<b>\$59,439</b>	<b>(\$31,940,561)</b>

<b>Total</b>	<b>\$32,487,702</b>	<b>\$39,644,559</b>	<b>\$7,156,857</b>	<b>\$870,205</b>	<b>(\$31,617,497)</b>
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#### **Disaster and Emergency Preparedness Grants (federal funds)**

**\$6.6 million**

The Budget includes \$9.7 million in federal funds for various federal grants and reimbursements received for storm and natural disaster events. This appropriation is \$6.6 million more than the FY2021 Budget as Enacted. These funds also reimburse preparedness efforts for terrorist threats, active shooters, hazardous material containment, and other emergency events. The preparedness efforts are intended to improve and enhance the State's ability to prevent, deter, respond to, and recover from threats and incidents. Federal grant funds vary from year to year depending upon the number and severity of natural disasters and the availability of federal funds for non-disaster grants. The following table highlights the more significant changes in FY2021 and FY2022.

<b>RIEMA Federal Grants</b>	<b>FY2021</b>	<b>FY2021</b>	<b>Change</b>	<b>FY2022</b>	<b>Change</b>
	<b>Enacted</b>	<b>Governor</b>		<b>Governor</b>	
State Homeland Security Grant Program 2019	\$2,100,012	\$2,100,012	\$0	\$250,000	(\$1,850,012)
SHSP 2020- State Homeland Security Grant Program	-	1,327,401	1,327,401	1,327,401	1,327,401
Blizzard - Juno Disaster	-	1,206,538	1,206,538	1,206,538	1,206,538
Nemo Blizzard 2012 Disaster Reimbursement	-	1,130,140	1,130,140	1,130,140	1,130,140
Blizzard Juno	-	-	-	1,113,678	1,113,678
EMPG 2020-Emergency Management Preparedness Grant	-	-	-	1,070,043	1,070,043
All Other Grants	950,243	3,624,320	2,674,077	3,600,367	2,650,124
<b>Total</b>	<b>\$3,050,255</b>	<b>\$9,388,411</b>	<b>\$6,338,156</b>	<b>\$9,698,167</b>	<b>\$6,647,912</b>

#### **Capital Purchases and Equipment (federal funds)**

**\$439,676**

The Budget includes \$474,676 in federal funds for capital purchases and equipment reflecting an increase of \$439,676 from the FY2021 Budget as Enacted. The Budget reflects an increase of \$420,000 to purchase furniture and \$19,676 for computer equipment. The offices of RIEMA were relocated to the second floor of the facility located at 645 New London Avenue, Cranston that were previously occupied by the Rhode Island National Guard (Guard), who vacated the second floor and took possession of many of the former offices on the first floor. RIEMA was responsible for replacing the furniture and fixtures for the second floor of the building. Additionally, several of the staff assigned to the RIEMA warehouse in Scituate were relocated to the Cranston location and additional furniture and equipment was procured to accommodate those staff members at the Cranston offices.

**CAPITAL PROJECTS**

The Budget includes Rhode Island Capital Plan (RICAP) funding for two capital projects. The projects include:

- \$1.5 million in FY2021 and FY2022, and \$1.5 million each year from FY2023 to FY2026 in RICAP funds and \$500,000 in federal funds to support the Rhode Island Statewide Communications System Network (RISCON). The project enhances and further develops RISCON, the main communications platform used by all public safety agencies in the State for daily operations.
- \$250,000 in RICAP funds in FY2022 to fund a feasibility study to determine whether the current headquarters of the RIEMA located at 645 New London Avenue, Cranston, is sufficiently adequate to meet the needs of the agency. The agency has completed other studies in recent years looking at potential moves.

*Analyst Note: A previous feasibility study was conducted a few years ago, however the subject of that study pertained to the remodeling of the Cranston location for RIEMA's use upon the National Guard's vacating the premises. Presently, the Guard has located a military police (MP) battalion on the lower level of the building and has not fully vacated the premises at New London Avenue as originally expected. The current feasibility study was included in the FY2022 Budget at the behest of DCAMM as the facility is in dire need of an overhaul to the existing HVAC system. DCAMM wants a study to identify the issues with the system before any renovations or improvements are undertaken.*



## Department of Public Safety

Expenditures By Program	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$13.2	\$11.1	\$12.7	\$1.6	14.4%	\$12.0	\$0.9	8.4%
E-911	6.7	7.6	7.2	(0.4)	-5.4%	7.4	(0.1)	-1.6%
Municipal Police Training	0.5	0.8	0.7	(0.1)	-10.7%	0.8	(0.1)	-6.4%
Security Services	25.7	26.4	26.6	0.2	0.9%	27.3	1.0	3.7%
State Police	85.3	88.1	86.8	(1.3)	-1.5%	90.1	2.0	2.2%
<b>Total</b>	<b>\$131.4</b>	<b>\$133.9</b>	<b>\$133.9</b>	<b>\$0.0</b>	<b>0.0%</b>	<b>\$137.6</b>	<b>\$3.7</b>	<b>2.8%</b>

Expenditures By Source								
General Revenue	\$77.9	\$67.4	\$45.5	(\$21.9)	-32.5%	\$105.8	\$38.3	56.8%
Federal Funds	43.0	56.6	77.6	21.0	37.2%	17.5	(39.1)	-69.1%
Restricted Receipts	6.0	5.7	5.7	0.0	0.1%	9.3	3.7	64.6%
Other Funds	4.6	4.2	5.1	0.9	21.3%	5.0	0.8	19.2%
<b>Total</b>	<b>\$131.4</b>	<b>\$133.9</b>	<b>\$133.9</b>	<b>\$0.0</b>	<b>0.0%</b>	<b>\$137.6</b>	<b>\$3.7</b>	<b>2.8%</b>

Authorized FTE Levels	593.6	593.6	593.6	-	-	622.6	29.0	4.9%
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*\$ in millions. Totals may vary due to rounding.*

The Department of Public Safety (DPS) is the principal agency of the executive branch charged with law enforcement functions. It includes five program areas, including Central Management, E-911, the Municipal Police Training Academy, Security Services, and the State Police. The Department was created in the FY2009 Budget and is headed by the Superintendent of the State Police.

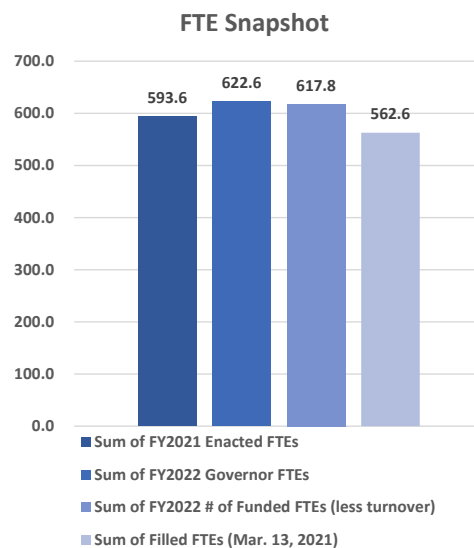
### MAJOR ISSUES AND TRENDS

The Governor provides \$137.6 million to fund public safety initiatives and the operations of the Department of Public Safety in FY2022. Approximately 77.0 percent of this, or \$105.8 million, is from general revenue, an increase of \$38.3 million (56.8 percent) from the FY2021 Enacted level.

The Budget authorizes a net increase of 29.0 FTE positions within the Department, for a total of 622.6 positions. The Budget assumes a graduating class of 28.0 new Troopers from its training academy in February 2022 and 1.0 new Capitol Police Officer.

Major budget initiatives within the Department include:

- COVID-19 Relief:** Rhode Island received \$1.25 billion in emergency federal Coronavirus Relief Funds (CRF) to help the State respond to the COVID-19 pandemic. Guidance from the United States Treasury instructed that payroll expenses for public safety, public health, and other emergency staff that were concentrated on addressing the pandemic were presumptively considered eligible expenses under the CRF. Accordingly, the FY2021 Budget as Enacted shifted \$40.0 million in Departmental personnel expenditures to these federal funds. The Governor's FY2021 Revised Budget increases this by another \$19.5 million based on the identification of additional eligible costs after the enactment of the Budget in December 2020.



DPS - COVID-19 Related Expenditures						
Program	FY2020 Actual	FY2021 Enacted	FY2021 Governor	Change	FY2022 Governor	Change
State Police	\$15.4	\$26.2	\$38.3	\$12.0	-	(\$26.2)
Sheriffs	5.8	8.4	15.1	6.7	-	(8.4)
Capitol	1.7	2.6	3.8	1.2	-	(2.6)
E-911	1.5	2.8	2.4	(0.4)	-	(2.8)
<b>Total</b>	<b>\$24.4</b>	<b>\$40.0</b>	<b>\$59.5</b>	<b>\$19.5</b>	-	<b>(\$40.0)</b>

*\$ in millions*

- **Southern Barracks:** The Budget includes \$35.0 million in proposed bond financing for the construction of a new barracks in the southern part of Rhode Island be funded by a general obligation referendum to be put to the voters in November 2022. The new facility is needed to replace the obsolete Wickford and Hope Valley barracks.

*Analyst Note: The financing proposal for the Southern Barracks appears in the Governor's five-year Capital Budget. The formal proposal including legislative language is expected to be included in the Governor's FY2023 budget submission.*

- **Training Academy:** The Budget provides \$2.6 million from all funding sources for costs associated with conducting the next State Police Training Academy class, scheduled to begin in September 2021, with a graduating class to be hired in February 2022.
- **Adult-Use Marijuana:** The Governor recommends \$757,546 in restricted receipts to support public safety initiatives related to the legalization of adult-use marijuana.

## CENTRAL MANAGEMENT

The Central Management program consists of the Business Office, Legal Office, and Public Safety Grants Administration Office (formerly Governor's Justice Commission). The Business Office provides fiscal oversight for the Department, as well as human resources, payroll, and purchasing. The Public Safety Grants Administration Office serves as a conduit agency for a number of federal grants that flow to local and state public safety agencies. Grant administration includes both formula and discretionary grant programs.

Central Management	General Revenue
FY2021 Enacted	\$892,435
<i>Target and Other Adjustments</i>	(375)
Salary and Benefits Changes	34,143
Centralized Service Charges	(9,251)
<b>FY2022 Governor</b>	<b>\$916,952</b>

### **Salary and Benefits Changes** **\$34,143**

The Budget provides a net \$34,143 in additional personnel expenditures in FY2022 within the Central Management Division as compared to the FY2021 Budget as Enacted. The Division has 12.0 authorized FTE positions. Included in these funds is the restoration of \$9,009 in general revenue personnel expenditures that were included as savings in the FY2021 Budget as Enacted related to furloughed employees eligible to participate in the State's Workshare program. Two employees in the Central Management Division participated in the program. The Workshare program allowed the State to achieve the savings in the wake of the devastating financial impact of COVID-19. Through this program, eligible full-time employees were allowed to work 60.0 percent of their regular weekly hours (three business days) from June 14, 2020, to September 5, 2020. The remaining \$25,134 are related to other statewide changes in healthcare and fringe benefits, and other personnel changes.

**Centralized Service Charges****(\$9,251)**

The Budget includes a \$9,251 reduction in general revenue centralized services spending as compared to the FY2021 enacted level. This includes a \$9,016 savings related to a reduced Division of Information Technology billing and virtual private network (VPN) services. It also includes a \$235 reduction related to centralized human resources charges that reflect the program's historic expenses.

	FY2021	FY2022	
Centralized Service Changes	Enacted	Governor	Change
Information Technology	\$35,616	\$26,600	(\$9,016)
Human Resources	19,835	19,600	(235)
<b>Total</b>	<b>\$55,451</b>	<b>\$46,200</b>	<b>(\$9,251)</b>

**E-911**

The objective of the E-911 Uniform Emergency Telephone System is to maintain a statewide emergency telephone system providing prompt transfers of E-911 calls to the appropriate responding fire department, medical rescue service, or law enforcement agency. The Division operates 24 hours a day, 7 days a week. E-911 has a primary public safety answering point (PSAP) located in the State Police Headquarters complex in North Scituate, as well as a secondary PSAP in North Providence. Backup PSAP facilities are considered best management practices to provide service continuity if an emergency affects the primary PSAP. Article 2 of the FY2020 Budget as Enacted provided a dedicated funding stream for E-911 services by shifting all E-911 surcharge fee revenue from general revenue to a restricted receipt account, the E-911 Fund.

<b>E-911</b>	<b>Other Fund Changes</b>
Capital Purchases and Equipment (restricted receipts)	(\$600,000)
Salary and Benefits Changes (restricted receipts/federal funds)	176,469
Next Generation 911	Informational
Surcharge Revenues	Informational

**Capital Purchases and Equipment (restricted receipts)****(\$600,000)**

The Budget reduces E-911 Fund capital purchases and equipment spending by \$600,000 in FY2022 compared to the FY2021 enacted level. The FY2021 Budget as Enacted provided \$750,000 to support updates to the legacy information technology infrastructure, including hardware and software, necessary for increased cybersecurity and for the virtualized hardware to complete a Next Generation 911 level of resiliency and redundancy. The same level of investment in computer equipment is not required in FY2022 and the FY2022 Budget assumes a \$600,000 savings.

**Salary and Benefits Changes (restricted receipts/federal funds)****\$176,649**

The Budget provides a net increase of \$176,469 in restricted receipt and federal funds for salaries and benefits for the E-911 program in FY2022 as compared to the FY2021 enacted level. This includes an increase of \$2.9 million in E-911 restricted receipt account funds and a decrease of \$2.8 million in federal Coronavirus Relief Funds (CRF).

Rhode Island received \$1.25 billion in emergency federal Coronavirus Relief Funds (CRF) to help the State respond to the COVID-19 pandemic. Guidance from the United States Treasury instructed that payroll expenses for public safety, public health, and other emergency staff that were concentrated on addressing the pandemic were presumptively considered eligible expenses under the CRF. Accordingly, the FY2021 Budget as Enacted shifted \$2.8 million in E-911 personnel expenditures from the E-911 Fund restricted receipt account to these federal funds. CRF funding is not available in FY2022. The FY2022 Budget increases E-911 Fund spending by \$2.8 million to cover these expenditures and adds \$176,469 for other statewide changes in healthcare and fringe benefits, and other personnel change.

**Next Generation 911****Informational**

Over the past several years, the State's E-911 system has been transitioning from analog-based technology to a digital platform. The two E-911 call center hubs, known as public safety answering points (PSAPs), completed installation and testing of new Next Generation 911 (NG911) digital routers in 2018 and staff have been trained on how to use the technology. NG911 enables these telecommunicators to utilize data-rich information such as geographic information systems and pictometry data to more accurately identify an individual's location and direct first responders more quickly.

According to the Department, the success and reliability of E-911 has greatly improved with the implementation of NG911 and will enhance emergency services going forward by creating a faster, more resilient system that will facilitate the integration of more advanced methods of emergency communication in the future. For example, NG911 enabled the launch of Text-to-911 in February 2019. This service provides the public with the ability to text 911 in the event a voice call is not possible or safe. NG911 will also support Rapid SOS, a new technology that provides more accurate location information from wireless callers, which will enable Rhode Island to more effectively meet federal cybersecurity standards. NG911 is enabling a five-year project to update its entire GIS data map, using pictometry imagery that provides a 45 degree angle overhead image in addition to straight overhead images.

According to the DPS, the Division will continue to migrate its systems away from the use of copper phone lines for the inbound and outbound networks in FY2022, and move towards fiber-optic data transmission using INdigital technology, which will make the agency compliant with federal NG911 regulations, improve system reliability by reducing points of failure, and provide built-in resiliency and redundancy in the event the system is compromised. The agency will also be installing Guardian lite computer consoles at each dispatch location to enable the agency to transfer call data to local municipalities.

**Surcharge Revenues****Informational**

The FY2020 Budget as Enacted reconfigured the telecommunication surcharges that support emergency services and first response programs, including the E-911 program. Previously, there was a \$1.00 emergency services and first response surcharge on wireline, wireless, and prepaid telecommunication services and an additional \$0.26 technology surcharge on just wireless services. 90.0 percent of the revenue from the \$1.00 surcharge was deposited as general revenue with the balance placed into the State's Information Technology Investment Fund. The \$0.26 surcharge was deposited into a restricted receipt account to support State geographic information system (GIS) and other technology improvements.

Article 2 of the FY2020 Budget as Enacted eliminated both of these surcharges and established two new ones. A new \$0.50 E-911 surcharge was established to support the E-911 program. Revenue from the surcharge is deposited into a dedicated restricted receipt account within the Department of Public Safety (DPS) explicitly reserved for the purposes of supporting the E-911 system. A first response surcharge was also established to support first responder services across the State. The surcharge amount varies by telecommunication type and ranges from \$0.50 to \$0.75. The revenue from this surcharge is deposited as general revenue.

The following table shows the collection history and estimated revenue by surcharge:

## E-911 Surcharge and First Response Surcharge Revenues vs. Expenditures

Fiscal Year	E911				Deposit to ITIF	Net to General Fund
	E-911 Surcharge	First Response Surcharge	Restricted Receipts	E-911 Expenditures		
2010	\$17,898,223	-	-	\$4,635,901	-	\$13,262,322
2011	17,248,460	-	-	4,829,770	-	12,418,690
2012	17,255,771	-	-	4,766,586	-	12,489,185
2013	17,507,117	-	-	5,103,735	-	12,403,382
2014	17,454,670	-	-	5,444,296	-	9,798,629
2015	17,640,703	-	-	5,320,615	-	12,320,088
2016	16,649,747	-	-	5,499,050	1,571,992	9,578,704
2017	16,845,536	-	-	5,699,440	1,632,500	8,993,060
2018	17,072,415	-	-	5,894,522	1,665,150	9,512,743
2019	17,340,783	-	-	5,899,730	1,734,078	9,706,975
2020	4,918,799	6,228,214	5,242,464	6,711,718	1,114,701	8,563,058
2021*	-	9,701,821	7,800,000	7,563,080	970,182	8,731,639
2022*	-	10,049,012	7,800,000	7,439,128	1,004,901	9,044,111

\*FY2021 and FY2022 revenue estimates are provided by the Budget Office, based on the estimates adopted at the November 2020 REC.

**MUNICIPAL POLICE TRAINING ACADEMY**

The Rhode Island Municipal Police Training Academy was established in 1969 and assigned to train and certify municipal law enforcement officers for all municipalities except for the City of Providence. Municipalities do not pay to send recruits to the Academy, but they do provide in-kind services including officer time to teach courses and meeting and firing range space. Recruits are paid by municipalities for their time spent at the Academy. Since the first training class in 1970, the Academy has graduated 114 classes. The Academy runs two to three classes and 80 to 100 professional development workshops annually. Since 1981, the Academy has been located at the Community College of Rhode Island (CCRI) Flanagan Campus in the Town of Lincoln.

Municipal Police Training	General Revenue
FY2021 Enacted	\$310,456
<i>Target and Other Adjustments</i>	<i>3,247</i>
<b>FY2022 Governor</b>	<b>\$313,703</b>

**SECURITY SERVICES**

The Security Services program consists of the Capitol Police and the Division of Sheriffs. The Capitol Police have arrest powers and provide security at 13 State buildings, including the State House, the courthouses, and numerous executive branch facilities. The Sheriffs are responsible for statewide activities assigned by law which relate to the duties and functions of the sheriffs in several counties. The Division is responsible for courtroom security, judicial security, cellblock security, transportation of individuals charged with crimes, interstate prisoner extraditions, and service of process.

<b>Security Services</b>	<b>General Revenue</b>
FY2021 Enacted	\$15,340,704
<i>Target and Other Adjustments</i>	<i>967,233</i>
Salary and Benefits Changes (shift)	11,011,316
<b>FY2022 Governor</b>	<b>\$27,319,253</b>

<b>Security Services</b>	<b>Other Fund Changes</b>
Capitol Police Rotary (other funds)	\$301,755

***Salary and Benefits Changes (shift)*** ***\$11.0 million***

The Budget shifts \$11.0 million in costs to general revenue for salaries and benefits within the Security Services program in the DPS for in FY2022 as compared to the FY2021 enacted level. This includes \$8.4 million in additional personnel costs for the Sheriffs Division and \$2.6 million for the Capitol Police. This is offset by a decrease of \$11.0 million in federal COVID-19 Relief Funds (CRF).

Rhode Island received \$1.25 billion in emergency federal Coronavirus Relief Funds (CRF) to help the State respond to the COVID-19 pandemic. Guidance from the United States Treasury instructed that payroll expenses for public safety, public health, and other emergency staff that were concentrated on addressing the pandemic were presumptively considered eligible expenses under the CRF. Accordingly, the FY2021 Budget as Enacted shifted \$8.4 million in Sheriffs Division personnel expenditures and \$2.6 million in Capitol Police spending to these federal funds. CRF funding is not available in FY2022. The FY2022 Budget increases Security Services general revenue spending by \$11.0 million to cover these expenditures.

***Capitol Police Rotary (other funds)*** ***\$301,755***

The Budget increases Capitol Police Rotary funds by \$301,755 compared to the FY2021 Budget as Enacted. This increase includes \$83,675 to fund an additional 1.0 Capitol Police Officer FTE position to be stationed at the security substation on the Pastore Center campus. According to the Office of Management and Budget, this addition is recommended to ensure that campus properties and facilities are safe and secure for employees and customers. The balance of the increase, \$218,080 in rotary funds, reflects the updating of salary, health insurance and fringe benefit rates, retirement, and other costs associated with positions funded by the account.

The Capitol Police Rotary Fund is an internal service fund. These funds, often called rotary accounts, are established to finance and account for the operations of certain overhead type programs that provide services to other state agencies on a charge for services basis. The expenditures appear as state operations costs in the agencies being charged and are not included in the statewide personnel totals to prevent double counting. The expenditures related to the Pastore Center Campus appear in the Department of Administration's Facilities Management Internal Service Fund expenditures.

## **STATE POLICE**

The Rhode Island State Police are a uniformed and investigative law enforcement agency with statewide jurisdiction. The agency is organized into three bureaus: the Administrative Bureau, Uniform Bureau, and Detective Bureau. The Administrative Bureau consists of both sworn command staff and civilian personnel and provides overall management and support. The Uniform Bureau is responsible for preventing crime and investigating criminal and noncriminal activities. The Uniform Bureau also establishes highway safety through enforcement of motor vehicle laws with emphasis on hazardous moving violations, i.e. drunk driving and speeding. The Detective Bureau is the primary investigative unit which helps the Attorney General's Office and other agencies in investigating organized and white collar crime and provides support to police agencies throughout the State.

<b>State Police</b>	<b>General Revenue</b>
FY2021 Enacted	\$50,887,042
<i>Target and Other Adjustments</i>	
Salary and Benefits Changes (shift)	352,558
58th State Police Training Academy	23,409,474
New Troopers	1,786,005
Pension Trust Fund	770,424
<b>FY2022 Governor</b>	<b>Informational</b>
	<b>\$77,205,503</b>

<b>State Police</b>	<b>Other Funds</b>
Adult-Use Marijuana (restricted receipts)	\$849,997
Road Construction Reimbursement (other funds)	744,412

***Salary and Benefits Changes (shift)*** **\$23.4 million**

The Budget shifts \$23.4 million in costs to general revenue for salaries and benefits within the State Police in FY2022 as compared to the FY2021 enacted level. This includes \$1.5 million in personnel costs associated running a State Police Training Academy in FY2022 and \$770,424 to fund 25.0 graduating new State Troopers for the final seven pay periods of FY2022, each described below. The remaining net increase of \$23.4 million includes a \$519,191 net reduction in other personnel expenses and the restoration of \$26.2 million in federal CRF funds to general revenue.

Rhode Island received \$1.25 billion in emergency federal CRF funds to help the State respond to the COVID-19 pandemic. Guidance from the United States Treasury instructed that payroll expenses for public safety, public health, and other emergency staff that were concentrated on addressing the pandemic were presumptively considered eligible expenses under the CRF. Accordingly, the FY2021 Budget as Enacted shifted \$26.2 million in State Police personnel expenditures to these federal funds. CRF funding, is not available in FY2022 and the Budget increases general revenue personnel expenditures, accordingly.

***58<sup>th</sup> State Police Training Academy*** **\$1.8 million**

The Budget includes \$2.6 million from all funds in FY2022 to support the costs related to the 58<sup>th</sup> State Police Training Academy.

There are 249 sworn members in the Rhode Island State Police, with 49 eligible to retire, including 18 members from the class of 1994 and 31 members from the class of 1997. The mandatory retirement dates these classes are December 2022 and September 2026, respectively. Mandatory retirements diminish State Police capacity and reduce overall public safety in Rhode Island. To maintain a full complement of Troopers, the Governor recommends conducting a 24-week training academy beginning September 13, 2021, and concluding February 26, 2022. During this period, the recruits would be classified as Trooper Trainees. On February 27, 2022, the graduating students would be hired as State Police Troopers.

The Budget includes \$1.8 million in general revenue support for the Training Academy and an additional \$797,213 in federal funds, for a total of \$2.6 million. Personnel expenses associated with the academy are funded with \$1.5 million in general revenue. The following table shows how the funds are to be used:

## State Police Training Academy - FY2022 Expenditures

Non-Personnel Expenditure Category	Description	General Revenue	Federal	All Funds
Operating Supplies and Expenses	Meals and beverages for academy participants	\$206,163	-	\$206,163
Contract Professional Services	Physician services	60,000	-	60,000
	Equipment, uniforms, examinations, etc.	-	797,213	797,213
<b>Total</b>		<b>\$266,163</b>	<b>\$797,213</b>	<b>\$1,063,376</b>
Personnel Expenditure Category				
Salaries and Benefits	Staff overtime - recruitment and mentorship	\$1,024,971	-	\$1,024,971
	Stipends	494,871	-	494,871
<b>Total</b>		<b>\$1,519,842</b>	<b>-</b>	<b>\$1,519,842</b>
<b>Total - All Categories</b>		<b>\$1,786,005</b>	<b>\$797,213</b>	<b>\$2,583,218</b>

**New Troopers****\$770,424**

The Budget includes \$862,875 in total funding for 28.0 Trooper FTE positions. As indicated above, the Governor recommends conducting a training academy beginning September 13, 2021, and concluding February 26, 2022. Graduating students would be hired as State Police Troopers at the start of the 19<sup>th</sup> pay period of FY2022 (February 27, 2022).

The Governor adds 28.0 new Troopers, funding 25.0 with general revenue and 3.0 with restricted receipt funds associated with the adult-use marijuana program. The annual starting salary for a Trooper is \$66,361 and

## Class of 2022 State Police Training Academy - FY2022 Personnel Expenses

Source		General Revenue	Restricted Receipt	All Funds
Number of Troopers		25.0	3.0	28.0
Avg. Annual Starting Salary	\$66,361	\$1,659,025	\$199,083	\$1,858,108
Avg. Annual Total Cost	114,463	2,861,575	343,389	3,204,964
1 pay period	4,402	110,061	13,207	123,268
7 pay periods	30,817	770,424	92,451	862,875

annual average cost with benefits is approximately \$114,463 (Prorating these costs over the last seven pay periods, out of a total 26, yields \$862,875 in total personnel expenses in FY2022, with \$770,424 coming from general revenue and \$92,451 from restricted receipts).

**Pension Trust Fund****Informational**

The FY2016 Budget as Enacted created a pension trust fund for State Police troopers hired prior to 1987 who receive benefits through a pay-as-you-go (pay-go) system. Members' benefits remain unchanged, but the proposal transitions the current system to a more traditional retirement fund whereby contributions are amortized, in this case, over 18 years. The pension trust fund is capitalized by funding from the Google settlement awarded to the State Police. It is estimated that, at a 7.5 percent rate of return, this initial investment will achieve \$157.2 million in general revenue savings over the 77-year life of the plan. The use of the settlement for the pension trust fund required approval by the U.S. Department of Justice (DOJ) Asset Forfeiture Program which was granted in FY2016. The FY2017 Budget as Enacted included \$15.0 million for this purpose. Based on the current actuarial reports, the Budget includes \$16.4 million in settlement funds for pension payments in FY2022, commensurate with the FY2021 Budget as Enacted.

**Adult-Use Marijuana (restricted receipts)****\$849,997**

The Budget includes \$849,997 in a new restricted receipt account related to the Governor's proposed State Controlled Adult-Use Marijuana program. This includes \$494,762 in assistance and grants, \$184,133 in operating supplies and expenses, and \$171,102 in personnel expenses, of which \$92,451 will be used to support 3.0 new Troopers from the Class of 2022 (described in the New Trooper section above).



Article 11 of the Budget provides the detailed framework of the Governor’s proposed Adult Use Marijuana initiative. Oversight and regulation of the program is centered in the Office of Cannabis Regulation within the Department of Business Regulation, with multi-agency cooperation from law enforcement, health, and revenue agencies.

For the Department of Public Safety and the State Police, this cooperation takes the form of facilitating criminal background checks, communicating with partner agencies and licensees, assisting with various registries established by the program, inspecting compassion centers, and other functions. This work would be funded by the \$849,997 appropriation to the Adult-Use Marijuana Fund restricted account within the Department of Public Safety.

	<b>FY2022</b>
<b>Adult-Use Marijuana Program</b>	<b>Governor</b>
Assistance And Grants	\$494,762
Operating Supplies and Expenses	184,133
Salary and Benefits	171,102
<b>Total</b>	<b>\$849,997</b>

### **Road Construction Reimbursements (other funds)**

**\$744,412**

The Budget provides \$2.5 million in Road Construction Reimbursements in FY2022, \$744,412 more than the FY2021 enacted level. The Department of Transportation reimburses the State Police for the road detail services they provide at highway and road construction sites. The DPS use these reimbursements to help pay for vehicle maintenance costs.

### **CAPITAL PROJECTS**

The Budget includes a total of \$55.2 million for capital projects from FY2021 through FY2026. The Governor recommends \$2.0 million in disbursements from the RI Capital Plan (RICAP) Fund in FY2022 and \$2.5 million from the State Fleet Replacement Fund.

DPS Capital Projects	FY2021		FY2022		FY2023-FY2026			Total
	RICAP	State Fleet Replacement	RICAP	State Fleet Replacement	Federal	G.O. Bonds	RICAP	
Southern Barracks	-	-	-	-	-	35,000,000	-	35,000,000
DPS Vehicle Replacement	-	2,489,723	-	2,590,000	600,000	-	4,800,000	10,479,723
Asset Protection	752,449	-	791,000	-	-	-	3,000,000	4,543,449
Training Academy Upgrades	535,160	-	750,000	-	-	-	1,060,000	2,345,160
Administrative Support Building Renovation	-	-	200,000	-	-	-	1,000,000	1,200,000
RISCON Microwave System Replacement	-	-	237,370	-	-	-	749,480	986,850
HQ Roof Replacement	588,120	-	-	-	-	-	-	588,120
Public Safety Master Plan	37,566	-	-	-	-	-	-	37,566
<b>Total</b>	<b>\$1,913,295</b>	<b>\$2,489,723</b>	<b>\$1,978,370</b>	<b>\$2,590,000</b>	<b>\$600,000</b>	<b>\$35,000,000</b>	<b>\$10,609,480</b>	<b>\$55,180,868</b>

- **Southern Barracks:** The Governor recommends a \$35.0 million General Obligation referendum for the November 2022 election to finance a new State Police barracks located in the southern part of the State. Planned disbursements of bond proceeds for the project do not begin until FY2023.

In 2018, the Department of Public Safety initiated a comprehensive planning review and feasibility study related to the Rhode Island State Police (RISP) barracks facilities located in Wickford, Hope Valley, and Portsmouth. The review and study were completed in the fall of 2019, and were coordinated by a master planning committee consisting of members of the RISP, representatives from the Department of Administration, and an architectural and engineering design firm.

The committee found that the existing three barracks, which were built in the 1930s, do not meet the modern public safety and policing requirements of the State Police. Specifically, the existing barracks are no longer located along main thoroughfares, are in poor condition, are expensive to operate and maintain, and are not configured with a modern police facility layout. It was determined that it is not feasible to renovate the existing structures and therefore necessary to build a new, combined barracks

in the southern part of the State. The preferred location, which remains subject to Federal Highway Administration and RI Department of Transportation approval, is a parcel of land located off Route 95 at Exit 7 in West Greenwich.

- **DPS Vehicle Replacement:** The Governor recommends \$10.5 million to replace vehicles from FY2021-FY2026, with \$5.4 million from RICAP funds and \$5.1 million from the State Fleet Replacement Fund. The Department currently has 390 vehicles in the State Police vehicle fleet (366 patrol and detective vehicles, 14 service vehicles, and 10 specialty vehicles). There are 155 patrol/detective vehicles, or 39.7 percent, with between 100,000 and 125,000 miles. Another 100 vehicles have over 125,000 miles. The average useful life of these vehicles is 6.5 years. The Budget includes \$1.5 million from general revenue for fleet overhead, including maintenance, in FY2022. The Department plans to replace 30 State Police patrol cars per year at a cost of \$1.8 million annually. The Sheriffs Division also needs to replace 43 vehicles ranging in price from \$34,000 to \$180,000.
- **Asset Protection:** The Budget authorizes \$4.5 million RI Capital Plan Funds to finance the maintenance of the various facilities across the Department over five years, including \$791,000 in FY2022.
- **Training Academy Upgrades:** The Budget provides \$2.3 million from RICAP funds from FY2021 through FY2026 for improvements at the State Police Training Academy in Foster, with \$750,000 disbursed in FY2022. The \$2.6 million project began in 2018, with \$322,229 spent prior to FY2021. Improvements include the replacement of the antiquated firearms training simulator; environmental and safety renovations to the firing range, including a new firearms shelter and a sound dampening system; replacement of HVAC system, roof, windows, and electrical systems; repaving of roadways; and preparation of an emergency vehicle operators course feasibility study.
- **Administrative Support Building Renovation:** The Governor recommends \$1.2 million in RICAP spending from FY2021 through FY2026, with \$200,000 disbursed in FY2022, to fund renovations to the Public Safety Administrative Support Building. The project includes an architectural and engineering assessment of the building's needs; repairs to the exterior envelope, including exterior siding, trim, and window replacement and repointing of brick work and chimneys; installation of a new HVAC system, electrical upgrades; and IT upgrades. Repairs will be undertaken in compliance with historic preservation codes, as the building is a historic property originally constructed in the 1790s.
- **RISCON Microwave System Replacement:** The Governor recommends \$986,850 in RICAP spending from FY2021 through FY2026 to finance an upgrade to the Department's microwave loop network, a statewide 6 GHz digital network comprised of five microwave hops connecting key radio transmission sites and facilities throughout the State. This microwave loop network provides critical data links for the Rhode Island Statewide Communications Network (RISCON) 800Mhz radio network. The RISCON radio network, managed by the Rhode Island Emergency Management Agency (RIEMA), is the primary radio communications platform for over ten thousand first responders, the Rhode Island Department of Transportation (RIDOT), the Rhode Island Public Transit Authority (RIPTA), and numerous other State and local agencies that provide essential services throughout the state.
- **HQ Roof Replacement:** The Budget includes \$588,120 from RICAP in FY2021 to finance the final stage of work on the Rhode Island State Police headquarters roof replacement, which is scheduled to be completed by June 2021.
- **Public Safety Master Plan:** The Budget includes \$350,000 in RICAP spending in FY2021 to pay the final invoices related to the development of the Department's facilities master plan. The plan was completed in August 2020.

## Office of the Public Defender

Expenditures By Program	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
	Actual	Enacted	Revised	Enacted		Governor	Enacted	
Public Defender	\$12.2	\$12.8	\$12.9	\$0.1	1.1%	\$13.6	\$0.8	6.4%
<b>Expenditures By Source</b>								
General Revenue	\$12.1	\$12.7	\$12.7	\$0.0	0.2%	\$13.5	\$0.8	9.0%
Federal Funds	0.1	0.1	0.2	0.1	1.48	0.1	-	-
<b>Grand Total</b>	<b>\$12.2</b>	<b>\$12.8</b>	<b>\$12.9</b>	<b>\$0.1</b>	<b>1.1%</b>	<b>\$13.6</b>	<b>\$0.8</b>	<b>6.4%</b>
Authorized FTE Levels	96.0	96.0	96.0	-	-	99.0	3.0	3.1%

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

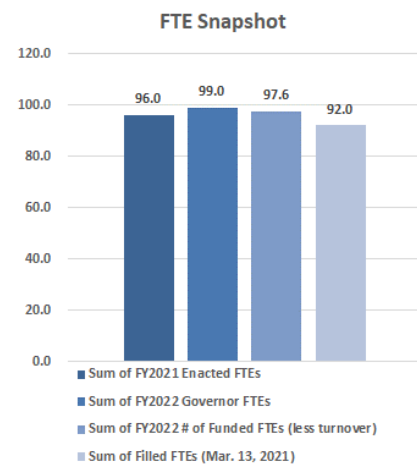
The Office of the Public Defender represents indigent adults and juveniles who are charged with criminal offenses or who are in jeopardy of losing custody of their children to the State. Referrals come from the Supreme, Superior, District and Family Courts. All who are financially eligible are assigned to a staff attorney for representation in the appropriate court. The main office and two branch locations are located in Providence. Three additional offices are located in the southern half of the state. The metropolitan areas of Providence and Newport account for the bulk of the cases. The Office includes four basic divisions of attorneys: appellate, criminal trial (including separate felony and misdemeanor units), juvenile, and parental rights. The Public Defender is appointed by the Governor to a six-year term, with the advice and consent of the Senate.

### MAJOR ISSUES AND TRENDS

The agency's budget is funded almost entirely by general revenues (99.4 percent). The FY2021 Budget as Enacted included \$12.8 million in all funds, of which \$12.7 million is general revenue and \$75,665 is federal funds. The FY2021 Supplemental Budget is \$12.9 million of which \$12.7 million is general revenue and \$186,515 is federal funds. General revenues increased by \$38,648 and federal funds increased by \$110,850

For FY2022, the Budget includes \$13.6 million, of which \$13.5 million is general revenue and \$75,665 is federal funds, reflecting an increase of \$828,136 in general revenue, largely reflecting the addition of 3.0 new FTEs and statewide personnel cost adjustments.

The Budget includes 96.0 FTE positions in FY2021, consistent with the enacted level, and 99.0 FTE positions in FY2022, an increase of 3.0 positions.



Central Management	General Revenue
FY2021 Enacted	\$12,680,653
<i>Target and Other Adjustments</i>	<i>(1,065)</i>
Personnel	748,046
Operating Adjustments	81,155
<b>FY2022 Governor</b>	<b>\$13,508,789</b>
<b>Personnel</b>	<b>\$748,046</b>

The Budget increases general revenue expenditures to reflect the addition of 3.0 Public Defender IV FTE positions. The Budget includes \$335,698 for the 3.0 Public Defender IV FTE positions in FY2022. According to the Office, the additional positions are necessary to handle excessive caseload levels, which

impacts the Public Defender's ability to meet statutory representation requirements. The Budget includes \$412,348 in other statewide planning value adjustments set by the Budget Office, including the restoration of funds removed as Workshare savings in the FY2021 Budget as Enacted and includes \$169,404 in projected turnover savings.

**Operating Adjustments**

**\$81,155**

The Budget adds \$81,155 in general revenue for operating adjustments within the Office of the Public Defender, mainly consisting of an increase of \$58,953 for the rental of outside property, reflecting increased rent charges in FY2022. The Budget provides increased funding to support annual Microsoft Office 365 computer software licenses, allowing staff to work remotely during the COVID-19 pandemic.

	FY2021	FY2021		FY2022	
<u>Operating Expenses</u>	<u>Enacted</u>	<u>Governor</u>	<u>Change</u>	<u>Governor</u>	<u>Change</u>
Rental of Outside Property	\$555,454	\$555,454	\$0	\$614,407	\$58,953
Computer Supplies/Software and Equipment	25,000	25,000	-	56,250	31,250
All Other Operating	573,373	573,373	-	564,325	(9,048)
<b>Total</b>	<b>\$1,153,827</b>	<b>\$1,153,827</b>	<b>\$0</b>	<b>\$1,234,982</b>	<b>\$81,155</b>

## Department of Environmental Management

Expenditures By Program	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
	Final	Enacted	Governor	Enacted		Governor	Enacted	
Office of Director	\$10.8	\$12.7	\$11.8	\$1.0	9.2%	\$11.7	(\$1.0)	-8.1%
Bureau of Natural Resources	47.1	65.5	66.8	19.7	41.7%	61.3	(4.2)	-6.4%
Bureau of Environmental Protection	26.4	31.1	31.2	4.8	18.1%	31.8	0.6	2.1%
<b>Total</b>	<b>\$84.3</b>	<b>\$109.3</b>	<b>\$109.7</b>	<b>\$25.4</b>	<b>30.2%</b>	<b>\$104.7</b>	<b>(\$4.6)</b>	<b>-4.2%</b>
<b>Expenditures By Source</b>								
General Revenue	\$42.9	\$42.8	\$42.6	(\$0.2)	-0.6%	\$46.6	\$3.9	9.0%
Federal Funds	22.6	35.5	35.0	12.4	54.9%	32.7	(2.8)	-7.8%
Restricted Receipts	12.4	16.6	18.1	5.6	45.4%	17.1	0.5	3.3%
Other Funds	6.4	14.4	14.1	7.6	118.7%	8.2	(6.2)	-42.9%
<b>Total</b>	<b>\$84.3</b>	<b>\$109.3</b>	<b>\$109.7</b>	<b>\$25.4</b>	<b>30.2%</b>	<b>\$104.7</b>	<b>(\$4.6)</b>	<b>-4.2%</b>
Authorized FTE Levels	394.0	394.0	394.0	-	-	401.0	7.0	1.8%

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

The Department of Environmental Management (DEM) is responsible for protecting, managing, and restoring the natural resources of the State. The Department is organized into three divisions: the Office of the Director, the Bureau of Natural Resources, and the Bureau of Environmental Protection.

The Department is charged with supervising and controlling the protection, development, planning, and utilization of the natural resources of the state; the promotion of agriculture and animal husbandry; and, providing for the maintenance of waterways and boating facilities.

### MAJOR ISSUES AND TRENDS

The FY2022 Budget includes an all funds decrease of \$4.6 million, or 4.2 percent from the FY2021 Budget as Enacted. The Budget includes a \$3.9 million (9.0 percent) increase in general revenue expenditures, primarily due to the replacement of funds shifted to federal sources due to the pandemic, new investments in the Ports of Galilee and Newport, and additional maintenance and beautification of State parks and beaches. The decrease in federal funds is primarily due to the discontinuation of specific COVID support. The 42.9 percent reduction in other funds is due primarily to the scheduled completion of renovations at the Galilee Piers, and other changes to the Rhode Island Capital Plan (RICAP). As of March 18, 2021, of the 51 employees eligible, 14 employees within the Department had opted to take the Voluntary Retirement Incentive program implemented by the Governor.

The Budget includes revenue the transfer \$1.0 million from the Underground Storage Tank (UST) restricted receipt fund to the general revenue fund in FY2022; however, the Budget does not contain any language to effectuate the transfer. Rhode Island currently has 500 facilities with 1,350 underground storage tanks, all of which pose a potential environmental threat if leakage should occur. The Underground Storage Tank (UST) Clean-up Fund was created in 1994 to provide an effective mechanism for UST owners to comply with financial responsibility requirements, and to insure that the environmental and public health impacts of UST leaks are addressed in an effective and timely manner.

Underground Storage Tank Trust Fund		
	FY2021	FY2022
Balance Forward	\$4.0	\$4.5
Average Revenue FY2015 - FY2019	2.0	2.0
Budgeted Expenditures	(1.5)	(1.5)
Transfer to General Fund	-	(1.0)
<b>Total</b>	<b>\$4.5</b>	<b>\$4.0</b>

*Source: Departmental Environmental Management*

*Analyst Note: A Governor's Budget Amendment (GBA), dated March 30, 2021, adds language to transfer \$1.0 million from the UST to the State Controller by June 30, 2022.*

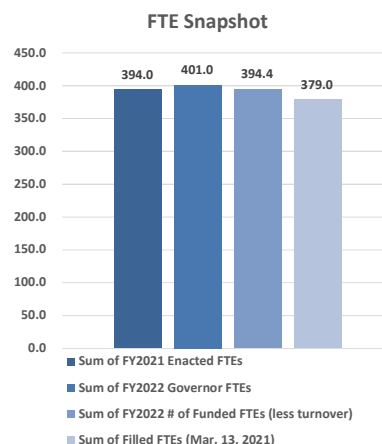
Article 6 allows DEM to set the beach parking fees for facilities in Westerly at a “reasonably determined” amount. Beach parking fees are generally determined by DEM through regulation; however, under current law, the beach parking fees are frozen at 2011 levels until October 1, 2021. Misquamicut is the State’s largest and most popular beach, with over 76.0 percent of the visitors coming from out of state. This beach also has excessive trash problems that require the addition of dumpsters and recycling containers at every exit and an increase in seasonal employees for trash pickup. According to DEM, Misquamicut’s current parking fees are substantially lower than municipal and other beaches in the area and there is strong support from local political and business leaders to increase the parking fee. The actual fees will be determined through the public regulatory process. The increase in revenue would support additional staffing and maintenance. The article is estimated to generate an additional \$621,634 in beach parking fees beginning in FY2022. Of this total, 27.0 percent (\$167,841) would be remitted to the host community, Westerly, and 73.0 percent (\$453,793) would be retained by the State as general revenue.

*Analyst Note: A Governor’s Budget Amendment, dated April 19, 2021, adjusted the revenue estimate downward by \$26,262, from a total of \$621,634 to \$595,372. This adjustment results in projected revenue of \$434,622 to the State and \$160,750 for the host community.*

The Budget increases parking fees at the state lot in the Port of Galilee. The fees are departmental receipts and deposited as general revenue; however, the amount of the fee is determined through department regulation. Based on prior year parking pass sales, the increase is projected to increase general revenues by \$112,188 annually.

Article 7 changes fees related to recreational hunting and fishing, as well as certain agriculture fees, and Article 10 modernizes the commercial fishing licensing system and establishes a dockside program for shellfish packing houses through the Department of Health (DOH)

The Budget authorizes 401.0 FTE positions in FY2022, an increase of 7.0 FTE positions from the FY2021 Budget as Enacted, and 394.0 FTE positions in FY2021, consistent with the enacted level. DEM requested 9.0 new FTES positions for FY2022. Based on the March 13, 2021, FTE report, DEM has had an average of 5.4 positions (1.4 percent) unfilled during FY2021. According to DEM, prior to COVID, the Department had 100.0 percent of the FTE’s filled; however, the hiring freeze has inhibited the filling of subsequent vacancies.



**OFFICE OF THE DIRECTOR**

The Office of the Director includes the Office of Management Services, Legal Services, Administrative Adjudication, and the two central service offices of Human Resources and Information Technology. The Office is responsible for developing and implementing programs to protect the State’s environment, protect citizens from public health threats resulting from pollution, and provide facilities that support outdoor recreational activities.

Office of the Director	General Revenue
FY2021 Enacted	\$7,197,864
<i>Target and Other Adjustments</i>	
FY2022 Governor	294,599
	<b>\$7,492,463</b>

**BUREAU OF NATURAL RESOURCES**

The Bureau of Natural Resources is comprised of six divisions which manage the State’s marine, freshwater, and upland resources. The Bureau administers the State’s agriculture programs, state land

acquisitions, and local matching grant programs for outdoor recreation. The Bureau is also responsible for enforcing state laws and regulations governing hunting and fishing, public safety in state parks, and recreational boating; and for administering, maintaining, and operating eight state parks, five campgrounds, seven state beaches, a golf course, the East Bay and Blackstone Bike Paths, and 40,000 acres of state-owned forests. Furthermore, the Bureau is responsible for oversight of all land leases and capital assets of port facilities and commercial fishing piers in Narragansett and Newport.

<b>Bureau of Natural Resources</b>	<b>General Revenue</b>
FY2021 Enacted	\$22,708,134
<i>Target and Other Adjustments</i>	<i>471,079</i>
Enforcement/Criminal Investigation Personnel	1,654,674
Ports of Galilee and Newport (3.0 FTE positions)	537,109
Parks Initiative (4.0 FTE positions)	430,684
Adjustment for One-time COVID Funding	(335,000)
Beach Parking Fees: Payments to Host Communities	190,315
<b>FY2022 Governor</b>	<b>\$25,656,995</b>

***Enforcement/Criminal Investigation Personnel*** **\$1.7 million**

In FY2020 and FY2021, personnel costs in the Enforcement Division were shifted to federal Coronavirus Relief Funds, artificially reducing the budgeted amount in the FY2021 Budget as Enacted. In addition, the FY2022 Budget shifts the personnel costs for the Criminal Investigation Division in to the Enforcement account. The increase relative to the FY2019 Actual Expenditures for both Divisions is \$399,859, an annual average increase of 4.3 percent.

***Ports of Galilee and Newport (3.0 FTE positions)*** **\$537,109**

The Budget provides an increase of \$537,109 over the FY2021 Budget as Enacted for investments in the Ports of Galilee and Newport. From 2019 to 2021, the value of seafood landings at the Port of Galilee has grown from \$42.2 million to \$68.0 million. The Division of Coastal Resources currently has 4.0 FTE positions, and out of total budget of about \$700,000, only \$50,000 is for building and grounds maintenance for the Port of Galilee, Newport Pier 9, and other state piers. Of the total increase, \$266,109 provides a full year of funding for 3.0 new FTE positions including a Chief Implementation Aide (\$105,717), an Assistant Superintendent of State Piers (\$85,858), and a Senior Maintenance Technician (\$74,534). The remaining \$271,000 will be used for surveys of infrastructure, such as bulkhead dive surveys and condition assessments; repairs of buildings and roadways; contracted services, such as plumbing and electrical, grounds maintenance, and equipment.

***Parks Initiative (4.0 FTE positions)*** **\$430,684**

The Budget provides an increase of \$430,684 in personnel costs in the Parks and Recreation Division and 4.0 new FTE positions, relative to the FY2021 Budget as Enacted. As part of the Transforming State Parks Initiative the FY2020 Budget as Enacted invested new revenue from increased user fees based on recommendations from the 2018 report, *Rhode Island State Parks Organization Management and Operations Study*, created in consult with CHM Governmental Services and PROS Consulting. To continue the investment in state parks, the Budget provides \$219,459 in salaries and benefits for new FTE positions. The positions includes 1.0 FTE senior Civil Engineer position (\$77,709), 1.0 FTE Plumber Supervisor (\$55,731), 1.0 FTE Senior Maintenance Technician (\$51,374), and 1.0 FTE Senior Reconciliation Clerk (\$34,645). The Senior Maintenance Technician is budgeted to begin in January 2022, while the remaining three positions are budgeted to begin in October 2021. The remaining \$211,225 represents a 4.2 percent increase over the FY2021 Budget as Enacted to provide for step and benefit rate increases.

***Adjustment for One-time COVID Funding*** **(\$335,000)**

The Budget reduces operating costs for safety expenses within the Division of Parks and Recreation to reflect one-time expenses related to the pandemic. In the FY2021 Budget as Enacted, additional operating

funding was provided for expenditures necessary to operate State beaches and parks in compliance with public health and social distancing guidelines, such as PPE, hand sanitizer, cleaning supplies, signage about social distancing and other safety protocols, as well as other purchases related to COVID-19.

**Beach Parking Fees: Payments to Host Communities** **\$190,315**

The Budget includes an increase of \$190,315 in beach parking fees paid to host communities. Article 6 allows the Department of Environmental Management (DEM) to set the beach parking fees for facilities in Westerly at a “reasonably determined” amount. Beach parking fees are generally determined by DEM through regulation; however, under current law, the beach parking fees are frozen at 2011 levels until October 1, 2021.

The article is estimated to generate an additional \$621,634 in beach parking fees beginning in FY2022. Of this total, 27.0 percent (\$167,841) would be remitted to the host community, Westerly, and 73.0 percent (\$453,793) retained by the State as general revenue. The Budget also includes an additional \$33,000 in payments to host communities due to increased beach visitation across State beaches.

*Analyst Note: A Governor’s Budget Amendment (GBA), dated April 19, 2021, adjusted the revenue from the parking fee change at Misquamicut Beach in Westerly from \$621,634 to \$595,372, in consultation with DEM. Of this total, 27.0 percent (\$160,750) would be remitted to the host community, Westerly, and 73.0 percent (\$434,622) retained by the State as general revenue.*

Misquamicut is the State’s largest and most popular beach, with over 76.0 percent of the visitors coming from out of state. This beach also has excessive trash problems that require the addition of dumpsters and recycling containers at every exit and an increase in seasonal employees for trash pickup. According to DEM, Misquamicut’s current parking fees are substantially lower than municipal and other beaches in the area and there is strong support from local political and business leaders to increase the parking fee. The actual fees will be determined through the public regulatory process. The increase in revenue would support additional staffing and maintenance.

**Beach Parking Fees at Misquamicut**

	Current	Article 6	Change
resident weekday	\$6.00	\$10.00	\$4.00
resident weekend	\$7.00	\$15.00	\$8.00
nonresident weekday	\$12.00	\$20.00	\$8.00
nonresident weekend	\$14.00	\$30.00	\$16.00
resident senior weekday	\$3.00	\$10.00	\$7.00
resident senior weekend	\$3.50	\$15.00	\$11.50
nonresident senior weekday	\$6.00	\$20.00	\$14.00
nonresident senior weekend	\$7.00	\$30.00	\$23.00

**Bureau of Environmental Protection**

The Bureau of Environmental Protection is comprised of six programs which are responsible for regulating and protecting water resources; protecting and improving air resources; regulating the transportation and disposal of solid, medical and hazardous waste, and investigating and remediating unpermitted release of those materials; responding to emergency spills of oil and chemicals that present an immediate danger to public health and environment; and assisting the public by coordinating the review of projects requiring multiple applications and permits, and tracking the status of permitting activities throughout the Bureau.

<b>Bureau of Environmental Protection</b>	<b>General Revenue</b>
FY2021 Enacted	\$12,863,971
<i>Target and Other Adjustments</i>	<i>307,553</i>
Restoration of Workshare Savings	316,392
<b>FY2022 Governor</b>	<b>\$13,487,916</b>

**Restoration of Workshare Savings** **\$316,392**

The Budget restores \$316,392 in general revenue workshare savings for 56 employees within the Division. The FY2021 Budget as Enacted included \$445,936 in general revenue personnel savings throughout the Department from furloughed employees eligible to participate in the State’s Workshare program. Approximately 1,600 state employees participated in the program, which included 92 employees throughout DEM. The Workshare program allowed the State to achieve the savings in the wake of the



devastating financial impact of COVID-19. Through this program, eligible full-time employees were allowed to work 60.0 percent of their regular weekly hours (three business days) from June 14, 2020, to September 5, 2020.

### **CAPITAL PROJECTS**

The Budget includes a total of \$6.4 million in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2022 and \$12.3 million in FY2021, a decrease of \$6.2 million and \$350,000, respectively, compared to the enacted budget. The decrease in FY2022 is primarily due to the scheduled completion of projects at Galilee Piers in FY2021. Major RICAP funded projects include:

- \$1.3 million in FY2021 and \$3.2 million in FY2022 for infrastructure and facility improvements at State parks and management areas. The projects include renovations to Colt Stone Barn, construction of a maintenance building at Fort Adams State Park, traffic management plan at State beaches, expansion of camping infrastructure, and updating sanitary provisions at recreational facilities.
- \$9.3 million in FY2021 and \$1.4 million in FY2022 for repairs to the Galilee Piers. The Port of Galilee is home to 170 commercial fishing vessels and provides affordable berthing spaces close to wholesale and retail seafood processing businesses. Since 2009, the Department has rebuilt numerous piers, as well as the southwest and northwest bulkhead. Current work is focused on the North Bulkhead and Docks AA-QQ. The North Bulkhead is more than 50 years old and includes 16 piers along its 1,500 foot length. The piers include berthing for vessels and businesses such as RI Engine, which provides regional vessel services, and Sea Freeze, a fish processing house with worldwide shipping.
- \$90,000 in FY2022 for repairs to “high-hazard” State-owned dams. Beginning in FY2020, most of the funding is shifting to the new general obligation Green Economy Bonds proceeds. Currently, four dams are in some stage of investigation, design, and permitting. Silver Spring Lake is in permitting phase. Stillwater Reservoir is under repair. Browning Mill and Lower Current are in design. The Wyoming Pond Dam is in construction solicitation stage with construction beginning late in spring/summer 2021.
- \$594,191 in FY2021 and \$500,000 in FY2022 for the Blackstone Valley bike path. This project provides funds to the Friends of the Blackstone River for improvements to areas around the Blackstone River Valley focused on enhancing river access and safety, and complimenting the State’s efforts to improve this river corridor. The Friends of the Blackstone River is a non-profit organization, recognized by the Rhode Island Rivers Council and dedicated to making the Blackstone River fishable and swimmable.



## Coastal Resources Management Council

Expenditures By Program	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
	Final	Enacted	Governor	Enacted		Governor	Enacted	
Coastal Resources Management Council	\$5.6	\$5.2	\$5.2	\$0.0	0.2%	\$5.5	\$0.3	5.7%

### Expenditures By Source

General Revenue	\$2.8	\$2.6	\$2.6	\$0.0	0.3%	\$2.9	\$0.3	10.5%
Federal Funds	2.0	2.3	2.3	0.0	0.2%	1.9	(0.4)	-18.9%
Restricted Receipts	0.3	0.3	0.3	-	-	0.3	-	-
Other Funds	0.5	0.1	0.1	-	-	0.6	0.5	502.5%
<b>Total</b>	<b>\$5.6</b>	<b>\$5.2</b>	<b>\$5.2</b>	<b>\$0.0</b>	<b>0.2%</b>	<b>\$5.5</b>	<b>\$0.3</b>	<b>5.7%</b>

Authorized FTE Levels	30.0	30.0	30.0	-	-	30.0	-	-
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*\$ in millions. Totals may vary due to rounding.*

The Coastal Resources Management Council (CRMC) is mandated to preserve, protect, develop and, where possible, restore the coastal resources of the State. The CRMC oversees the Coastal Habitat Restoration Program and is charged with developing an Ocean Special Area Management Plan (SAMP) and a Marine Resources Development Plan.

### MAJOR ISSUES AND TRENDS

The FY2022 Budget includes an all funds increase of \$298,278 (5.7 percent) from the FY2021 Budget as Enacted, including a general revenue increase of \$272,047, a federal funds decrease of \$432,574, and an other funds increase of \$458,805. The increase in general revenue is primarily due to a \$108,648 decrease in turnover savings in FY2022, relative to FY2021 when numerous retirements are expected. The decrease in federal funds is due primarily to the expiration of the Block Island Wind Farm Monitoring grant and the Coastal Resilience grant.

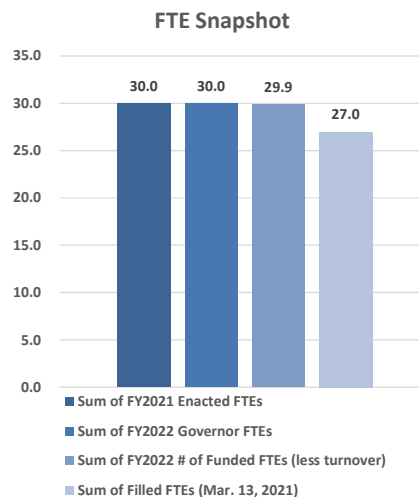
The increase in other funds in FY2022 is primarily due to the carry forward of \$475,000 in RICAP funds for the Narragansett Bay Special Area Management Plan (SAMP) from FY2020. This project will update the Rhode Island Coastal Resources Management Program (RICRMP) to current federal standards and develop a Narragansett Bay Special Area Management Plan (SAMP) to protect the Bay's fisheries, as well as recreation- and marine-based resources.

Article 6 increase the maximum penalties that can be assessed by the CRMC and changes the review of appeals to the Supreme Court. According to CRMC, the penalties have not been changed since 2004, and are so low that violators absorb any fines issued as a cost of doing business. The increase is projected to increase revenue from fines and penalties by \$15,000 (\$22,500 total) in FY2022.

	CRMC Administrative Penalties		
	Current	Article 6	Change
Maximum administrative penalty	\$2,500	\$10,000	\$7,500
Maximum penalty per day	500	1,000	500
Maximum aggregate penalty	10,000	50,000	40,000
Maximum criminal fine	500	1,000	500
Maximum penalty for posting or blocking rights-of-way	500	1,000	500

The article also removes the requirement of “de novo” for appeals for penalties imposed to the Superior Court; consequently, the Court’s review would be guided by the Council’s finding.

The Budget authorizes 30.0 FTE positions in FY2021 and FY2022, consistent with the FY2021 Budget as Enacted.



Central Management	General Revenue
FY2021 Enacted	\$2,580,300
<hr/>	
Target and Other Adjustments	118,011
Turnover Savings Reduction	108,648
Workshare Savings Restoration	25,388
Legal Services	20,000
<b>FY2022 Governor</b>	<b>\$2,852,347</b>

**Turnover Savings \$108,648**

The Budget provides an increase of \$108,648 in general revenue to replace turnover savings included in the FY2021 Budget as Enacted. The increased funding will reduce turnover savings from \$121,439 (5.0 percent of total salaries and benefits) to \$12,791 (0.5 percent of salaries and benefits). The FY2020 Revised Budget included \$13,390 in turnover savings. The higher turnover in FY2021 is due to the expectation that up to 10 employees will retire. In addition, CRMC indicates that five positions were or are expected to be vacant for three or four months in FY2021. According to the April 10, 2021, FTE report, CRMC has averaged 3.0 vacant FTE positions for FY2021.

**Workshare \$25,388**

The Budget adds \$25,388 in general revenue to replace personnel savings in the FY2021 Budget as Enacted from furloughed employees eligible to participate in the State’s Workshare program. Approximately 1,600 state employees participated in the program, which included 4 employees within the Department. The Workshare program allowed the State to achieve the savings in the wake of the devastating financial impact of COVID-19. Through this program, eligible full-time employees were allowed to work 60.0 percent of their regular weekly hours (three business days) from June 14, 2020, to September 5, 2020.

**Legal Services \$20,000**

The Budget includes an additional \$20,000 in funding for legal services (\$126,000 total) to support the Council’s increased involvement with the wind energy projects.

**CAPITAL PROJECTS**

The Budget provides Rhode Island Capital Plan (RICAP) funding totaling \$91,310 in FY2021 and \$458,805 in FY2022 for capital projects, including the following:

- **Coastal Storm Risk Study:** 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 Budget provides RICAP funds totaling \$475,000 in FY2022 as the state share for the cost of the study being conducted by the USACE. Through the North Atlantic Coast Comprehensive Study (NACCS), the USACE identified high-risk areas on the Atlantic Coast for a more in-depth analysis into potential management solutions to reduce the coastal storm risk to the existing shorefront development. The study breaks Rhode Island into two planning reaches (or zones). The first reach covers the Narragansett Bay area, starting at the Massachusetts border and ending at Point Judith. The second reach encompasses the south shore, including South Kingstown, Charlestown, and Westerly.
- **Narragansett Bay SAMP:** The Budget includes \$89,151 in RICAP funds in FY2021 and \$75,115 in FY2022 to update the Rhode Island Coastal Resources Management Program (RICRMP) to current federal standards and develop a Narragansett Bay Special Area Management Plan (SAMP) to protect the Bay's fisheries, as well as recreation- and marine-based resources. Due to the creation of the original Ocean SAMP, Rhode Island, through the Council, has legal standing for a role in management of federal waters up to 30 miles offshore, instead of only within the traditional three-mile limit. SAMPs are resource management plans and implementation programs developed to manage specific geographic areas with specific resources. In May 2016, the Council marked the five-year anniversary of the Ocean SAMP: the first SAMP in the nation to venture out into federal offshore waters for future uses and preservation. However, the Ocean SAMP starts at the mouth of the Narragansett Bay, leaving a significant gap in the Council's ability to manage the Bay's resources. The Bay is managed pursuant to the federally-approved RICRMP which was developed in the early 1970's; consequently, some of the policies are outdated and inconsistent with current regulations of the National Oceanic Atmospheric Administration (NOAA), the federal agency that regulates federal coastal waters. This project is scheduled for completion in FY2022.



## Department of Transportation

Expenditures By Program	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$12.9	\$17.6	\$22.2	\$4.6	26.0%	\$25.0	\$7.4	42.1%
Infrastructure- Engineering	422.8	449.7	490.0	40.3	9.0%	598.4	148.7	33.1%
Infrastructure- Maintenance	172.2	135.2	174.0	38.8	28.7%	141.9	6.6	4.9%
Management and Budget	0.8	4.8	5.0	0.3	5.5%	5.4	0.6	12.7%
<b>Total</b>	<b>\$608.7</b>	<b>\$607.3</b>	<b>\$691.3</b>	<b>\$83.9</b>	<b>13.8%</b>	<b>\$770.7</b>	<b>\$163.3</b>	<b>26.9%</b>

### Expenditures By Source

General Revenue	0.9	-	-	-	-	-	-	-
Federal Funds	317.5	339.4	409.1	69.7	20.5%	451.3	111.9	33.0%
Restricted Receipts	4.6	2.7	2.6	(0.1)	-4.6%	2.6	(0.1)	-4.5%
Other Funds	285.7	265.2	279.6	14.3	5.4%	316.8	51.6	19.4%
<b>Total</b>	<b>\$607.9</b>	<b>\$607.3</b>	<b>\$691.3</b>	<b>\$83.9</b>	<b>13.8%</b>	<b>\$770.7</b>	<b>\$163.3</b>	<b>26.9%</b>

Authorized FTE Levels 755.0 755.0 755.0 - - 755.0 - -  
*\$ in millions. Totals may vary due to rounding.*

The Rhode Island Department of Transportation (RIDOT) is responsible for over 3,300 “lane miles” (1,100 miles) of highway and 1,173 bridges in the State. The Department inspects all State and municipal bridges greater than 20 feet (751 bridges). RIDOT provides services ranging from snow removal to pothole repair, and from installation and maintenance of traffic signalization to design of highway and bridge construction. The Department also develops projects in the areas of rail, water, bicycle, and pedestrian transportation; coordinates with RIPTA on transit projects; and, engages in air quality planning and coordination.

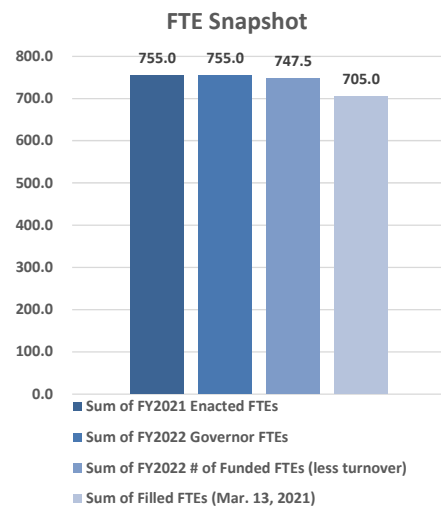
Established in FY1994, the Intermodal Surface Transportation Fund (ISTF) accounts for the collection of the gasoline tax, federal grants, and bond proceeds that are used for the maintenance, upgrading, and construction of the State’s highway system. It also is funded from proceeds of the Grant Anticipation Revenue Vehicle (GARVEE) and the RI Motor Fuel Tax (RIMFT) revenue bonds, and related expenditures. The Transportation Investment and Debt Reduction Act of 2011 created the Rhode Island Highway Maintenance Account within the ISTF.

Funds are used to finance all RIDOT personnel and operating, and ongoing repair and renovation expenditures for RIDOT facilities throughout the state, as well as highway debt service, and motor fuel tax proceeds allocated to the Rhode Island Public Transit Authority (RIPTA), the Rhode Island Turnpike and Bridge Authority, and the Department of Human Services.

### MAJOR ISSUES AND TRENDS

The Budget allocates a total of \$770.7 million to RIDOT, an increase of \$163.3 million in total funds from the FY2021 Budget as Enacted (26.9 percent). The increase in federal funds is mainly related to additional federal discretionary grants, as well as \$24.6 million in federal funds as a result of the COVID-19 pandemic. The increase in other funds is related to increased Rhode Island Capital Plan (RICAP) funds for the Department’s Highway Improvement Program.

The Budget includes an FTE authorization of 755.0 for the FY2022 Budget and the FY2021 Revised Budget, consistent with the FY2021 Budget as Enacted levels. As of April 2021, the Department has 705.0 of 755.0 FTE positions filled.



**Motor Fuel Tax**

A portion of the Department’s funding is provided by the motor fuel tax (gas tax). The FY2022 Budget includes a gas tax of 34.5 cents per gallon with a per-penny yield of \$4.4 million.

The gas tax revenue is determined by applying the gas tax (cents per gallon) to the motor fuel tax yield (per penny yield). Both of these factors can change independently of one another.

In FY2014, RIDOT received 21.75 cents of this tax, with the Rhode Island Public Transit Authority (RIPTA) and the Department of Human Services (DHS) receiving 10.75 cents. RIPTA uses gas tax revenues to fund multiple expenses including maintenance, operations, and their underground storage tank fee, while DHS uses gas tax revenues to partially fund their transit programs. Beginning in FY2015, 3.5 cents of the gasoline tax is transferred to the Rhode Island Turnpike and Bridge Authority (RITBA) to be used for maintenance operations, capital expenditures, and debt service on any of its projects in lieu of a toll on the Sakonnet River Bridge. This reduced RIDOT’s share of the gasoline tax to 18.25 cents per gallon.

Year	Yield
2009	\$4,327,710
2010	4,289,568
2011	4,210,324
2012	4,205,959
2013	4,137,712
2014	4,236,402
2015	4,397,823
2016	4,367,305
2017	4,417,413
2018	4,493,241
2019	4,887,828
2020	4,135,558
2021*	4,055,508
2022*	4,352,130

Beginning in FY2016, the tax is adjusted every other year based on the percentage increase in the Consumer Price Index for all Urban Consumers (CPI-U), rounded to the nearest 1.0 cent increment. The Department of Revenue’s Office of Revenue Analysis (ORA) is responsible for both estimating the gas tax yield as well as determining the impact of the CPI-U.

In FY2020, ORA assumed inflation would change significantly enough to warrant a 1.0 cent increase, raising the gas tax rate from 33.5 cents to 34.5 cents per gallon. Pursuant to RIGL 31-36-20, the additional penny of the gas tax is directed to the Department of Transportation (RIDOT).

\* Dept. of Revenue Estimate

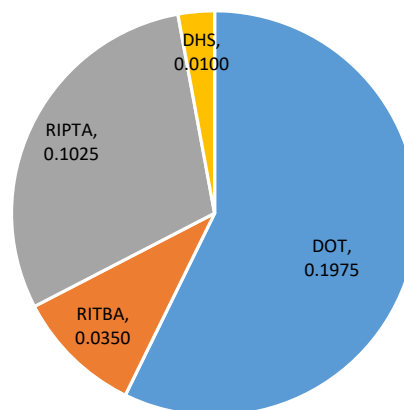
The ORA does not assume an increase in the gas tax rate in FY2022. The ORA expects the motor fuel tax to generate a per penny yield of \$4.4 million in FY2022, an increase of \$377,242 FY2021 Enacted level.

The following table shows the distribution of motor fuel tax proceeds in cents per gallon.

Motor Fuel Tax Allocations: Cents per Gallon					
	DOT	RITBA	RIPTA	DHS	Total
FY2015	\$0.1825	\$0.0350	\$0.0975	\$0.0100	<b>\$0.3250</b>
FY2016	0.1925	0.0350	0.0975	0.0100	<b>0.3350</b>
FY2017	0.1925	0.0350	0.0975	0.0100	<b>0.3350</b>
FY2018	0.1925	0.0350	0.0975	0.0100	<b>0.3350</b>
FY2019	0.1925	0.0350	0.0975	0.0100	<b>0.3350</b>
FY2020	0.2025	0.0350	0.0975	0.0100	<b>0.3450</b>
FY2021	0.2025	0.0350	0.0975	0.0100	<b>0.3450</b>
FY2022	0.2125	0.0350	0.0975	0.0100	<b>0.3550</b>

Note: DOT includes 0.020 for GARVEE Debt Service  
 Note: RIPTA includes 0.005 for Underground Storage Tank Fee  
 Source: Budget Office

FY2022 Motor Fuel Tax, Cents per Gallon



The change in the per penny yield leads to an increase of \$13.1 million in FY2022. The following table shows the use of motor fuel tax revenue in FY2022:



<b>Motor Fuel Tax Revenue</b>	<b>FY2019 Actuals</b>	<b>FY2020 Actuals</b>	<b>FY2021 Enacted</b>	<b>FY2021 Revised</b>	<b>FY2022 Governor</b>	<b>Change from Enacted</b>	
DOT	\$94.1	\$83.8	\$80.5	\$82.1	\$88.1	\$7.6	9.5%
RITBA	17.1	14.5	13.9	14.2	15.2	\$1.3	9.5%
RIPTA	47.5	40.3	38.6	39.5	42.4	\$3.8	9.7%
DHS	4.9	4.1	4.0	4.1	4.4	\$0.4	9.5%
<b>Total</b>	<b>\$163.6</b>	<b>\$142.7</b>	<b>\$137.0</b>	<b>\$139.9</b>	<b>\$150.1</b>	<b>\$13.1</b>	<b>9.6%</b>

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

*Estimate developed by Senate Fiscal Office.*

### **General Obligation Bonds/Debt Service**

In March 2021, voters approved a bond referendum for \$71.1 million in General Obligation (GO) bonds for the Department. The GO bonds are intended to be used as a 20.0 percent state match needed for federal highway road and bridge projects. Debt service for the Department's GO bonds is included in the Department of Administration's Budget but is paid for by DOT through gas tax receipts. The Governor includes \$31.7 million of this funding in FY2021 and the remaining \$40.0 million in FY2022.

### **RhodeWorks**

The General Assembly enacted "The Rhode Island Bridge Replacement, Reconstruction and Maintenance Fund Act of 2016," in February 2016. The legislation, also known as "RhodeWorks", does the following:

- Allows the Rhode Island Department of Transportation (RIDOT) to establish and collect tolls on commercial trucks, vehicle class 8 and larger, traveling on Rhode Island bridges, raising approximately \$45.0 million annually.
- Allows for the refinancing and restructuring of previously existing GARVEE bonds to realize approximately \$120.0 million in additional resources during the first three years post-refinancing.
- Allows the Rhode Island Commerce Corporation to issue new GARVEE bonds, not to exceed \$300.0 million, for bridge replacement, reconstruction, maintenance, and operations. These bonds have an expected term of fifteen years, with interest-only payments in the first nine years, and will be repaid from future toll revenues and reimbursements.
- Article 6 of the FY2020 Budget as Enacted provided for the issuance of \$200.0 million in GARVEE bonds issued through the Rhode Island Commerce Corporation to fund the bridge replacement, reconstruction, and maintenance of the RhodeWorks program. Total debt service is not expected to exceed \$275.0 million over 15 years. Debt service is financed through future Federal Highway Administration appropriations.

**Truck Toll Gantries:** The truck-only tolling plan received formal federal approval in September 2016 at which time the RIDOT executed a series of Memoranda of Understanding with the Federal Highway Administration regarding which bridge locations toll revenue could be used to maintain. In December 2016, RIDOT issued the RFP for the Design-Build-Operate-Maintain (DBOM) contract for the tolling program, including gantry design and construction; all operational elements, testing and acceptance; and long-term maintenance of the tolling equipment and facilities. In 2017, the Department awarded a contract to Kapsch TrafficCom to design, build, operate, and maintain the gantries for 10 years.

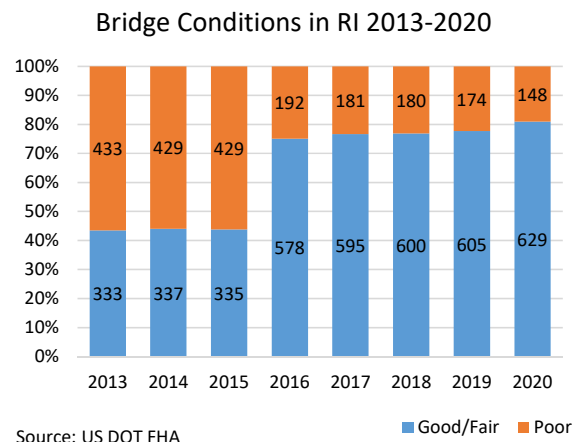
The Department originally anticipated building 14 gantries however, the number of gantries has since been decreased to 13. Currently 11 gantries are operational; all 13 gantries are expected to become operational in FY2022.

	Location	Municipality	Truck Tolls		Annual	Gross Annual
			Toll Amount	Live Date		
1	Wood River Valley Br	Hopkinton	\$3.25	6/11/2018	\$433,900	\$3,408,483
2	Baker Pines Bridge	Exeter	\$3.50	6/11/2018	\$454,800	\$3,782,709
3	Centerville/Tollgate	Warwick	\$6.25	1/24/2020	\$490,000	\$8,322,600
4	Oxford Street	Providence	\$2.25	3/29/2020	\$432,950	\$2,433,051
5	Smith Street	Providence	TBD	TBD- FY2022	\$420,750	\$2,063,117
6	Roosevelt Avenue	Pawtucket	\$2.50	3/21/2020	\$466,800	\$1,756,913
7	Plainfield Pike	Cranston	\$6.50	4/11/2020	\$485,950	\$2,405,988
8	Greenville Ave/ Route	Johnston	\$8.50	6/30/2020	\$647,550	\$5,120,145
9	Scott/Leigh Road	Cumberland	\$7.50	12/16/2019	\$428,850	\$3,120,975
10	Washington Bridge	Providence	\$9.50	TBD- FY2022	\$498,050	\$7,657,665
11	George Washington H	Lincoln	\$3.50	10/1/2019	\$437,000	\$848,411
12	Farnum Pike	Smithfield	\$6.75	7/28/2020	\$435,850	\$2,759,771
13	Woonasquatucket	Providence	\$5.00	8/13/2019	\$420,750	\$875,910

### State Transportation Improvement Program-Major Projects

The Department includes major projects the State intends to implement in their yearly State Transportation Improvement Program (STIP). The STIP includes projects for 10 years; however, only the first four years are fiscally constrained, meaning the costs of the projects may not exceed the anticipated funding that is expected to be available in the four-year time period. The current STIP runs FFY2018-FFY2027 and was last updated in February 2021.

**Bridge Capital Program:** The largest project included in the STIP for FY2022 is the Bridge Capital Program. In 2015, Rhode Island was ranked last in the nation for overall bridge condition with about 24.0 percent of bridges ranked as structurally deficient. The Bridge Capital Program is focused on reducing the percentage of structurally deficient bridges to 10.0 percent by 2025. As of December 2020, 148 of the State's 1,188 bridges were in poor condition. The State would need to repair 70 bridges over the next five years to reach the goal of 90.0 percent structurally sound bridges throughout the State. The Bridge Capital Program will identify and develop a structured sequence of preservation, repair, rehabilitation, and replacement actions that will achieve and sustain a state of good repair for the State's bridges at a minimum cost. The Bridge Capital Project is anticipated to cost \$2.8 billion from FY2018 through FY2027. The STIP includes \$380.3 million in FY2022.



**Debt Service:** The second largest expense in the STIP is debt service. The current STIP includes two Grant Anticipation Revenue Vehicle (GARVEE) bond issuances, the refinancing of the existing GARVEE debt to extend the term by three years from FY2021 to FY2024, and the issuance of a \$300.0 million GARVEE bond. Both issuances create more federal resources for near-term bridge construction and maintenance costs. The goal of issuing these funds now is to save the State money in future bridge repair and replacement costs. Debt service is anticipated to cost \$1.0 billion from FY2018 through FY2027. The STIP includes \$118.2 million in FY2022.

**Route 6/10 Project:** The STIP includes funding in FY2022 for the Route 6/10 interchange project. The project involves the replacement of nine structures, five of which are structurally deficient. The project will also create 1.4 miles of bike paths and clear over four acres of land for development. The total project is

expected to cost \$343.3 million from FY2018 through FY2024. In FY2022, the STIP includes \$66.0 million for this project.

**Pavement Capital Program:** The Pavement Capital Program includes funds for design and construction projects to maintain the State’s roadways. Pavement sufficiency targets were approved and phased-in in May 2018. The Department uses an asset management approach described as applying the “right treatment, to the right pavement, at the right time” to prevent roadway failure. Rhode Island currently has 6,528 miles of roadway, the Department maintains approximately 1,100 miles of those roadways. The Pavement Capital Program will allow for additional miles to be paved and will improve the State’s Pavement Structural Health Index, which is held at 80.0 percent per mile. The total project is anticipated to cost \$878.4 million from FY2018 through FY2027. The STIP includes \$48.0 million in FY2022.

<b>Pavement Repair Cost</b>	
Crack Sealing	\$1
Resurfacing (areas with no sidewalk)	35
Resurfacing (areas with sidewalk)	45
Reclaiming	45
Reconstructing	138

*Cost based on 1 square yard*

*Source: State Transportation Improvement Plan*

### **Rhode Island Highway Maintenance Account (HMA)**

The Transportation Investment and Debt Reduction Act of 2011 created the Rhode Island Highway Maintenance Account within the Intermodal Surface Transportation Fund (ISTF). The FY2015 Budget as Enacted provided additional funding for transportation projects through increased deposits into the HMA including a surcharge of \$25.00 on all dismissals based upon a good driving record, in addition to the \$5.00 administration fee; an increase in the vehicle inspection fee from \$39.00 to \$55.00; transfer of existing revenue from inspection stickers (\$16.00 per inspection), motor vehicle title (\$50.00 per title), and car rental surcharges (8.0 percent of gross receipts per rental vehicle for the first thirty days) from the general fund to the HMA; and, the phased-in transfer of all vehicle license and registration fees into the HMA beginning in FY2016.

Article 8 of the FY2020 Budget as Enacted altered the percentage of fees going into the HMA such that 5.0 percent of the total fees collected each year are retained by the Division of Motor Vehicles (DMV) and the remaining 95.0 percent are deposited into the Account. The funds retained by the DMV are intended to help partially offset personnel costs associated with collecting the fees associated with the HMA. The remaining 95.0 percent of fees deposited into the HMA are shared between DOT and RIPTA, with RIPTA receiving 5.0 percent of the funds deposited and DOT receiving the remaining amount. Article 8 also extended RIPTA’s \$5.0 million annual appropriation to support the Free-Fare program indefinitely.

## Rhode Island Highway Maintenance Account

	FY2021 Enacted	FY2021 Revised	FY2022 Governor
<b><i>New Fees and Surcharges</i></b>			
Good Driving Surcharge	\$0.5	\$0.5	\$0.5
Inspection Sticker Increase	5.8	5.8	5.8
License and Registration Surcharge	18.9	18.9	18.9
<b>Total New Fees</b>	<b>\$25.2</b>	<b>\$25.2</b>	<b>\$25.3</b>
<b><i>Existing General Revenue being Transferred to the Highway Maintenance Account</i></b>			
Inspection Sticker Increase	\$6.6	\$6.6	\$6.6
Motor Vehicle Title Fee	9.5	9.5	9.6
Rental Car Surcharge	3.9	3.9	4.2
License and Registration Transfer	51.1	51.1	48.1
Duplicate and Update License Fee	-	-	-
<b>Total Revenue Transferred from General Fund</b>	<b>\$71.1</b>	<b>\$71.1</b>	<b>\$68.5</b>
<b>Total Revenue to Highway Maintenance Account</b>	<b>\$96.3</b>	<b>\$96.3</b>	<b>\$93.8</b>
5% Share to General Revenues	4.8	4.8	4.7
<b>Remaining Highway Maintenance Account Funds</b>	<b>\$91.5</b>	<b>\$91.5</b>	<b>\$89.1</b>
5% Share to RIPTA	4.6	4.6	4.5
\$5.0 million Transfer to RIPTA	5.0	5.0	5.0
<b>DOT Share of Highway Maintenance Account Funds</b>	<b>\$81.9</b>	<b>\$81.9</b>	<b>\$79.6</b>

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

*Source: Office of Revenue Analysis and Budget Office*

**CENTRAL MANAGEMENT**

The Central Management Program includes Legal Counsel, Human Resources, the Real Estate Section, External Affairs, the Safety Section, the Office on Highway Safety, the Office of Civil Rights, and the Director's Office. The Legal Counsel office works closely with the Office of the Attorney General in legal proceedings involving RIDOT and also provides support within RIDOT for program development, property management and acquisition, contracts, litigation, arbitration, and contracted outside legal services. Human Resources administers labor relations, human resource development and training, all equal opportunity programs, and payroll and fringe benefit programs. The Real Estate section deals with acquisition, appraisal, negotiation, and relocation for property purchases (including easements and larger parcels) and property sales. The External Affairs office handles all media inquiries, speaking engagements, legislative correspondence and special events for the Departments, as well as managing the Department's website. The Safety Section is responsible for promoting public safety. The Office on Highway Safety develops and coordinates programs with local, state and federal agencies to reduce highway deaths and injuries, and to promote public awareness of the correlation between highway safety and alcohol and substance abuse through the development and distribution of educational information. The Civil Rights office supports contractors, consultants, and sub-recipients to ensure full compliance with federal and state civil rights laws and equal employment requirements. The Director's Office provides leadership and policy development for the Department to ensure the State's public transportation services are safe, effective and environmentally prudent.

<b>Central Management</b>	<b>All Funds</b>
FY2021 Enacted	\$17,586,869
<i>Target and Other Adjustments</i>	<i>(1,594,047)</i>
NHTSA Initiatives (federal funds)	6,004,179
Legal Services (other funds)	2,986,763
<b>FY2022 Governor</b>	<b>\$24,983,764</b>

The Budget includes 67.0 FTE positions, consistent with the FY2021 Budget as Enacted.

***NHTSA Initiatives (federal funds)*** ***\$6.0 million***

The Budget includes \$16.1 million in federal funds, an increase of \$6.0 million from the FY2021 Budget as Enacted. This increase is related to a number of initiatives funded by the National Highway Transportation Safety Administration (NHTSA). The increase includes an additional \$4.6 million for MAP-21 funds which provides funding highway safety grant programs and \$2.5 million for Minimum Penalties for Repeat Offenders. These increases are partially offset by a decrease of \$991,510 in the State and Community Highway Safety Program and a \$125,000 decrease for grants to prohibit racial profiling.

***Legal Services (other funds)*** ***\$3.0 million***

The Budget includes an additional \$3.0 million (\$5.8 million total) in gas tax funds for legal services. This funding supports ongoing litigation related to the Department's RhodeWorks program tolling operations. The American Trucking Associations is suing the Department over the truck-only tolls that have been installed throughout the State.

In 2018, the American Trucking Association filed a federal lawsuit against the Department, the lawsuit claims the truck tolls are unconstitutional and discriminate against trucks, the lawsuit also claims that out-of-state trucks being tolled at a higher rate is discrimination.

## **INFRASTRUCTURE - ENGINEERING**

The Infrastructure Engineering program works to develop the State's roads and bridges into an advanced ground transportation system. The program consists of multiple divisions and sections encompassing design, planning, and construction of the Project Management Division. The Project Management division oversees all phases of a project from start to finish, including design, construction, and materials testing. The Construction Management section is responsible for the administration and inspection of highway, bridge, traffic signal and destination signing and freight/commuter rail construction activities throughout the State. The Materials Unit conducts sampling and quality assurance testing. The Research and Technology section evaluates new technologies, provides research for national, regional, and local programs, and provides training in new technology. The Office of Stormwater Management is responsible for the scope, plan, design, and maintenance of storm water systems. The Occupational Safety, Health, and Work Zone Safety section administers the Department's safety and health programs. The Planning Division develops and monitors the Department's Ten-Year Plan to ensure successful implementation. Finally, the Office of Transit, New Starts, and Operations section develops and implements planning projects by working to develop an integrated transportation system that provides convenient transitions between different modes of transportation.

	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
<b>Infrastructure- Engineering</b>	<b>Actual</b>	<b>Enacted</b>	<b>Governor</b>	<b>Enacted</b>		<b>Governor</b>	<b>Enacted</b>	
Federal Funds	\$310.2	\$329.3	\$359.4	\$30.0	9.1%	\$417.1	\$87.8	26.7%
Restricted Receipts	4.6	2.7	2.6	(0.1)	-4.6%	2.6	(0.1)	-4.5%
Other Funds	108.0	117.7	128.1	10.4	8.8%	178.7	61.0	51.8%
<b>Total</b>	<b>\$422.8</b>	<b>\$449.7</b>	<b>\$490.0</b>	<b>\$40.3</b>	<b>9.0%</b>	<b>\$598.4</b>	<b>\$148.7</b>	<b>33.1%</b>

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

The Budget includes 371.0 FTE positions, consistent with the FY2021 Budget as Enacted.

<b>Infrastructure- Engineering</b>	<b>All Funds</b>
FY2021 Enacted	\$449,734,000
<i>Target and Other Adjustments</i>	<i>8,515,791</i>
Federal Funds (federal funds)	73,325,728
Toll Revenue (other funds)	(11,856,407)
CARES Act Funding (federal funds)	6,550,000
Gas Tax Transfers (other funds)	4,023,503
Indirect Cost Recovery (federal funds)	3,674,433
RICAP (other funds)	64,468,182
<b>FY2022 Governor</b>	<b>\$598,435,230</b>

**Federal Funds** **\$73.3 million**

The Budget includes an additional \$73.3 million in federal funds. This includes \$15.0 million for federal highway project funding including \$6.0 million for engineering services related to project design for projects outlined in the Capital Budget. The remaining \$58.3 million are additional federal discretionary grants that will be used to continue supporting capital projects throughout the state. These include Infrastructure for America grants to support the Northbound I-95 viaduct, and Better Utilizing Investments to Leverage Development (BUILD) grants for the Washington Bridget, Route 37 construction and Newport Pell Bridge ramps.

**Toll Revenue (other funds)** **(\$11.9 million)**

The Budget includes \$35.1 million in FY2022 related to truck tolls, a decrease of \$11.9 million relative to the FY2021 Budget as Enacted. As of May 2021, 11 of the proposed 13 gantries are operational and collecting tolls. The remaining two gantries are anticipated to be completed in FY2022. The decrease is related to the delayed implementation of two gantries in Providence, one on Smith Street and one on the Washington Bridge. When all tolls are operational, the gantries are expected to generate \$45.0 million in toll revenue while costing about \$6.1 million to maintain.

The gantries charge a toll on tractor trailer trucks, vehicle class 8 or larger. The tolls are limited to once per-toll-facility, per-day in each direction. Toll rates are also limited to \$20 for a one-way border-to-border trip from Connecticut to Massachusetts. Individual tolled vehicles do not exceed \$40 in tolls per day. Revenue generated from the truck tolls is used for bridge maintenance and improvements throughout the State.

As of February 2020, the gantries have processed 6.1 million transactions and collected \$22.0 million in revenues in FY2021. The legislation limits the assessment of tolls for trucks with an RFID (E-ZPass) to once per day in each direction. Transactions processed may appear higher, some transactions have no charge as they are from the 2<sup>nd</sup> time that truck passes under a toll gantry.

Truck Toll Revenue	FY2019		FY2020		FY2021	
	Transactions	Billable Revenue	Transactions	Billable Revenue	Transactions	Billable Revenue
July	188,862	\$625,811	194,876	\$641,850	754,750	\$2,648,296
August	196,903	\$651,172	205,615	\$687,318	774,502	\$2,836,544
September	170,653	\$565,031	197,835	\$664,427	797,217	\$2,915,588
October	190,976	\$632,397	245,446	\$813,282	813,818	\$2,983,026
November	181,020	\$597,119	217,470	\$720,434	743,469	\$2,715,373
December	169,528	\$561,698	239,146	\$860,058	764,602	\$2,778,536
January	175,871	\$583,219	289,382	\$1,173,192	738,540	\$2,679,091
February	159,804	\$530,370	346,575	\$1,545,353	669,353	\$2,422,977
March	176,942	\$586,308	411,392	\$1,744,627		
April	186,690	\$615,036	514,737	\$1,938,102		
May	204,160	\$672,416	578,725	\$2,174,142		
June	187,821	\$618,245	609,602	\$2,240,303		
<b>Total</b>	<b>2,189,230</b>	<b>\$7,238,821</b>	<b>4,050,801</b>	<b>\$15,203,088</b>	<b>6,056,251</b>	<b>\$21,979,432</b>

**CARES Act Funding (federal funds)****\$6.6 million**

The Budget includes \$6.6 million in federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funding, \$3.6 of which will be transferred to RIPTA. The remaining \$2.9 million will be used to support design and engineering costs, and building maintenance and repairs throughout the Department.

**Gas Tax Transfers (other funds)****\$4.0 million**

The Budget includes an additional \$5.0 million in gas tax funding within the Infrastructure Engineering program, of this \$4.0 million is set to be transferred to the Rhode Island Public Transit Authority (RIPTA) and the Rhode Island Turnpike and Bridget Authority (RITBA). The FY2021 Budget as Enacted included \$53.7 million in transfers, \$39.5 million to RIPTA and \$14.2 million to the RITBA. The FY2022 Governor's Budget increases these transfers due to a \$377,242 increase in the per-penny yield above FY2021 Enacted levels.

RIPTA also receives additional transfers from the Highway Maintenance Account that are described in the Infrastructure Maintenance section of this analysis.

**Indirect Cost Recovery (federal funds)****\$3.7 million**

The Budget includes an additional \$3.7 million in federal funds to reflect a transfer of Federal Highway Authority indirect cost recovery costs from Central Management to Management and Budget. The Department is able to recoup funds from the FHWA for certain allowable expenses. The recouped costs completely offset gas tax expenditures resulting in no net impact to the overall budget.

Indirect Cost Recovery	FY2021 Enacted	FY2021 Revised	FY2022 Governor	Change from Enacted
FHWA Cost Recovery	\$15,170,677	\$18,922,842	\$18,845,110	\$3,674,433
Gas Tax Credit- Infra Eng.	(6,167,620)	(8,827,506)	(8,791,244)	(2,623,624)
Gas Tax Credit- Cntrl Mngmt	(5,274,398)	(6,498,103)	(6,471,410)	(1,197,012)
Gas Tax Credit- Mngmt and Budget	(3,728,659)	(3,597,233)	(3,582,456)	146,203
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**RICAP (other funds)****\$64.5 million**

The Budget includes an increase of \$64.5 million in Rhode Island Capital (RICAP) funds. The majority of this increase is related to an additional \$63.5 million in funding for the Highway Improvement Program (HIP). The Department's FY2022 Budget request included \$35.0 million in RICAP funding for the HIP, the Governor's Budget includes an additional \$28.5 million in funding from the General Obligation (GO) Bond issuance that was approved as part of the March 2021 bond referendum. The remainder of the increase

supports other projects the Department is working on including an additional \$600,000 for the URI Mobility Hub, \$361,594 for Bike Path Maintenance, and \$140,000 for the RIPTA Warwick Bus Hub.

### INFRASTRUCTURE - MAINTENANCE

The Infrastructure Maintenance program is comprised of multiple divisions that are responsible for keeping all state roads and bridges well-maintained and functional. The Automotive section is responsible for the up keep and repair of the program's fleet of heavy trucks and equipment. The Engineering and Support office is a multi-faceted section responsible for resolution of drainage problems, inspection of work permits, coordination of requests for pavement projects, maintenance of guardrails, fences, and highway related equipment along the state highway, highway illumination, and state-wide beautification projects. The Field Operations section, which is comprised of staff who operate from multiple field offices across the State, is responsible for sweeping, litter collection, and snow plowing, as well as bridge, pothole, and guardrail repairs. In recent years, the Department has worked to bring tasks performed by the Infrastructure Maintenance program in-house rather than contracting services from outside vendors.

	FY2020	FY2021	FY2021	Change from	FY2022	Change from		
Infrastructure- Maintenance	Actual	Enacted	Governor	Enacted	Governor	Enacted		
Federal Funds	\$0.3	-	\$37.1	\$37.1	-	\$18.1	\$18.1	-
Other Funds	172.0	135.3	137.0	1.7	1.3%	123.8	(11.4)	-8.5%
<b>Total</b>	<b>\$172.2</b>	<b>\$135.3</b>	<b>\$174.0</b>	<b>\$38.8</b>	<b>28.7%</b>	<b>\$141.9</b>	<b>\$6.6</b>	<b>4.9%</b>

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

The Budget includes 281.0 FTE positions in the Infrastructure Engineering program, consistent with the FY2021 Budget as Enacted.

Infrastructure- Maintenance	All Funds
FY2021 Enacted	\$135,247,387
<i>Target and Other Adjustments</i>	<i>\$77,170</i>
Highway Maintenance Account (other funds)	(29,563,388)
CAA Funding (federal funds)	18,000,000
Gas Tax (other funds)	13,988,873
RICAP (other funds)	4,139,716
<b>FY2022 Governor</b>	<b>\$141,889,758</b>

### Highway Maintenance Account (other funds) (\$29.6 million)

The Budget includes \$87.1 million in Highway Maintenance Account (HMA) funds, a decrease of \$29.6 million from the FY2021 Budget as Enacted. The Budget decreases expenditures in the HMA in FY2022 in order to retain more funds for out-year projects. The Department has a number of larger projects included in the STIP within the next seven years. The Budget also includes a decrease in HMA funds related to additional federal COVID-19 relief funds.

Highway Maintenance Account funds within the Infrastructure Maintenance program are generated from motor vehicle fees collected by the DMV, including fees on good driver dismissals, license and registration transfers, vehicle titles, inspection stickers, and rental car surcharges. The transfer of these fees from the general fund to the HMA were phased in beginning in FY2016 and completed in FY2019, with 100.0 percent of the fees going to the HMA.

**RIPTA Free- Fare:** The Budget includes \$5.8 million to be transferred from the Highway Maintenance Account (HMA) to RIPTA, a decrease of \$3.7 million from the FY2021 Budget as Enacted. RIPTA receives 5.0 percent of the funds deposited into the HMA. In FY2018, the Budget included the transfer of additional funds to support RIPTA's debt service and the operating costs of the Free-Fare program, which provides transportation to the senior and disabled population. In FY2018 and FY2019, RIPTA received \$5.0 million



from the HMA for these costs. Article 8 of the FY2020 Budget as Enacted extended this transfer indefinitely.

The FY2022 Budget includes \$5.8 million from the HMA to support the Free-Fare program, but shifts the \$3.7 million that would normally be funded from the HMA to federal funds from the Consolidated Appropriations Act. This is a one-time shift to use federal funds and allow the HMA funding to be used as additional state matching funds.

**CAA Funding (federal funds)**

**\$18.0 million**

The Budget includes an additional \$18.0 million in federal funds due to an allocation from the Consolidated Appropriations Act in response to the COVID-19 pandemic. The additional federal funds will be used to offset Highway Maintenance Account (HMA) funding, allowing those funds to be used for state matching to other federal funds.

**Gas Tax (other funds)**

**\$14.0 million**

The Budget includes \$31.1 million in gas tax funds, an increase of \$14.0 million from the FY2021 Budget as Enacted. The Department anticipates a \$20.2 million carry forward from FY2021 to FY2022. The majority of this increase is related to additional funds to support debt service payments for the Department's general obligation bonds. Debt service for GO bonds is included in the Department of Administration's Budget but is supported by gas tax receipts from DOT.

**RICAP (other funds)**

**\$4.1 million**

The Budget includes \$5.5 million in Rhode Island Capital Plan (RICAP) funds, an increase of \$4.1 million from the FY2021 Budget as Enacted. This includes an increase of \$2.1 million for salt storage facility projects, \$1.5 million for capital equipment replacement, \$431,254 to improvements to maintenance facilities, and \$122,068 for train station maintenance and repairs. These increases are partially offset by a \$26,208 decrease in funding for welcome center improvements.

The Department intendeds to build four new salt storage facilities across the State to consolidate the salt stock pile and improve operational efficiencies. Funding for maintenance facility improvements will be used to fund roof repairs, the repaving of parking lots, and energy efficient improvements.

**MANAGEMENT AND BUDGET**

Management and Budget houses the Department's Financial Management Division responsible for the oversight and management of the Department's operations and capital budget expenditures. Management and Budget also oversees the Education Advancement section, the Office of Contracts and Specifications, and the Information Technology section. The Education Advancement section is responsible for internal education and advancement initiatives and facilitates administrative and programming coordination. The Office of Contracts and Specifications establishes business arrangements between the Department and the supplies of good and services in the private sector. The Information Technology section maintains and operates all computer software and hardware as well as purchasing and upgrading all information technology platforms for the Department.

	FY2020	FY2021	FY2021	Change from	FY2022	Change from
Management and Budget	Actual	Enacted	Governor	Enacted	Governor	Enacted
Other Funds	\$0.8	\$4.8	\$5.0	\$0.3 5.7%	\$5.4	\$0.6 12.8%

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

The Budget includes 36.0 FTE positions, consistent with the FY2021 Budget as Enacted.

<b>Management and Budget</b>	<b>All Funds</b>
FY2021 Enacted	\$4,774,747

*Target and Other Adjustments* (\$77,678)

Computer Supplies/Software Maintenance (other funds) 683,278

Indirect Cost Recovery (other funds) 146,203

**FY2022 Governor** **\$5,380,347**

***Computer Supplies/Software Maintenance (other funds)*** **\$683,278**

The Budget includes an additional \$683,278 in gas tax funds for computer supplies and software equipment. The funds will be used for continued support and development on the Project Management Portal (PMP) system, system enhancements to support tolling operations, and the implementation of the Department's e-Construction project to implement Headlight Software for improved functionality and organization within construction projects.

***Indirect Cost Recovery (other funds)*** **\$146,203**

The Budget includes an additional \$146,203 in gas tax funds within the Management and Budget program (an overall decrease of \$3.8 million in gas tax throughout the Department). This reflects a transfer of Federal Highway Authority indirect cost recovery costs from Central Management to Management and Budget. The Department is able to recoup funds from the FHWA for certain allowable expenses. The recouped costs completely offset gas tax expenditures resulting in no net impact to the overall budget.

	FY2021 Enacted	FY2021 Revised	FY2022 Governor	Change from Enacted
<b>Indirect Cost Recovery</b>				
FHWA Cost Recovery	\$15,170,677	\$18,922,842	\$18,845,110	\$3,674,433
Gas Tax Credit- Infra Eng.	(6,167,620)	(8,827,506)	(8,791,244)	(2,623,624)
Gas Tax Credit- Cntrl Mngmt	(5,274,398)	(6,498,103)	(6,471,410)	(1,197,012)
Gas Tax Credit- Mngmt and Budget	(3,728,659)	(3,597,233)	(3,582,456)	146,203
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Rhode Island Public Transit Authority

Revenues by Source	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Motor Fuel Tax	\$40.3	\$45.4	\$38.8	(\$6.7)	-14.7%	\$40.0	(\$5.4)	-11.9%
Passenger Revenue	21.3	24.5	21.2	(3.3)	-13.6%	23.1	(1.5)	-6.0%
Special Revenue	-	-	-	-	-	-	-	-
Other Revenue	13.1	13.3	11.4	(1.8)	-13.8%	13.8	0.6	4.4%
Federal Funds	41.5	35.7	47.3	11.6	32.5%	44.0	8.3	23.3%
Department of Human Services	0.8	1.2	0.6	(1)	-45.9%	0.7	(0.4)	-37.1%
State Highway Fund Revenues	6.1	6.1	4.7	(1.5)	-23.8%	4.8	(1.3)	-21.8%
Special Projects- Local	0.5	0.3	3.6	3.2	921.5%	-	(0.3)	-100.0%
Special Projects- Federal	-	-	-	0.0	-	-	-	-
<b>Total</b>	<b>\$123.7</b>	<b>\$126.6</b>	<b>\$127.6</b>	<b>\$1.0</b>	<b>0.8%</b>	<b>\$126.5</b>	<b>(\$0.1)</b>	<b>-0.1%</b>
<b>Expenditures By Category</b>								
Salaries, Wages and Benefits	\$90.2	\$89.8	\$88.8	(\$0.9)	-1.0%	\$91.8	\$2.0	2.3%
Contract Services	9.5	10.1	9.5	(0.6)	-5.9%	10.5	0.4	3.9%
Operating Costs	22.7	21.8	21.3	(0.5)	-2.2%	20.1	(1.7)	-7.9%
Utilities	1.7	1.8	1.6	(0.2)	-10.0%	1.4	(0.4)	-19.7%
Insurance and Settlements	-	-	-	0.0	-	-	-	-
Capital Match	0.0	1.3	1.2	(0.0)	-2.6%	1.4	0.1	7.2%
Revolving Loan Fund	-	-	-	0.0	-	-	-	-
Debt Service	1.6	1.5	1.5	(0.0)	0.0%	1.4	(0.2)	-10.7%
Self-Insurance Reserve	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Special Projects- Local	0.6	0.3	3.6	3.2	921.5%	-	(0.3)	-100.0%
Special Projects- Federal	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$126.3</b>	<b>\$126.6</b>	<b>\$127.5</b>	<b>\$0.9</b>	<b>0.7%</b>	<b>\$126.5</b>	<b>(\$0.1)</b>	<b>0.0%</b>
<b>Surplus/(Deficit)</b>	<b>(\$2.64)</b>	<b>\$0.05</b>	<b>\$0.11</b>			<b>\$0.00</b>		
Authorized FTE Levels	862.0	862.0	865.0	3.0	0.3%	865.0	3.0	0.3%

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

The Rhode Island Public Transit Authority (RIPTA) was established in 1964 and is currently governed by an eight (8) member Board of Directors. As defined under RIGL 39-18-3, RIPTA is responsible for:

- Providing public transit services to meet the mobility needs of the people of the State
- Increasing access to employment opportunities
- Connecting different modes of public transportation, including rail, air and water services
- Promoting community design that features public transit services
- Facilitating energy conservation and efficient energy use through public transit services
- Mitigating traffic congestion and enhancing air quality

RIPTA operates and maintains two facilities in Providence and one in Newport.

### MAJOR ISSUES AND TRENDS

The FY2022 Board-Approved Budget includes \$126.5 million in revenues for FY2022, a decrease of \$111,135 from the FY2021 Board-Approved Budget, and \$126.5 million in expenditures, a decrease of \$60,226 from the FY2021 Board-Approved Budget, leading to a \$2,599 surplus.

Salary and benefits increase by \$2.0 million relative to the FY2021 Board-Approved Budget. This increase is partially due to an additional 3.0 project management positions within the Department. The Budget also includes collective bargaining agreement raises for employees in the 618, 618A, and 808 Unions. Employees in the 808 Union received a 2.0 percent raise in July 2020 and will receive another 2.0 percent raise in July 2021. Employees in the 618 and 618A Unions will receive a 2.0 percent raise in FY2021 and a 3.0 percent raise in FY2022.

Article 4 of the FY2018 Enacted Budget provided 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 legislation required the creation of 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 Council was due to present its funding recommendations to the Governor and General Assembly by November 1, 2018; however, RIPTA did not present their findings until December 31, 2018. Within the submitted report the main recommendation for sustainable funding was to divert an additional penny of the gas tax to RIPTA for this program. Article 8 of the FY2020 Budget as Enacted extended the \$5.0 million in HMA funding to RIPTA indefinitely to fund the Free-Fare Program.

The FY2015 Budget as Enacted included a provision that RIPTA would receive 5.0 percent of available proceeds from revenue deposited into the Rhode Island Highway Maintenance Account (HMA) beginning in FY2016. RIPTA's share of this account is \$9.6 million in FY2020 and FY2021. RIPTA uses \$3.4 million of this funding to support the senior and disabled bus pass program, \$1.6 million for debt service, and \$4.6 million for other operating expenses. In FY2021, the Governor's Budget also transferred an additional \$3.1 million from the HMA to RIPTA to be used as matching funds for the purchase of new buses.

RIPTA has received \$29.0 million in federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding, \$18.4 million in FY2021 and \$10.6 million in FY2022. Due to the COVID-19 pandemic, RIPTA has experienced a decrease in the demand for service coupled with an increase in drivers needed for additional routes to practice safe social distancing as well as increase sanitation needs to keep vehicles clean. RIPTA has also experienced a decrease in state gas tax revenues related to the pandemic as gas tax receipts are lower than projected. RIPTA will use the CARES Act funding to cover operating losses and offset revenue declines, rent or lease additional vehicles to be able to comply with social distancing guidelines, and invest in sustainable improvements for the future.

### **Motor Vehicle Fuel Tax**

A portion of RIPTA's funding is provided by the motor fuel tax (gas tax). The FY2022 Budget includes a gas tax of 34.5 cents per gallon with a penny yield of \$4.4 million.

Beginning in FY2016, the tax is adjusted every other year based on the percentage increase in the Consumer Price Index for all Urban Consumers (CPI-U), rounded to the nearest 1.0 cent increment. The Department of Revenue's Office of Revenue Analysis (ORA) is responsible for both estimating the gas tax yield as well as determining the impact of the CPI-U.

In FY2020, ORA assumed inflation would change significantly enough to warrant a 1.0 cent increase, raising the gas tax rate from 33.5 cents to 34.5 cents per gallon. Pursuant to RIGL 31-36-20, the additional penny of the gas tax is directed to the Department of Transportation (RIDOT).

The ORA does not assume an increase in the gas tax rate in FY2022. The ORA expects the motor fuel tax to

	<b>Motor Fuel Tax Allocations: Cents per Gallon</b>				<b>Total</b>
	<b>DOT</b>	<b>RITBA</b>	<b>RIPTA</b>	<b>DHS</b>	
FY2015	\$0.1825	\$0.0350	\$0.0975	\$0.0100	<b>\$0.3250</b>
FY2016	0.1925	0.0350	0.0975	0.0100	<b>0.3350</b>
FY2017	0.1925	0.0350	0.0975	0.0100	<b>0.3350</b>
FY2018	0.1925	0.0350	0.0975	0.0100	<b>0.3350</b>
FY2019	0.1925	0.0350	0.0975	0.0100	<b>0.3350</b>
FY2020	0.1975	0.0350	0.1025	0.0100	<b>0.3450</b>
FY2021	0.1975	0.0350	0.1025	0.0100	<b>0.3450</b>
FY2022	0.1975	0.0350	0.1025	0.0100	<b>0.3450</b>

Note: DOT includes 0.020 for GARVEE Debt Service

Note: RIPTA includes 0.005 for Underground Storage Tank Fee

Source: Budget Office

generate a per penny yield of \$4.4 million in FY2022, an increase of \$377,242 from the FY2021 Enacted level.

The change in the per penny yield leads to an increase of \$13.0 million in FY2022. The following table shows the use of motor fuel tax revenue in FY2022:

<b>Motor Fuel Tax Revenue</b>	<b>FY2020 Actuals</b>	<b>FY2021 Enacted</b>	<b>FY2021 Revised</b>	<b>FY2022 Governor</b>	<b>Change from Enacted</b>	
DOT	\$83.7	\$80.5	\$82.1	\$88.1	\$7.6	9.5%
RITBA	14.5	13.9	14.2	15.2	\$1.3	9.5%
RIPTA	40.2	38.6	39.4	42.3	\$3.7	9.5%
DHS	4.1	4.0	4.1	4.4	\$0.4	9.5%
<b>Total</b>	<b>\$142.6</b>	<b>\$137.0</b>	<b>\$139.8</b>	<b>\$150.0</b>	<b>\$13.0</b>	<b>9.5%</b>

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

*Estimate developed by Senate Fiscal Office.*

### **Volkswagen Funds**

In January 2018, the State was awarded \$14.4 million from the national Volkswagen (VW) settlement. VW illegally installed software in their vehicles that was able to sense when the car was undergoing emissions testing and activate equipment to reduce emissions: about 3,000 cars in Rhode Island were affected. The settlement established an Environmental Mitigation Trust (EMT), which will be administered by the Department of Environmental Management (DEM) and used within in a 10-year period. Of the total settlement, about \$11.8 million will be used to replace diesel RIPTA buses with zero emission vehicles (ZEV); \$1.5 million for charging infrastructure; and, \$2.1 million for administrative expenses at DEM, RIPTA, and OER. In the fall of 2018, RIPTA began a pilot program to lease three ZEV buses. During the pilot, RIPTA will collect data on the efficiency and viability of ZEV buses with the goal of understanding if it is possible to transition RIPTA's fleet from diesel buses to ZEV buses. In 2019, RIPTA acquired three ZEV buses and installed charging infrastructure. In the spring of 2019, RIPTA began road tests with the ZEV buses and as of the spring of 2020 the three ZEV buses are deployed on the R-Line in Providence. Currently, RIPTA is working on the procurement for the remaining 17 buses in FY2022.

<b>RIPTA VW Funds</b>	
FY2019	\$2,766,338
FY2020	2,919,000
FY2021	3,079,485
FY2022	2,943,025
FY2023	136,460
<b>Total</b>	<b>\$11,844,308</b>

### **Fare Changes**

No fare changes are proposed for FY2022. In 2015, RIPTA conducted a comprehensive study of the fare products offered to customers, as well as the rates charged. The goals of the fare study were to simplify fare products; improve reliability of fare media; introduce needed products; make boarding a bus fast, convenient, and reliable; implement new fare technologies; and, maximize revenue and ridership. RIPTA's Board adopted a new fare structure in December 2016 that eliminated the 15-ride pass and RIPTIKs (packages of 10 one-way tickets including free transfers that did not expire), created a 10-ride pass, increased the price of a 7-day pass and bus transfers, and recommended charging seniors and people with disabilities \$0.50 per trips. While other changes were implemented, the charge to seniors and people with disabilities caused concern among advocacy groups and was never executed. Since FY2017, the General Assembly has included additional funds to continue the free fare program.

In September 2020, RIPTA launched the WAVE program, a smart fare collection system. The WAVE program operates on an earn-as-you-go model. The system tracks individual's trips allowing them to pay for individual rides or days while never exceeding the price of a day pass or month pass. Once a user spends the equivalent to a day or month pass they are not charged for any additional rides that day or month.

RIPTA Fares	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
1- Day Pass	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00
7- Day Pass	23.00	25.00	25.00	25.00	25.00	25.00	25.00
10- Ride Pass	-	25.00	20.00	20.00	20.00	20.00	20.00
15- Ride Pass (discontinued in FY2016)	26.00	-	-	-	-	-	-
RIPTIKs (discontinued in FY2016)	20.00	-	-	-	-	-	-
Monthly Pass	62.00	70.00	70.00	70.00	70.00	70.00	70.00
Ride/Paratransit	-	4.00	4.00	4.00	4.00	4.00	4.00
Transfers	0.50	1.00	1.00	1.00	1.00	1.00	1.00
Cash Fare for buses & trolleys	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Reduced Fare for Seniors and Disabled*	10.00	10.00	10.00	10.00	10.00	10.00	10.00

\* Cost to renew pass, must be done every 2 years

### **Free Fare Program**

RIPTA provides free bus rides to qualifying low-income seniors and people with disabilities through the Free-Fare Program. RIPTA estimates that nearly 15,000 individuals have free-fare bus passes, 10,607 individuals with disabilities and 4,285 seniors. These pass holders take approximately 6.4 million trips annually. Passes issued through the program are good for two years and include a \$10 processing fee to renew. To qualify as a low-income senior, applicants must be over age 65 and provide proof of income through either an SSI award letter, a Medicaid eligibility notice letter, or a Supplemental Income Verification Notice. The applicant's total household income may not be more than 200.0 percent of the Federal Poverty Level, or \$34,840 for a family of two, as of 2021. To qualify as a disabled person, the applicant must provide either a Medicare card with a disability code, a Supplemental Security Income award letter, or a Certification of Disability completed by the Providence Center.

RIPTA also offers half-fare boarding to seniors and people with disabilities, regardless of income, during off-peak hours. Participants must enroll in the program and will be issued a valid identification card. Participants are required to pay full fare during peak service hours (7am-9am and 3pm-6pm weekdays).

**Free Fare Program Changes:** The Reduced Fare program was originally scheduled to begin in July 2016. Previously, eligible low-income seniors and disabled had their rides fully subsidized under RIPTA's Free Fare program; however, the program contributed significantly to RIPTA's operating deficits. The Reduced Fare model was expected to help alleviate the deficit. Due to outcry from local advocacy groups, transitioning from the Free Fare program to the Reduced Fare model was effectively delayed for seven months when the General Assembly appropriated \$900,000 to RIPTA for the program in the FY2017 Budget as Enacted. Article 4 of the FY2018 Budget as Enacted provides the Rhode Island Public Transit Authority (RIPTA) with \$5.0 million in Rhode Island Highway Maintenance Funds in both FY2018 and FY2019: \$3.4 million to fund the free-fare program for low-income senior and disabled persons, and the remaining \$1.6 million for debt service payments that were shifted back to the Authority. Article 8 of the FY2020 Budget extends the \$5.0 million in HMA funding to RIPTA indefinitely.

**Transportation Coordinating Council:** Pursuant to Article 4 of the FY2018 Enacted Budget, RIPTA established a coordinating council to develop recommendations for the sustainable funding of the Free Fare Bus Pass Program while maximizing the use of federal funds available to support the transportation needs of the State's elderly and disabled populations. The Council was due to report their recommendations to the Governor, Speaker of the House and Senate President by November 1, 2018; however, RIPTA did not present their findings until December 31, 2018.

The Council consisted of members from multiple State agencies including RIPTA; the Department of Human Services; the Executive Office of Human Services; the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals; the Office of Veteran’s Affairs; and, the Division of Elderly Affairs. The Council broke into two “working groups”, the Communications working group and the Bus Pass Program Funding working group. Although the legislation was passed in June 2017 the Council did not begin meeting until January 2018. The entire Council met a total of six times from January through December of 2018.

RIPTA estimated that the total funding gap within the Free-Fare Program will be about \$4.4 million in FY2020. Within the submitted report the main recommendation for sustainable funding was to divert an additional penny of the gas tax, or an equal amount of funding from another source, to RIPTA.

The No-Fare Bus Pass Coalition, an advocacy group that was also a member of the Council, made the following recommendations:

- A dedicated stream of state lottery or gambling revenues, such as a scratch ticket to promote public transit or earmarking a percentage of anticipated gaming revenues for RIPTA.
- Establishing a tax on ride-sharing companies, such as Uber and Lyft, with funds collected allocated to RIPTA.
- Establishing a tax on parking lots, or increasing the cost of parking, and allocating additional funds collected to RIPTA.

Although the Council was aware of these recommendations, there was no follow-up with relative Departments such as the Lottery or the Department of Revenue. The Free-Fare Program will continue to be funded through the \$5.0 million appropriation to RIPTA from the HMA.

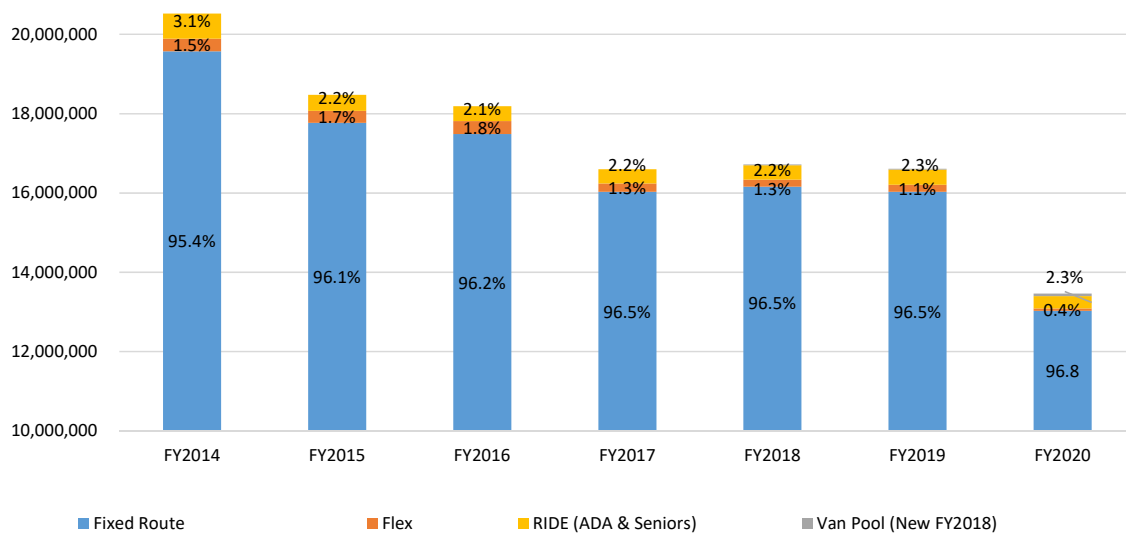
### ***Ridership***

RIPTA offers four types of transit service: fixed route, flex service, the RIder Program, and van pool services. Fixed route service consists primarily of regular bus service on established routes. Flex service provides van transportation within a limited geographic area. The RIder program provides transportation to eligible senior citizens and individuals with disabilities. Van pool services, which started in FY2018, allows a group of commuters to lease a shared vehicle through Enterprise and use the vehicle daily while commuting to work. The van pool program is mainly used by Electric Boat in Quonset Park; however, RIPTA hopes to expand this program into other areas of the State in the next few years.

In FY2020, RIPTA’s total ridership was 13.5 million passengers, a net decrease of 19.0 percent from FY2019. The largest decrease, 67.0 percent, was in Flex Services. In FY2021, the year to date ridership for fixed route and paratransit riders is 5.3 million rides, a decrease of 6.3 million rides from the same time last year.

The following table shows ridership, by category, for RIPTA for FY2014 through FY2020.

### RIPTA Ridership



*Analyst Note: According to RIPTA, the 19.0 percent decline in ridership between FY2014 and FY2017 is related to the hiring of LogistiCare by the State in 2014, which had a strong impact on both the fixed route and RIDE. Prior to this RIPTA served as both the broker of ADA services and as a provider. LogistiCare had been the designated broker since FY2014 and shifted trips away from RIDE as a provider. For business reasons RIPTA decided to cease being a LogistiCare provider in FY2017.*

### SELECTED CAPITAL PROJECTS

RIPTA's FY2022 Budget includes \$54.1 million in capital expenditures, of which \$41.4 million is funding by the Federal Transit Administration (FTA) the remaining \$12.7 million is funded by other sources including Rhode Island Capital Plan (RICAP) funds.

**Bus Purchases:** The Budget includes \$16.2 million in FY2021 for the purchase of 24 diesel buses and \$15.8 million in FY2022 for the purchase of 26 fixed-route buses including 17 electric buses. RIPTA maintains a fixed-route fleet of about 245 vehicles. Federal Transit Administration (FTA) guidelines recommend that fixed route vehicles are replaced at the end of their 12-year useful life. RIPTA often uses buses past their 12-year recommended lifespan due to funding constraints.

**Paratransit Vehicles:** RIPTA maintains a fleet of about 94 vehicles for the paratransit program, also known as RIDE. Federal Transit Administration (FTA) guidelines recommend that Paratransit vehicles be retired at the end of their 5-year useful life. In spite of uncertainties within the paratransit program, the age of the Paratransit fleet requires the continued replacement of vehicles.

Paratransit vehicles are funded via a fee charged for all trips provided through the paratransit program. The proceeds from this fee are put into the Paratransit Revolving Loan fund, an internal RIPTA mechanism which funds the match for paratransit vehicles. Proceeds from this fee have fallen as the trip volume under the program have been reduced. RIPTA continues to review this funding mechanism to determine the long-term impact on paratransit fleet replacement.

The Budget includes \$3.3 million in FY2021 and \$3.5 million in FY2022 for Paratransit bus purchases. The FTA pays 80.0 percent of each vehicle replacement cost and RIPTA pays a 20.0 percent local match from its revolving loan fund.



**URI Mobility Hub:** The Budget includes \$5.0 million in FY2022 for the construction of a bus hub at URI's Kingston Campus. The bus hub will create a mobility hub on the campus and allow for improved regional connectivity. Currently, RIPTA is awaiting the results of a preliminary application for the design and construction of this project.

The Capital Budget includes 80.0 percent of this project being funded by the FTA, with RIPTA paying the remaining 20.0 percent from local funds.

**East Side Tunnel:** The Budget includes \$4.0 million in FY2022 for the East Side Tunnel project. The Tunnel is in need of passenger amenity improvements, structural repairs, and safety improvements.





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**SPECIAL REPORTS**

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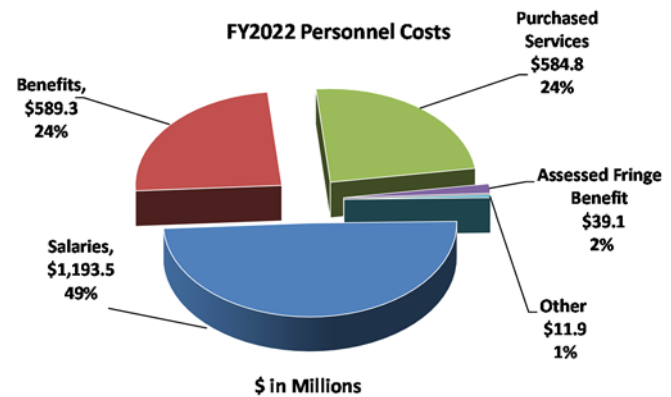
## Personnel

The Governor's FY2022 Budget includes a total of \$2,418.6 million for personnel expenditures, an increase of \$29.2 million compared to the FY2021 Budget as Enacted, and \$413.6 million less than the Governor's FY2021 Revised Budget recommendation. The latter decrease reflects COVID-19 response funding for salaries, benefits and purchased service costs that are not projected to occur in the proposed FY2022 Budget. Salaries and benefits total \$1,782.8 million and comprise 73.7 percent of FY2022 personnel expenditures (53.9 percent of the salaries and benefits costs are supported by general revenue).

The Governor's FY2021 Supplemental Budget includes \$2,832.3 million for personnel expenditures, an increase of \$442.9 million compared to the FY2021 Budget as Enacted. Salaries and benefits total \$1,841.0 million and comprise 65.0 percent of FY2021 revised personnel expenditures (41.6 percent of the salaries and benefits costs are supported by general revenue). Purchased services increase by \$422.4 million (a decrease of \$6.1 million in general revenue), largely due to increased federal COVID-19 funding for pandemic-related services.

### PERSONNEL EXPENDITURE TRENDS

Expenditures for salaries in FY2022 total \$1,193.5 million, comprising 49.3 percent of total personnel costs, a decrease of \$51.8 million (4.2 percent) from the FY2021 Budget as Enacted, primarily reflecting a reduction of costs from federal COVID-19 Pandemic funds offset by a similar but smaller increase in general revenue use. Total benefit costs, excluding assessed fringe benefits and other costs, amount to \$589.3 million and comprise 24.4 percent of total personnel costs. Benefits increase \$10.8 million, 1.9 percent, from the FY2021 Budget as Enacted, primarily due to increased health and retirement costs. Purchased services costs are \$584.8 million, 24.2 percent, of the total personnel costs. Purchased services increase by \$66.7 million, 12.9 percent, from the FY2021 Budget as Enacted.



Expenses by Description	FY2019 Actual	% of Total	FY2020 Actual	% of Total	FY2021 Enacted	% of Total	FY2021 Governor	% of Total	FY2022 Governor	% of Total
Salaries	\$1,135.7	55.6%	\$1,170.3	55.7%	\$1,245.3	52.1%	\$1,255.0	44.3%	\$1,193.5	49.3%
Benefits	530.3	25.9%	544.7	25.9%	578.5	24.2%	586.0	20.7%	589.3	24.4%
Purchased Services	330.1	16.2%	341.0	16.2%	518.1	21.7%	940.5	33.2%	584.8	24.2%
Assessed Fringe Benefits	40.4	2.0%	37.7	1.8%	39.4	1.6%	42.7	1.5%	39.1	1.6%
Other	7.4	0.4%	7.7	0.4%	8.1	0.3%	8.1	0.3%	11.9	0.5%
<b>Total</b>	<b>\$2,043.9</b>	<b>100.0%</b>	<b>\$2,101.4</b>	<b>100.0%</b>	<b>\$2,389.4</b>	<b>100.0%</b>	<b>\$2,832.3</b>	<b>100.0%</b>	<b>\$2,418.6</b>	<b>100.0%</b>

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

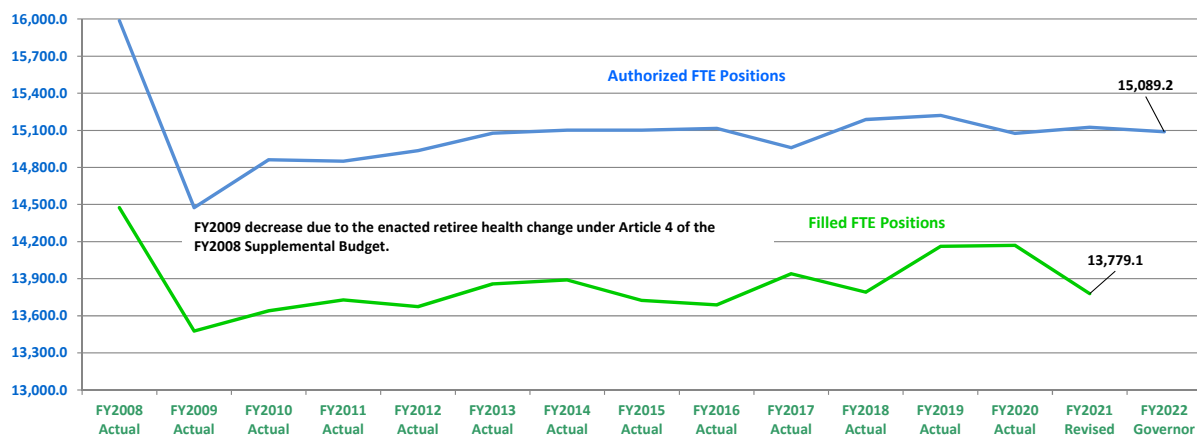
Expenses by Function	FY2019 Actual	FY2020 Actual	FY2021 Enacted	FY2021 Governor	FY2022 Governor	% of Pers. Budget	FY2022 General Revenue	FY2022 General Revenue %
General Government	\$237.4	\$255.0	\$288.6	\$377.3	\$307.2	12.7%	\$153.5	50.0%
Human Services	521.8	546.2	664.3	1,013.4	700.4	29.0%	274.2	39.2%
Education	649.6	644.7	756.4	747.0	708.4	29.3%	188.2	26.6%
Natural Resources	59.7	61.7	63.8	62.5	67.5	2.8%	37.9	56.2%
Public Safety	442.6	464.6	476.5	471.4	473.6	19.6%	425.6	89.9%
Transportation	132.8	129.2	139.9	160.7	161.6	6.7%	-	-
<b>Total</b>	<b>\$2,043.9</b>	<b>\$2,101.4</b>	<b>\$2,389.4</b>	<b>\$2,832.3</b>	<b>\$2,418.6</b>	<b>100.0%</b>	<b>\$1,079.4</b>	<b>44.6%</b>

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

## FTE POSITIONS

The FY2021 Budget as Enacted authorizes 15,124.7 FTE positions. At the start of the fiscal year, 14,114.3 FTE positions (93.3 percent of the original enacted authorized amount) were filled, leaving 1,010.4 FTE positions vacant, a rate of 6.7 percent. Since the start of the fiscal year, as of April 24, 2021, the State has a net decrease of 335.2 filled FTE positions. Over the past decade, the vacancy rate has averaged 8.1 percent, or 1,222.2 FTE positions.

The Governor recommends 15,089.2 FTE positions in FY2022, 35.5 FTE positions less than the previous fiscal year.



The following table illustrates the number of FTE positions by government function.

Government Function	FY2021 Enacted	FY2021 Governor	Change to Enacted	FY2022 Governor	% of Total	Change to Enacted
General Government	2,441.9	2,441.9	-	2,471.4	16.4%	29.5
Human Services	3,571.6	3,571.6	-	3,446.6	22.8%	(125.0)
Education	4,218.4	4,218.4	-	4,221.4	28.0%	3.0
Public Safety	3,190.0	3,190.0	-	3,240.0	21.5%	50.0
Natural Resources	424.0	424.0	-	431.0	2.9%	7.0
Transportation	755.0	755.0	-	755.0	5.0%	-
<b>Subtotal</b>	<b>14,600.9</b>	<b>14,600.9</b>	<b>-</b>	<b>14,565.4</b>	<b>96.5%</b>	<b>(35.5)</b>
Sponsored Research	523.8	523.8	-	523.8	3.5%	-
<b>Total FTE Positions</b>	<b>15,124.7</b>	<b>15,124.7</b>	<b>-</b>	<b>15,089.2</b>	<b>100.0%</b>	<b>(35.5)</b>

**FY2021:** The FY2021 Supplemental Budget proposes 15,124.7 FTE positions, which is consistent with the enacted level.

**FY2022:** The FY2022 Budget proposes 15,089.2 FTE positions, a net decrease of 35.5 FTE positions from the FY2021 Budget as Enacted and from the Governor's recommendation for the FY2021 Revised Budget. Following are changes in the Governor's proposal:

- A decrease of 146.0 FTE positions in BHDDH:** The Budget reduces the number of authorized FTE positions by 146.0, reflecting the elimination of 100.0 FTE positions within the Eleanor Slater Hospital and a decrease of 50.0 FTE positions from the privatization of the Rhode Island Community Living and Supports (RICLAS). The reductions are offset by an increase of 2.0 FTE positions to manage the Developmental Disabilities system transformation fund and to include BHDDH in the caseload estimating conference and an increase of 2.0 FTE positions related to the legalization of adult-use marijuana.

- **An increase of 37.0 FTE positions in the Department of Labor and Training:** The Budget includes an additional 37.0 FTE positions within the Department’s Income Support program to reflect the transfer of the Employer Tax Unit from the Department of Revenue to the Department of Labor and Training. The Budget also includes an additional 2.0 FTE positions within the Workplace Fraud Unit to support workplace fraud and misclassification investigations.
- **An increase of 29.0 FTE positions in the Department of Public Safety:** The Budget increases 29.0 FTE positions in the Department of Public Safety by 29.0, including 28.0 new Troopers to be hired upon graduation from the State Police Training Academy in FY2022 and 1.0 new Capitol Police Officer to provide additional security at the Pastore Center in Cranston.
- **A decrease of 28.0 FTE positions in the Department of Revenue:** The Budget decreases a net 28.0 FTE positions in FY2022 in the Department of Revenue. This reflects the transfer of 35.0 FTE positions from the Division of Taxation to the Department of Labor and Training (DLT) associated with the shifting of the Employer Tax Unit to DLT; an increase of 3.0 FTE positions related to the proposal in Article 3 that shifts the administration of the commercial driver’s license road test from the Community College of Rhode Island (CCRI) to the Division of Motor Vehicles. The positions include 2.0 Senior Motor Vehicle Examiners and 1.0 Customer Service Specialist III; and an increase of 4.0 FTE positions in the Division of Taxation related to the Division’s responsibilities under the proposal in Article 11 to establish an adult-use marijuana program. These include 2.0 Revenue Agent I FTE positions and 2.0 Tax Investigators.

*Analyst Note: Supporting documentation provided by the Office of Management and Budget (OMB) indicates that the majority of the revenue generated by the noncompliance penalty is intended to fund the additional personnel costs required to implement the penalty within the Division of Taxation. The Budget does not include funding for implementation. The Governor’s Budget Amendment dated April 12, 2021, adds 1.0 Business Analyst FTE position and \$103,091 in general revenue funding to the Department of Revenue’s Division of Taxation to correct this exclusion. The amendment reduces the net favorable impact to the State from \$478,948 to \$375,857. However, it appears that the funding and FTE position should be added to the Department of Labor and Training (DLT), as the Governor’s Budget simultaneously shifts Taxation’s Employer Tax Unit to DLT in Article 3.*

- **An increase of 15.0 FTE positions in the Department of Business Regulation:** The Budget includes an increase of 15.0 FTE positions, including 13.0 new FTEs for the proposed state-controlled adult-use marijuana program, 2.0 insurance regulator FTEs, 1.0 new bomb technician FTE, and 1.0 FTEs within the Office of the Health Insurance Commissioner (OHIC), offset by the elimination of 2.0 FTEs within the Medical Marijuana Program.
- **An increase of 13.0 FTE positions in the Department of Human Services:** The Budget includes an additional 13.0 FTE positions including 7.0 Community Correction Assessment Analysts to bring discharge planning services in house, 2.0 Health Program Administrators, 1.0 Co-Hospital Case Manager, and 1.0 Data Analyst within the Department’s Healthcare Services Program. The Budget also adds 1.0 Apprenticeship Coordinator position to coordinate the apprenticeship program between the Department of Labor and Training (DLT) and the Department of Corrections and 1.0 Coordinator of Employment and Training Programs to work with DLT to connect inmates with post-incarceration employment opportunities.
- **An increase of 10.0 FTE positions within the Department of Children, Youth, and Families:** The Budget adds a net 10.0 FTE positions, including 16.0 new FTEs for the recruitment and retention initiative, 2.0 Paralegal positions as requested by the Department, and 1.0 FTE position to perform

utilization management services, offset by a reduction of 9.0 FTEs to align staffing levels at the Training School to reflect a historically low census.

- **An increase of 9.0 FTE positions in the Department of Human Services:** The Budget includes an additional 10.0 FTE positions to reflect the transfer of the Office of Medical Review from the Executive Office of Health and Human Services to the Department of Human Services. This increase is partially offset by the transfer of 1.0 FTE Attorney from the Department's Child Care Licensing Unit to the Executive Office of Health and Human Services.
- **An increase of 7.0 FTE positions in the Department of Environmental Management:** The Budget provides a total of 7.0 new FTE positions. 4.0 of the positions are in the Parks and Recreation Division as part of the effort to improve conditions at State parks and beaches, including 1.0 FTE senior Civil Engineer position, 1.0 FTE Plumber Supervisor, 1.0 FTE Senior Maintenance Technician, and 1.0 FTE Senior Reconciliation Clerk. The remaining 3.0 positions are in the Division of Coastal Resources to help support operations at the Ports of Galilee and Newport, including a Chief Implementation Aide, an Assistant Superintendent of State Piers, and a Senior Maintenance Technician.
- **An increase of 4.0 FTE positions in the Office of the Attorney General:** The Budget includes an additional 4.0 FTE positions including 1.0 new Staff Attorney and 1.0 Paralegal within the Special Victims Unit and 1.0 Staff Attorney and 1.0 Paralegals within the Civil Division.
- **An increase of 4.0 FTE positions in the Department of Health:** The Budget adds 6.0 new positions, offset by the elimination of 2.0 FTEs to reflect the closure of the Vital Records satellite location at the Division of Motor Vehicles. The new positions include 3.0 FTE positions funded by general revenues for the proposed Shellfish Dockside Program, 2.0 FTE positions funded by restricted receipts for the adult-use marijuana program, and 1.0 FTE position funded by restricted receipts for a Supervisor Accountant to oversee the Opioid Stewardship Fund.
- **An increase of 2.0 FTE positions in the Executive Office of Commerce:** The Budget increases 2.0 FTE positions in the Executive Office of Commerce, including a 1.0 new Deputy Secretary with responsibilities for overseeing housing policy development and administration. The remaining 1.0 FTE position is not unidentified, and according to Budget documentation is inadvertently included.
- **A decrease of 2.0 FTE positions within the Executive Office of Health and Human Services:** The Budget moves the Office of Medical Review, consisting of 10.0 FTE positions, to the Department of Human Services (DHS). The Budget also shifts 1.0 Deputy Chief of Legal Services position from DHS to EOHHS, adds 3.0 FTEs to support Medicaid initiative implementation, and adds 4.0 unfunded FTEs for data and finance support for a net reduction of 2.0 FTE positions compared to the Enacted.
- **An increase of 2.0 FTE positions in the Department of Administration:** The Budget includes a net increase of 2.0 FTE positions within the Department. The Budget adds 1.0 FTE Associate Director – Financial Management position at a cost of \$179,768 and a Principal Insurance Analyst position at a cost of \$113,167, within a new Risk Management Unit under Central Management to manage the State's comprehensive insurance policies. In addition, the Budget adds a 1.0 Human Resource Analyst II position at a cost of \$106,016 that will be financed through the Human Resources Internal Service Fund. This position will be a business partner to state agencies, and specifically to support efficiencies at the Veterans Home. Offsetting the new positions is a decrease of 1.0 FTE position in the Statewide Facility Services Internal Service Fund.



- **An increase of 3.0 FTE positions in the Office of the Public Defender:** The Budget adds 3.0 Public Defender IV FTE positions to handle the excessive caseloads handled by the Office of the Public Defender.
- **An increase of 2.0 FTE positions in the Office of Post-Secondary Commissioner:** The Budget provides 33.0 FTE positions for the OPC in FY2021, including 1.0 FTE that is third-party funded. This represents an increase of 2.0 FTE positions from the FY2021 Budget as Enacted. The increase is due to the addition of 2.0 FTE Executive Assistant positions for the Northern Education Center. These positions will be funded from restricted receipts.
- **An increase of 2.0 FTE positions in Public Utilities Commission:** The Budget adds 2.0 new FTE positions in FY2022 including a 1.0 Pipeline Safety Inspector I and a 1.0 Pipeline Safety Inspector III position. The Governor adds the positions to handle an increase in workload to expand the DPUC's capacity to inspect utility infrastructure. The U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration recommends that the State increase the number of personnel in the Commission's pipeline safety program. The addition of the two new positions is a top priority of the Commission in FY2022.
- **An increase of 1.0 FTE positions in the Department of Emergency Management:** The Budget adds 1.0 Fiscal Management Officer position to handle overall finance operations including the increased responsibility of managing various federal awards related to the COVID-19 pandemic.
- **An increase of 1.0 FTE positions in the Council on the Arts:** The Budget provides \$87,377 in federal National Endowment for the Arts funds and 1.0 Senior Administrative Aide/Communications and Public Engagement Director. The position will help set strategy for the agency, develop key messages for communication to strategic audiences, oversee the development of relevant print/design materials, and ensure that RISCA's social media and communications work is responsive to the needs of artists, and arts and culture organizations.
- **A decrease of 0.5 FTE position in the Commission for Human Rights:** The Budget eliminates a vacant 0.5 Senior Compliance Officer position.

#### STATE EMPLOYEE CONTRACT AGREEMENT

The current state employee collective bargaining agreements (CBAs) between the State and the state employee bargaining units included a 4-year contract that concluded June 30, 2020. The contract with the State Police ended October 2020. The State exchanged requests to begin bargaining but due to the COVID-19 Pandemic, negotiations were placed on hold. The terms of the CBAs remain in full force and effect during this period of renewed negotiations. There are no projected cost-of-living adjustment (COLA) increases at this time.

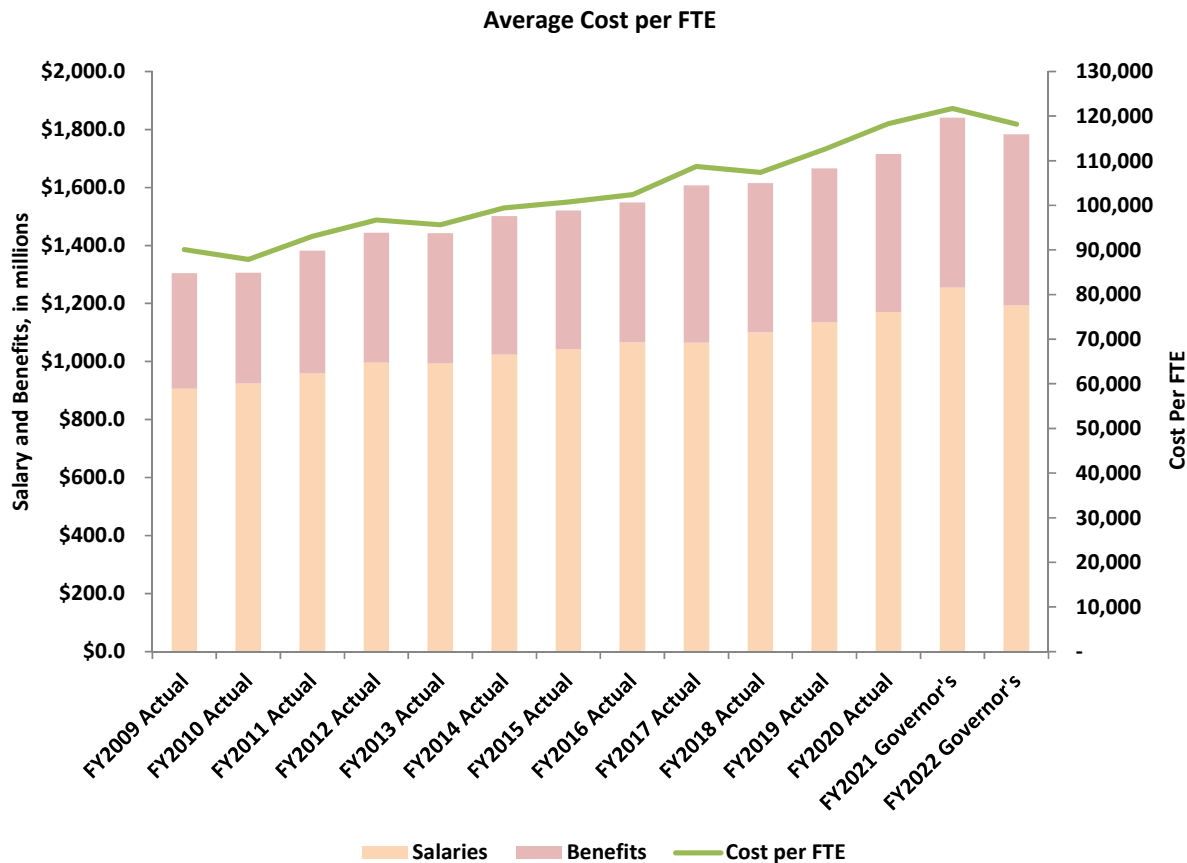
Effective Date	Percentage Increase
30-Jun-02	4.5%
27-Jun-04	1.5%
25-Jun-05	2.5%*
26-Jun-05	4.0%
25-Jun-06	3.0%
24-Jun-07	3.0%
21-Jun-09	2.5%
2-Jan-11	3.0%
19-Jun-11	3.0%
6-Apr-14	2.0%
5-Oct-14	2.0%
4-Oct-15	2.0%
1-Jan-18	2.0%**
1-Jan-19	2.5%
1-Jul-19	2.0%
1-Jan-20	1.0%

\*Not compounded on 1.5%

\*\* Retroactive payment to January 1, 2018

**AVERAGE COST PER FTE**

The projected average cost per FTE position is \$118,154 in FY2022, reflecting a decrease of 2.9 percent over the FY2021 Supplemental Budget. Statewide, total salary costs increased on average by 2.2 percent and benefit costs increased 3.2 percent since 2009. The cost per FTE position decreased slightly in FY2022 as a result of the COVID-19 Pandemic funds decreasing in FY2022.



**TURNOVER**

The FY2022 Budget lists turnover as a natural account under the personnel category. This practice started with Governor's recommendation for the FY2020 Budget. As illustrated in the table, the FY2021 Budget as Enacted contained \$36.3 million in turnover savings, of which \$26.9 million or 74.3 percent consisted of general revenue funds. The FY2021 Supplemental Budget reduces the total turnover to \$34.1 million (reflecting unachieved personnel savings), thus requiring \$2.2 million to be included in the supplemental budget. At present, it is unknown whether the amount recommended in the revised budget is accurate. For FY2022, the Governor recommends turnover savings of \$56.3 million, of which \$40.9 million, or 72.7 percent reflects general revenue.

## Turnover by Funding Source

<b>Funding Source</b>	<b>FY2021 Enacted</b>	<b>FY2021 Governor</b>	<b>Change</b>	<b>FY2022 Governor</b>	<b>Change</b>
General Revenue	(\$26,936,632)	(\$26,936,632)	\$0	(\$40,921,649)	(\$13,985,017)
Federal Funds	(5,370,985)	(4,312,338)	1,058,647	(5,559,410)	(188,425)
Restricted Receipts	(1,646,210)	(1,661,004)	(14,794)	(1,080,366)	565,844
Other Funds	(2,308,212)	(1,175,018)	1,133,194	(8,765,172)	(6,456,960)
<b>Total</b>	<b>(\$36,262,039)</b>	<b>(\$34,084,992)</b>	<b>\$2,177,047</b>	<b>(\$56,326,597)</b>	<b>(\$20,064,558)</b>

In FY2022, turnover is stated in 33 agency budgets. The following table illustrates the top agencies with all fund turnover savings exceeding a million dollars.

## Turnover by Agency

<b>Turnover by Agency</b>	<b>FY2021 Enacted</b>	<b>FY2021 Governor</b>	<b>Change</b>	<b>FY2022 Governor</b>	<b>Change</b>
BHDDH	(\$7,201,475)	(\$7,069,965)	\$131,510	(\$20,222,561)	(\$13,021,086)
Rhode Island College	-	-	-	(10,513,656)	(10,513,656)
Human Services	(3,973,034)	(3,973,034)	-	(4,047,860)	(74,826)
Corrections	(6,062,265)	(6,062,265)	-	(3,864,897)	2,197,368
Judiciary	(162,964)	(162,964)	-	(2,714,733)	(2,551,769)
DCYF	(2,327,411)	(2,327,411)	-	(2,596,878)	(269,467)
Revenue	(3,563,283)	(3,563,283)	-	(2,076,028)	1,487,255
Health	(856,096)	(907,832)	(51,736)	(1,433,122)	(577,026)
Administration	(1,306,453)	(1,306,453)	-	(1,367,213)	(60,760)
Labor and Training	(40,807)	29,853	70,660	(1,136,627)	(1,095,820)
Elementary and Secondary Education	(1,050,485)	(1,267,365)	(216,880)	(1,103,110)	(52,625)
All Other Agencies	(9,717,766)	(7,474,273)	2,243,493	(5,249,912)	4,467,854
<b>Total</b>	<b>(\$36,262,039)</b>	<b>(\$34,084,992)</b>	<b>\$2,177,047</b>	<b>(\$56,326,597)</b>	<b>(\$20,064,558)</b>

## VOLUNTARY RETIREMENT INCENTIVE

The Governor initiated a voluntary retirement incentive (VRI) payment to active state employees as of January 4, 2021, who have a full benefit retirement date on or before December 31, 2020. The program does not include members of the State Police or Correctional Officers who are under separate retirement plans. The VRI is intended to achieve strategic and budgetary objectives by refilling 70.0 percent of the resulting vacancies at 80.0 percent of the previous employee's cost for the first year, while allowing the State to recognize the long-term service of its employees and provide them with the flexibility to retire.

The Governor identified 900 executive branch, higher education, constitutional office, judicial, and legislative employees who matched

the eligibility requirement. Eligible employees who elect to retire within the designated enrollment periods will receive a one-time payment equal to two times the employee's current annualized longevity amount up to a maximum amount of \$40,000 that will be paid through the assessed fringe benefits fund, a bi-weekly assessment of 3.95 percent charged to direct salaries.

The program is being offered in stages based on the individual employee's longevity entitlement level. The last group of employees must submit a written notice of their election to retire on or before May 15, 2021.

The Budget Office estimates VRI net savings of \$16.4 million (\$9.4 million general revenue) covering FY2021 and FY2022, based on the assumption that 33.0 percent or 301 employees would take the VRI. The net savings is the result of the cost of refilling the position and payment of the incentive buyout.

As of April 29, 2021, 289 employees (32.1 percent of those eligible) have accepted the VRI buyout, including non-executive branch employees.

Department	Authorized FTEs	Number of Eligible Employees	Apr 29 # of Retirees	Apr 29 # of Extensions	Retirees Perc. of Eligible
Higher Education	3,730.5	140	38	4	27.1%
BHDDH	1,188.4	93	26	3	28.0%
Transportation	755.0	101	28	4	27.7%
Administration	647.7	63	20	12	31.7%
Human Services	1,038.1	81	39	5	48.1%
Environmental Management	394.0	51	20	5	39.2%
Judiciary	726.3	66	18	5	27.3%
Labor and Training	425.7	37	7	2	18.9%
DCYF	617.5	44	16	3	36.4%
Corrections	1,411.0	15	3	1	20.0%
Health	513.6	39	14	6	35.9%
Revenue	602.5	36	15	2	41.7%
Public Safety	593.6	10	6	1	60.0%
Attorney General	239.1	10	2	2	20.0%
Legislature	298.5	34	16	1	47.1%
Business Regulation	161.0	10	2	-	20.0%
EOHHS	192.0	20	5	2	25.0%
Secretary of State	59.0	4	-	-	0.0%
Elementary and Secondary Education	325.1	5	2	-	40.0%
Public Defender	96.0	9	2	-	22.2%
Public Utilities Commission	52.0	5	-	-	0.0%
CRMC	30.0	4	2	-	50.0%
Commerce	14.0	2	-	-	0.0%
Treasury	89.0	7	4	-	57.1%
Military Staff	92.0	2	-	-	0.0%
RI Arts Council	8.6	1	-	-	0.0%
Ethics Commission	12.0	3	1	1	33.3%
Historic Preservation	15.6	3	-	-	0.0%
Commission on Disabilities	4.0	1	-	-	0.0%
Office of the Governor	45.0	1	1	-	100.0%
Human Rights Commission	14.5	2	2	2	100.0%
RIEMA	32.0	1	-	-	0.0%
<b>Total</b>	<b>14,423.3</b>	<b>900</b>	<b>289</b>	<b>61</b>	<b>32.1%</b>
<b>Budget Target</b>		<b>301</b>			<b>96.0%</b>

Source: State Budget Office Report dated April 29, 2021

Note: The extensions are a subset of the number electing the VRI

Longevity Amount	Written Notice to Retire	Effective Retirement Date on or Before
20.0%	March 15, 2021	April 15, 2021
17.5% and 15.0 %	April 15, 2021	May 15, 2021
10.0%, 7.5%, 5.0%	May 15, 2021	June 15, 2021

## PURCHASED SERVICES

Purchased services expenditures provide for contractors (non-state employees) who deliver special expertise to the State or where the work is temporary or project-specific. There are 10 categories of purchased services: six of the 10 categories: Other Contracts, Information Technology, Management and Consultant Services, Training and Educational Services, Medical Services, and Design and Engineering, comprise 91.2 percent of the total FY2022 purchased service expenditure recommendation in the Budget.

Purchased Services	FY2018	FY2019	FY2020	FY2021	FY2021	FY2022	Change
	Actual	Actual	Actual	Enacted	Governor	Governor	
Other Contracts	\$15.8	\$17.4	\$19.3	\$44.0	\$371.5	\$148.1	\$104.1
Information Technology	54.3	58.0	49.5	100.2	90.8	102.3	2.1
Management & Consultant Services	80.8	72.7	100.1	81.4	86.1	85.8	4.4
Training and Educational Services	52.4	56.3	47.4	110.4	70.6	68.0	(42.4)
Medical Services	19.0	19.8	22.8	83.6	206.7	67.3	(16.3)
Design and Engineering Services	56.0	61.5	59.8	51.7	63.4	62.0	10.3
University and College Services	22.1	25.4	21.9	24.1	24.3	24.0	(0.1)
Legal Services	5.9	5.9	5.7	8.0	11.2	9.9	1.9
Clerical and Temporary Services	5.5	5.5	6.0	6.2	7.4	9.0	2.8
Buildings and Ground Maintenance	7.3	7.5	8.3	8.5	8.5	8.4	(0.1)
<b>Total</b>	<b>\$319.1</b>	<b>\$330.0</b>	<b>\$340.9</b>	<b>\$518.1</b>	<b>\$940.5</b>	<b>\$584.8</b>	<b>\$66.7</b>

\$ in millions

The FY2022 Budget includes \$584.8 million for purchased service expenses, of which \$360.1 million is federal funds (61.6 percent) and \$94.1 million (16.1 percent) is general revenue. Approximately \$521.5 million in the FY2021 Supplemental Budget and \$169.3 million in the FY2022 Budget reflect COVID-19 response federal funds. The FY2022 Budget reflects an increase of \$66.6 million from the FY2021 Budget as Enacted and a decrease of \$355.5 million from the FY2021 Supplemental Budget. Seven state departments account for \$491.2 million (84.0 percent) of the appropriation for purchased services, of which four departments have significant changes; Department of Administration \$25.2 million (222.1 percent); Department of Health \$59.3 million (61.3 percent); Department of Transportation \$15.2 million (29.6 percent); and, Elementary and Secondary Education with a decrease of \$41.5 million (-41.8 percent).

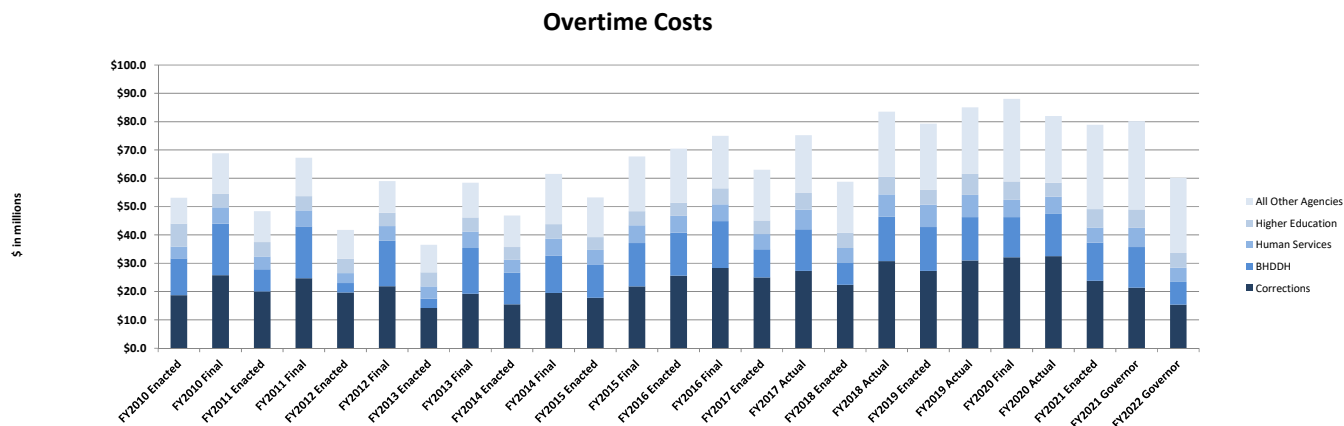
### Purchased Services

Purchased Services	FY2021	FY2021	FY2022	Change from Enacted
	Enacted	Governor	Governor	
Health	\$96.7	\$391.3	\$156.0	\$59.3
EOHHS	106.9	134.5	111.4	4.5
Transportation	51.4	67.7	66.6	15.2
Elementary and Secondary Education	99.4	82.0	57.9	(41.5)
Human Services	37.4	40.4	38.6	1.2
Administration	11.4	57.1	36.6	25.2
University of Rhode Island	25.3	25.3	24.1	(1.2)
Corrections	16.1	16.5	15.6	(0.5)
Revenue	9.3	9.3	10.6	1.3
BHDDH	9.4	11.0	10.5	1.1
Environmental Management	7.5	8.0	8.3	0.8
DCYF	6.1	7.7	6.4	0.3
Treasury	5.5	5.5	6.1	0.6
Labor and Training	11.2	45.6	5.6	(5.6)
Commerce	-	6.1	4.6	4.6
All Other Agencies	24.6	32.3	25.9	1.3
<b>Total</b>	<b>\$518.2</b>	<b>\$940.3</b>	<b>\$584.8</b>	<b>\$66.6</b>

\$ in millions

## OVERTIME

Overtime costs in FY2022 are projected to total \$60.2 million, \$18.8 million less than the FY2021 Budget as Enacted and \$19.9 million less than proposed in the FY2021 Supplemental Budget. General revenue supports 62.7 percent of overtime expenses in FY2022, but comprised only 38.8 percent of the expenses in the FY2021 Supplemental Budget, as more of the overtime costs used federal COVID-19 response funds. 26.7 percent of the total FY2021 projected overtime expenditures for the State occur with the Department of Corrections, which is projected to decrease to 25.5 percent in FY2022.



Overtime costs often result from staffing shortages, due either to high turnover rates or insufficient FTE authorizations in the enacted budget. Where there are state or federally mandated minimum staffing levels (such as at Eleanor Slater Hospital in BHDDH), or caseload-driven personnel requirements (such as inmate population levels at the Department of Corrections) agencies must use overtime or contract personnel to provide adequate coverage.

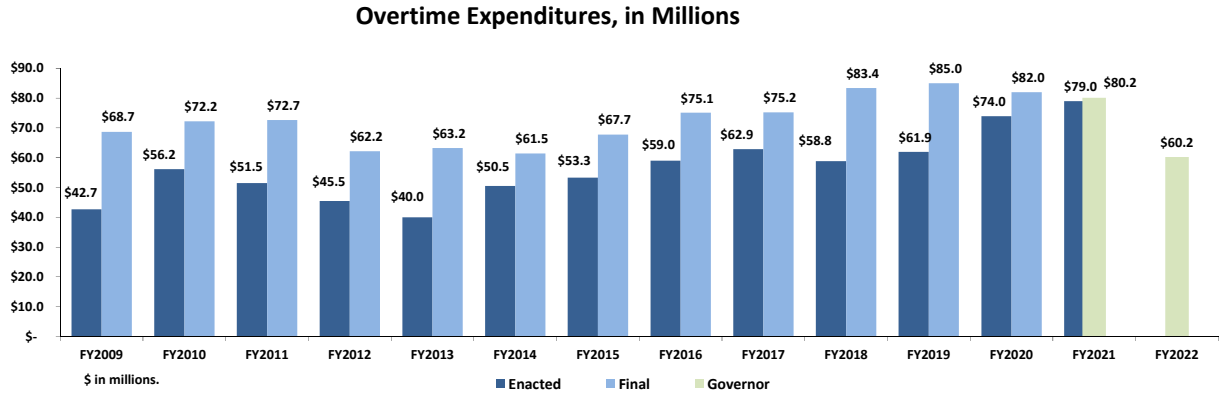
- Department of Corrections:** The FY2021 Budget as Enacted decreased general revenue costs for overtime by \$18.2 million and shifted the costs over to federal COVID-19 response funds resulting in an increase of \$10.0 million in federal funds. For FY2021, the net all fund adjustment for overtime was \$8.7 million. This decrease was achieved by more strictly enforcing sick leave policies to reduce fraudulent discharging of sick time, the closure of multiple modules within the Intake Service Center, Medium Security, and High Security, an anticipated reduction in emergency room and hospital trips, and stricter enforcement of overtime policies throughout the Department. Also, there was a Correctional Officer class with a November 2020 graduation. The additional officers reduce workloads for current Correctional Officers and reduce the need for overtime.

The FY2022 Budget includes \$15.4 million in all funds for overtime costs resulting in a net all fund decrease of \$8.5 million as compared to the FY2021 Budget as Enacted. The Budget includes a decrease of \$19.4 million in federal funds and an increase of \$10.9 million in general revenue reflecting the shift of overtime costs from federal COVID-19 response funds back to general revenue in FY2022.

- BHDDH:** The FY2022 Budget includes \$8.1 million in all funds for overtime costs, of which \$5.7 million is general revenue. This is a net all fund decrease of \$5.4 million, of which \$5.5 million is general revenue savings that is almost entirely from Eleanor Slater Hospital (ESH) (\$5.2 million) in overtime savings due to the plans to reduce the census, and \$300,000 in savings for the privatization of RICLAS group homes.
- Transportation:** The FY2022 provides \$4.7 million in overtime costs, comprised of \$1.3 million in federal funds and \$3.4 million in other funds, which is \$3.1 million less than the FY2021 Budget as

Enacted. The FY2022 Budget decreases overtime costs to align with the FY2020 actual costs. The FY2022 Budget includes an overall increase in gas tax but does not allocate any additional funding to OT.

The following chart illustrates the variances between the enacted and actual expenditures for overtime costs:



**STATE EMPLOYEE HEALTH INSURANCE RATES**

The State has three different medical plan coverage to state employees (Anchor, Anchor Plus, and Anchor Choice) as well as three different dental plans and two vision plans.

**Health Insurance Rates Annual Employer Cost per Employee**

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	% Change
Individual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Governor*	Governor*	FY21/FY20
Medical	\$6,559	\$7,062	\$6,967	\$7,525	\$7,358	\$7,601	\$8,363	\$8,432	\$7,503	\$7,576	\$8,009	-4.6%
Dental	350	376	382	405	393	405	373	369	384	425	453	9.3%
Vision	84	63	59	60	57	79	57	57	57	62	66	5.1%
<b>Total</b>	<b>\$6,993</b>	<b>\$7,501</b>	<b>\$7,408</b>	<b>\$7,990</b>	<b>\$7,808</b>	<b>\$8,085</b>	<b>\$8,793</b>	<b>\$8,858</b>	<b>\$7,944</b>	<b>\$8,063</b>	<b>\$8,528</b>	<b>-3.9%</b>
<b>Family</b>												
Medical	\$18,386	\$19,799	\$19,531	\$21,093	\$20,626	\$21,307	\$23,445	\$23,637	\$21,035	\$21,182	\$22,616	-4.8%
Dental	978	1,052	1,068	1,132	1,100	1,133	963	955	994	1,101	1,174	9.3%
Vision	177	173	161	165	157	162	157	157	158	173	184	6.8%
<b>Total</b>	<b>\$19,541</b>	<b>\$21,024</b>	<b>\$20,760</b>	<b>\$22,390</b>	<b>\$21,883</b>	<b>\$22,602</b>	<b>\$24,565</b>	<b>\$24,749</b>	<b>\$22,187</b>	<b>\$22,456</b>	<b>\$23,974</b>	<b>-4.2%</b>

Source: State Budget Office

\*Average of the 3 Anchor Plans

**State Employee Health Plan Costs**

The FY2022 proposed total employer expenditure for state employee health plan costs is \$198.3 million, of which \$107.8 million is general revenue. This is \$10.3 million higher than the FY2021 Budget as Enacted, and \$4.9 million more than the proposed FY2021 Supplemental Budget.

**State Employee Health Plan Total Costs**

Health Plan	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2021	FY2022	FY22 to FY21	% Change
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Enacted	Governor	Governor	Change	FY22/FY21
Medical	\$148.6	\$145.9	\$155.2	\$162.1	\$157.5	\$162.3	\$174.7	\$170.1	\$164.9	\$158.9	\$177.6	\$182.7	\$186.7	\$9.1	5.1%
Dental	9.2	9.2	9.3	9.8	9.7	9.6	8.4	7.9	8.0	8.5	9.0	9.3	10.1	1.1	12.2%
Vision	1.6	1.5	1.4	1.4	1.4	1.3	1.3	1.3	1.3	1.3	1.4	1.4	1.5	0.1	7.1%
<b>Total</b>	<b>\$159.4</b>	<b>\$156.6</b>	<b>\$165.9</b>	<b>\$173.3</b>	<b>\$168.6</b>	<b>\$173.3</b>	<b>\$184.4</b>	<b>\$179.3</b>	<b>\$174.1</b>	<b>\$168.7</b>	<b>\$188.0</b>	<b>\$193.4</b>	<b>\$198.3</b>	<b>\$10.3</b>	<b>5.5%</b>

\$ in millions

**State Employee Health Co-shares**

Since 2005, state employees are required to pay a co-share for health insurance. The rate charged to each employee is based on a percent of premium cost and assessed by salary range. These rates increased between FY2010 and FY2012, and remained constant through 2018. As of January 1, 2019, the State now has three different medical plan coverage to state employees (Anchor, Anchor Plus, and Anchor Choice) as well as

three different dental plans and two vision plans. Along with the new medical plans and health cost rates, there are new employee health insurance co-share rates that are illustrated in the following tables.

**Family Plan Co-share per Pay Period - Salary Ranges**

January 1, 2021	Anchor	Anchor	Anchor	Anchor	Anchor	Anchor	Anchor	Anchor
		Plus	Choice	Dental	Dental Plus	Dental Platinum	Vision	Vision Plus
Below \$53,498	\$123.18	\$131.80	\$122.29	\$6.57	\$11.91	\$19.45	\$1.02	\$3.95
\$53,498 - \$102,840	164.24	175.73	163.06	8.76	14.10	21.64	1.37	4.30
Over \$102,840	205.31	219.67	203.82	10.96	16.30	23.84	1.71	4.64

**Individual Plan Co-share per Pay Period- Salary Ranges**

January 1, 2021	Anchor	Anchor	Anchor	Anchor	Anchor	Anchor	Anchor	Anchor
		Plus	Choice	Dental	Dental Plus	Dental Platinum	Vision	Vision Plus
Less than \$102,840	\$58.59	\$62.68	\$58.16	\$3.38	\$5.44	\$8.35	\$0.49	\$1.56
Over \$102,840	73.23	78.36	72.70	4.23	6.29	9.20	0.62	1.69

**Deductibles**

The medical deductibles are: Anchor \$1,000/\$2,000, Anchor Plus \$500/\$1,000, and Anchor Choice \$1,500/\$3,000 for an in-network individual/ family plan. The out-of-network deductibles are: Anchor \$2,000/\$4,000, Anchor Plus \$1,000/\$2,000, and Anchor Choice \$2,250/\$4,500 for an individual/ family plan. In addition, the new point of service co-payments are as follows:

Point of Service				Anchor	Anchor	Anchor	
	5/1/2005	10/1/2008	7/1/2014	1/1/2019	Plus 1/1/2019	Choice 1/1/2019	
Primary Care	\$10	\$10	\$15	\$15	\$15	Coinsurance after deductible	
Specialist Visit	10	20	25	25 / 50	25 / 50	10%/30% after deductible	
Urgent Care	10	35	50	50	50	Coinsurance after deductible	
Emergency Co-payment (waived if admitted)	25	100	125	150	125	Coinsurance after deductible	
	Key: Individual / Family						
Pharmacy							
	Tier 1 generic	5	5	7	10	10	10 after deductible
	Tier 2 preferred brand	12	20	25	35	35	35 after deductible
	Tier 3 non-preferred brand	30	40	45	60	60	60 after deductible
	Tier 4 specialty				100	100	100 after deductible



## STATE EMPLOYEES AND TEACHERS ACTUARIAL VALUATION

Gabriel Roeder Smith and Company (GRS), actuary to the State Retirement Board, performed the June 30, 2020, actuarial valuation reports covering state employees, teachers, municipal employees, state police, and judges.

The actuarial valuation impacts the employer contribution rates approved by the Board (certified) for FY2023. There is no impact on the FY2022 certified employer contribution rates. The GRS analysis reflects changes in assumptions adopted by the Board as of the last experience study approved by the Board on May 22, 2020, for the period ending June 30, 2019. The assumed investment return remains 7.0 percent; assumed inflation is 2.5 percent, and payroll growth is 3.0 percent for state employees and 2.5 percent for teachers.

<b>Employer Contribution Rates</b>	<b>FY2022 Certified</b>	<b>FY2023 Certified</b>	<b>Change</b>
State Employees	28.01%	28.00%	-0.01%
Teachers - State Share	10.94%	11.12%	0.18%
Teachers - Local Share	14.78%	15.04%	0.26%
<b>Total Teachers</b>	<b>25.72%</b>	<b>26.16%</b>	<b>0.44%</b>

Source: GRS June 30, 2020, Actuarial Valuation

<b>Projected Employer Contribution</b>	<b>FY2022</b>	<b>FY2023</b>	<b>Change</b>
State Employees	\$220.0	\$231.1	\$11.1
Teachers - State	124.9	129.4	4.5
<b>Total State Cost</b>	<b>\$344.9</b>	<b>\$360.5</b>	<b>\$15.6</b>
<b>Teachers - Local</b>	<b>\$168.8</b>	<b>\$175.1</b>	<b>\$6.3</b>
<b>Total State and Local Cost</b>	<b>\$513.7</b>	<b>\$535.6</b>	<b>\$21.9</b>

Source: GRS June 30, 2020, Actuarial Valuation

\$ in millions

### Active Employee to Retiree Ratio

According to GRS, the ratio of active employees to retirees continues to be flat but the number of active employee ratios slightly exceed retirees for state employees in 2020. This trend still translates into less available payroll to spread out the impacts of volatile markets, leading to increased employer contribution rates.

#### Membership

<b>State Employees</b>	<b>1999</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Change</b>
Active	13,369	12,572	11,970	11,023	11,122	11,233	11,166	11,280	11,301	11,194	11,083	11,152	10,988	11,318	330
Retired	9,067	10,163	10,396	11,142	11,421	11,271	11,200	11,139	11,103	11,041	11,058	11,078	11,250	11,224	-26
Active to Retiree Ratio	1.5	1.2	1.2	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
<b>Teachers</b>	<b>1999</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Change</b>
Active	13,282	14,146	13,999	13,689	13,530	13,381	13,212	13,193	13,266	13,272	13,206	13,310	13,473	13,511	38
Retired	6,043	9,118	9,337	9,749	10,213	10,347	10,622	10,776	10,838	10,902	11,087	11,211	11,144	11,196	52
Active to Retiree Ratio	2.2	1.6	1.5	1.4	1.3	1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	

Source: GRS June 30, 2019, Actuarial Valuation

**FUND VALUE**

In 1999, the funded ratio of the system was over 80.0 percent. By 2010, the pre-RIRSA funded ratio was 48.4 percent for state employees and teachers. After passage of the pension reforms in 2011, the post-RIRSA funded ratio became 59.8 percent for state employees and 61.8 percent for teachers. It was projected that there would be a continued decrease in the funded rate after passage of RIRSA and then begin to increase. Passage of the pension settlement act in 2015 precipitated an increase in the Unfunded Actuarial Accrued Liability (UAAL).

According to GRS, the June 30, 2020, funded ratio is 54.2 percent for state employees and 56.2 percent for teachers. For state employees, the unfunded actuarial accrued liability (UAAL) decreased from \$2,243.5 million to \$2,195.9 million and for teachers, the UAAL decreased from \$3,127.8 million to \$3,046.4 million.

**SUMMARY OF UNFUNDED ACTUARIAL ACCRUED LIABILITY**

The Unfunded Actuarial Accrued Liability (UAAL) payment for state employees is \$2,195.9 million reflecting a decrease of \$47.6 million over last year. The amortization payment for FY2021 is \$174.8 million and \$187.0 million in FY2022. The figures for FY2021 and FY2022 are consistent with the 2020 valuation report. The amortization payment for FY2023 is \$198.5 million, an increase of \$11.5 million over the payment for FY2022. The following table illustrates the components of the UAAL payment over three fiscal years.

ERSRI Value	Funded History	State Employees	Teachers
1999		84.5%	82.1%
2000		81.6%	80.6%
2001		77.9%	77.4%
2002		71.7%	73.2%
2003		64.5%	64.2%
2004		59.6%	59.3%
2005		56.3%	55.4%
2006		54.6%	52.7%
2007		57.5%	55.4%
2008		61.8%	60.3%
2009		59.0%	58.1%
2010		48.4%	48.4%
2010*		59.8%	61.8%
2011		57.4%	59.7%
2012		56.3%	58.8%
2013		56.5%	59.0%
2014		56.1%	58.2%
2015		56.6%	58.8%
2016		56.0%	58.3%
2017		52.9%	54.8%
2018		52.9%	54.9%
2019		53.3%	55.3%
2019**		53.8%	55.8%
2020		54.2%	56.2%
2021		55.4%	57.1%
2022		56.9%	58.2%
2023		58.5%	59.5%
2024		60.3%	61.1%
2025		62.3%	62.7%
2026		64.5%	64.6%
2027		66.9%	67.1%
2028		69.5%	69.9%
2029		72.4%	72.4%
2030		75.5%	75.7%

Projected June 30, 2020  
Valuation

Source: GRS

\* Reflects post-RIRSA values

\*\* After change of actuarial assumptions

**State Employees**

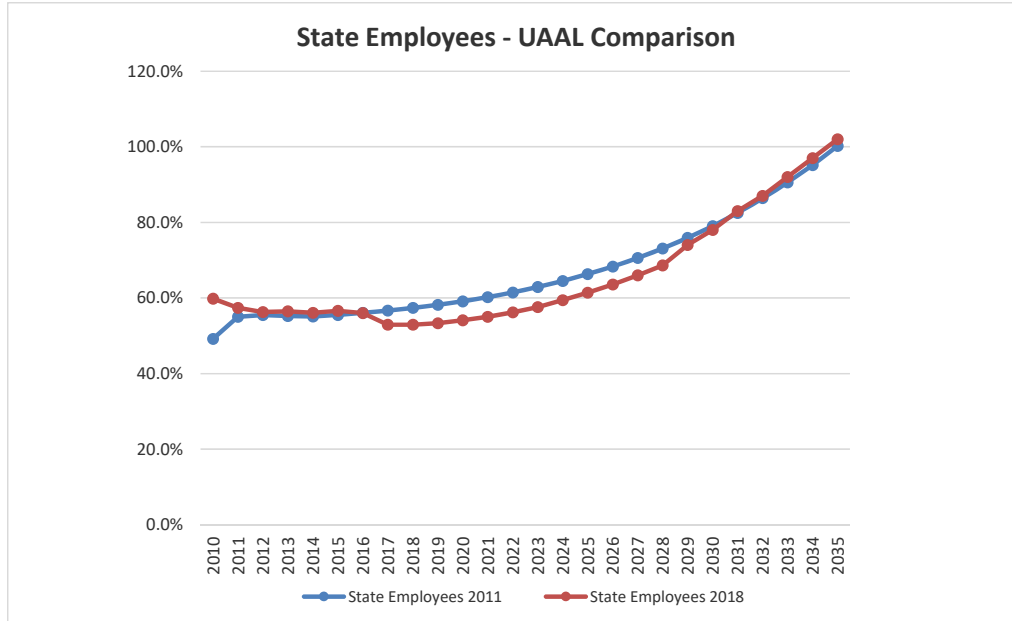
Purpose	Remaining Balance as of June 30, 2020	FY2021 Amortization Payment	FY2022 Amortization Payment	FY2023 Amortization Payment	Amortization Years Remaining
FY1991 and FY1992 Deferrals	\$27.5	\$2.4	\$2.5	\$2.6	13
Original 2011 RIRSA Base	1,739.6	154.5	159.2	163.9	13
2014 Experience Study	(47.7)	(4.0)	(4.2)	(4.3)	14
2014 Mediation Settlement	114.4	9.7	10.0	10.3	14
2015 Experience Base	(34.0)	(2.8)	(2.8)	(2.9)	15
2016 Experience Base	46.6	3.6	3.7	3.9	16
2017 Experience Base	17.5	1.3	1.4	1.4	17
2018 Experience Base	26.4	1.9	2.0	2.0	18
2019 Experience Base	7.4	-	0.6	0.5	19
2016 Assumption Change - FY20 Stagger	32.8	2.5	2.5	2.6	17
2016 Assumption Change - FY21 Stagger	75.5	5.7	5.8	6.0	17
2016 Assumption Change - FY22 Stagger	75.5	-	6.3	6.5	17
2016 Assumption Change - FY23 Stagger	75.5	-	-	7.0	17
2016 Assumption Change - FY24 Stagger	75.5	-	-	-	17
2020 New Assumptions - FY23 Stagger	(27.2)	-	-	(2.5)	17
2020 New Assumptions - FY24 Stagger	(27.2)	-	-	-	17
New Experience Base - This Fiscal Year	17.8	-	-	1.5	20
<b>UAAL</b>	<b>\$2,195.9</b>	<b>\$174.8</b>	<b>\$187.0</b>	<b>\$198.5</b>	

Source: GRS 2020 Actuarial Valuation

\$s in millions

Totals may vary due to rounding.

The following charts compare the current June 30, 2020, actuarial valuation report for state employees and teachers produced by GRS to the valuation report issued by GRS on November 14, 2011, for the Rhode Island Retirement System Act (RIRSA of 2011). The chart illustrates the decrease in the funding ratio as compared to the 2011 forecast as the current valuation includes actual return on investments data and includes the 5-year smoothing decrease of the assumed rate of return from 7.5 percent to 7.0 percent.



The Unfunded Actuarial Accrued Liability (UAAL) payment for teachers is \$3,046.4 million, reflecting a decrease of \$81.1 million from last year. The amortization payment \$235.0 million in FY2021 and \$248.0 million in FY2022. The figures for FY2021 and FY2022 are consistent with the 2020 valuation report. The amortization payment for FY2023 is \$260.3 million, an increase of \$12.3 million over the payment for FY2022. The following table illustrates the components of the UAAL payment over the next three fiscal years.

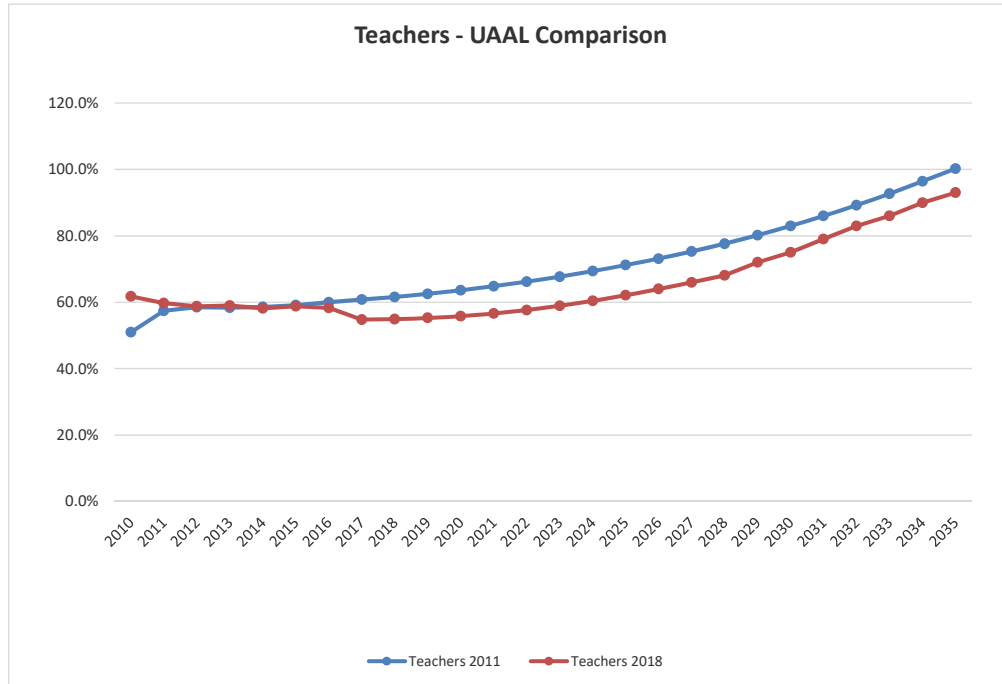
**Teachers**

Purpose	Remaining Balance as of June 30, 2020	FY2021 Amortization Payment	FY2022 Amortization Payment	FY2023 Amortization Payment	Amortization Years Remaining
FY1991 and FY1992 Deferrals - State	\$35.7	\$3.3	\$3.4	\$3.4	13
Original 2011 RIRSA Base - State	948.0	86.8	89.0	91.2	13
Original 2011 RIRSA Base - Local	1,507.6	117.5	120.5	123.5	17
2014 Experience Study - State	(15.9)	(1.4)	(1.4)	(1.5)	14
2014 Experience Study - Local	(24.6)	(1.9)	(2.0)	(2.0)	17
2014 Mediation Settlement - State	65.1	5.7	5.8	6.0	14
2014 Mediation Settlement - Local	100.7	7.9	8.0	8.2	17
2015 Experience Base	(49.6)	(4.2)	(4.3)	(4.3)	15
2016 Experience Base	32.9	2.7	2.7	2.8	16
2016 Assumption Change - FY20 Stagger	64.4	5.0	5.1	5.3	17
2016 Assumption Change - FY21 Stagger	98.3	7.7	7.9	8.0	17
2016 Assumption Change - FY22 Stagger	98.3	-	8.5	8.7	17
2016 Assumption Change - FY23 Stagger	98.3	-	-	9.4	17
2016 Assumption Change - FY24 Stagger	98.3	-	-	-	17
2017 Experience Base	68.0	5.3	5.4	5.6	17
2018 Experience Base	8.0	0.6	0.6	0.6	18
2019 Experience Base	(15.5)	-	(1.2)	(1.3)	19
2020 New Assumptions - FY23 Stagger	(35.8)	-	-	(3.4)	17
2020 New Assumptions - FY24 Stagger	(35.8)	-	-	-	17
New Experience Base - This Fiscal Year	(0.0)	-	-	(0.0)	20
<b>UAAL</b>	<b>\$3,046.4</b>	<b>\$235.0</b>	<b>\$248.0</b>	<b>\$260.3</b>	

Source: GRS 2020 Actuarial Valuation

\$s in millions

Totals may vary due to rounding



*Analyst Note: The impact on contribution rates resulting from the approved changes to the assumed investment return rates, inflation rates, and payroll inflation rates in 2018 are uniformly reflected over a five-year "smoothing" period.*

## 10-YEAR PROJECTIONS

The following tables illustrate the 10-year projection of State Employee and Teacher fund value and contribution rates providing all factors remain steady as projected in the June 30, 2020, valuation. Amounts and ratios will change when alterations occur regarding actual investment returns and actual payroll costs are re-examined in the actuarial valuation each year.

### State Employees

Fiscal Year	UAAL	Funded Ratio	Contribution Rate	Actuarial		Employer Contribution	Employee Contribution	Benefit Payments	Net Cash Flow
				Value of Fund	Payroll				
2020	\$2,196.0	54.2%	27.5%	\$2,597.7	\$778.0	\$214.3	\$40.9	\$345.3	(\$90.1)
2021	2,158.8	55.4%	28.0%	2,686.2	801.3	224.4	41.0	352.9	(87.5)
2022	2,110.4	56.9%	28.0%	2,783.8	825.3	231.1	41.1	357.6	(85.4)
2023	2,052.7	58.5%	28.3%	2,890.4	850.1	240.6	41.3	362.0	(80.1)
2024	1,980.5	60.3%	28.1%	3,009.9	875.6	245.9	41.6	367.0	(79.5)
2025	1,897.4	62.3%	27.9%	3,138.4	901.9	252.0	42.0	375.0	(81.0)
2026	1,801.7	64.5%	27.8%	3,274.4	928.9	258.4	42.5	380.3	(79.4)
2027	1,692.5	66.9%	27.7%	3,421.4	956.8	265.0	43.0	387.8	(79.8)
2028	1,568.6	69.5%	27.6%	3,578.5	985.5	271.9	43.8	395.1	(79.4)
2029	1,428.8	72.4%	27.5%	3,746.9	1,015.1	279.1	44.6	401.8	(78.1)
2030	1,271.6	75.5%	27.4%	3,928.3	1,045.5	286.6	45.5	408.0	(75.9)

Source: GRS 2020 Actuarial Valuation

\$s in millions

Totals may vary due to rounding.

### Teachers

Fiscal Year	UAAL	Funded Ratio	Contribution Rate	Actuarial		Employer Contribution	Employee Contribution	Benefit Payments	Net Cash Flow
				Value of Fund	Payroll				
2020	\$3,046.4	56.2%	25.3%	\$3,911.1	\$1,107.9	\$279.8	\$50.0	\$491.7	(\$161.9)
2021	3,013.9	57.1%	25.7%	4,017.4	1,135.6	292.1	50.3	498.3	(155.9)
2022	2,967.5	58.2%	26.2%	4,137.3	1,164.0	304.5	50.5	501.4	(146.4)
2023	2,906.0	59.5%	26.6%	4,275.5	1,193.1	317.0	50.8	504.2	(136.4)
2024	2,826.8	61.1%	26.4%	4,433.6	1,223.0	323.3	51.0	507.1	(132.8)
2025	2,735.0	62.7%	26.3%	4,606.7	1,253.5	330.0	51.3	515.9	(134.6)
2026	2,629.6	64.6%	26.2%	4,790.0	1,284.9	336.9	51.7	519.2	(130.6)
2027	2,444.5	67.1%	26.1%	4,990.2	1,317.0	344.1	52.2	520.4	(124.1)
2028	2,239.1	69.9%	26.0%	5,211.2	1,349.9	351.5	52.8	521.3	(117.0)
2029	2,076.1	72.4%	25.6%	5,455.0	1,383.7	353.5	53.6	529.7	(122.6)
2030	1,834.4	75.7%	25.1%	5,710.0	1,418.3	355.6	54.5	530.1	(120.0)

Source: GRS 2020 Actuarial Valuation

\$s in millions

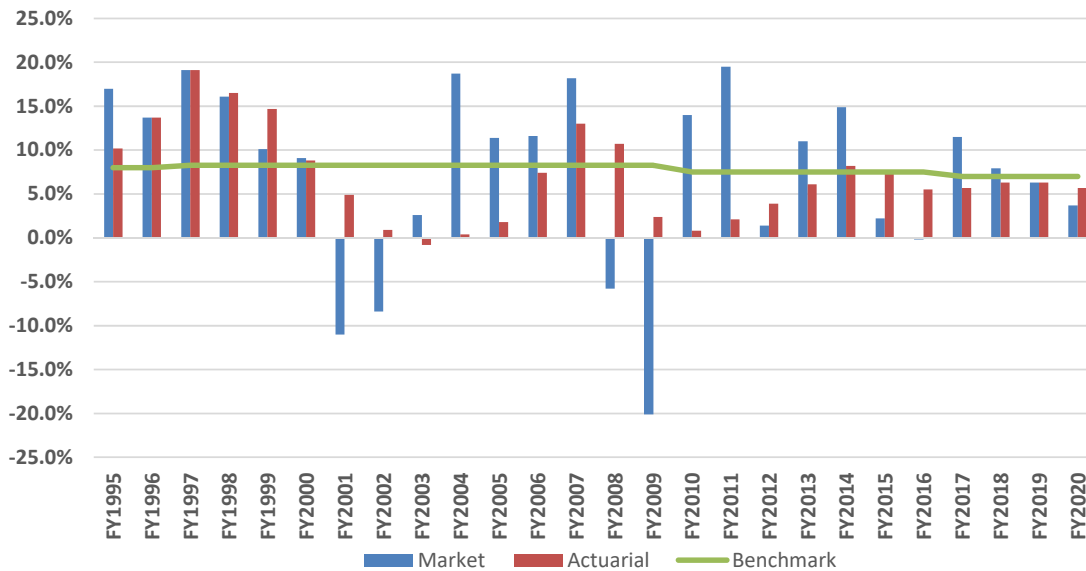
Totals may vary due to rounding.

The projected UAAL begins to decrease in 2021. In addition, as the fund amount increases each year, the net cash flow, i.e. funds removed from investments, decreases.

## RETURN ON INVESTMENTS

The market rate on the return on investments (net of Investment and Administrative expenses) was 3.7 percent at the end of FY2020, below the 7.0 percent projected rate of return that is adopted by the State Retirement Board. The actuarial rate of return was 5.7 percent based on a 5-year average smoothing rate.

### 26-year Return on Investments



- The FY2023 employer contribution amounts are 535.6 million versus \$533.2 million projected last year.
- The 2020 actuarial investment performance was 3.7 percent for state employees and 5.7 percent for teachers, below the 7.0 percent expectation with the shortfall (deferred loss) amortized over future contribution payments.
- The cost of living adjustments (COLA) limit still increases. For 2020, it is \$27,184 and increase by 1.06 percent to \$27,608 in 2021. In 2019, the limit was \$26,687.
- Plans are projected to be 80.9 percent funded as of June 30, 2031. Interim COLAs are scheduled to occur in 2020, 2024, and 2028. Interim COLAs will be granted to all units and plans every fourth year following the fourth consecutive year of the UAAL average being below 80.0 percent.
- The Plans are expected to be 100.0 percent funded FY2040.

#### MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM ACTUARIAL VALUATION

GRS presented the June 30, 2020, actuarial valuation analysis of the retirement system covering municipal employees. The actuarial valuation impacts the employer contribution rates approved by the Board (certified) for FY2023. The GRS analysis indicates that over the past year, there were three new units created, there were no closed or merged unit changes, and there were no new COLA elections in the units participating under the Municipal Employees' Retirement System (MERS). For MERS, the 2020 UAAL for all units combined is \$414.0 million compared to last year's figure of \$397.0 million, an increase of \$27.0 million from the new units. The funded ratio for all MERS remained at 80.5 percent in 2020.

The average employer contribution rate for general employees remained 12.57 percent for 2022 and is 12.68 percent for FY2023; and for police and fire personnel, the average employer contribution rate increased from 19.52 percent in 2022 to 19.56 percent for FY2023.

**GRS Actuarial Summation**

- According to the actuary, 76 units possess a funding ratio exceeding 80.0 percent, there were 69 last year and 30 units have a funding ratio over 100.0 percent, an increase of 3 units from last year.

**JUDICIAL RETIREMENT BENEFITS TRUST ACTUARIAL VALUATION**

The June 30, 2020, actuarial valuation analysis of the retirement system covering judges. The actuarial valuation impacts the employer contribution rates approved by the Board (certified) for FY2023. There is no impact on the previously certified FY2022 employer contribution rate. The analysis does not include benefits for state judges hired before January 1, 1990, as they are funded on a pay-as-you-go basis from the State's general assets. A separate valuation is performed for these active and retired judges. Approximately 67.0 percent of the plan participants are active judges, who are contributing 12.0 percent of their salary to the Trust.

		FY2022	FY2023
<b>Certified Employer Contribution Rates</b>		<b>Certified</b>	<b>Certified</b>
Judges		21.82%	24.16%
<b>Membership</b>		<b>30-Jun-19</b>	<b>30-Jun-20</b>
Active		55	54
Retiree and Beneficiaries		26	27
Inactive		1	1
<b>Total</b>		<b>82</b>	<b>82</b>
			<b>Change</b>
Active			(1)
Retiree and Beneficiaries			1
Inactive			0
<b>Total</b>			<b>0</b>
<b>Projected Payroll for Contributions</b>	<b>\$9.9</b>	<b>\$10.5</b>	<b>\$0.6</b>
<b>Unfunded Liability</b>	<b>\$3.2</b>	<b>\$6.1</b>	<b>\$2.9</b>
<b>GASB Funded Ratio</b>	<b>96.0%</b>	<b>93.1%</b>	<b>-2.9%</b>

*Source: GRS June 30, 2020, Actuarial Valuation*  
*\$s in millions*

**RHODE ISLAND JUDICIAL RETIREMENT FUND TRUST VALUATION REPORT**

Although not required by state law, GRS provided an actuarial valuation for a Rhode Island Judicial Retirement Fund Trust (RIJFT), a pension trust fund for judges hired before 1990 and who are currently receiving benefits through a pay-as-you-go (pay-go) system. There has been minimal advance funding for this closed group of seven judges. The accrued liability is \$21.8 million. The total market value of assets is \$1.1 million leaving an unfunded accrued liability of \$20.7 million.

**STATE POLICE RETIREMENT BENEFITS TRUST ACTUARIAL VALUATION**

The June 30, 2020, actuarial valuation summary regarding the retirement systems covering the State Police. The actuarial valuation impacts the employer contribution rates certified by the Board for FY2023. The analysis reflects all recent pension changes enacted since 2008, but does not include benefits for State Police hired before July 1, 1987, as they are funded on a pay-as-you-go basis from annual general revenue appropriations.

		FY2022	FY2023
<b>Certified Employer Contribution Rates</b>		<b>Certified</b>	<b>Certified</b>
State Police		19.24%	20.87%
<b>Membership</b>		<b>30-Jun-19</b>	<b>30-Jun-20</b>
Active		260	251
Retiree and Beneficiaries		73	79
Inactive		56	53
<b>Total</b>		<b>389</b>	<b>383</b>
			<b>Change</b>
Active			(9)
Retiree and Beneficiaries			6
Inactive			(3)
<b>Total</b>			<b>(6)</b>
<b>Projected Payroll for Contributions</b>	<b>\$26.5</b>	<b>\$26.8</b>	<b>\$0.3</b>
<b>Unfunded Liability</b>	<b>\$26.4</b>	<b>\$29.3</b>	<b>\$2.9</b>
<b>GASB Funded Ratio</b>	<b>84.9%</b>	<b>84.4%</b>	<b>-0.5%</b>

*Source: GRS June 30, 2020, Actuarial Valuation*  
*\$s in millions*

**STATE POLICE RETIREMENT FUND TRUST VALUATION REPORT**

Public Law 2016, Chapter 142 authorized the creation of the State Police Retirement Fund Trust (SPRFT), a pension trust fund for State Police troopers hired before 1987 and who are currently receiving benefits through a pay-as-you-go (pay-go) system. There are 257 retirees in this group. Members' benefits will remain unchanged; but the proposal transitions the current system to a more traditional retirement fund whereby contributions are amortized, in this case, over 18 years beginning on July 1, 2015.

The FY2016 Budget as Enacted included an initial deposit of \$15.0 million came from Google forfeiture funds. The accrued liability of this group is \$155.9 million as of June 30, 2020. The schedule continues with an appropriation of \$16.4 million in general revenue per year from FY2021 through FY2036, at which point the trust will be fully funded.

**TEACHER SURVIVOR BENEFIT PLAN VALUATION REPORT**

The Teacher Survivor Benefit Plan (TSBP) provides survivor benefits for teachers who do not participate in Social Security. Participation is mandatory for all eligible teachers within the 24 school districts that are not covered by Social Security. The annual contribution is 2.0 percent of salary, up to \$230 per year. The contribution is split equally between the member and the employer, i.e. each contributing \$115 per year.

The June 30, 2020, actuarial valuation provided by GRS states the plan as an asset value of \$342.3 million (an increase of \$2.9 million from the prior year) and an actuarial accrued liability of \$222.9 million, resulting in a plan surplus of \$119.3 million, an increase of \$6.6 million from the previous year. Because the asset value for the TSBP is at 153.0 percent, exceeding the Plan's value of benefits, current member and employer contribution are sufficient; the Plan does not have an Annual Required Contribution (ARC) incurred by the employer.

**RHODE ISLAND STATE EMPLOYEES' AND ELECTING TEACHERS OTHER POST EMPLOYMENT BENEFIT (OPEB)**

The Rhode Island State Employees' and Electing Teachers Other Post Employment Benefit (OPEB) System is one system administered by the State of Rhode Island OPEB Board. The OPEB Trust System consists of six plans covering state employees, teachers, judges, state police, legislators, and Board of Governor employees. The OPEB Board consists of the State Controller, the State Budget Officer, the State Personnel Administrator and the General Treasurer, or their designees.

***GRS OPEB Actuarial Valuation for June 30, 2019***

The GRS Actuarial Valuation impacts FY2022 required payments. According to the actuary, the plan had a favorable experience over the past year, although it varied amongst the six groups. The rate of return (ROI) on the actuarial value of assets was 8.17 percent, while the market value of assets was 9.61 percent. The assumed rate of return was 5.0 percent. The following table illustrates the actuary's Actuarially Determined Employer Contribution (ADEC) assumptions from the previous ADEC determined in the June 30, 2018, OPEB valuation. The changes lead to the new ADEC determination.

	Judges	Legislators	State Employees	Teachers	State Police	Board of Governors
<b>Prior ADEC (June 30, 2018)</b>	<b>0.00%</b>	<b>0.00%</b>	<b>5.55%</b>	<b>\$0</b>	<b>23.31%</b>	<b>2.93%</b>
<b>Actuarial Impacts</b>						
Plan Experience	0.00%	0.00%	-0.05%	-	0.36%	0.13%
Rate Setting Differential	0.00%	0.00%	-0.17%	-	-0.40%	0.44%
<b>New ADEC</b>	<b>0.00%</b>	<b>0.00%</b>	<b>5.33%</b>	<b>\$0</b>	<b>23.27%</b>	<b>3.50%</b>

*Source: GRS Actuarial Valuation June 30, 2019*



As the table illustrates, the OPEB ADEC decreased for state employees and state police, while the ADEC increased for the Board of Governors. That increase was a result of a small loss due to demographic experience and increases in Post-65 per capita health care costs. There is no ADEC for teacher, judge, and legislator plans as those plans are fully funded at this time. The plan for teachers reached full funding on June 30, 2019. The surplus in those accounts are amortized over 30 years and the credits are applied as an offset to the normal cost contribution for those groups.

#### Development of the ADEC for FY2022

Contributions for	Judges	Legislators	State Employees	Teachers	State Police	Board of Governors
Employer Normal Cost	\$13,578	\$40,637	\$17,015,203	\$0	\$4,408,433	\$2,040,264
Percentage of Projected Payroll	0.11%	2.05%	2.09%	N/A	16.85%	1.43%
Amortization of Unfunded Actuarial						
Accrued Liabilities	(13,578)	(40,637)	26,377,635	0	1,679,652	2,953,388
Percentage of Projected Payroll	-0.11%	-2.05%	3.24%	N/A	6.42%	2.07%
Amortization Period	30 Years	30 Years	17 Years	N/A	17 Years	17 Years
<b>Annual Required Contribution (ARC)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$43,392,838</b>	<b>\$0</b>	<b>\$6,088,085</b>	<b>\$4,993,652</b>
Percentage of Projected Payroll	0.00%	0.00%	5.33%	N/A	23.27%	3.50%
Credit for Residual Balance from Predecessor Fund	-	-	416,815			
Percentage of projected Payroll			0.05%			
Net Employer Contribution			\$42,976,023			
Percentage of projected Payroll			5.28%			
Projected Payroll for the Fiscal Year Beginning July 1, 2021	\$12,344,303	\$1,982,260	\$814,124,547	N/A	\$26,162,741	\$142,675,741

Source: GRS Actuarial Valuation June 30, 2019

The Assumptions include a 5.0 percent rate of return

The \$416,815 credit under state employees is an adjustment of the retiree health care benefits paid for employees who retired under the Voluntary Retirement Incentive in FY2019. This payment adjusts the employer contribution rate downward.

Another factor contributing to a decrease in the ADEC is the reduction of retirees and beneficiaries in the retiree health plans. The following table illustrates the decrease over the last four actuarial valuations.

Retired Members	June 30, 2015	June 30, 2017	June 30, 2018	June 30, 2019
State Employees	7,305	6,730	6,730	6,698
Board of Governors	880	862	801	857
State Police	273	173	173	163
Teachers	211	146	146	99
Judges	50	47	47	33
Legislators	18	18	18	15
<b>Total</b>	<b>8,737</b>	<b>7,976</b>	<b>7,915</b>	<b>7,865</b>

Source: GRS Actuarial Valuations June 30, 2015, and June 30, 2017 through June 30, 2019

No valuation for June 30, 2016

Includes participating retirees and beneficiaries in the retiree health plans

#### Actuarially Determined Employer Contribution costs

The following table summarizes the all fund Actuarially Determined Employer Contribution (ADEC) costs from FY2012 to FY2022.

Actuarially Determined Employer Contributions	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2020	FY2021	FY2022	2012-2022	
											Change	Change
State Employees	\$44.2	\$45.8	\$49.1	\$47.8	\$40.7	\$42.7	\$42.3	\$51.5	\$43.9	\$43.4	(\$0.5)	(\$0.8)
State Police	5.9	6.3	7.9	8.2	6.8	7.7	7.9	7.3	5.9	6.1	0.2	0.2
Board of Governors	2.9	3.1	3.1	3.0	3.6	3.9	5.5	5.5	4.1	5.0	0.9	2.1
Teachers	2.3	2.3	2.8	2.8	2.3	2.3	2.3	-	-	-	-	(2.3)
Legislators	0.8	-	-	-	0.0	0.0	0.0	-	-	-	-	(0.8)
Judicial	0.8	0.8	0.0	0.0	-	-	-	-	-	-	-	(0.8)
<b>Total</b>	<b>\$57.0</b>	<b>\$58.3</b>	<b>\$62.8</b>	<b>\$61.7</b>	<b>\$53.4</b>	<b>\$56.7</b>	<b>\$58.0</b>	<b>\$64.3</b>	<b>\$53.9</b>	<b>\$54.5</b>	<b>\$0.6</b>	<b>(\$2.5)</b>

\$ in millions

Source: GRS Actuarial Valuations

Over the past two fiscal years, there is a scant variance between the projected and actual ADEC all fund costs.

Plans	FY2020			FY2021			FY2022
	Projected	Actual	Change	Projected	Actual	Change	Projected
Judges	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Legislators	-	-	-	-	-	-	-
State Employees	52.0	51.5	(0.5)	47.3	43.9	(3.4)	43.4
Teachers	-	-	-	-	-	-	-
State Police	6.9	7.3	0.4	6.5	5.9	(0.5)	6.1
Board Governors	5.6	5.5	(0.1)	4.5	4.1	(0.5)	5.0

### **OPEB Unfunded Actuarial Accrued Liability**

The June 30, 2019, valuation decreased the OPEB Unfunded Actuarial Accrued Liability (UAAL) by \$45.8 million as compared to the previous valuation of June 30, 2018. Overall, the UAAL has decreased by \$372.1 million since the June 30, 2009, valuation.

OPEB UAAL Status	June 30, 2009	June 30, 2011	June 30, 2013	June 30, 2015	June 30, 2017	June 30, 2018	June 30, 2019	2009-2019	
	Valuation	Valuation	Valuation	Valuation	Valuation	Valuation	Valuation	Change	Change
State Employees	\$673.6	\$774.7	\$597.5	\$530.7	\$525.5	\$439.2	\$401.9	(\$37.3)	(\$271.7)
State Police	67.1	80.3	60.8	55.9	46.4	32.2	26.4	(5.8)	(40.7)
Board of Governors	58.5	50.6	48.2	54.5	53.5	39.6	41.4	1.8	(17.1)
Teachers	13.5	9.5	9.3	6.4	3.5	0.4	(2.8)	(3.2)	(16.3)
Legislators	11.8	0.0	(0.7)	(1.2)	(1.3)	(1.7)	(1.9)	(0.2)	(13.7)
Judicial	8.7	1.8	(1.1)	(2.1)	(2.2)	(2.7)	(3.9)	(1.2)	(12.6)
<b>Total</b>	<b>\$833.2</b>	<b>\$916.9</b>	<b>\$714.1</b>	<b>\$644.2</b>	<b>\$625.4</b>	<b>\$506.9</b>	<b>\$461.1</b>	<b>(\$45.8)</b>	<b>(\$372.1)</b>

\$ in Millions

Source: GRS Actuarial Valuations June 30, 2009, and June 30, 2011

The Assumptions include a 5.0 percent rate of return

### **Funding Projections of the ADEC and UAAL as of June 30, 2019**

There is no UAAL for teacher, judge, and legislator plans as those plans are fully funded at this time. The plan for teachers reached full funding June 30, 2019. The UAAL will be fully amortized as of June 30, 2038, for state employees, State Police, and the Board of Governors. Lastly, on December 30, 2019, the “Further Consolidated Appropriations Act of 2020” repealed the “Cadillac Tax” provision regarding health care plan costs. This 40.0 percent excise tax was mandated under the federal Patient Protection and Affordable Care Act and is applied to the differential between the federal threshold and actual plan costs. This actuarial valuation does not include any liability or analysis for the imposition of a “Cadillac Tax”.

## Revenue

The Governor's FY2022 Budget increases general revenue collections by an estimated \$200.2 million above the November 2020 revenue estimate. New revenue initiatives include reauthorizing the State's hospital license fee, partially decoupling from the federal paycheck protection program loan forgiveness law, increasing parking fees at Misquamicut and Galilee, authorizing adult-use marijuana program, and modifying the real estate conveyance tax to support affordable housing.

<b>Governor's Recommended Revenue Change:</b>	<b>FY2022</b>
EOHHS Revenue Changes	\$178.1
PPP Tax Policy Revenue Changes	17.1
DEM/CRMC Revenue Changes	3.2
DBR Revenue Changes	2.8
DOR Revenue Changes	(1.9)
Adult Use Marijuana Program Revenue	1.7
Real Estate Transfer Tax Change	(1.3)
DOH Revenue Changes	0.7
Pawtucket Economic Activity Tax Agreement	(0.7)
Other Departmental Revenue Changes	0.6
<b>Total</b>	<b>\$200.2</b>

*\$ in millions*

### EOHHS Revenue Changes

**\$178.1 million**

The Budget includes a net \$178.1 million increase related to revenue changes associated with the following initiatives within the Executive Office of Health and Human Services (EOHHS):

<b>EOHHS Revenue Changes</b>	
Hospital License Fee	\$178.2
Medicaid Revenue Changes	(0.4)
Rlte Share Penalty	0.2
<b>Total</b>	<b>\$178.1</b>

*\$ in millions*

- Hospital License Fee:** Article 6 reauthorizes the collection of the hospital license fee in FY2022. The article includes a fee of 3.78 percent of patient revenues for hospitals located in Washington County and 6.0 percent of patient revenues for all other non-psychiatric community hospitals, including the State-run Eleanor Slater Hospital. These rates are consistent with the fee structure used in FY2019 and FY2020 and with the Governor's proposed revision to the fee in FY2021. The Governor's Budget includes \$178.2 million in new revenues that were not included in the November 2020 adopted revenue estimate. This represents a \$15.6 million reduction relative to projected FY2021 collections because the FY2022 fee will be based, in part, on patient revenues generated during CY2020, when hospitals saw a significant reduction in patient care activity due to the COVID-19 pandemic and mandatory suspension of elective procedures.

*Analyst Note: The Governor's Budget Amendment dated April 19, 2021, includes an adjustment to patient revenues from Eleanor Slater Hospital, increasing the FY2022 revenue assumption by \$596,363 to \$178.8 million.*

- Medicaid Revenue Changes:** The Budget reduces revenue collections by \$360,515 to reflect the impact of a number Medicaid expenditure changes which affect collections from the 2.0 percent insurance premium tax and 5.5 percent nursing home tax. These initiatives are described in the FY2022 Expenditures section of this report.

<b>Medicaid Revenue Changes</b>	
LTSS Resiliency and Rebalancing	(\$504,313)
Enhanced FMAP	290,000
MCO Profit Margin	(79,045)
Rlte Share Enhancements	(54,000)
Community Health Workers Investment	(18,717)
Perinatal Doula Services	5,560
<b>Total</b>	<b>(\$360,515)</b>

- **Rlte Share Penalty:** The Governor increases general revenue collections by \$165,675 to reflect the impact of a new penalty established in Article 15 which will be assessed against employers who do not comply with the reporting requirements of the Rlte Share program, either by failing to report data or by falsifying information to get around the program's requirements.

**PPP Tax Policy Changes****\$17.1 million**

Article 2 of the FY2021 Supplemental Budget partially decouples Rhode Island law from federal tax statutes governing how Paycheck Protection Program (PPP) loans are treated relative to income for purposes of personal and business income taxes. The purpose of the initiative is to preserve pandemic relief for those smaller businesses that received PPP loans of \$150,000 or less, while mitigating the significant state revenue loss that would result by completely aligning with federal law.

	FY2021		FY2022		Total 2 Year Impact
	Personal Income Tax	Business Taxes	Personal Income Tax	Business Taxes	
<b>PPP Tax Policy Revenue Changes</b>					
Federal PPP Loan Forgiveness	(\$28,788,938)	(\$57,489,763)	(\$15,678,451)	(\$31,308,915)	(\$133,266,067)
Decoupling from Federal PPP Loan Forgiveness ≥ \$150,000	969,731	2,630,262	19,480,908	44,597,887	67,678,788
<b>Total</b>	<b>(\$27,819,207)</b>	<b>(\$54,859,501)</b>	<b>\$3,802,457</b>	<b>\$13,288,972</b>	<b>(\$65,587,279)</b>

- **Background:** In response to devastating impacts of the COVID-19 pandemic on businesses, Congress enacted a series of supports and relief measures. The CARES Act, enacted in March 2020, established the federal PPP program, which provides loans to help businesses keep their workforce employed during the pandemic. Eligible costs for the PPP program include certain payroll, operating, supplier, property, and worker protection costs. The CARES Act also permitted loan forgiveness if businesses conform to the program. In December 2020, Congress enacted the Consolidated Appropriations Act (CAA) to provide further pandemic relief, including for businesses. The CAA allowed businesses to deduct expenses paid for with PPP loans. This amounts to a double tax benefit.

Rhode Island income tax statutes conform to federal tax statutes and regulations, particularly as it relates to what constitutes income, adjusted for deductions and other modifications. Any significant change in these modifications affects how income is determined for purposes of Rhode Island taxes. These include the PPP expense deductions. Based on the recent federal tax changes and expansion of the PPP program, the Office of Management and Budget projects a \$133.3 million combined loss in State revenue in FY2021 and FY2022.

- **Proposal:** Article 2 decouples from the federal treatment of forgiven PPP loans. Specifically, the article exempts the first \$150,000 of a PPP loan from State taxation. This means loans over \$150,000 would be taxed, impacting around 13.0 percent of businesses with loans. This proposal would preserve \$67.7 million in general revenue over the two-year period of FY2021 through FY2022.

**DEM/CRMC Revenue Changes****\$3.2 million**

The Governor increases fees related to several Department of Environmental Management (DEM) and Coastal Resources Management Council (CRMC) programs and requires the transfer of reserves from the Underground Storage Tank Account.

DEM/CRMC Revenue Changes	Impact
DEM - Pesticide/Fertilizer Fee Increase	\$1,407,532
Transfer - Underground Storage Tank Account	1,000,000
DEM - Beach Fee Increase	621,634
DEM - Parking Lot Fee Increase	112,188
CRMC - Fines Increased	15,000
<b>Total</b>	<b>\$3,156,354</b>

- **DEM – Pesticide/Fertilizer Fee Increase:** The Budget includes \$1.4 million in new revenue generated from several registration fee increases related organic/chemical products proposed in Article 7. The changes and revenue impact, based on a July 1, 2021, effective date, are outlined in the following table:

Category	Registration Fee		
	Current	FY2022 Governor	FY2022 Revenue
Pesticide Product	\$200	\$300	\$842,900
Commercial Feed	60	100	460,640
Commercial Fertilizer	72	100	103,992
<b>Total</b>			<b>\$1,407,532</b>

- **Transfer – Underground Storage Tank (UST) Account:** The Budget requires the transfer of \$1.0 million from the UST restricted receipt fund to the general revenue fund by June 30, 2022. Rhode Island currently has 500 facilities with 1,350 underground storage tanks, all of which pose a potential environmental threat if leakage should occur. The Underground Storage Tank (UST) Clean-up Fund was created in 1994 to provide an effective mechanism for USTs owners to comply with financial responsibility requirements, and to ensure that the environmental and public health impacts of UST leaks are addressed in an effective and timely manner.

*Analyst Note: GBA #1 adds language to Article 1 that authorizes this transfer but was erroneously left out of the bill. The revenue; however, was already assumed in the Budget.*

- **DEM – Beach Fee Increase:** The Budget includes \$621,634 in new revenue from an increase in the beach parking fees at Misquamicut State Beach in Westerly. Article 6 empowers the Department of Environmental Management (DEM) to charge “reasonably determined” fees for beaches, parks, and recreation areas in Westerly. The supplemental materials provided by the Office of Management and Budget (OMB) indicate that the beach parking fees would increase from \$6 to \$10 for resident weekday and \$7 to \$15 for resident weekend. Non-resident fees would increase from \$12 to \$20 for weekday and \$14 to \$30 for weekend parking. Based on a July 1, 2021, effective date, the estimated revenue increase of \$621,634 includes \$453,793 in general revenue and \$167,841 in host community payments to Westerly.

	Beach Parking Fees at Misquamicut		
	Current	Article 6	Change
resident weekday	\$6.00	\$10.00	\$4.00
resident weekend	\$7.00	\$15.00	\$8.00
nonresident weekday	\$12.00	\$20.00	\$8.00
nonresident weekend	\$14.00	\$30.00	\$16.00
resident senior weekday	\$3.00	\$10.00	\$7.00
resident senior weekend	\$3.50	\$15.00	\$11.50
nonresident senior weekday	\$6.00	\$20.00	\$14.00
nonresident senior weekend	\$7.00	\$30.00	\$23.00

*Analyst Note: On April 19, 2021, the Governor requested an amendment making changes to Article 1 of the Budget. The request indicates that OMB consulted with the DEM regarding parking at Misquamicut State Beach subsequent to the submission of the Budget. Based on their discussion, OMB revises the original revenue estimate down from \$621,634 to \$595,372.*

- **DEM – Parking Lot Fee Increase:** The Budget includes \$112,188 in new revenue from increases in the parking fees at the Port of Galilee in Narragansett proposed in Article 6. The fees will range from \$10 to \$300 depending on the type of pass purchased. The estimate is based on a July 1, 2021, effective date.

- **CRMC – Fines Increased:** Article 6 of the Budget increases the maximum penalties the Chair or Executive Director of the Coastal Resources Management Council can assess for various violations. The revenue impact for this change is \$15,000 annually. The estimate is based on a July 1, 2021, effective date.

**DBR Revenue Changes****\$2.8 million**

The Governor recommends several revenue changes related to the Department of Business Regulation's (DBR) programming, including increasing the fee for a broker dealer license and expanding the eligibility for an engineer license in the State. Estimates are based on a July 1, 2021, effective date.

<b>DBR Revenue Changes</b>	<b>Impact</b>
DBR - Broker Dealer License Fee Increase	\$2,715,925
DBR - Engineer License Eligibility Expansion	90,000
<b>Total</b>	<b>\$2,805,925</b>

- **DBR – Broker Dealer License Fee Increase:** Article 6 of the Budget increases general revenues by \$2.7 million to reflect an increase in the broker dealer license fee. The fee increases by \$25 from \$75 to \$100. The fee was last increased in FY2012. Broker dealers are individuals or firms that buy, sell, and trade financial securities.
- **DBR – Engineer License Eligibility Expansion:** Article 9 of the Budget expands eligibility for a professional engineer's license to include individuals who have an engineering technology degree and meet experience requirements. Currently, individuals with undergraduate degrees in engineering technology are only eligible for a professional engineer's license if they also earn a master's degree in engineering. The expansion generates an additional \$90,000 in general revenues.

**DOR Revenue Changes****(\$1.9 million)**

The Governor recommends several initiatives related to the activity and responsibilities of the Department of Revenue (DOR) that result in a \$1.9 million revenue reduction in FY2022.

<b>DOR Revenue Changes</b>	<b>Impact</b>
DOR - License Plate Reissuance Delay	(\$3,440,000)
DOR - Permanent Authorization of the Collections Unit	1,377,299
Lottery - Reduced Marketing Costs	360,000
DOR - Sales Tax Permit Fee Elimination	(331,585)
DOR - CDL Testing Administration	100,000
<b>Total</b>	<b>(\$1,934,286)</b>

- **DOR – License Plate Reissuance Delay:** Article 3 of the Budget delays the license plate reissuance from June 1, 2020, to July 1, 2022. Under RIGL 33-3-33, the DMV is required to issue new reflective license plates for all registered vehicles every 10 years. This would be the ninth time the mandated reissuance has been delayed since it was first required in 2011. The delay is estimated to reduce general revenue collections by \$3.4 million in FY2022.
- **DOR – Permanent Authorization of the Collections Unit:** Article 3 permanently authorizes the Department of Revenue's Collections Unit by eliminating its statutorily proscribed June 30, 2021, sunset date. The Collections Unit was established in July 2018 to assist state agencies in the collection of debts owed to the State. Based on the growth rate of collections by the Unit in FY2020 and data from the first six months of FY2021, the Office of Management and Budget (OMB) estimates \$1.4 million in additional revenue in FY2022. To date, the Unit has underperformed relative to projections.
- **Lottery – Reduced Marketing Costs:** The Budget includes a \$360,000 reduction in marketing and print advertising costs from the Lottery Fund in FY2022. According to OMB, the Lottery Division is eliminating or reducing several media campaigns in the coming fiscal year (but unlikely to negatively

impact overall gaming activity). There is a corresponding increase in the transfer from the Lottery Fund to the General Fund.

- **DOR – Sales Tax Permit Fee Elimination:** Article 6 of the Budget eliminates the \$10 fee charged for the annual permit the State requires retail and lodging businesses to obtain for the right and obligation to collect and remit Rhode Island sales and use taxes. Article 6 also provides the Tax Administrator with the discretion to set the permit expiration date, currently set at one year. The \$10 reinstatement fee for revoked/suspended permits is also eliminated. These changes are estimated to reduce general revenue by \$331,585 in FY2022 based on a July 1, 2021, effective date.
- **DOR – CDL Road Test Administration:** Article 3 transfers the administration of skills testing for commercial driver licensing (CDL) from the Community College of Rhode Island to the Division of Motor Vehicles (DMV). The Budget provides \$132,961 in personnel and operating expenses to the DMV in FY2022 for this new responsibility. These costs are offset by a \$32,101 reduction in payments made by the DMV to CCRI and \$100,000 in expected general revenue from testing fees, based on a January 1, 2022, effective date.

#### **Adult Use Marijuana Program Revenue**

**\$1.7 million**

The Budget includes \$1.7 million in tax and license fee revenue attributable to the implementation of an adult-use marijuana market under Article 11, based on an anticipated retail sales start date in April 2022.

#### **Adult Use Marijuana Program Revenue**

<b>Revenue Item</b>	<b>FY2022</b>
Adult-Use Marijuana Program - Licensing Fees	\$590,561
Adult-Use Marijuana Program - Cultivator Excise Tax	451,684
Adult-Use Marijuana Program - Retail Excise Tax	369,550
Adult-Use Marijuana Program - Sales Tax	258,685
<b>Total</b>	<b>\$1,670,480</b>

#### **Real Estate Transfer Tax Change**

**(\$1.3 million)**

- **Real Estate Conveyance Tax – Value > \$700,000:** Article 16 increases the real estate conveyance tax on the portion of real estate valued over \$700,000. The rate applied to this portion doubles from 0.46 percent to 0.92 percent. Revenue from this increase would be deposited into the Housing Production Fund, a new restricted receipt account, to be administered by RI Housing in consultation with a new Housing Resources Steering Committee. The funds would be used for affordable and workforce housing initiatives, including the construction of new units and incentives to municipalities. Based on a January 1, 2022, effective date, the Office of Revenue Analysis estimates that these changes will generate \$1.7 million for the new Housing Production Fund in FY2022.
- **Real Estate Conveyance Tax – Value < \$700,000:** Article 16 modifies the allocation of revenue generated from the State’s real estate conveyance tax applied to the portion of real estate valued below \$700,000. The article reduces General Fund deposits by 17.7 percent and dedicates those revenues to the Housing Production Fund.

#### **Real Estate Conveyance Tax Revenue Distribution**

	Current	Article
	Law	16
State	\$0.90	\$0.74
General Fund	0.60	0.44
Distressed Community Relief Program	0.30	0.30
Municipality	1.10	1.10
Housing Resources Commission	0.30	0.30
Housing Production Fund	0.00	0.16
<b>Total</b>	<b>\$2.30</b>	<b>\$2.30</b>

Based on a January 1, 2022, effective date, the Office of Revenue Analysis estimates that these changes will generate \$1.3 million for the new Housing Production Fund, with an equivalent loss in general revenues in FY2022. The initiative is expected to generate \$2.9 million in FY2023, based on a full year of activity.

*Analyst Note: On April 19, 2021, the Governor requested an amendment to Article 16 that exempts affordable housing developments financed with federal Low-Income Housing Tax Credits and/or owned by nonprofit corporations from the transfer provisions of the State's real estate conveyance tax. The transfer provisions are considered a barrier to affordable housing production. If accepted, this amendment would result in a \$30,194 general revenue reduction and an \$84,198 restricted receipts reduction (Housing Production Funds) in FY2022.*

**DOH Revenue Changes** **\$746,281**

The Budget includes a net general revenue increase of \$746,281 within the Department of Health (DOH).

Department of Health	Amount
Data Request Fee	\$438,900
Dockside Shellfish Program	366,300
Interstate Medical Licensure Compacts	(58,919)
<b>Total</b>	<b>\$746,281</b>

- **Data Request Fee:** Article 6 authorizes DOH to establish a fee for data requests from the Center for Health Data and Analysis (CDHA). The fee would only apply to for-profit special data requests that require CDHA to analyze, calculate, and/or interpret data and is expected to generate \$438,900.
- **Dockside Shellfish Program:** Article 10 authorizes DOH to establish a dockside program that allows licensed shellfish processors to harvest and assure the sanitary quality of shellfish. License fees are estimated to generate \$366,300 in general revenue in FY2022.
- **Interstate Medical Licensure Compacts:** Article 15 provides the statutory framework to allow the State to enter into several medical interstate licensure compacts that allow reciprocity and expedited licensure for health care professionals. The initiative is anticipated to reduce licensing revenue by \$58,919 based on an April 1, 2022, effective date.

**Pawtucket Economic Activity Tax Agreement** **(\$652,300)**

The Budget includes a \$652,300 reduction in general revenue related to the economic activity taxes generated in Pawtucket's Downtown Redevelopment Zone. The fiscal impact by tax type is shown below.

Pawtucket Economic Activity Tax Agreement	Revenue Impact
Sales Taxes	(\$352,024)
Personal Income Taxes	(276,038)
Business Taxes	(24,238)
<b>Total</b>	<b>(\$652,300)</b>

RIGL 45-33.4-4 requires the Division of Taxation to set aside baseline state tax revenue generated by activity occurring in Pawtucket's arts, ballpark, and growth center districts, to be distributed to the city once an agreement is entered into. The State and Pawtucket signed the agreement on December 8, 2020.

**Other Departmental Revenue Changes** **\$561,173**

The Budget includes an additional \$561,173 in other departmental program revenue changes.

Other Departmental Revenue Changes	Impact
DLT - Workplace Tax Compliance Initiative	\$545,000
DOC - Work Release Fee Restructuring	18,880
EOC Wavemaker Tax Exemption	(2,707)
<b>Total</b>	<b>\$561,173</b>



- **DLT – Workplace Tax Compliance Initiative:** The Budget includes \$545,000 in new revenue attributable to a reorganization of the Department of Labor and Training’s (DLT) Misclassification Task Force, Workforce Fraud Unit, and its Prevailing Wage section. The reorganization includes 2.0 additional FTE positions.
- **DOC – Work Release Fee Restructuring:** The Budget includes an \$18,880 increase in fee revenue related to the Department of Corrections (DOC) work release programming. Article 13 recommends changing how individuals who participate in the DOC’s work release program are charged for room and board. Currently, these individuals are charged 30.0 percent of gross pay. The Governor recommends changing this to 30.0 percent of net pay. The estimated revenue increase is attributable to an estimated increase in participation based on the incentive.
- **EOC Wavemaker Tax Exemption:** The Stay Invested in Rhode Island Wavemaker Fellowship program is a competitive student loan reimbursement program for college and university graduates who take employment in science, technology, engineering, and mathematics (STEM) fields in Rhode Island. Article 9 of the Budget clarifies that fellowship awards are exempt from state taxation. The change is expected to reduce personal income tax revenues by \$2,707 in FY2022.

### FY2021 SUPPLEMENTAL CHANGES

The Budget includes a \$39.1 million reduction in revenues below the November 2020 revenue estimate. The primary initiatives impacting the FY2021 revenue totals include the federal paycheck protection program tax changes, adjustment of the hospital license fee, bond proceeds, and an adjustment to the Lottery transfer to reflect the actual impact of the December 2020 closure due to the pandemic.

<b>Governor's Recommended Supplemental Revenue Changes</b>	<b>FY2022</b>
PPP Tax Policy Revenue Changes	(\$82.7)
EOHHS - Hospital License Fee Change	32.3
Proceeds from Series 2022-1 GO Refunding Bonds	5.9
Lottery - Impact of December Pandemic Closing	5.7
Pawtucket Economic Activity Tax Agreement	(0.3)
<b>Total</b>	<b>(\$39.1)</b>

*\$ in millions*

#### **PPP Tax Policy Changes**

**(\$82.7 million)**

Article 2 of the FY2021 Supplemental Budget partially decouples Rhode Island law from federal tax statutes governing how Paycheck Protection Program (PPP) loans are treated relative to income for purposes of personal and business income taxes. The purpose of the initiative is to preserve pandemic relief for those smaller businesses that received PPP loans of \$150,000 or less, while mitigating the significant state revenue loss that would result by completely aligning with federal law.

	FY2021		FY2022		Total 2 Year Impact
	Personal Income Tax	Business Taxes	Personal Income Tax	Business Taxes	
PPP Tax Policy Revenue Changes					
Federal PPP Loan Forgiveness	(\$28,788,938)	(\$57,489,763)	(\$15,678,451)	(\$31,308,915)	(\$133,266,067)
Decoupling from Federal PPP Loan Forgiveness ≥ \$150,000	969,731	2,630,262	19,480,908	44,597,887	67,678,788
<b>Total</b>	<b>(\$27,819,207)</b>	<b>(\$54,859,501)</b>	<b>\$3,802,457</b>	<b>\$13,288,972</b>	<b>(\$65,587,279)</b>

- **Background:** In response to devastating impacts of the COVID-19 pandemic on businesses, Congress enacted a series of supports and relief measures. The CARES Act, enacted in March 2020, established the federal PPP program, which provides loans to help businesses keep their workforce employed during the pandemic. Eligible costs for the PPP program include certain payroll, operating, supplier, property, and worker protection costs. The CARES Act also permitted loan forgiveness if businesses

conform to the program. In December 2020, Congress enacted the Consolidated Appropriations Act (CAA) to provide further pandemic relief, including for businesses. The CAA allowed businesses to deduct expenses paid for with PPP loans. This amounts to a double tax benefit.

Rhode Island income tax statutes conform to federal tax statutes and regulations, particularly as it relates to what constitutes income, adjusted for deductions and other modifications. Any significant change in these modifications affects how income is determined for purposes of Rhode Island taxes. These include the PPP expense deductions. Based on the recent federal tax changes and expansion of the PPP program, the Office of Management and Budget projects a \$133.3 million combined loss in State revenue in FY2021 and FY2022.

- **Proposal:** Article 2 decouples from the federal treatment of forgiven PPP loans. Specifically, the article exempts the first \$150,000 of a PPP loan from State taxation. This means loans over \$150,000 would be taxed, impacting around 13.0 percent of businesses with loans. This proposal would preserve \$67.7 million in general revenue over the two-year period of FY2021 through FY2022.

***EOHHS - Hospital License Fee Change***

***\$32.3 million***

The Governor's Budget increases the hospital license fee from the current law rate of 5.0 percent to 6.0 percent of patient revenues in FY2021. The Governor's Budget is consistent with the 6.0 percent fee assessed in both FY2019 and FY2020. The FY2020 Enacted Budget initially lowered the fee from 6.0 percent to 5.0 percent for FY2021 in response to pending changes at the federal level; however, these changes have since been delayed and the Governor's Budget holds the license fee constant, accordingly. The November 2020 Revenue Estimating Conference included \$161.5 million in FY2021 to account for the current law 5.0 percent fee. A 6.0 percent fee will generate \$193.8 million, or an additional \$32.3 million relative to the REC estimate. The fee is due in July 2021 but will be booked as a receivable to FY2021.

***Proceeds from Series 2022-1 GO Refunding Bonds***

***\$5.9 million***

The Budget includes an additional \$5.9 million in revenue from the proceeds from the forward refunding of the Series 2022-1 general obligation bonds. Forward refunding is a refinancing method that closes more than 90 days from the optional redemption date of the bonds being refunded. The State and Morgan Stanley, the State's underwriter entered into an agreement that granted Morgan Stanley the right to refund a series of 2012 bonds in July of 2022 in exchange for a \$6.1 million upfront payment in FY2021. The payment is offset by \$197,042 in transaction costs for a net revenue increase of \$5.9 million.

***Lottery – Impact of December Pandemic Closing***

***\$5.7 million***

The Budget includes an adjustment of \$5.7 million in lottery transfers to the general fund in FY2021 based on actual activity during the December 2020 pandemic closure of the State's two casinos. On November 23, 2020, the Governor announced that the State's casinos would be closed in response to surging COVID-19 cases. Because the announcement of the temporary closure took place after the 2020 November Revenue Estimating Conference, the adopted revenue estimates did not take into consideration impact of the shutdown. As a placeholder the General Assembly reduced lottery revenue in the enacted the FY2021 Budget by \$18.0 million. The Governor's FY2021 Supplemental Budget adjusts this estimated loss downward by \$5.9 million based on new estimates by the Department of Revenue based new data.

***Pawtucket Economic Activity Tax Agreement***

***(\$326,000)***

The Budget includes a \$326,000 reduction in general revenue related to the economic activity taxes generated in Pawtucket's Downtown Redevelopment Zone. The fiscal impact by tax type is shown below.

<b>Pawtucket Economic Activity Tax Agreement</b>	<b>Revenue Impact</b>
Sales Taxes	(\$175,931)
Personal Income Taxes	(137,956)
Business Taxes	(12,113)
<b>Total</b>	<b>(\$326,000)</b>

RIGL 45-33.4-4 requires the Division of Taxation to set aside baseline state tax revenue generated by activity occurring in Pawtucket's arts, ballpark, and growth center districts, to be distributed to the city once an agreement is entered into. The State and Pawtucket signed the agreement on December 8, 2020.



## Municipal Aid

The Governor's FY2022 Budget proposal increases direct state aid for municipalities by \$1.5 million. For FY2022, the Distressed Community Relief Aid is reduced by \$1.4 million as compared to the FY2021 enacted level. The Payment in Lieu of Taxes (PILOT) program is funded at \$46.1 million for a reimbursement rate of 26.0 percent. Meal and Beverage Tax revenue is projected to increase by a total of \$1.5 million for FY2021 and the Hotel Tax is projected to increase by 83.3 percent. Tables showing impacts by community are included at the end of this analysis.

<b>Direct Aid</b>	<b>FY2021 Enacted</b>	<b>FY2021 Revised</b>	<b>Change from Enacted</b>		<b>FY2022 Governor</b>	<b>Change from Enacted</b>	
Payment in Lieu of Taxes	\$50.7	\$50.7	-	-	\$46.1	(\$4.6)	-9.1%
Distressed Communities	13.8	13.8	-	-	12.4	(1.4)	-10.5%
Motor Vehicle Excise Tax	123.8	123.7	(0.1)	-0.1%	139.7	15.9	12.8%
<b>State Aid to Libraries</b>							
Grant-in-Aid	9.6	9.6	-	-	9.6	-	
Library Construction	2.7	2.7	-	-	2.1	(0.6)	-22.2%
Pandemic Relief - Per Capita	7.8	-	(7.8)	-100.0%	-	(7.8)	-100.0%
<b>Total Direct Aid</b>	<b>\$208.3</b>	<b>\$200.5</b>	<b>(\$7.8)</b>	<b>-3.8%</b>	<b>\$209.8</b>	<b>\$1.5</b>	<b>0.7%</b>
<b>Indirect Aid</b>							
Public Service Corporations Tax	\$13.16	\$13.16	-	-	\$13.16	-	-
Meals & Beverage Tax	24.8	24.2	(0.5)	-2.1%	26.3	1.5	6.2%
Hotel Tax	4.2	5.4	1.2	28.6%	7.7	3.5	83.3%
Airport Impact Aid	1.0	1.0	-	-	2.1	1.1	108.2%
<b>Total Indirect Aid</b>	<b>\$43.1</b>	<b>\$43.8</b>	<b>\$0.7</b>	<b>1.6%</b>	<b>\$49.2</b>	<b>\$6.1</b>	<b>14.2%</b>
<b>Total Aid</b>	<b>\$251.4</b>	<b>\$244.3</b>	<b>(\$7.2)</b>	<b>-2.8%</b>	<b>\$259.0</b>	<b>\$7.6</b>	<b>3.0%</b>

\$ 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 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 these properties.

The Governor proposes \$46.1 million in general revenue for the State's PILOT program in FY2022, \$26.9 million more than the FY2021 enacted level. The FY2021 Budget as Enacted appropriated both general revenue and federal Coronavirus Relief Funds (CRF) to meet the \$46.1 million required to level-fund the program relative to FY2020, saving \$26.9 million in general revenue. The General Assembly also appropriated an additional \$4.6 million in CRF funds in FY2021 that was distributed to municipalities according to the PILOT formula. Funding for the program is restored as general revenue only in FY2022.

<b>Fiscal Year</b>	<b>PILOT Funding Trends</b>		
	<b>Total Funding</b>	<b>% Change</b>	<b>% Reimbursed</b>
2008	\$27.8	0.0%	27.0%
2009	27.6	-0.7%	25.2%
2010	27.6	-	23.9%
2011	27.6	-	21.1%
2012	33.1	20.0%	23.4%
2013	35.1	6.0%	22.7%
2014	35.1	-	22.0%
2015	40.1	14.2%	25.4%
2016	40.1	-	23.7%
2017	42.0	4.7%	27.0%
2018	45.2	7.7%	27.0%
2019	46.1	2.0%	27.0%
2020	46.1	0.0%	26.7%
2021*	50.7	0.0%	28.8%
2022	46.1	-9.1%	26.0%

\$ in millions.

\* includes additional federal pandemic relief funds

Payment in Lieu of Taxes Program				
Source	FY2021	FY2022	Change	
General Revenue	\$19,203,960	\$46,089,504	\$26,885,544	140.0%
COVID Muni Aid	26,885,544	-	(\$26,885,544)	-100.0%
<b>Subtotal</b>	<b>\$46,089,504</b>	<b>\$46,089,504</b>	<b>-</b>	<b>-</b>
COVID Muni Aid Bonus	4,614,456	-	(4,614,456)	-100.0%
<b>Total</b>	<b>\$50,703,960</b>	<b>\$46,089,504</b>	<b>(\$4,614,456)</b>	<b>-9.1%</b>

Current law requires reimbursement at 27.0 percent of forgone tax revenue, but allows for a ratable reduction if the appropriation is less than this amount. The Governor's recommendation for FY2022 represents a rate of 26.01 percent.

### **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. The Governor recommends \$12.4 million in general revenue for the Distressed Community Relief Fund in FY2022, \$9.8 million more than the FY2021 enacted level. The FY2021 Budget as Enacted appropriated both general revenue and federal Coronavirus Relief Funds (CRF) to meet the \$12.4 million required to level-fund the program relative to FY2020, saving \$9.8 million in general revenue. The General Assembly also appropriated an additional \$1.4 million in CRF funds in FY2021 that was distributed to municipalities according to the Distressed Community Relief program formula. Funding for the program is restored as general revenue only in FY2022.

Distressed Community Relief Program				
Source	FY2021	FY2022	Change	
General Revenue	\$2,580,095	\$12,384,458	\$9,804,363	380.0%
COVID Muni Aid	9,804,363	-	(\$9,804,363)	-100.0%
<b>Subtotal</b>	<b>\$12,384,458</b>	<b>\$12,384,458</b>	<b>-</b>	<b>-</b>
COVID Muni Aid Bonus	1,445,637	-	(1,445,637)	-100.0%
<b>Total</b>	<b>\$13,830,095</b>	<b>\$12,384,458</b>	<b>(\$1,445,637)</b>	<b>-10.5%</b>

Seven communities are eligible to receive funds under the program in FY2022. Distribution is based upon annually updated data related to the local tax levy and is certified by the Division of Municipal Finance.

When a community is determined to no longer be eligible for the program, it is permitted to receive a transitional amount that is 50.0 percent of its proportional share.

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 and local taxes and/or fines through an intercept of an individual's income tax refund. The program assists communities with maximizing their collection of revenue thereby reducing or eliminating their distressed condition. All seven communities are currently participating.

Municipality	FY2021	FY2022	Change
	Enacted*	Governor	
Central Falls	\$245,802	\$220,713	(\$25,089)
Cranston	2,983,075	2,685,555	(297,520)
North Providence	1,073,357	987,908	(85,449)
Pawtucket	1,633,458	1,490,485	(142,973)
Providence	6,006,484	5,265,375	(741,109)
West Warwick	1,028,973	953,745	(75,228)
Woonsocket	858,947	780,677	(78,270)
<b>Total</b>	<b>\$13,830,096</b>	<b>\$12,384,458</b>	<b>(\$1,445,638)</b>

\* includes additional federal pandemic relief funds

### **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, and the

State-mandated motor vehicle tax exemption was reduced from \$6,000 to \$500. These provisions remained in effect through FY2017.

Article 11 of the FY2018 Budget as Enacted decreased 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 article removed the motor vehicle excise tax from the levy calculation related to the 4.0 percent cap on municipal property tax levy increases.

Additionally, the sales tax escalator calculation, which was in place from the 1998 motor vehicle excise tax phase-out language, was changed. The language previously rounded the changes so that it could significantly and negatively impact the levy reimbursements to cities and towns. Article 11 also changed the rounding of the sales tax received from the nearest tenth of one cent to the nearest thousandth of one cent, reducing the impact of the rounding. The authority to make this calculation shifted from the Director of Administration to the Director of Revenue.

The following table shows the updated phase-out schedule, estimated aid amounts, and the changes in State aid under the program.

Motor Vehicle Tax Phase-out and Forecast Based on Current Law							
	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
<b>Current Law</b>							
State Assessment Ratio	95.0%	90.0%	85.0%	80.0%	75.0%	70.0%	-
Rate Cap	\$60.0	\$50.0	\$35.0	\$35.0	\$30.0	\$20.0	-
Exemption Amount	\$1,000	\$2,000	\$3,000	\$4,000	\$5,000	\$6,000	-
Total Statewide Aid	\$24,543,927	\$46,281,611	\$80,265,446	\$100,513,618	\$129,656,362	\$165,730,128	\$222,350,194
Additional Aid from Previous FY	\$24,543,927	\$21,737,684	\$33,983,835	\$20,248,172	\$29,142,744	\$36,073,766	\$56,620,066

Source: Office of Revenue Analysis

For FY2022, the Budget includes \$139.7 million in total general revenue reimbursement funding for cities and towns, consistent with the current law, \$102.0 million more than the FY2021 enacted level. The FY2021 Budget as Enacted appropriated both general revenue and federal Coronavirus Relief Funds (CRF) to meet \$112.4 million in statutorily-required FY2021 reimbursements to cities and towns, saving \$74.8 million in general revenue. The General Assembly also appropriated an additional \$11.2 million in CRF funds in FY2021 that was distributed to municipalities according to the phase-out formula. Funding for the phase-out is restored as general revenue only in FY2022.

Motor Vehicle Excise Tax Phase Out				
Source	FY2021	FY2022	Change	
General Revenue	\$37,728,007	\$139,656,362	\$101,928,355	270.2%
COVID Muni Aid	74,838,213	-	(74,838,213)	-100.0%
<b>Subtotal</b>	<b>\$112,566,220</b>	<b>\$139,656,362</b>	<b>\$27,090,142</b>	<b>24.1%</b>
COVID Muni Aid Bonus	11,189,907	-	(11,189,907)	-100.0%
<b>Total</b>	<b>\$123,756,127</b>	<b>\$139,656,362</b>	<b>\$15,900,235</b>	<b>12.8%</b>

### 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 provides cities and towns with \$9.6 million in total direct library aid in FY2022. This includes a \$701,052 in funding for the Statewide Reference Library Resource Grant that supports interlibrary services for all municipal libraries. Distribution of direct library aid is based on qualifying data from the statutory reference year. Current law requires reimbursement of 25.0 percent of second prior year expenses, but allows for a ratable reduction if the appropriation is less than this amount. The FY2022 appropriation is funded at 22.1 percent.

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	11.5	-0.5%
2019	9.3	2.2	11.5	-
2020	9.3	1.9	11.2	-2.4%
2021	9.6	2.7	12.3	9.8%
2022	9.6	2.1	11.7	-4.9%

\$ in millions.

\*Inclusive of the Statewide Reference Library Resources Grant

**Construction Reimbursement:** Rhode Island law grants authority to the Office of Library and Information Services (OLIS) to award 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 FY2022, the Budget includes \$2.1 million for Library Construction Aid, \$595,278 less than the FY2021 Enacted level. According to OLIS, the reduction reflects planned reimbursement costs.

### 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. It is, however, 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 the 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. 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.

Fiscal Year	Public Service Corporation	
	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%
2019	13.3	1.0%
2020	13.3	-
2021	13.2	-0.8%
2022	13.2	-

\$ in millions.



The FY2022 Budget provides \$13.2 million to be distributed to municipalities on July 31, 2021.

### **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 FY2021, the Office of Revenue Analysis anticipates \$24.2 million in collections, increasing to \$26.3 million in FY2022.

<b>Meals &amp; Beverage Tax</b>		
<b>Fiscal Year</b>	<b>Total Funding</b>	<b>% Change</b>
2015	\$23.9	7.0%
2016	25.7	7.5%
2017	26.3	2.5%
2018	28.9	9.7%
2019	28.3	-2.1%
2020	26.2	-7.6%
2021	24.2	-7.3%
2022	26.3	8.5%

*\$ in millions.*

### **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 for 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. 25.0 percent of the revenue from the 5.0 percent hotel tax is distributed to the city or town where the hotel which generated the tax is physically located.

<b>Hotel Tax Distribution</b>		
<b>Fiscal Year</b>	<b>Total Distribution</b>	<b>Change</b>
2015	\$17.2	9.7%
2016	19.4	12.5%
2017	19.6	1.2%
2018	21.5	-0.7%
2019	21.7	0.7%
2020	17.7	-18.4%
2021	5.4	-69.6%
2022	7.7	-64.7%

*\$ in millions.*

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).

The Budget includes \$5.4 million in hotel tax distribution in FY 2021 and \$7.7 million in FY2022. The significant decrease in hotel tax collections from FY2020 to FY2021 (69.6 percent) is related to the impact of pandemic restrictions on travel.

## **OTHER AID TO LOCAL GOVERNMENT**

### **Warwick Rental Car Tax Revenue**

The RI Airport Corporation levies a customer service charge (CSC) of \$5.00 per day for all vehicle rentals from companies operating at T.F. Green Airport in Warwick. Revenues from the CSC are to be used to pay for the construction, expansion, reconfiguration, operation and maintenance of the Warwick Intermodal Transit Station. The CSC 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 CSC have been deposited into a restricted receipt account for the City of Warwick. The Budget includes \$995,120 in CSC payments to the City in FY2021 and FY2022.

### **Airport Impact Aid**

The Budget provides \$1.0 million in funding for the Airport Impact Aid program in FY2022. The Airport Impact Aid program provides State aid funds to municipalities which host airports. Under current law, the aid is distributed according to a statutory formula that provides 60.0 percent of the first \$1.0 million, or \$600,000, for communities with airports serving more than 1.0 million passengers per year. T.F. Green in

Warwick 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. Under current law, no community that hosts an airport can receive less than \$25,000.

The following table shows the distribution of Airport Impact Aid for FY2022:

<b>Airport</b>	<b>FY2021</b>	<b>FY2022*</b>	<b>Change</b>
Warwick T.F. Green	\$784,348	\$784,348	-
Block Island	35,706	35,706	-
Middletown - Newport Airport	47,094	47,094	-
North Central - Smithfield	25,003	25,003	-
North Central - Lincoln	25,003	25,003	-
North Kingstown - Quonset	47,442	47,442	-
Westerly	45,440	45,440	-
<b>Total</b>	<b>\$1,010,036</b>	<b>\$1,010,036</b>	<b>-</b>

*\* Airport Impact Aid distributions are Senate Fiscal Office estimates and are based on May 2020 landing data. Final distribution levels will be adjusted based on updated May 2021 data.*

### **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 \$1.5 million for the Property Revaluation program in FY2022, an increase of \$385,067 from the FY2021 enacted level. The change is based on anticipated reimbursements, which are required by law. The following communities will be reimbursed for statistical updates in FY2022: Coventry, Gloucester, Portsmouth, Richmond, Warren, and West Greenwich. Full revaluations will occur in Charlestown, Cumberland, Hopkinton, and North Providence.

### **Property Revaluation Program**

<b>Fiscal Year</b>	<b>Amount</b>	<b>% Change</b>
2015	\$0.6	20.0%
2016	1.4	133.3%
2017	0.6	-57.1%
2018	0.9	50.0%
2019	1.6	77.8%
2020	0.5	-68.8%
2021	1.1	120.0%
2022	1.5	36.4%

*\$ in millions*

### **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 Rhode Island Capital Plan (RICAP) funds 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) contributed \$3.5 million to the program from its board-designated administrative fund in FY2015. The Budget does not include any additional funding for the Municipal Road and Bridge Fund in FY2022.

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.

<b>Municipal Road and Bridge Fund</b>					
<b>Borrower</b>	<b>Program</b>	<b>Amount</b>	<b>Amount</b>	<b>Loan</b>	<b>Credit Limit</b>
	<b>Year</b>	<b>Requested</b>	<b>Borrowed</b>	<b>Outstanding</b>	<b>Remaining</b>
East Providence	2014	\$1,215,000	\$1,215,000	\$520,000	-
Newport	2014	4,000,000	1,500,000	627,000	-
Warwick	2014	1,600,000	1,600,000	1,065,541	131,459
Burrillville	2014	680,000	680,000	335,452	4,548
New Shoreham	2014	255,000	255,000	131,802	29,198
Westerly *	2014	625,000	225,000	-	-
Pawtucket	2014	7,000,000	3,500,000	2,638,000	-
Cumberland	2014	560,000	560,000	373,550	45,450
Coventry	2014	340,000	340,000	144,000	-
West Warwick	2015	150,515	150,515	69,515	-
Bristol	2015	500,000	500,000	364,000	-
Hopkinton	2015	253,000	253,000	48,104	-
Pawtucket	2015	5,000,000	5,000,000	3,912,000	-
East Greenwich	2015	2,000,000	2,000,000	925,000	-
Coventry	2015	900,000	900,000	607,000	-
Bristol	2016	1,175,000	1,175,000	927,000	-
Cranston	2016	1,755,000	1,755,000	1,436,000	-
New Shoreham	2016	296,000	296,000	241,000	-
Pawtucket	2016	3,000,000	3,000,000	2,467,000	-
East Greenwich	2017	5,000,000	5,000,000	4,111,407	214,593
Pawtucket	2017	3,000,000	3,000,000	2,603,000	-
New Shoreham	2018	449,000	449,000	392,000	-
Providence Public Building Authority	2018	10,000,000	10,000,000	8,767,000	-
Pawtucket	2018	2,000,000	2,000,000	1,830,000	-
Middletown	2018	5,000,000	5,000,000	3,957,307	609,693
Barrington	2019	3,500,000	3,500,000	1,247,452	1,902,548
Warren	2019	2,500,000	2,000,000	(11,000)	2,000,000
Westerly	2019	15,000,000	15,000,000	6,598,422	7,894,578
Central Falls	2019	1,500,000	1,500,000	1,100,025	335,975
Pawtucket	2019	2,000,000	2,000,000	1,835,000	-
Providence Public Building Authority	2020	20,000,000	20,000,000	1,441,658	18,558,342
Cumberland	2020	2,500,000	2,500,000	1,456,356	934,644
Warwick	2020	3,000,000	3,000,000	(246,000)	2,963,000
Warwick	2020	7,000,000	7,000,000	3,841,489	2,501,511
<b>Total</b>		<b>\$113,753,515</b>	<b>\$106,853,515</b>	<b>\$55,756,080</b>	<b>\$38,125,539</b>

\*\$400,000 turned back by Westerly

**OTHER MUNICIPAL ISSUES*****Tax Stabilization Incentive***

Article 19 of the FY2016 Budget as Enacted 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 provides 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 of the property (original cost of the property reduced by depreciation deductions and increased by capital expenditures), 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, commercial enterprises, or residential purposes. The terms of the stabilization agreements must be for a minimum of twelve years and reimbursements cease upon termination of the underlying tax stabilization agreement or upon exhaustion of funds appropriated to the reimbursement fund.

Article 17 of the FY2017 Budget modified 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 general revenue appropriation.

Since FY2016, the Commerce Corporation has provided \$606,426 in tax stabilization incentives in support of three projects:

<b>Project</b>	<b>Municipality</b>	<b>Board Approval Date</b>	<b>Board Approval Amount</b>
Residence Inn (Former Fogarty Building)	Providence	2/22/2016, 5/22/17	\$246,597
Immunex RI Corporation	West Greenwich	4/10/2018	179,829
Rubius Therapeutics	Smithfield	6/28/2018	180,000
<b>Total</b>			<b>\$606,426</b>

*Source: Commerce Corporation*

## FY2022 Direct Municipal Aid to Cities and Towns

Municipality	FY2021 Enacted	Payment in Lieu of Taxes	Distressed		Library Grant-in-Aid	Library Construction Aid	FY2022 Governor	Change from FY2021 Enacted
			Communities Relief Fund	Motor Vehicle Excise Tax				
Barrington	\$3,536,863	\$17,094	-	\$3,566,139	\$365,527	\$107,551	\$4,056,310	\$519,446
Bristol	3,343,879	1,327,172	-	1,474,839	190,810	292,294	3,285,114	(58,765)
Burrillville	3,361,397	98,835	-	3,204,281	186,270	231,931	3,721,316	359,920
Central Falls	1,838,006	-	220,713	1,532,474	31,902	-	1,785,089	(52,917)
Charlestown	566,057	-	-	516,867	53,533	-	570,399	4,342
Coventry	3,354,789	-	-	3,141,355	197,001	-	3,338,356	(16,433)
Cranston	22,580,958	4,778,876	2,685,555	14,740,627	664,578	-	22,869,637	288,679
Cumberland	3,313,950	-	-	3,073,980	308,514	29,844	3,412,338	98,388
East Greenwich	1,807,341	729,131	-	865,992	123,871	49,190	1,768,184	(39,157)
East Providence	5,884,162	260,127	-	5,600,113	447,125	53,991	6,361,355	477,193
Exeter	1,103,364	-	-	1,174,231	60,044	29,901	1,264,176	160,812
Foster	902,475	-	-	1,027,831	34,393	-	1,062,224	159,749
Glocester	1,269,331	-	-	1,205,509	81,660	-	1,287,169	17,837
Hopkinton	901,414	-	-	896,335	37,216	-	933,552	32,138
Jamestown	310,202	-	-	182,168	109,968	-	292,136	(18,067)
Johnston	6,049,911	-	-	6,502,131	126,270	-	6,628,400	578,490
Lincoln	2,251,539	-	-	2,395,450	217,473	-	2,612,923	361,384
Little Compton	164,657	-	-	105,149	37,355	-	142,504	(22,153)
Middletown	960,312	-	-	794,581	126,831	45,005	966,418	6,106
Narragansett	760,886	-	-	526,083	87,158	-	613,241	(147,645)
Newport	3,083,475	1,601,050	-	672,750	415,522	-	2,689,322	(394,153)
New Shoreham	326,537	-	-	94,711	91,679	63,325	249,714	(76,823)
North Kingstown	2,075,644	1,080	-	2,015,597	301,066	-	2,317,743	242,099
North Providence	7,522,452	-	987,908	6,697,585	201,533	-	7,887,025	364,574
North Smithfield	2,407,302	-	-	2,662,361	80,421	-	2,742,782	335,480
Pawtucket	14,246,422	3,501	1,490,485	12,271,628	421,641	-	14,187,255	(59,167)
Portsmouth	1,155,999	-	-	1,079,761	117,111	-	1,196,871	40,873
Providence	72,262,894	34,027,865	5,265,375	26,298,168	1,319,744	646,446	67,557,598	(4,705,296)
Richmond	760,139	-	-	756,231	26,826	-	783,056	22,917
Scituate	681,551	-	-	574,145	109,928	-	684,074	2,523
Smithfield	4,386,141	860,981	-	3,880,588	317,166	-	5,058,736	672,595
South Kingstown	2,066,755	209,069	-	1,659,007	242,750	-	2,110,827	44,072
Tiverton	1,051,059	-	-	526,855	127,469	299,621	953,945	(97,114)
Warren	1,145,483	-	-	1,106,897	64,909	-	1,171,806	26,324
Warwick	12,998,839	1,528,261	-	13,018,239	736,708	-	15,283,208	2,284,369
Westerly	3,523,674	185,126	-	2,944,189	316,166	253,767	3,699,248	175,574
West Greenwich	839,034	-	-	655,354	48,116	-	703,470	(135,564)
West Warwick	3,902,364	-	953,745	3,008,286	171,836	-	4,133,868	231,504
Woonsocket	8,672,092	461,334	780,677	7,036,751	200,324	-	8,479,087	(193,005)
SRL <sup>1</sup>	701,052	-	-	-	701,052	-	701,052	-
ILG <sup>2</sup>	62,609	-	-	-	62,609	-	62,609	-
Fire Districts	172,109	-	-	171,125	-	-	171,125	(984)
<b>Total</b>	<b>\$208,305,119</b>	<b>\$46,089,504</b>	<b>\$12,384,458</b>	<b>\$139,656,362</b>	<b>\$9,562,072</b>	<b>\$2,102,866</b>	<b>\$209,795,262</b>	<b>\$1,490,143</b>

<sup>1</sup> SRL: Statewide Reference Library Resources Grant<sup>2</sup> ILG: Grant-in-Aid to Institutional Libraries

## FY2021 Supplemental - Direct Municipal Aid to Cities and Towns

Municipality	FY2021 Enacted	Payment in Lieu of Taxes <sup>1</sup>	Distressed Communities			Municipal COVID-Relief Fund PCF <sup>2</sup>	Library Grant-in-Aid	Library Construction Aid	FY2021 Supplemental	Change from FY2021 Enacted
			Relief Fund <sup>1</sup>	Motor Vehicle Excise Tax <sup>1</sup>						
Barrington	\$3,536,863	\$18,185	-	\$2,915,246	\$118,662	\$375,185	\$109,585	\$3,536,863	-	
Bristol	3,343,879	1,408,834	-	1,282,376	163,081	194,607	294,981	3,343,879	-	
Burrillville	3,361,397	109,259	-	2,707,298	120,679	184,839	239,321	3,361,397	-	
Central Falls	1,838,006	-	245,802	1,418,289	142,163	31,752	-	1,838,006	-	
Charlestown	566,057	-	-	456,190	57,065	52,802	-	566,057	-	
Coventry	3,354,789	-	-	2,871,721	253,600	229,468	-	3,354,789	-	
Cranston	22,580,958	5,297,860	2,983,075	13,065,635	595,554	638,834	-	22,580,958	-	
Cumberland	3,313,950	-	-	2,731,343	254,164	297,545	30,898	3,313,950	-	
East Greenwich	1,807,341	791,019	-	720,298	112,288	132,534	51,202	1,807,341	-	
East Providence	5,884,162	279,679	-	4,788,852	348,028	411,631	55,972	5,884,162	-	
Exeter	1,103,364	-	-	872,260	49,744	53,203	75,968	1,051,175	(52,189)	
Foster	902,475	-	-	834,221	34,393	33,861	-	902,475	-	
Glocester	1,269,331	-	-	1,116,825	73,802	78,704	-	1,269,331	-	
Hopkinton	901,414	-	-	806,071	59,492	35,851	-	901,414	-	
Jamestown	310,202	-	-	161,751	40,312	108,139	-	310,202	-	
Johnston	6,049,911	-	-	5,710,079	214,432	125,400	-	6,049,911	-	
Lincoln	2,251,539	-	-	1,879,056	158,754	213,729	-	2,251,539	-	
Little Compton	164,657	-	-	102,785	25,708	36,164	-	164,657	-	
Middletown	960,312	-	-	653,751	117,928	142,580	46,053	960,312	-	
Narragansett	760,886	-	-	469,805	114,056	177,025	-	760,886	-	
Newport	3,083,475	1,771,032	-	547,657	181,624	402,053	181,109	3,083,475	-	
New Shoreham	326,537	-	-	167,330	6,066	90,133	63,008	326,537	-	
North Kingstown	2,075,644	1,195	-	1,584,619	192,222	297,608	-	2,075,644	-	
North Providence	7,522,452	-	1,073,357	6,013,814	238,079	197,202	-	7,522,452	-	
North Smithfield	2,407,302	-	-	2,237,096	90,577	79,629	-	2,407,302	-	
Pawtucket	14,246,422	3,873	1,633,458	11,673,796	526,314	408,981	-	14,246,422	-	
Portsmouth	1,155,999	-	-	912,150	127,757	116,092	-	1,155,999	-	
Providence	72,262,894	37,489,776	6,006,484	25,316,411	1,316,115	1,301,180	832,928	72,262,894	-	
Richmond	760,139	-	-	679,468	55,935	24,736	-	760,139	-	
Scituate	681,551	-	-	497,355	77,771	106,425	-	681,551	-	
Smithfield	4,386,141	952,391	-	2,967,539	158,651	307,560	-	4,386,141	-	
South Kingstown	2,066,755	231,266	-	1,378,616	225,434	231,439	-	2,066,755	-	
Tiverton	1,051,059	-	-	509,454	116,007	122,762	302,836	1,051,059	-	
Warren	1,145,483	-	-	1,007,703	76,927	60,853	-	1,145,483	-	
Warwick	12,998,839	1,690,515	-	9,950,235	578,295	779,794	-	12,998,839	-	
Westerly	3,523,674	178,683	-	2,617,639	165,942	307,643	253,767	3,523,674	-	
West Greenwich	839,034	-	-	749,418	45,322	44,294	-	839,034	-	
West Warwick	3,902,364	-	1,028,973	2,495,806	212,378	165,207	-	3,902,364	-	
Woonsocket	8,672,092	480,393	858,947	6,661,869	304,679	200,967	165,238	8,672,092	-	
SRL <sup>3</sup>	701,052	-	-	-	-	701,052	-	701,052	-	
ILG <sup>4</sup>	62,609	-	-	-	-	62,609	-	62,609	-	
Fire Districts	172,109	-	-	135,855	-	-	-	135,855	(36,254)	
<b>Total</b>	<b>\$208,305,119</b>	<b>\$50,703,960</b>	<b>\$13,830,096</b>	<b>\$123,667,682</b>	<b>\$7,750,000</b>	<b>\$9,562,072</b>	<b>\$2,702,866</b>	<b>\$208,216,676</b>	<b>(88,443)</b>	

<sup>1</sup> Includes both general revenue and federal Coronavirus Relief Funds (CRF)<sup>2</sup> PCF: Per Capita Funds (CRF Funds)<sup>3</sup> SRL: Statewide Reference Library Resources Grant<sup>4</sup> ILG: Grant-in-Aid to Institutional Libraries

## FY2022 - Indirect Municipal Aid to Cities and Towns

Municipality	FY2021	Public Service		Meals and	Airport	FY2022	Change from
	Enacted	Corp. Tax	Hotel Tax	Beverage Tax	Impact Fees <sup>1</sup>	Governor	FY2021 Enacted
Barrington	\$348,546	\$201,493	\$2,780	\$153,880	-	358,152	\$9,607
Bristol	697,039	276,918	51,623	418,434	-	746,976	49,936
Burrillville	382,036	204,918	147	188,080	-	393,145	11,109
Central Falls	367,672	241,398	644	133,569	-	375,610	7,939
Charlestown	299,789	96,898	63,940	153,885	-	314,723	14,934
Coventry	876,588	430,622	64,299	440,888	-	935,809	59,221
Cranston	2,801,324	1,011,274	63,065	1,869,562	-	2,943,901	142,578
Cumberland	911,425	431,581	296	509,611	-	941,488	30,063
East Greenwich	764,723	162,821	1,992	638,322	-	803,135	38,411
East Providence	1,553,083	590,964	59,059	992,030	-	1,642,054	88,971
Exeter	190,235	84,468	158	112,271	-	196,897	6,663
Foster	74,552	58,400	323	16,997	-	75,720	1,168
Glocester	197,253	125,319	2,647	75,076	-	203,042	5,790
Hopkinton	147,225	101,020	822	49,019	-	150,861	3,636
Jamestown	151,897	68,451	24,913	69,817	-	163,181	11,285
Johnston	1,014,159	364,114	5,891	687,593	-	1,057,598	43,438
Lincoln	991,586	269,570	100,165	689,309	25,000	1,084,045	92,458
Little Compton	108,410	43,654	21,665	48,817	-	114,135	5,726
Middletown	1,335,179	200,247	818,563	727,856	42,340	1,789,006	453,827
Narragansett	972,859	193,671	231,650	633,511	-	1,058,832	85,973
Newport	3,372,156	308,404	1,867,151	2,236,694	-	4,412,249	1,040,093
New Shoreham	779,036	10,300	497,291	376,441	31,017	915,049	136,012
North Kingstown	980,048	326,401	82,817	583,266	64,987	1,057,471	77,423
North Providence	809,361	404,268	2,542	429,163	-	835,973	26,611
North Smithfield	453,223	153,803	3,161	316,492	-	473,457	20,234
Pawtucket	1,818,660	893,702	73,820	945,009	-	1,912,530	93,870
Portsmouth	484,733	216,936	17,897	272,819	-	507,652	22,919
Providence	7,993,704	2,234,814	1,453,471	5,282,907	-	8,971,192	977,488
Richmond	225,987	94,980	6,800	135,881	-	237,661	11,674
Scituate	193,628	132,057	6,301	61,911	-	200,270	6,642
Smithfield	1,138,497	269,396	140,083	824,897	25,000	1,259,376	120,878
South Kingstown	1,313,015	382,796	192,530	876,322	-	1,451,648	138,633
Tiverton	472,224	196,984	22,854	280,088	-	499,926	27,702
Warren	414,374	130,625	1,646	302,209	-	434,480	20,106
Warwick	4,836,839	1,009,817	850,723	2,801,253	780,829	5,442,623	605,784
Westerly	1,524,955	281,776	681,839	864,129	40,863	1,868,607	343,652
West Greenwich	246,755	76,958	99,216	129,623	-	305,797	59,042
West Warwick	794,794	360,627	100,210	410,149	-	870,986	76,191
Woonsocket	1,075,943	517,357	47,533	569,172	-	1,134,062	58,119
<b>Total</b>	<b>\$43,113,512</b>	<b>\$13,159,804</b>	<b>\$7,662,525</b>	<b>\$26,306,952</b>	<b>\$1,010,036</b>	<b>\$48,139,317</b>	<b>\$5,025,805</b>

<sup>1</sup> Airport Impact Aid distributions are Senate Fiscal Office Estimates and are based on May 2020 landing data. Final distribution levels will be adjusted based on updated May 2021 data.

## FY2021 Supplemental - Indirect Municipal Aid to Cities and Towns

Municipality	FY2021 Enacted	Public Service Corp. Tax	Hotel Tax	Meals and Beverage Tax	Airport Impact Fees <sup>1</sup>	FY2021 Supplemental	Change from FY2021 Enacted
Barrington	\$348,546	\$201,493	\$2,666	\$141,822	-	\$345,981	(\$2,565)
Bristol	697,039	276,918	36,583	385,645	-	699,147	2,107
Burrillville	382,036	204,918	145	173,341	-	378,404	(3,632)
Central Falls	367,672	241,398	613	123,102	-	365,113	(2,559)
Charlestown	299,789	96,898	55,526	141,826	-	294,250	(5,539)
Coventry	876,588	430,622	42,997	406,339	-	879,958	3,370
Cranston	2,801,324	1,011,274	42,836	1,723,057	-	2,777,168	(24,156)
Cumberland	911,425	431,581	293	469,676	-	901,551	(9,874)
East Greenwich	764,723	162,821	1,763	588,301	-	752,885	(11,839)
East Providence	1,553,083	590,964	41,252	914,292	-	1,546,509	(6,575)
Exeter	190,235	84,468	156	103,473	-	188,097	(2,137)
Foster	74,552	58,400	230	15,665	-	74,295	(257)
Glocester	197,253	125,319	1,812	69,193	-	196,325	(928)
Hopkinton	147,225	101,020	631	45,177	-	146,829	(396)
Jamestown	151,897	68,451	22,244	64,346	-	155,041	3,145
Johnston	1,014,159	364,114	3,943	633,711	-	1,001,768	(12,391)
Lincoln	991,586	269,570	66,441	635,293	25,000	996,304	4,718
Little Compton	108,410	43,654	18,616	44,992	-	107,261	(1,148)
Middletown	1,335,179	200,247	559,780	670,819	42,340	1,473,186	138,007
Narragansett	972,859	193,671	189,344	583,867	-	966,882	(5,977)
Newport	3,372,156	308,404	1,282,422	2,061,421	-	3,652,246	280,090
New Shoreham	779,036	10,300	393,386	346,942	31,017	781,645	2,609
North Kingstown	980,048	326,401	60,278	537,559	64,987	989,226	9,178
North Providence	809,361	404,268	2,542	395,532	-	802,342	(7,019)
North Smithfield	453,223	153,803	2,173	291,691	-	447,667	(5,556)
Pawtucket	1,818,660	893,702	49,934	870,956	-	1,814,591	(4,069)
Portsmouth	484,733	216,936	14,977	251,440	-	483,353	(1,380)
Providence	7,993,704	2,234,814	998,382	4,868,924	-	8,102,120	108,416
Richmond	225,987	94,980	6,031	125,233	-	226,244	257
Scituate	193,628	132,057	4,395	57,060	-	193,512	(115)
Smithfield	1,138,497	269,396	93,243	760,256	25,000	1,147,895	9,398
South Kingstown	1,313,015	382,796	136,945	807,651	-	1,327,392	14,377
Tiverton	472,224	196,984	16,703	258,139	-	471,827	(397)
Warren	414,374	130,625	1,589	278,527	-	410,742	(3,633)
Warwick	4,836,839	1,009,817	576,424	2,581,738	780,829	4,948,808	111,969
Westerly	1,524,955	281,776	483,501	796,413	40,863	1,602,553	77,598
West Greenwich	246,755	76,958	65,950	119,466	-	262,374	15,619
West Warwick	794,794	360,627	66,865	378,008	-	805,500	10,706
Woonsocket	1,075,943	517,357	32,311	524,570	-	1,074,237	(1,706)
<b>Total</b>	<b>\$43,113,512</b>	<b>\$13,159,804</b>	<b>\$5,375,925</b>	<b>\$24,245,464</b>	<b>\$1,010,036</b>	<b>\$43,791,229</b>	<b>\$677,717</b>

<sup>1</sup> Airport Impact Aid distributions are Senate Fiscal Office Estimates are based on May 2020 landing data. Final distribution levels will be adjusted based on updated May 2021 data.



## Education Aid

The Education Adequacy Act (2010-S-2770, Substitute A as Amended) provided a new school funding formula that creates a single methodology for distributing state aid to all public schools. The core principle behind the formula is that state funding should follow the student; therefore, the distribution of state funds changes annually based on shifts in enrollment. This formula applies to all public schools, charter schools, the Davies Career and Technical School, and the Metropolitan Career and Technical Center. The Act does not change the funding methodology for the School for the Deaf, since it is an education program that already has a state, federal and local share.

Beginning in FY2012, the formula established a per-pupil spending amount and allocated this funding based on student enrollment, adjusting for poverty (as measured by the number of families whose income is below 185.0 percent of the federal poverty guidelines). The formula also adjusts for local revenue generating capacity and overall poverty level, as well as the concentration of children living in poverty.

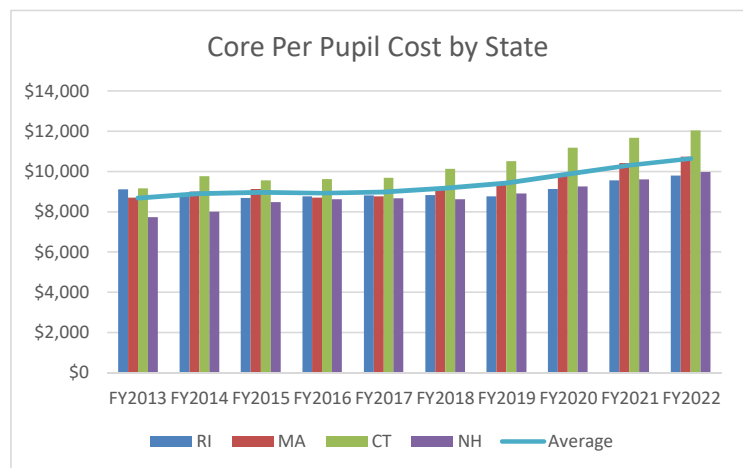
The Act included a multi-year transition plan to ease districts into the new formula, allowing time for school districts and municipal governments to adjust for gains or losses in education aid. The plan provided a transition period of ten years from the formula implementation in FY2012 for those districts projected to receive less school aid than they did in the previous year, and seven years for those districts projected to receive more. FY2021 is the final year of the transition plan.

In FY2022, the formula aid to the districts, charter schools, and state schools increases by \$36.6 million, categorical aid decreases by \$325,000, and group home aid decreases by \$100,048. As of FY2022 the funding formula distribution is fully phased in.

### HOW THE FORMULA WORKS

**Step 1 - Student Enrollment:** Student enrollment is based on resident average daily membership (RADM), which refers to the average number of students who are residents of the community and were enrolled in the school district during the prior school year. The Budget is based on enrollment data as of March 2021 with projected charter school enrollments.

**Step 2 - Core Instruction Amount:** The core instruction amount provides a base level of funding per pupil (\$10,635 in FY2022, a 3.2 percent increase from the FY2021 Budget as Enacted). It is derived from the average of northeast regional expenditure data from Rhode Island, Massachusetts, Connecticut and New Hampshire, as published by the National Center for Education Statistics (NCES).



**Step 3 - High Need Student Weight (40.0 percent):** The Act includes a single factor to adjust the core instruction amount to address the effects of poverty and other factors influencing educational need. The student success factor, also referred to as the high need student weight, increases the core instruction amount by 40.0 percent, or \$4,254 based on the FY2022 core instruction amount of \$10,635 ( $\$10,635 \times 0.40 = \$4,254$ ), for each student whose family income is at or below one hundred eighty-five percent (185%) of federal poverty guidelines.

**Step 4 - Total Foundation Budget:** The total foundation budget for each school district is calculated by adding the product of the total core instruction amount and the total student success factor weight.

$$\text{Total Foundation Budget} = (\$10,635 \times \text{RADM}) + (0.40 \times \$10,635 \times \text{students in poverty})$$

**Step 5 - State Share Ratio:** The Education Adequacy Act creates a new share ratio by adding a wealth measure, based on the concentration of children living in poverty, to the single equalized weighted assessed valuation (EWAV) previously used to determine a district's ability to pay for the cost of education. The total foundation budget equals the student enrollment and the high-need student weight of the district multiplied by the core instruction amount. The State's share of the total foundation budget is the state share ratio calculated as follows:

$$\text{State Share Ratio (SSR)} = \sqrt{\frac{\text{SSRC}^2 + \%PK - 6\text{poverty}^2}{2}}$$

By squaring each factor, the formula amplifies the greater of the two variables. Consequently, school districts with less capacity to raise revenue than the State as whole and a higher concentration of child poverty look relatively poorer, while districts with a higher capacity to raise revenue and lower concentrations of poverty look relatively wealthier. Those poorer districts with the higher SSR will receive a greater portion of the calculated education costs as state aid than the wealthier districts.

The EWAV share ratio is based on each community's total assessed property value and median family income, relative to districts across the State. The total community property value includes motor vehicles, personal property and State payments in lieu of taxes. These values are brought to full market value based on market experience and then adjusted by the median family income. The higher the EWAV share ratio, the less capacity the community has relative to the rest of the state for generating locally derived revenue to support schools and the more state aid the community will receive. While similar to the share ratio used in the school construction formula to determine the state's share of debt service obligations, the Education Adequacy Act adjusted the EWAV calculation to increase the State share of total education budget.

The distribution includes an update to the median family income (MFI) component of the EWAV based on the socio-economic data from the American Community Survey (ACS) provided by the United States Census Bureau. The index used to adjust for MFI is the ratio of the median family income of the municipality relative to the median family income statewide as reported in the American Community Survey (ACS) provided by the United States Census Bureau.

**Step 6 - State Share of Foundation Budget:** The State's share of the total foundation budget equals the state share ratio, discussed above, times the total foundation budget. Unlike many foundation formulas, the statute neither requires a minimum nor sets a maximum local spending level beyond the limits in the maintenance of effort requirements found in RIGL 16-7-23 and 16-7-23.1. Nonetheless, a municipality is responsible, to some degree, for the difference between the state share and the total foundation amount.

#### TABLE

The table on the following page provides a step-by-step calculation of each district's recommended formula distribution for FY2022.

FY2022 Governor's Education Aid Calculator<sup>1</sup>

Districts	PK-12 RADM (Projected based on March 2020 Data adjusted for projected FY2022 P50C growth)		Poverty RADM (Projected based on March 2020 Data)	Core Instruction Funding (C = \$10,635)		Student Success Factor Funding (F = 0.4*\$10,635 = \$4,254)		Total Foundation D+G+H	% Poverty PK6	EMAV	State Share Ratio I	State Share of Foundation Budget H*J=I	FY2021 Enacted (excludes group home and categorical)	Change in State Funding J-K=L
	A	B		A*C=D	B*F=G	D+G+H	H*J=I							
Barrington	3,416	145	\$36,329,160	\$616,830	\$36,945,990	5.1%	29.8%	21.4%	\$7,924,118	\$5,871,029	\$2,053,089			
Burrillville	2,224	781	23,652,240	3,322,374	26,974,614	38.9%	60.8%	51.0%	13,767,429	14,142,025	(374,596)			
Charlestown	740	156	7,869,900	663,624	8,533,524	21.4%	0.0%	15.1%	1,291,300	1,310,336	(19,036)			
Coverly	4,502	1,207	47,878,770	5,134,578	53,013,348	30.3%	56.6%	45.4%	24,066,104	23,412,703	653,401			
Cranston	10,168	4,095	108,136,680	17,420,130	125,556,810	43.8%	63.3%	54.5%	68,487,125	68,450,816	36,310			
Cumberland	4,597	913	48,889,095	3,883,902	52,772,997	22.7%	49.8%	38.7%	20,422,979	20,695,039	(272,060)			
East Greenwich	2,572	173	27,353,220	735,942	28,089,162	8.6%	19.9%	15.3%	4,305,850	3,289,856	1,015,994			
East Providence	5,036	2,443	53,557,860	10,392,522	63,950,382	48.0%	63.8%	56.5%	36,103,488	35,396,348	707,140			
Foster	227	64	2,414,145	272,256	2,686,401	27.9%	48.2%	39.4%	1,057,919	1,030,628	27,291			
Glocester	553	73	5,881,155	310,542	6,191,697	13.7%	53.6%	39.1%	2,422,153	2,121,901	300,252			
Hopkinton	1,137	236	12,091,995	1,003,944	13,095,939	21.0%	56.6%	42.7%	5,590,417	5,488,552	101,864			
Jamestown	655	36	6,965,925	153,144	7,119,069	5.8%	0.0%	4.1%	291,969	370,888	(78,920)			
Johnston	3,288	1,372	34,967,880	5,836,488	40,804,368	42.7%	52.4%	47.8%	19,503,143	18,685,883	817,261			
Lincoln	3,162	826	33,627,870	3,513,804	37,141,674	27.6%	53.7%	42.7%	15,857,037	14,948,129	908,909			
Little Compton	344	49	3,658,440	208,446	3,866,886	15.8%	0.0%	11.2%	432,020	397,611	34,408			
Middletown	2,175	694	23,131,125	2,952,276	26,083,401	32.5%	29.8%	31.2%	8,132,606	7,845,644	286,962			
Narragansett	1,211	220	12,878,985	935,880	13,814,865	22.3%	0.0%	15.8%	2,178,394	2,206,524	(28,130)			
Newport	2,088	1,471	22,205,880	6,257,634	28,463,514	73.3%	0.0%	51.8%	14,752,903	13,794,759	958,145			
New Shoreham	134	26	1,425,090	110,604	1,535,694	17.6%	0.0%	12.4%	191,118	177,909	13,209			
North Kingstown	3,747	793	39,849,345	3,373,422	43,222,767	24.3%	27.5%	25.9%	11,216,037	11,791,198	(575,161)			
North Providence	3,547	1,674	37,722,345	7,121,196	44,843,541	49.5%	68.1%	59.5%	26,695,771	24,700,268	1,995,502			
North Smithfield	1,643	308	17,473,305	1,310,232	18,783,537	18.7%	42.5%	32.8%	6,167,096	6,028,551	138,545			
Pawtucket	8,595	6,112	91,407,825	26,000,448	117,408,273	73.0%	87.5%	80.6%	94,603,861	91,967,189	2,636,671			
Portsmouth	2,295	359	24,407,325	1,527,186	25,934,511	16.7%	0.0%	11.8%	3,062,524	3,219,595	(157,071)			
Providence	22,458	19,259	238,840,830	81,927,786	320,768,616	87.6%	85.9%	86.8%	278,280,132	268,225,023	10,055,109			
Richmond	1,135	172	12,070,725	731,688	12,802,413	16.3%	54.5%	40.2%	5,149,642	4,693,797	455,845			
Scituate	1,269	147	13,495,815	625,338	14,121,153	12.4%	20.1%	16.7%	2,358,211	2,647,517	(289,305)			
Smithfield	2,378	366	25,290,030	1,556,964	26,846,994	15.7%	32.3%	25.4%	6,817,709	5,776,314	1,041,395			
South Kingstown	2,918	514	31,032,930	2,186,556	33,219,486	19.4%	0.7%	13.7%	4,559,972	4,463,290	96,681			
Tiverton	1,758	407	18,696,330	1,731,378	20,427,708	26.2%	38.9%	33.2%	6,774,565	7,380,299	(605,734)			
Warwick	8,616	2,817	91,631,160	11,983,518	103,614,678	35.8%	39.8%	37.9%	39,221,133	37,747,785	1,473,347			
Westerly	2,683	875	28,533,705	3,722,250	32,255,955	34.8%	0.0%	24.6%	7,937,325	8,114,881	(177,556)			
West Warwick	3,607	1,933	38,360,445	8,222,982	46,583,427	56.4%	74.8%	66.2%	30,857,785	29,438,359	1,419,425			
Woonsocket	5,888	4,589	62,618,880	19,521,606	82,140,486	79.9%	90.2%	85.2%	69,988,442	68,596,553	1,391,889			
Bristol-Warren <sup>2</sup>	3,163	940	33,638,505	3,998,760	37,637,265	-	-	-	11,345,723	12,630,626	(1,284,903)			
Exeter-West Greenwich <sup>2</sup>	-	273	17,473,305	1,161,342	18,634,647	-	-	-	4,242,989	4,226,297	16,692			
Charlton	-	-	-	-	-	-	-	-	-	-	-			
Foster-Glocester <sup>2</sup>	1,149	188	12,219,615	799,752	13,019,367	-	-	-	5,104,253	4,636,715	467,538			
Central Falls	2,781	2,707	29,575,935	11,515,578	41,091,513	93.3%	97.5%	95.4%	39,210,800	38,101,208	1,109,592			
<b>District Total</b>	<b>129,502</b>	<b>59,413</b>	<b>\$1,377,253,770</b>	<b>\$252,742,902</b>	<b>\$1,629,996,672</b>	-	-	-	<b>\$900,372,044</b>	<b>\$874,022,047</b>	<b>\$26,349,997</b>			
Charter School Total	11,061	7,701	117,633,735	32,760,054	150,393,789	-	-	-	118,384,614	108,849,009	9,535,605			
Davies	885	544	9,411,975	2,314,176	11,726,151	-	-	-	9,091,903	8,764,580	327,322			
Mt School	780	603	8,295,300	2,565,162	10,860,462	-	-	-	8,016,071	7,695,945	320,126			
Urban Collaborative	133	112	1,414,455	476,448	1,890,903	-	-	-	1,630,145	1,555,465	74,680			
<b>Total</b>	<b>142,361</b>	<b>68,373</b>	<b>\$1,514,009,235</b>	<b>\$290,958,742</b>	<b>\$1,804,967,977</b>	-	-	-	<b>\$1,037,494,776</b>	<b>\$1,000,887,046</b>	<b>\$36,607,730</b>			

<sup>1</sup> Based on March 2020 enrollment updated for projected charter school growth. Will be updated for March 2021 demographic data.  
<sup>2</sup> 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

## CHARTER AND STATE SCHOOLS

The education funding formula calculation for charter and state schools funds students as if they were still in the sending district, with the same core instruction amount, high-need student weight, and state share ratio. The aid, however, is distributed directly to the charter or state school. In FY2022, the Budget provides \$118.4 million in funding formula aid to charter schools, an increase of \$9.5 million representing roughly one quarter of the total statewide increase. This increase is primarily driven by enrollment. Charter school enrollment increases by 476 students, or 4.5 percent, relative to the FY2021 Budget as Enacted.

**Sending District Tuition:** Under the formula, the funding mechanism for charter and state schools changed significantly. Previously sending district tuition per-student was based on the per-pupil expenditure of the sending district, without deductions, the formula allowed sending districts to retain 5.0 percent of the per-pupil expenditure as indirect aid. The indirect aid was intended to cover residual costs from the transfer of the student from the district to the charter school. Today, the sending district tuition is calculated by dividing the local appropriation to education from property taxes, net debt service and capital projects, by the district resident average daily membership (RADM), or enrollment: there is no indirect aid retained by the sending district.

$$\text{Tuition} = (\text{local appropriation to education} - \text{debt service} - \text{capital projects} / \text{District RADM}) - \text{local tuition reduction}$$

**Local Charter and State School Tuition Reduction:** Article 11 of the FY2017 Budget changed the above calculation to subtract a district-specific amount from the tuition paid for each student attending a charter or state school. The amount of the reduction is calculated based on differences in expenses between each district and charter schools. The expenditure data used for the calculation is the prior previous fiscal year; consequently, the calculation of unique costs for FY2022 is based on FY2020 data from the Uniform Chart of Accounts (UCOA). The reduction will be the greater of 7.0 percent of the district's per-pupil funding or the per-pupil value of each district's costs in the delineated expenditure categories. The categories include each district's costs for non-public textbooks, 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. For districts using the reduction for costs categories, there is an additional reduction for tuition payments to mayoral academies, where teachers do not participate in the state's teacher retirement system, equivalent to the per-pupil, unfunded liability cost. The local tuition rate reductions pursuant to RIGL 16-7.2-5(c) were not available in time for the publication of this report.

In FY2011, the State paid the total tuition costs of students attending the Davies and Met Schools, while the local districts provided transportation. Pursuant to the new funding formula, however, the State payment to these state schools is calculated by the same method used to calculate school district and charter school payments. The formula requires local districts to pay state school tuition, but allows the districts to charge the state and charter schools for transportation costs. Local payments are made to the charter or state school on a quarterly basis. Failure to make a payment could result in the withholding of state education aid to the district of residence.

In FY2011, prior to the implementation of the current funding formula, charter school funding was based on the per-pupil expenditure of the sending district; however, the State paid 5.0 percent of the per-pupil expenditure as indirect aid to the sending district, and a portion of the remaining 95.0 percent based on the share ratio of the sending district. The expenditure was based on the reference year as defined in RIGL 16-7-16(11) providing a two-year lag. Each quarter, the charter school billed the sending district for the portion of the per-pupil expenditure not paid by the State.

Please see the following examples for further clarification of the charter school formula used in FY2011.

Calculation	District A	District B
Per Pupil Expenditure:	\$8,000	\$8,000
Share Ratio:	70.0%	30.0%
Indirect Aid to Sending District:	\$400 (5.0% of \$8,000)	\$400 (5.0% of \$8,000)
State Share to Charter School:	\$5,320 (70.0% of (\$8,000 minus 5.0%))	\$2,280 (30.0% of (\$8,000 minus 5.0%))
District Share to Charter School:	\$2,280 (30.0% of (\$8,000 minus 5.0%))	\$5,320 (70.0% of (\$8,000 minus 5.0%))

## NON-FORMULA PROVISIONS

**Group Homes:** 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. When enacted, the Act maintained the current funding for group homes as a categorical grant program; however, the FY2017 Budget as Enacted increased the per-bed funding amount. The Group Home aid category provides \$17,000 annually per bed, except for group home beds associated with Bradley Hospital Children’s Residential and Family Treatment (CRAFT) Program, which received \$26,000 per bed. The FY2022 Budget includes \$2.9 million to fund group home beds. This is \$100,049 less than the FY2021 Budget as Enacted. This adjustment represents the most recent update on the number of group home beds per district and the decrease 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.

Based on the final December 31, 2020, report from the Department of Children, Youth, and Families, the FY2021 Revised Budget includes an increase of \$102,000 for Portsmouth for an increase of six beds, and \$51,000 for Providence for an increase of three beds.

District	FY2021 Enacted		Group Home Aid				FY2022 Enacted Total Aid	
	Total Aid	Number of Beds	FY2022 Number of Beds	Number of Beds	Aid change due to bed count	Aid change due to RIGL 16-7-22(1)(ii)		Total Change
Burrillville	\$73,935	8	8	-	\$0	\$1,272	\$1,272	\$75,207
Coventry	83,396	8	8	-	-	(1,468)	(1,468)	81,928
East Providence	503,600	39	39	-	-	(6,421)	(6,421)	497,179
Lincoln	88,201	8	8	-	-	(3,054)	(3,054)	85,147
Newport	136,977	14	14	-	-	(7,016)	(7,016)	129,961
North Providence	141,292	16	16	-	-	(11,109)	(11,109)	130,183
North Smithfield	98,055	8	8	-	-	(1,162)	(1,162)	96,893
Pawtucket	118,734	22	22	-	-	(8,670)	(8,670)	110,064
Portsmouth	515,155	34	40	6	102,000	(7,483)	94,517	609,672
Providence	412,525	88	91	3	51,000	(91,956)	(40,956)	371,569
Smithfield	220,744	16	8	(8)	(136,000)	21,008	(114,992)	105,752
South Kingstown	119,996	8	8	-	-	(346)	(346)	119,650
Warwick	277,870	24	24	-	-	(5,132)	(5,132)	272,738
Woonsocket	37,221	8	8	-	-	(2,711)	(2,711)	34,510
Bristol-Warren <sup>1</sup>	98,476	10	10	-	-	7,595	7,595	106,071
Exeter-West Greenwich	123,805	9	9	-	-	(395)	(395)	123,410
<b>Total</b>	<b>\$3,049,982</b>	<b>320</b>	<b>321</b>	<b>1</b>	<b>\$17,000</b>	<b>(117,049)</b>	<b>(\$100,049)</b>	<b>\$2,949,933</b>

<sup>1</sup> Based on final 12/31/2020 report from the Department of Children, Youth and Families., the FY2021 Revised Budget includes an increase of \$102,000 for Portsmouth (6 beds) and \$51,000 for Providence (3 beds).

**Categorical Programs:** When the education funding formula was passed in 2010, five categorical funds were identified that would not be distributed according to the formula, but pursuant to other methodologies intended to address the priorities and funding needs of the districts. These categories include Transportation, High-Cost Special Education, Career & Technical Education, Early Childhood, and the Regionalization Bonus. Article 11 of the FY2017 Budget as Enacted added two new aid categories: English Learners and

the Density Fund. The Density Fund support ended in FY2019. Article 9 of the FY2019 Budget as Enacted included a temporary aid category to support new Resource Officers at public middle and high schools, which expires after FY2021. (The Central Falls, Davies and Met School Stabilization Funds are addressed in the Department of Elementary and Secondary Education section of this analysis.)

The FY2022 Budget includes funding for all of these categories, except the Regionalization Bonus and the School Resource Officer Support.

- 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 \$7.7 million in FY2022, level with the FY2021 Budget as Enacted.

Governor's FY2022 Education Aid		
Categorical	Change from Enacted	Total Funding
Transportation	-	7.7
Early Childhood	-	14.9
High-Cost Special Education	-	4.5
Career & Tech. Schools	-	4.5
English Learners	-	5.0
Regionalization Bonus	-	-
School Resource Officer Support	(0.3)	-
<b>Total</b>	<b>(\$0.3)</b>	<b>\$36.5</b>

*\$ in millions*

*Analyst Note: For Regional Transportation, only \$4.2 million of the \$4.6 million in the Budget is distributed to districts in the aid tables, since the distribution is based on the June 30, 2020, unaudited expenditure data from the Uniform Chart of Accounts (UCOA). However, the full \$4.6 million needed to level fund regional transportation relative to the FY2021 Budget as Enacted is included in the funding. The decrease in spending is likely due to virtual learning practices implemented in response to COVID-19.*

- 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 \$14.9 million in FY2022, level with the FY2021 Budget as Enacted.
- 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 \$74,445 for FY2022). 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 FY2022, level with the FY2021 Budget as Enacted. An additional \$4.6 million would be needed to fully fund this category.
- Career and Technical Schools:** This fund contributes toward the initial investment needed to transform existing programs or create new programs and the costs associate with facilities, equipment maintenance and repair, and supplies associated with higher-cost programs at career and technical schools. The Budget funds this category at \$4.5 million in FY2021, level with the previous year.
- English Learners:** Article 11 of the FY2017 Budget as Enacted established a 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. In FY2022, the per-pupil weight is \$1,064, to reflect 10.0 percent of the \$10,635 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 \$5.0 million in FY2022, level with the previous fiscal year; however, an additional \$5.8 million would be needed to fully fund this category.

- **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. This category has not been funded since FY2014, as no new regional districts have been formed.
- **School Resource Officer Support:** Article 9 of the FY2019 Budget as Enacted established an aid category to support new Resource Officers at public middle and high schools. The program provides support for districts to add Resource Officers but does not mandate their use. For FY2019 through FY2021, the State will reimburse one half the cost of salaries and benefits for qualifying positions created after July 1, 2018; however, for schools with fewer than 1,200 students, only one resource officer position is eligible for reimbursement. Schools with 1,200 or more students may receive reimbursement for up to 2 positions. Each resource officer can only be assigned to one school. The Budget does not fund this category since the program expired in FY2021.

The following table shows the education aid including the formula distribution, categorical aid, and group home aid.

FY2022 Governor's Education Aid<sup>1</sup>

District	FY2021 Enacted (excludes group home and categoricals)	FY2022 Formula Change	Transportation <sup>4</sup>	High-cost Special Education (>\$74,445)	Group Home Aid <sup>2</sup>	English Learners	Stabilization Funding	FY2022 Aid
Barrington	\$5,871,029	\$2,053,089	\$126,362	\$159,283	\$0	\$4,441	\$0	\$8,214,204
Burrillville	14,142,025	(374,596)	27,957	82,527	75,207	1,258	-	13,954,379
Charlestown	1,310,336	(19,036)	-	-	-	75	-	1,291,375
Coventry	23,412,703	653,401	12,526	24,830	81,928	4,028	-	24,189,417
Cranston	68,450,816	36,310	808,661	317,133	-	152,207	-	69,765,126
Cumberland	20,695,039	(272,060)	104,943	17,393	-	17,171	-	20,562,486
East Greenwich	3,289,856	1,015,994	78,286	145,133	-	1,511	-	4,530,780
East Providence	35,396,348	707,140	5,736	304,592	497,179	44,532	-	36,955,528
Foster	1,030,628	27,291	14,052	32,419	-	-	-	1,104,390
Glocester	2,121,901	300,252	10,229	47,354	-	-	-	2,479,735
Hopkinton	5,488,552	101,864	-	-	-	421	-	5,590,838
Jamestown	370,888	(78,920)	-	47,241	-	20	-	339,230
Johnston	18,685,883	817,261	206,685	198,886	-	39,587	-	19,948,302
Lincoln	14,948,129	908,909	-	196,769	85,147	9,051	-	16,148,005
Little Compton	397,611	34,408	-	-	-	-	-	432,020
Middletown	7,845,644	286,962	-	37,958	-	14,910	-	8,185,474
Narragansett	2,206,524	(28,130)	-	18,364	-	233	-	2,196,991
Newport	13,794,759	958,145	-	43,208	129,961	79,214	-	15,005,285
New Shoreham	177,909	13,209	-	25,178	-	736	-	217,033
North Kingstown	11,791,198	(575,161)	-	79,635	-	7,292	-	11,302,964
North Providence	24,700,268	1,995,502	182,510	256,548	130,183	54,883	-	27,319,894
North Smithfield	6,028,551	138,545	14,932	52,385	96,893	1,295	-	6,332,602
Pawtucket	91,967,189	2,636,671	162,839	101,187	110,064	452,861	-	95,430,812
Portsmouth	3,219,595	(157,071)	-	128,011	609,672	349	-	3,800,557
Providence	268,225,023	10,055,109	277,650	348,934	371,569	2,830,525	-	282,108,810
Richmond	4,693,797	455,845	-	-	-	397	-	5,150,039
Scituate	2,647,517	(289,305)	47,186	123,423	-	-	-	2,528,821
Smithfield	5,776,314	1,041,395	103,808	41,189	105,752	2,003	-	7,070,461
South Kingstown	4,463,290	96,681	168,489	94,436	119,650	2,369	-	4,944,915
Tiverton	7,380,299	(605,734)	-	120,762	-	981	-	6,896,308
Warwick	37,747,785	1,473,347	27,319	730,676	272,738	18,288	-	40,270,154
Westerly	8,114,881	(177,556)	-	141,179	-	5,217	-	8,083,720
West Warwick	29,438,359	1,419,425	40,076	20,533	-	21,554	-	30,939,948
Woonsocket	68,596,553	1,391,889	5,056	58,991	34,510	257,501	-	70,344,500
Bristol-Warren <sup>3</sup>	12,630,626	(1,284,903)	1,474,859	151,924	106,071	6,467	-	13,085,044
Exeter-West Greenwich <sup>3</sup>	4,226,297	16,692	933,583	167,989	123,410	672	-	5,468,643
Chariho	-	-	1,758,027	58,163	-	-	-	1,816,190
Foster-Glocester <sup>3</sup>	4,636,715	467,538	546,028	112,667	-	386	-	5,763,334
Central Falls	38,101,208	1,109,592	86,169	4,982	-	531,596	8,491,946	48,325,494
<b>District Total</b>	<b>\$874,022,047</b>	<b>\$26,349,997</b>	<b>\$7,223,967</b>	<b>\$4,491,882</b>	<b>\$2,949,933</b>	<b>\$4,564,031</b>	<b>\$8,491,946</b>	<b>\$928,093,804</b>
Charter School Total	108,849,009	9,535,605	-	8,118	-	409,505	-	118,802,237
Davies	8,764,580	327,322	-	-	-	3,073	5,346,002	14,440,978
Met School	7,695,945	320,126	-	-	-	16,548	1,325,936	9,358,555
Urban Collaborative	1,555,465	74,680	-	-	-	6,843	-	1,636,988
<b>Total</b>	<b>1,000,887,046</b>	<b>\$36,607,730</b>	<b>\$7,223,967</b>	<b>\$4,500,000</b>	<b>\$2,949,933</b>	<b>\$5,000,000</b>	<b>\$15,163,884</b>	<b>\$1,072,332,562</b>

<sup>1</sup> Based on March 2020 enrollment updated for projected charter school growth.

<sup>2</sup> Based on final 12/31/2020 report from the Department of Children, Youth and Families. The FY2021 Revised Budget includes an increase of \$102,000 for Portsmouth (6 beds) and

<sup>3</sup> 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.

<sup>4</sup> This distribution reflects full funding of Regional Transportation aid based on June 2020 UCOA data, and therefore does not reflect \$437,392 in residual funding provided in the budget.

Source: Rhode Island Department of Education



The following table shows the difference in education aid relative to the FY2021 Budget as Enacted.

**FY2022 Governor's Education Aid - Change to FY2021 Budget as Enacted<sup>1</sup>**

Districts	FY2021 Enacted	FY2022 Formula Change	Transportation <sup>2</sup>	High-cost Special Education	Group Home <sup>3</sup>	English Learners	Stabilization Funding	Total Change	FY2022 Education Aid
Barrington	\$6,148,515	\$2,053,089	(\$13,207)	\$23,849	\$0	\$1,958	\$0	\$2,065,689	\$8,214,204
Burrillville	14,352,095	(374,596)	(29,717)	4,648	1,272	676	-	(397,717)	13,954,378
Charlestown	1,310,421	(19,036)	-	-	-	(11)	-	(19,047)	1,291,374
Coventry	23,564,535	653,401	511	(24,691)	(1,468)	(2,872)	-	624,882	24,189,417
Cranston	69,762,285	36,310	63,181	(110,446)	-	13,797	-	2,842	69,765,126
Cumberland	20,799,151	(272,060)	30,586	5,934	-	(1,125)	-	(236,666)	20,562,486
East Greenwich	3,490,910	1,015,994	3,584	19,630	-	661	-	1,039,869	4,530,780
East Providence	36,377,563	707,140	4,181	(119,580)	(6,421)	(7,356)	-	577,965	36,955,528
Foster	1,065,648	27,291	14,052	(2,601)	-	-	-	38,742	1,104,390
Glocester	2,218,174	300,252	10,229	(48,919)	-	-	-	261,562	2,479,735
Hopkinton	5,488,786	101,864	-	-	-	187	-	102,051	5,590,838
Jamestown	405,580	(78,920)	-	12,549	-	20	-	(66,351)	339,230
Johnston	19,127,285	817,261	26,097	(30,241)	-	7,901	-	821,018	19,948,303
Lincoln	15,198,685	908,909	-	39,787	(3,054)	3,677	-	949,319	16,148,004
Little Compton	397,669	34,408	-	-	-	(54)	-	34,354	432,023
Middletown	7,894,208	286,962	-	2,654	-	1,650	-	291,266	8,185,474
Narragansett	2,261,373	(28,130)	-	(36,039)	-	(213)	-	(64,382)	2,196,991
Newport	14,034,125	958,145	-	3,831	(7,016)	16,202	-	971,161	15,005,285
New Shoreham	178,491	13,209	-	25,178	-	154	-	38,542	217,032
North Kingstown	11,867,847	(575,161)	-	9,532	-	746	-	(564,883)	11,302,964
North Providence	25,275,683	1,995,502	62,169	(19,576)	(11,109)	17,225	-	2,044,211	27,319,894
North Smithfield	6,206,522	138,545	3,362	(14,894)	(1,162)	228	-	126,079	6,332,601
Pawtucket	92,823,636	2,636,671	9,725	(52,903)	(8,670)	22,352	-	2,607,175	95,430,811
Portsmouth	3,833,800	(157,071)	-	29,308	94,517	3	-	(33,243)	3,800,557
Providence	272,263,068	10,055,109	(40,281)	(34,535)	(40,956)	(93,598)	-	9,845,739	282,108,808
Richmond	4,694,206	455,845	-	-	-	(12)	-	455,833	5,150,039
Scituate	2,727,973	(289,305)	12,006	78,147	-	-	-	(199,152)	2,528,821
Smithfield	6,227,713	1,041,395	(32,318)	(51,539)	(114,992)	202	-	842,748	7,070,461
South Kingstown	4,853,437	96,681	43,426	(48,178)	(346)	(105)	-	91,478	4,944,915
Tiverton	7,475,572	(605,734)	-	26,295	-	175	-	(579,264)	6,896,308
Warwick	38,441,936	1,473,347	21,784	342,079	(5,132)	(3,862)	-	1,828,218	40,270,154
Westerly	8,255,191	(177,556)	-	6,180	-	(94)	-	(171,471)	8,083,720
West Warwick	29,535,239	1,419,425	(11,917)	(3,901)	-	1,101	-	1,404,708	30,939,947
Woonsocket	68,991,503	1,391,889	(4,760)	(35,335)	(2,711)	3,912	-	1,352,995	70,344,499
Bristol-Warren <sup>4</sup>	14,514,094	(1,284,903)	(159,702)	8,302	7,595	(342)	-	(1,429,050)	13,085,045
Exeter-West Greenwich <sup>4</sup>	5,696,332	16,692	(251,543)	7,895	(395)	(337)	-	(227,688)	5,468,644
Chariho	2,135,033	-	(281,999)	(36,845)	-	-	-	(318,844)	1,816,189
Foster-Glocester <sup>4</sup>	5,207,656	467,538	41,991	46,153	-	(4)	-	555,677	5,763,333
Central Falls	45,680,070	1,109,592	41,164	1,171	-	9,388	1,484,109	2,645,424	48,325,494
<b>District Total</b>	<b>\$900,782,012</b>	<b>\$26,349,997</b>	<b>(\$437,396)</b>	<b>\$22,899</b>	<b>(\$100,049)</b>	<b>(\$7,769)</b>	<b>\$1,484,109</b>	<b>\$27,311,792</b>	<b>\$928,093,804</b>
Charter School Total	109,288,557	9,535,605	-	(22,899)	-	973	-	9,513,679	118,802,236
Davies	13,728,646	327,322	-	-	-	1,409	383,600	712,332	14,440,978
Met School	9,356,426	320,126	-	-	-	2,128	(320,126)	2,128	9,358,555
Urban Collaborative	1,559,049	74,680	-	-	-	3,259	-	77,939	1,636,988
<b>Total</b>	<b>\$1,034,714,691</b>	<b>\$36,607,730</b>	<b>(\$437,396)</b>	<b>\$0</b>	<b>(\$100,049)</b>	<b>\$0</b>	<b>\$1,547,583</b>	<b>\$37,617,870</b>	<b>\$1,072,332,561</b>

<sup>1</sup> Based on March 2020 enrollment, will be updated based on March 2021 data.

<sup>2</sup> Based on FY2020 unaudited UCOA data, actual costs for regional transportation decreased, likely to COVID; however, the Budget level funds regional transportation.

<sup>3</sup> Based on final 12/31/2020 report from the Department of Children, Youth and Families. The FY2021 Revised Budget includes an increase of \$102,000 for Portsmouth (6 beds) and \$51,000 for Providence (3 beds).

<sup>4</sup> 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

## SCHOOL CONSTRUCTION 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 FY2022, as projected by the Department, the minimum state share is 35.0 percent and the maximum is 93.8 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 was reported to the chairs of the House and Senate Finance Committees. Furthermore, any project approval granted prior to the adoption of the school construction regulations in 2007, which was currently inactive, had not receive voter approval, or had not been previously financed, was deemed 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 2011 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.

Article 9 of the FY2019 Budget as Enacted provided temporary incentives to encourage districts to improve the condition of public school buildings in Rhode Island, established a permanent incentive for school safety and security projects, and established school maintenance expenditure requirements.

<b>School Bond Refinancing Incentive Estimated Savings Summary</b>			
<b>Municipality</b>	<b>Local Savings</b>	<b>State Savings</b>	<b>Total Savings</b>
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
<b>Total Savings</b>	<b>\$12,489,103</b>	<b>\$3,122,350</b>	<b>\$15,611,453</b>

For FY2022, the Budget provides \$80.0 million, level funded with the FY2021 Budget as Enacted. For FY2022, the Department projects expenditures of \$79.4 million in school housing aid, an increase of \$278,993 from the FY2021 Budget as Enacted. The surplus will be deposited into the School Building Authority Capital Fund.

*Analyst Note: Beginning in FY2023, the school construction aid entitlements are projected to exceed the \$80.0 million, traditional included in the annual budget. For FY2023 the projection is \$93.4 million, in FY2024 it is \$100.6 million, and in FY2025 it is \$117.3 million.*

**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 (SBA) 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 FY2021, the Budget provides \$869,807 in general revenue from the surplus construction aid to the Capital Fund.

Through Article 9, the FY2019 Budget as Enacted shifted the 3.0 FTE positions responsible for the administration of the school construction program from general revenue to a new school construction services restricted receipt account, and added 1.0 FTE Director of School Construction Services. The restricted receipt account, named the “School Construction Services”, is funded by the Rhode Island Health and Education Building Corporation (RIHEBC) from the School Building Authority Capital Fund, fees generated from the origination of municipal bonds and other financing vehicles used for school construction, and its own reserves. There is no limit on the amount or type of expenses that will be funded; however, Article 9 limited the fee that RIHEBC can impose on cities, towns and districts to one tenth of one percent (0.001) of the principal amount of the bond. In FY2021, RIHEBC expects to collect \$300,000 in school bond fees. In FY2022, this revenue is estimated at \$175,000.

In FY2018, RIHEBC was required to transfer \$6.0 million to the State Controller. In FY2019, RIHEBC supported \$737,735 in SBA personnel expenses. In FY2020 personnel expenses increased to \$770,946, and \$768,976 in FY2021. Personnel expenses are project to be \$793,596 in FY2022.



## FY2021 Supplemental Budget

Expenditures by Source	FY2020 Final	FY2021 Enacted	FY2021 Governor	Change	% Change
General Revenue	\$3,937	\$4,153.3	\$3,881.6	(\$271.6)	-6.5%
Federal Funds	4,475.1	5,812.9	7,059.1	1,246.2	21.4%
Other Funds	2,273.1	2,442.0	2,456.3	14.3	0.6%
Restricted Receipts	332.1	322.3	353.2	30.9	9.6%
<b>Total</b>	<b>\$11,017.7</b>	<b>\$12,730.4</b>	<b>\$13,750.2</b>	<b>\$1,019.8</b>	<b>8.0%</b>
<b>Expenditures by Function</b>					
General Government	\$2,832.1	\$3,418.2	\$4,177.0	\$758.8	22.2%
Health and Human Services	4,143.0	4,994.1	5,151.4	157.3	3.1%
Education	2,674.8	2,947.6	2,953.3	5.7	0.2%
Public Safety	669.2	648.7	662.3	13.6	2.1%
Natural Resources	89.9	114.5	115.0	0.5	0.4%
Transportation	608.7	607.3	691.3	83.9	13.8%
<b>Total</b>	<b>\$11,017.7</b>	<b>\$12,730.4</b>	<b>\$13,750.2</b>	<b>\$1,019.8</b>	<b>8.0%</b>
<b>FTE Authorization</b>	<b>15,074.7</b>	<b>15,124.7</b>	<b>15,124.7</b>	<b>0.0</b>	<b>0.0%</b>

*\$ in Millions. Totals may vary due to rounding.*

This report provides an overview of the major changes proposed by the Governor to the FY2021 Budget as Enacted, organized by department.

### DEPARTMENT OF ADMINISTRATION

#### RICAP Repayment

**(\$82.5 million)**

The FY2021 Budget as Enacted included \$7.5 million in general revenue payback in FY2021 to partially reimburse the State's Budget Stabilization and Cash Reserve Account (Rainy Day Fund). The FY2020 Budget as Enacted transferred \$120.0 million from the Budget Stabilization and Cash Reserve Account for use in balancing that budget. Rhode Island General Law requires that the repayment be made to the Rhode Island Capital Plan fund in the following fiscal year. The FY2021 Budget as Enacted included a \$90.0 million repayment and legislation under Section 18 of Article 1 to delay the full payback, \$30.0 million, until FY2022.

However, Article 1 of the Governor's FY2021 Supplemental Budget proposes to further delay the RICAP payback to FY2023 and reduces the payback appropriation to \$7.5 million in FY2021. This reflects a reduction of \$82.5 million in general revenue in FY2021. The remaining payment of \$70.0 million will be made during FY2023.

#### COVID-19 Response

**(\$13.9 million)**

The Budget includes a net decrease of \$13.9 million in general revenues and \$176.2 million in federal funds for the Department of Administration's response to COVID-19.

COVID-19 General Revenue	FY2021 Enacted	FY2021 Governor	Change
Capital Asset Management and Maintenance	\$15,865,000	\$2,005,750	(\$13,859,250)
Legal Services	300,000	300,000	-
Information Technology	-	820	820
<b>Total</b>	<b>\$16,165,000</b>	<b>\$2,306,570</b>	<b>(\$13,858,430)</b>

<b>COVID-19 Federal</b>	<b>FY2021 Enacted</b>	<b>FY2021 Governor</b>	<b>Change</b>
Central Management	\$202,300,000	\$236,553,821	\$34,253,821
Capital Asset Management and Maintenance	-	45,221,362	45,221,362
Office of Management and Budget	726,930	679,850	(47,080)
Accounts and Control	347,447	2,055,520	1,708,073
General	-	87,363,916	87,363,916
Information Technology	-	6,326,758	6,326,758
Legal Services	-	958,068	958,068
Library and Information Services	-	6,349	6,349
Purchasing	-	41,998	41,998
RI Health Benefits Exchange	-	362,962	362,962
<b>Total</b>	<b>\$203,374,377</b>	<b>\$379,570,604</b>	<b>\$176,196,227</b>

**RICAP Project Adjustments (other funds)****\$178,490**

The Budget includes \$19.4 million in RICAP funds for various capital projects in FY2021 reflecting a minor net increase of \$178,490 from the FY2021 Budget as Enacted. Significant project changes include:

- **Information Operations Center:** Removes \$186,171 to reflect actual estimated project expenses. The project involves the continued renovations at the Information Operations Center located at 50 Service Avenue in Warwick, specifically upgrades to the roof top HVAC system.
- **Pastore Center Water Utility System:** Adds \$7,681 to fund infrastructure upgrades to the campus water supply system including pipeline cleaning and selective replacement. The FY2021 Budget as Enacted includes \$100,000 for the project.

**Regional Greenhouse Gas Initiative (restricted receipts)****\$5.3 million**

The Budget includes \$9.9 million in restricted receipts for grant awards as part of the Regional Greenhouse Gas Initiative (RGGI). This reflects an increase of \$5.3 million from the FY2021 Budget as Enacted. The Regional Greenhouse Gas Initiative (RGGI) is a cooperative effort by Northeastern and Mid-Atlantic states that requires member states to reduce carbon dioxide (CO<sub>2</sub>) emissions from large fossil fuel-fired electric power plants to help address climate change. Central to this initiative is the implementation of a multi-state “cap-and-trade” program with a market-based, emissions trading system. The increase in funds were a result of the regional carbon market auctions. The annual RGGI proceeds fluctuate based upon the pricing from the quarterly competitive auctions with regulated energy users within New England and Mid-Atlantic States. The Office of Energy Resources received more revenues than in past RGGI auction program years.

**Information Technology (restricted receipts)****\$2.9 million**

The Budget includes \$12.4 million in restricted receipts for information technology improvements, reflecting \$2.9 million more for the Information Technology Investment Fund (ITIF) to finance the maintenance and capital purchases state information technology projects.

**Restoration and Replacement (restricted receipts)****\$300,000**

The Budget includes \$1.0 million in restricted receipts for building maintenance and repair work under the restoration and replacement insurance coverage account. This reflects an increase of \$300,000 from the FY2021 Budget as Enacted.

**DEPARTMENT OF BUSINESS REGULATION****COVID-19 Enforcement and Inspection****\$1.6 million**

The Budget includes an increase of \$1.6 million in general revenues (\$2.7 million all funds) in personnel expenditures for enforcement and inspection to ensure compliance with COVID-19 related regulations.

**DEPARTMENT OF LABOR AND TRAINING****COVID-19 Response (federal funds)****\$703.4 million**

The Budget includes \$1,625.8 million, a \$703.4 million increase above the FY2021 Enacted level, in COVID relief funds to support for additional unemployment benefits related to the COVID-19 pandemic. The Department experienced an uptick in individuals applying for unemployment insurance requiring additional federal funds to meet the demand for the additional claims.

The federal government also made a number of changes to unemployment insurance regulations as a result of the pandemic, including increasing the length of time a person may collect unemployment insurance up to 79 weeks and an additional supplemental payment for eligible individuals. Beginning in April 2020, the Department of Labor and Training was authorized to provide supplemental payments to individuals collecting unemployment. This additional payment was \$600/week from April 4, 2020 through July 31, 2020. An additional payment of \$300/week began again on January 2, 2021, and has been extended through September 4, 2021, at a rate of \$300/week.

**DEPARTMENT OF REVENUE****Pandemic Relief (federal funds)****Informational**

For FY2021, the Budget includes \$46.1 million of federal Coronavirus Relief Funds (CRF) funds, equivalent to the enacted level, to assist businesses impacted by the pandemic. In response to increased COVID-19 infections the Governor initiated a three-week “pause” in November 2020 that reclosed many restaurants, gyms, and other businesses. To mitigate the financial impact, the Governor used \$46.1 million in CRF funds to provide direct relief payments to these businesses. The program is administered by the Director of Revenue and uses the Division of Taxation’s refund payment system to get money to businesses. The FY2022 Budget does not include funding for this program.

Initiative	FY2021 Enacted	FY2021 Revised	Total	Change		
				EOC	DOR	DOA
EOC - Restore RI Business Support Grants	\$65,500,000	\$4,000,000	(\$61,500,000)	(\$61,500,000)	-	-
EOC - Restore RI Business Interruption Grants	55,800,000	-	(55,800,000)	(55,800,000)	-	-
EOC - Restore RI H.Ar.T.	20,000,000	-	(20,000,000)	(20,000,000)	-	-
EOC - Governor's Small Business Relief Initiative	-	30,000,000	30,000,000	30,000,000	-	-
DOA - Restore RI Transfer	-	87,363,916	87,363,916	-	-	87,363,916
DOR - Restore RI H.Ar.T	-	19,936,084	19,936,084	-	19,936,084	-
DOR - Restore RI H.Ar.T additional funding	-	26,163,916	26,163,916	-	26,163,916	-
<b>Total</b>	<b>\$141,300,000</b>	<b>\$167,463,916</b>	<b>\$26,163,916</b>	<b>(\$107,300,000)</b>	<b>46,100,000</b>	<b>87,363,916</b>

**OFFICE OF THE GENERAL TREASURER****Frontline Heroes Fund (other funds)****\$100,000**

The Budget increases other funds by \$100,000 to support a new “Frontline Heroes Fund” scholarship initiative that was announced by the General Treasurer on March 3, 2021. The program will provide \$2,500 in a CollegeBound Saver account to any dependent child under the age of 25 of a frontline worker who has died from COVID-19. The fee that is supporting the Frontline Heroes Fund is a flat fee paid by Ascensus as one of the terms of our contract, paid from their profits as a company across all of their lines of businesses.

**EXECUTIVE OFFICE OF COMMERCE****Pandemic Relief – Restore RI (federal funds)****(\$107.3 million)**

The Budget includes a net reduction of \$107.3 million in FY2021. These reduction primarily reflects the shifting of Coronavirus Relief Funds (CRF) from the Executive Office of Commerce to the Department of Administration (DOA) and the Department of Revenue in FY2021.

Initiative	FY2021 Enacted	FY2021 Revised	Total	Change		
				EOC	DOR	DOA
EOC - Restore RI Business Support Grants	\$65,500,000	\$4,000,000	(\$61,500,000)	(\$61,500,000)	-	-
EOC - Restore RI Business Interruption Grants	55,800,000	-	(55,800,000)	(55,800,000)	-	-
EOC - Restore RI H.Ar.T.	20,000,000	-	(20,000,000)	(20,000,000)	-	-
EOC - Governor's Small Business Relief Initiative	-	30,000,000	30,000,000	30,000,000	-	-
DOA - Restore RI Transfer	-	87,363,916	87,363,916	-	-	87,363,916
DOR - Restore RI H.Ar.T	-	19,936,084	19,936,084	-	19,936,084	-
DOR - Restore RI H.Ar.T additional funding	-	26,163,916	26,163,916	-	26,163,916	-
<b>Total</b>	<b>\$141,300,000</b>	<b>\$167,463,916</b>	<b>\$26,163,916</b>	<b>(\$107,300,000)</b>	<b>46,100,000</b>	<b>87,363,916</b>

The Budget does not include funding for any of these programs in FY2022, representing a \$141.3 million reduction in CRF funds within the Economic Development Initiatives (EDI) program.

### **Federal Grants (federal funds)**

**(\$671,643)**

The Budget includes a net \$671,643 reduction in FY2021, and a net \$16.2 million federal funds reduction within the Housing and Community Development program in FY2022. Over half of the reduction is related to the expiration of federal pandemic housing relief that was required to be spent by the end of December 2020.

Program	FY2020	FY2021	FY2021	Change	FY2022	Change
	Actual	Enacted	Revised		Governor	
Pandemic Housing Relief	\$397,532	\$12,719,000	\$20,267,317	\$7,548,317	\$4,590,731	(\$8,128,269)
CDBG Program	3,207,011	10,177,587	3,966,781	(6,210,806)	4,096,238	(6,081,349)
Shelter Funding	1,780,723	2,130,556	1,935,591	(194,965)	1,935,981	(194,575)
Housing Opportunities for Persons with AIDS	646,882	1,924,086	757,480	(1,166,606)	757,524	(1,166,562)
Neighborhood Stabilization Program	158,823	1,122,240	474,657	(647,583)	480,339	(641,901)
<b>Total</b>	<b>\$6,190,971</b>	<b>\$28,073,469</b>	<b>\$27,401,826</b>	<b>(\$671,643)</b>	<b>\$11,860,813</b>	<b>(\$16,212,656)</b>

### **Pandemic Relief – Contract Professional Services (federal)**

**\$1.0 million**

The FY2021 Revised Budget shifts \$1.0 million increase in federal pandemic relief funding for contracted services from the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) to the Executive Office of Commerce's (EOC) Central Management program. The funding is being used to support certain pandemic-related mental health, substance abuse, and domestic violence services. The State has partnered with Rhode Island Foundation to contract for opioid outreach and naloxone service, counseling services for survivors of domestic violence, and other support services. Rhode Island Foundation is administering the contracting process. The Governor shifted the funding to EOC because of an existing contractual arrangement with the Rhode Island Foundation.

Federal Funds Category	FY2021	FY2021	Change
	Enacted	Revised	
Pandemic Relief - Contract Professional Services	-	\$1,000,000	\$1,000,000
<b>Total</b>	-	<b>\$1,000,000</b>	<b>\$1,000,000</b>

## **EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES**

The Governor includes \$945.8 million in general revenue funding (\$3,034.2 million all funds) for the Executive Office of Health and Human Services in FY2021, reducing general revenue expenditures by \$29.1 million compared to the Enacted Budget.

### **Enhanced Federal Match**

**(\$32.0 million)**

The Governor recommends \$32.0 million in general revenue savings to reflect the extension of the enhanced Federal Medical Assistance Percentage (FMAP) for the fourth quarter of FY2021. Pursuant to the Families First Coronavirus Response Act (FFCRA), the enhanced rate shifts an additional 6.2 percent of eligible Medicaid expenses from general revenues to federal funds during the COVID-19 public health emergency. The Enacted Budget included three quarters of savings based on current law at the time. The enhanced rate was later extended for the fourth quarter.



**Delayed Terminations****\$3.0 million**

As a condition of the enhanced FMAP rate noted above, states are not permitted to terminate benefits for Medicaid enrollees during the COVID-19 public health emergency except under limited circumstances. As a result, since the onset of the pandemic in March 2020, Medicaid enrollment has surged from approximately 290,000 members to nearly 330,000 members as of March 2021. The Enacted Budget assumed that termination activity would resume in the last quarter of FY2021. With the extension of the enhanced rate for the fourth quarter, this is no longer possible. The Governor's Revised Budget adds back \$3.0 million from general revenues (\$15.9 million all funds).

**COVID-19 Personnel****(\$430,000)**

The Governor's Budget shifts \$430,000 from general revenues to federal funds to reflect personnel expenses which are allocable to federal stimulus funds in response to the COVID-19 pandemic.

**COVID-19 Response****\$250,000**

The Budget includes \$250,000 from general revenues (\$75.4 million all funds) for the Executive Office's COVID-19 response programming. The Enacted Budget included \$38.9 million from federal funds to support a number of COVID-19 relief programs for health and human services providers. The Governor's Budget includes an additional \$250,000 from general revenues and \$36.2 million from federal funds to reflect updated expenses for existing programs and new programs that were announced after the Budget was enacted; however, the Budget appears to double-count \$19.6 million in expenses associated with the Long Term Services and Support (LTSS) Resiliency program.

*Analyst Note: The Governor's Budget Amendment dated April 19, 2021, removes the additional \$19.6 million that was double-counted in the original submission.*

**DEPARTMENT OF CHILDREN, YOUTH, AND FAMILIES**

The Governor includes \$169.1 million in general revenue funding (\$255.9 million all funds) for the Department of Children, Youth, and Families in FY2021, reducing general revenue expenditures by \$1.8 million compared to the Enacted Budget.

**COVID-19 Personnel****(\$1.5 million)**

The Governor's Budget shifts \$1.5 million from general revenues to federal funds to reflect the allocation of Juvenile Corrections personnel expenses to federal Coronavirus Relief Funds in response to the COVID-19 pandemic.

**Enhanced Federal Match****(\$1.3 million)**

The Governor includes \$1.3 million in general revenue savings to reflect the extension of the enhanced Federal Medical Assistance Percentage (FMAP) for the fourth quarter of FY2021. Pursuant to the Families First Coronavirus Response Act (FFCRA), the enhanced rate shifts an additional 6.2 percent of Medicaid expenses from general revenues to federal funds during the COVID-19 public health emergency. The Enacted Budget included three quarters of savings, based on current law at the time. The enhanced rate was extended for another quarter in January 2021.

**Foster Care Unfunded Mandate****\$450,000**

The Budget includes \$450,000 from general revenues in order to fund a mandate included in the federal Consolidated Appropriations Act of 2021 to support young adults aging out of foster care during the COVID-19 pandemic. The Act requires that states provide services and case management to youth who turned 21 during the pandemic and would normally have lost the supports available through the Department. The federal government did not provide funding to comply with the mandate and the Revised Budget adds funds, accordingly.

**COVID-19 Response****\$327,910**

The Budget includes \$327,910 from general revenues (\$3.1 million all funds) for the Department's COVID-19 response programming. The Enacted Budget included \$2.9 million from federal funds to support a number of COVID-19 relief programming to support youth and families involved with the Department. The Governor's Budget updates the costs associated with these programs and shifts a portion of the costs associated with an intake center for COVID-positive youth to general revenues.

**DEPARTMENT OF HEALTH****COVID-19 Response****(\$77.6 million)**

The FY2021 Supplemental Budget reduces general revenues by \$77.6 million for expenditures related to the COVID-19 pandemic. COVID-19 related expenses are now fully funded by federal dollars and do not require any matching state funds. In February 2021, the Federal Emergency Management Agency (FEMA) announced that all work that is eligible under FEMA's existing COVID-19 policies are reimbursable with a 100.0 percent federal share, rather than the typical 75.0 percent reimbursement.

**DEPARTMENT OF HUMAN SERVICES****COVID-19 Response (federal funds)****\$24.6 million**

The Budget includes \$24.6 million in additional federal funds related to the COVID-19 pandemic, including \$22.0 million in direct COVID-19 aid and \$2.6 million in Federal Emergency Management Agency (FEMA) funding.

Coronavirus Relief Funds (CRF) including the following:

- **COVID Relief Funds – Child Care:** The Budget includes \$20.7 million in CRF for child care services related to the COVID-19 pandemic. This includes \$17.1 million for the child care development block grant, \$502,992 for supportive services, quarantine and isolation costs and family caregiver supports, and \$3.1 million for child care centers readiness costs. The COVID-19 pandemic forced child care centers to close from March until June of 2020. Reopening of the child care centers resulted in additional costs due to increased sanitation needs, as well as additional staffing to support social distancing protocols.
- **Federal Emergency Management Agency (FEMA) funding:** The Budget includes \$2.6 million in FEMA funding, \$2.5 million for the Veterans' Home and \$100,000 for the Office of Healthy Aging, to assist with COVID-19 readiness response costs.
- **COVID Relief Funds – Elderly Nutrition Program:** The Budget includes \$700,000 in CRF for elderly nutrition programs, including \$200,000 for congregate meals and \$500,000 for home delivery meal services including Meals on Wheels.
- **COVID Relief Funds – Office of Healthy Aging:** The Budget includes \$544,046 in CRF for services within the Office of Healthy Aging. This includes \$457,524 for case management services and Adult Home and Day Care services, \$17,691 for Elderly Transportation, \$18,980 for Home Modifications, and \$49,851 for personal care attendants and services for the blind.

**DEPARTMENT OF BEHAVIORAL HEALTHCARE, DEVELOPMENTAL DISABILITIES, AND HOSPITALS****Enhanced FMAP****(\$4.1 million)**

The FY2021 Revised Budget includes \$4.1 million in general revenue savings to reflect the extension of the 6.2 percent enhanced federal match into FY2022. Federal guidance indicates that the enhanced FMAP would be available through at least December 31, 2021, or for the first half of FY2022. Pursuant to the Families First Coronavirus Response Act (FFCRA), the enhanced FMAP shifts an additional 6.2 percent

of eligible Medicaid expenses from general revenues to federal funds during the COVID-19 public health emergency.

**State Plan Amendment**

**\$3.3 million**

The FY2021 Budget as Enacted included \$10.0 million in general revenue savings reflecting the anticipated approval of a Medicaid State Plan Amendment (SPA) at Eleanor Slater Hospital. Since budget enactment, the Department has downwardly revised this savings estimate to \$6.7 million, primarily due to census reduction. As a result, the Governor's revised budget restores \$3.3 million in general revenue savings compared to the enacted budget.

**Hospital License Fee**

**\$1.1 million**

The Governor's revised budget includes an increase of \$1.1 million to reflect the increase of the Hospital Licensing Fee to 6.0 percent from the enacted level of 5.0 percent.

**DEPARTMENT OF THE ATTORNEY GENERAL**

**Fingerprint Checks (restricted receipts)**

**\$1.2 million**

The FY2021 Supplemental includes \$1.2 million in restricted receipts for fingerprint checks within the Bureau of Criminal Identification program. This funding was inadvertently excluded from the FY2021 Budget as Enacted and is in-line with historical funding. In FY2020 the Department spent \$1.5 million for fingerprint checks.

**DEPARTMENT OF CORRECTIONS**

**COVID Related Personnel Costs (federal funds)**

**\$44.7 million**

The Budget provides an additional \$44.7 million, \$123.3 million total, in COVID-19 related personnel costs. This is a shift of funding from general revenue to COVID Relief Funds (CRF) to cover CRF-eligible personnel expenses incurred within the Department. According to a memorandum from the Office of Management and Budget, dated November 12, 2020, \$123.8 million in CRF dollars have been allocated to cover CRF-eligible personnel expenses incurred in FY2020 by public health and public safety personnel dedicated to Rhode Island's COVID-19 response.

**MILITARY STAFF**

**National Guard Activation (federal funds)**

**(\$5.5 million)**

The FY2021 Budget as Enacted included \$5.5 million in COVID-19 Relief funds for 502 soldiers and 2 soldiers are under State Active Duty (SAD) that were federally-activated and funded 100.0 percent through the United States Department of Defense (USDOD). The Budget as Enacted assumed that the positions would be funded on a 25/75 percent basis with 75.0 percent funded from Cares Act funds and Federal Emergency Management Agency (FEMA) funds and the . 25.0 percent state match from the Rhode Island Cares Act.

However, while the National Guard continues to play an important role in the State's COVID response, federal funding for the National Guard's federal missions was increased from 75.0 percent to 100.0 percent as well as FEMA funding for State incurred eligible expenditures was increased from 75.0 percent to 100.0 percent. Therefore, the costs for activating the soldiers was fully paid by USDOD federal non-CARES Act funds and did not require the State to use CARES Act funds for this purpose.

**RHODE ISLAND EMERGENCY MANAGEMENT**

**COVID Related Expenses**

**(\$300,000)**

The Budget decreases general revenue by \$300,000 for expenses originally projected by RIEMA in response to the COVID-19 pandemic. On March 13, 2020, the President of the United States declared a

nationwide emergency relating to the COVID-19 pandemic. Under such federal declaration, referred to as the Stafford Act, federal disaster activities are assumed by the Federal Emergency Management Agency (FEMA). Such activities and assistance allow the State to qualify for a 75.0 percent reimbursement of certain emergency-related expenses. These funds are not required in the FY2021 Supplemental Budget.

**COVID-19 Response (federal funds)**

**\$7.2 million**

The Supplemental Budget includes \$39.6 million in federal funds awarded through the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act for pandemic response and recovery activities. This reflects an increase of \$7.2 million from the FY2021 Budget as Enacted.

The Supplemental Budget increases personnel expenses \$827,807 and operating expenses by \$6.3 million, resulting in a net federal fund increase of \$7.2 million to reflect expenses projected by RIEMA in response to the COVID-19 pandemic. On March 13, 2020, the President of the United States declared a nationwide emergency relating to the COVID-19 pandemic. Under such federal declaration, referred to as the Stafford Act, federal disaster activities are assumed by the Federal Emergency Management Agency (FEMA). Such activities and assistance allow the State to qualify for a 75.0 percent reimbursement of certain emergency-related expenses. The expenses incurred include personal protective equipment (PPE), ventilators, and the establishment of emergency field hospitals.

	FY2021 Enacted	FY2021 Governor	Change
<b>Personnel - Federal COVID-19 Response</b>			
FEMA: COVID-Related Expenses	175,643	1,200,000	1,024,357
Relief Fund: COVID-Related Expenses	312,059	115,509	(196,550)
<b>Total</b>	<b>\$487,702</b>	<b>\$1,315,509</b>	<b>\$827,807</b>
<b>Operating - Federal COVID-19 Response</b>			
FEMA: Supplies WKS: RIEMA	\$32,000,000	\$38,329,050	\$6,329,050
<b>Total</b>	<b>\$32,000,000</b>	<b>\$38,329,050</b>	<b>\$6,329,050</b>
<b>Total</b>	<b>\$32,487,702</b>	<b>\$39,644,559</b>	<b>\$7,156,857</b>

**Disaster and Emergency Preparedness Grants (federal funds)**

**\$6.3 million**

The Budget includes \$9.4 million in federal funds for various federal grants and reimbursements received for storm and natural disaster events. This appropriation is \$6.3 million more than the FY2021 Budget as Enacted. These funds also reimburse preparedness efforts for terrorist threats, active shooters, hazardous material containment, and other emergency events. The preparedness efforts are intended to improve and enhance the State's ability to prevent, deter, respond to, and recover from threats and incidents. Federal grant funds vary from year to year depending upon the number and severity of natural disasters and the availability of federal funds for non-disaster grants. The following table highlights the more significant changes in FY2021.

RIEMA Federal Awards	FY2021 Enacted	FY2021 Governor	Change
SHSP 2020- State Homeland Security Grant Program	\$0	\$1,327,401	\$1,327,401
Blizzard - Juno Disaster #4212	-	1,206,538	1,206,538
Nemo Blizzard 2012 Disaster Reimbursement	-	1,130,140	1,130,140
Hurricane Sandy October 2012	-	853,077	853,077
FEMA Flood Reimbursement - Fed Match - State	-	789,634	789,634
All Other Awards	3,050,255	4,081,621	1,031,366
<b>Total</b>	<b>\$3,050,255</b>	<b>\$9,388,411</b>	<b>\$6,338,156</b>

**Operating Expenses (federal funds)**

**\$1.2 million**

The Budget includes \$3.1 million in federal funds for various federally funded operating expenses. This appropriation is \$1.2 million more than provided in the FY2021 Budget as Enacted.

<b>RIEMA Federal Operating</b>	<b>FY2021 Enacted</b>	<b>FY2021 Governor</b>	<b>Change</b>
SHSP 2020- State Homeland Security Grant Program	\$0	\$737,377	\$737,377
Hazardous Materials Emergency Preparedness 2016	-	182,550	182,550
PSGP 2020- Port Security Grant Program	-	166,332	166,332
All Other Operating	1,893,366	2,030,706	137,340
<b>Total</b>	<b>\$1,893,366</b>	<b>\$3,116,965</b>	<b>\$1,223,599</b>

## DEPARTMENT OF PUBLIC SAFETY

### **COVID-19 Related Expenditures (federal funds) \$19.5 million**

Rhode Island received \$1.25 billion in emergency federal Coronavirus Relief Funds (CRF) to help the State respond to the COVID-19 pandemic. Guidance from the United States Treasury instructed that payroll expenses for public safety, public health, and other emergency staff that were concentrated on addressing the pandemic were presumptively considered eligible expenses under the CRF. Accordingly, the FY2021 Budget as Enacted shifted \$40.0 million in Departmental personnel expenditures to these federal funds. The Governor's FY2021 Revised Budget increases this by another \$19.5 million based on the identification of additional eligible costs after the enactment of the Budget in December 2020.

<b>Program</b>	<b>FY2020 Actual</b>	<b>FY2021 Enacted</b>	<b>FY2021 Revised</b>	<b>Change</b>	<b>FY2022 Governor</b>	<b>Change</b>
State Police	\$15.4	\$26.2	\$38.3	\$12.0	-	(\$26.2)
Sheriffs	5.8	8.4	15.1	6.7	-	(8.4)
Capitol	1.7	2.6	3.8	1.2	-	(2.6)
E-911	1.5	2.8	2.4	(0.4)	-	(2.8)
<b>Total</b>	<b>\$24.4</b>	<b>\$40.0</b>	<b>\$59.5</b>	<b>\$19.5</b>	<b>-</b>	<b>(\$40.0)</b>

\$ in millions

## DEPARTMENT OF TRANSPORTATION

### **COVID-19 Response (federal funds) \$36.0 million**

The Budget includes \$36.0 million in federal funds from the Consolidated Appropriations Act (CAA) of FY2021. The Act included additional federal funds for States as a result of the COVID-19 pandemic. The Department received \$36.0 million in CAA funding which will be used to offset \$36.0 million in Highway Maintenance Account (HMA) expenditures, and, as a result, provides additional funds available for state matching.

### **Legal (other funds) \$3.8 million**

The Budget includes an additional \$3.8 million, \$5.1 million total, in gas tax other funds for legal services. This funding supports ongoing litigation related to the Department's RhodeWorks program tolling operations. The American Trucking Associations is suing the Department over the truck-only tolls that have been installed throughout the State.





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**FY2022 BUDGET ARTICLES**

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## **Article 1: Relating to Making Appropriations in Support of FY2022**

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Article 1 outlines the appropriation amounts from all fund sources for FY2022. In most cases, the appropriations are by fund source at the program level in each department or agency. The article includes the FTE position authorizations by department or agency. Other sections of the article outline the use of contingency funds; out-year appropriation changes in Rhode Island Capital Plan Fund projects; expenditure limits for internal service funds; and, disbursements of Lottery, Temporary Disability Insurance, and Employment Security.

This article also:

- Sets the airport impact aid formula at \$1.0 million.
- Authorizes 15,089.2 FTE positions reflecting a net decrease of 35.5 FTE positions as compared to the authorized level set in the FY2021 Budget as Enacted.
- Details Community Service Objective grant funding recipients and amounts.
- Requires that all unexpended or unencumbered balances relating to the Rhode Island Intermodal Surface Transportation Fund be reappropriated to FY2022.
- Prohibits the obligation or expenditure of indirect cost recoveries on federal stimulus funds in the Department of Health without the approval of the Director of the Office of Management and Budget.
- Requires that all unexpended or unencumbered balances relating to the University of Rhode Island, Rhode Island College, and the Community College of Rhode Island, be reappropriated to FY2023. In addition, the Office of the Postsecondary Commissioner shall provide \$7.7 million be allocated to the Rhode Island Promise Scholarship program, and \$147,000 to be used to support the State's membership in the New England Board of Higher Education.
- Caps the amount the Judiciary may charge 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 \$1.4 million. It requires the Judiciary to provide \$230,000 Rhode Island Coalition Against Domestic Violence for domestic abuse court advocacy and requires \$90,000 be provided to the Rhode Island Legal Services to provide housing and eviction defense to indigent individuals.
- Requires that Rhode Island Housing and Mortgage Finance Corporation 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.
- Removes the sunset provisions for the Rhode Island Promise Scholarship (RI Promise) program, thereby indefinitely extending the program. The General Assembly previously extended this program by one year to the high school graduating class of 2021. Article 3 of the FY2018 Budget established the RI Promise 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. FY2021 represents the fifth year of the program.
- Includes the appropriation mechanism necessary for incremental tax revenues collected from State economic activity taxes generated in Pawtucket's Downtown Redevelopment district to be made available to the City. Legislation enacted in 2019 established several geographical districts within downtown Pawtucket that would constitute the City of Pawtucket's Downtown Redevelopment project. Any incremental tax revenues generated in these districts and are related to new economic development are to be made available to the City once an agreement is made between City and the State. This

agreement was entered into in December 2020. Since the passage of the legislation CommerceRI has been certifying these revenues and the Division of Taxation has segregated them into their own account. The language makes the formal appropriation in the Budget to disburse the funds to the City of Pawtucket.

- Extends the previous bond authorization on \$20.0 million of unissued Mass Transit Hub Infrastructure Bonds to June 30, 2023. The original \$35.0 million authorization was made under Public Law 2014, Chapter 145 and approved by referendum on November 4, 2014.

## APPROPRIATIONS

Article 1 makes appropriations from general revenues and authorizes expenditures of federal funds, restricted receipts, and other funds for the fiscal year ending June 30, 2022.

<u>Expenditures by Source</u>	<u>FY2020 Final</u>	<u>FY2021 Enacted</u>	<u>FY2022 Governor</u>	<u>Change to Enacted</u>
General Revenue	\$3,937.4	\$4,153.3	\$4,371.3	\$218.0
Federal Funds	4,475.1	5,812.9	4,129.5	(1,683.4)
Other Funds	2,273.1	2,441.9	2,327.8	(114.1)
Restricted Receipts	332.1	322.3	341.9	19.6
<b>Total</b>	<b>\$11,017.7</b>	<b>\$12,730.4</b>	<b>\$11,170.5</b>	<b>(\$1,559.9)</b>

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

In addition, Article 1 provides for the annual appropriation of the Contingency Fund; Temporary Disability Insurance Funds (TDI); Employment Security (UI Trust Fund); CollegeBoundSaver Funds; and, Lottery Division funds for award winnings during FY2022.

Section 1 also provides language directing the disbursement of specific appropriations including:

- **BHDDH- DD Consent Decree:** The State has been under a Consent Decree with the United States Department of Justice since 2014 for violating the Olmstead Decision of the Americans with Disabilities Act. The United States Department of Justice, focusing specifically on sheltered workshops, concluded that the State's services for individuals with developmental disabilities were not adequately integrated within the community. The State subsequently entered into a Consent Decree, which requires the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH) to foster more supportive and less isolated employment opportunities and day services for individuals with intellectual and developmental disabilities. Employment placements must be typical jobs that pay at least minimum wage and support employment for 20 hours or more per week. The Consent Decree requires funding to support a reformed system of care within the Division of Developmental Disabilities (DD) until FY2024.

With three years left in the Consent Decree, the presiding judge has issued a court order with guidance on how the State should move forward to achieve the goals of the Consent Decree. The guidance states that the State must create a 3-year budget strategy to transform the DD system that is a result of collaboration between the State and DD providers. The FY2022 Budget includes a general revenue appropriation of \$10.0 million (\$15.0 million all funds) to support the system transformation. The fund would include \$6.0 million general revenue (\$7.0 million all funds) dedicated to helping providers strengthen their operating and service delivery models, and increase access to tools and technology. The fund includes \$2.0 million general revenue (\$4.0 million all funds) to allow providers to participate in an outcome-based payment methodology. The fund would also invest \$2.0 million (\$4.0 million all funds) in the State's infrastructure to manage the initiative and include reporting by the Department to Caseload Estimating Conference.

- **BHDDH - Eleanor Slater Hospital:** The article states that general revenues allocated to the Eleanor Slater Hospital (ESH) may be used for individuals who are receiving care in an appropriate setting.

*Analyst Note: According to BHDDH, the intention of this language is to address twelve undocumented individuals receiving care at ESH but who are able to be cared for in a lower level of care. However, the language could be applied to any patient at the Hospital and the language "may be used" is permissible, not authoritative.*

- **RIDE - Early Childhood Funds:** The article provides that the criteria for allocation of early childhood funds must prioritize prekindergarten seats and classrooms for four-year-olds whose family income is at or below 185.0 percent of federal poverty guidelines and who reside in communities with higher concentrations of low-performing schools.
- **Corrections – Behavioral Healthcare Expansion:** The Budget includes an additional \$750,000 in general revenue to expand access to behavioral healthcare for individuals with severe, persistent, mental illness. This additional funding will be used for the planning and creation of a Transitional Care Unit which is intended to meet the needs of those who require behavioral health treatment but do not rise to the level of the existing Residential Treatment Unit within the Department of Corrections.

### INTERNAL SERVICE FUNDS

Article 1 authorizes 15 specific, capped internal service accounts to permit reimbursement of costs for work or other services performed by certain departments or agencies for any other department or agency. The FY2018 Budget as Enacted established centralized accounts for each agency and allows the Department of Administration to draw upon these accounts for billable centralized services and deposit the funds into the rotary accounts under the Department of Administration. Reimbursements may only be made up to the expenditure cap for each account, as outlined below.

Internal Service Account	FY2021 Enacted	FY2022 Governor	Change
State Assessed Fringe Benefits	\$37,505,032	\$37,626,944	\$121,912
Administration Central Utilities	27,426,989	27,345,573	(81,416)
State Central Mail	6,583,197	6,736,424	153,227
State Telecommunications	3,552,053	3,100,546	(451,507)
State Automotive Fleet	12,743,910	12,664,678	(79,232)
Surplus Property	3,000	3,000	-
Health Insurance	273,639,595	272,604,683	(1,034,912)
State Fleet Revolving Loan Fund	264,339	-	(264,339)
Other Post-Employment Benefits	63,858,483	63,858,483	-
Capital Police	1,429,798	1,731,553	301,755
Corrections Central Distribution Center	6,868,331	7,410,210	541,879
Correctional Industries	8,231,177	8,590,417	359,240
Secretary of State Records Center	1,086,670	1,060,059	(26,611)
Human Resources Internal Service Fund	14,237,328	13,962,865	(274,463)
DCAMM Facilities Internal Service Fund	42,849,110	43,562,371	713,261
Information Technology Internal Service Fund	49,488,621	48,951,700	(536,921)
<b>Total</b>	<b>\$549,767,633</b>	<b>\$549,209,506</b>	<b>(\$558,127)</b>

### FTE POSITIONS

Article 1 establishes the authorized number of full-time equivalent (FTE) positions for each State department and agency. Departments and agencies may not exceed in any pay period the number of authorized FTE positions shown. Statewide, the Budget has a net decrease of 35.5 FTE positions from the FY2021 Budget as Enacted. The following table lists the FTE amounts by budget function:

<b>Expense by Function</b>	<b>FY2021 Enacted</b>	<b>FY2022 Governor</b>	<b>Change to Enacted</b>
General Government	2,441.9	2,471.4	29.5
Human Services	3,571.6	3,446.6	(125.0)
Education	4,218.4	4,221.4	3.0
Public Safety	3,190.0	3,240.0	50.0
Natural Resources	424.0	431.0	7.0
Transportation	755.0	755.0	0.0
<b>Subtotal</b>	<b>14,600.9</b>	<b>14,565.4</b>	<b>(35.5)</b>
<i>Higher Ed. Sponsored Positions</i>	<i>523.8</i>	<i>523.8</i>	<i>0.0</i>
<b>Total FTE Positions</b>	<b>15,124.7</b>	<b>15,089.2</b>	<b>(35.5)</b>

## COMMUNITY SERVICE OBJECTIVES

The FY2017 Budget as Enacted changed the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The program now consists to two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits.

The FY2021 Budget as Enacted includes \$8.7 million in general revenue for CSO grant awards across 12 state agencies. The Budget recommends an appropriation of \$8.9 million in general revenue in FY2022, an increase of \$175,000 from the previously enacted budget. The Budget recommends increasing the grant to the Rhode Island Community Food Bank by \$175,000.

<b>Agency</b>	<b>Grant Recipient</b>	<b>FY2021 Enacted</b>	<b>FY2021 Governor</b>	<b>FY2022 Governor</b>	<b>Change</b>
Administration	City Year - Whole School Whole Child Program	\$130,000	\$130,000	\$130,000	\$0
Executive Office of Commerce	Polaris Manufacturing Technical Assistance Program	350,000	350,000	350,000	-
Executive Office of Commerce	International Trade And Export Programming	476,200	476,200	476,200	-
Executive Office of Commerce	Minority Entrepreneurship	140,000	140,000	140,000	-
Executive Office of Commerce	East Providence Waterfront Commission	50,000	50,000	50,000	-
Secretary of State	Rhode Island Historical Society	125,000	125,000	125,000	-
Secretary of State	Newport Historical Society	18,000	18,000	18,000	-
Human Services - Healthy Aging	Diocese of Providence - Elder Services	325,000	325,000	325,000	-
Human Services - Healthy Aging	Alliance for Long Term Care Ombudsman Services	40,000	40,000	40,000	-
Human Services - Healthy Aging	Elderly Housing Security	85,000	85,000	85,000	-
Human Services - Healthy Aging	Meals on Wheels	530,000	530,000	530,000	-
Human Services - Healthy Aging	Senior Center Support	800,000	800,000	800,000	-
Human Services - Healthy Aging	Elderly Nutrition	50,000	50,000	50,000	-
Human Services	Coalition Against Domestic Violence	300,000	300,000	300,000	-
Human Services	Project Reach - Boys and Girls Club	250,000	250,000	250,000	-
Human Services	Day One	217,000	217,000	217,000	-
Human Services	RI Community Food Bank	175,000	175,000	350,000	175,000
Human Services	Crossroads Rhode Island	500,000	500,000	500,000	-
Human Services	Institute for the Study and Practice of Nonviolence	200,000	200,000	200,000	-
Human Services	Veterans' Organizations	200,000	200,000	200,000	-
Human Services	Community Action Fund	600,000	600,000	600,000	-
Education	Hasbro Children's Hospital - Hospital School	90,000	90,000	90,000	-
Education	Child Opportunity Zones	395,000	395,000	395,000	-
Office of Postsecondary Commissioner	Rhode Island College Crusade	355,000	355,000	355,000	-
Office of Postsecondary Commissioner	Best Buddies Rhode Island	75,000	75,000	75,000	-
University of Rhode Island	Small Business Development Center	350,000	350,000	350,000	-
University of Rhode Island	Special Olympics Rhode Island	50,000	50,000	50,000	-
Arts Council	WaterFire Providence	375,000	375,000	375,000	-
Historical Preservation	Fort Adam's Trust	30,000	30,000	30,000	-
Corrections	Crossroads Rhode Island	1,050,000	1,050,000	1,050,000	-
Judicial	Rhode Island Coalition Against Domestic Violence	230,000	230,000	230,000	-
Judicial	Rhode Island Legal Services	90,000	90,000	90,000	-
Environmental Management	Conservation Districts	50,000	50,000	50,000	-
<b>Total</b>		<b>\$8,701,200</b>	<b>\$8,701,200</b>	<b>\$8,876,200</b>	<b>\$175,000</b>

**CAPITAL APPROPRIATIONS**

Article 1 authorizes amounts from the Rhode Island Capital Plan (RICAP) Fund, not otherwise appropriated, to be expended during the fiscal years ending June 30, 2023, June 30, 2024, June 30, 2025, and June 30, 2026. These amounts supersede appropriations provided for FY2022 within the FY2021 Budget as Enacted.

Subject to final General Assembly approval, any unexpended or unencumbered funds from the RICAP Fund project appropriations in excess of \$500 may be reappropriated to the next fiscal year and made available for the same purpose. Any remaining funding less than \$500 may be reappropriated at the discretion of the State Budget Officer.



## Article 2: Relating to State Funds

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

- Authorizes the Budget Officer to establish restricted receipt accounts within departments or agencies that receive funding from the Opioid Stewardship Fund and clarifies the reporting requirements for programs receiving funds.
- Authorizes the Office of the Health Insurance Commissioner (OHIC) to conduct pre-examination analyses to ensure insurers in the State are in compliance with state and federal laws and regulations.
- Creates the Grants Management System Administration restricted receipt account within the Department of Administration to centralize the administrative costs of managing federal grant applications.
- Clarifies that spending controls requiring reporting and corrective action plans only apply to agencies who are in excess of their appropriated general revenue expenditures and amends the State Controller's authority to authorize payments.
- Exempts twelve restricted receipt accounts from the 10.0 percent indirect cost recovery charge provisions.
- Amends RIGL 39-18.1-5 regarding the annual transfer of \$5.0 million in Highway Maintenance Funds to the Rhode Island Public Transit Authority (RIPTA).
- Establishes the Governor's Portrait Donation Fund to receive any contributions received by the Rhode Island Council on the Arts to supplement the state appropriation for the purchase of a governor's portrait.

### FISCAL IMPACT

The exemptions outlined in the article exempt \$2.4 million in restricted receipt revenues from the 10.0 percent indirect cost recovery charge provisions. Had these accounts not been exempt, the accounts would have transferred a total of \$237,403. The accounts related to the legalization of adult-use marijuana have a zero-dollar net impact on the general fund since any funds remaining after expenditures are transferred to the general fund.

### ANALYSIS AND BACKGROUND

This article addresses various restricted receipts accounts.

#### *Opioid Stewardship Act*

The article amends RIGL 21-28.10 authorizing the Budget Officer to establish restricted receipt accounts within departments or agencies that receive funding from the Opioid Stewardship Fund and clarifies the reporting requirements for programs receiving funds.

The FY2020 Budget as Enacted established a restricted, Opioid Stewardship Fund within the Department of Health (DOH) and requires all licensed manufacturers, distributors, and wholesalers to contribute to the Fund through a registration fee. Licensed manufacturers, distributors, and wholesalers are required to report the details of all opioids sold or distributed in the State to calculate their liability towards the annual \$5.0 million fund contribution. Registration payments are due annually on December 31. The first payment was due on December 31, 2019, based on 2018 data.

The Opioid Stewardship Fund may only be used for opioid addiction treatment, recovery, prevention, education services, and other related programs. Fund allocations must be approved by both the Director of DOH and the Director of the Department of Behavioral Healthcare, Developmental Disabilities, and

Hospitals (BHDDH). The FY2022 Budget authorizes the Budget Officer to establish restricted receipt accounts within any agencies that receive an allocation from the Fund. Currently, the account is solely housed within DOH. The Budget stipulates that any agency in receipt of Opioid Stewardship funds must report annually to the Governor, the Speaker of the House, and the President of the Senate which programs were funded using monies in the Opioid Stewardship funds.

Typically, state agencies would be allocated a total of \$4.5 million. However, due to COVID-19, the FY2021 Budget as Enacted did not allocate the entirety of the Fund. The FY2022 Budget includes \$6.2 million for state agencies to support opioid addiction-related activities.

#### **FY2022 Opioid Stewardship Fund Distribution**

<b>Agency/Department</b>	<b>Restricted Receipts</b>
Corrections	\$2,274,537
Health	1,912,497
BHDDH	1,830,000
Executive Office of Health and Human Services	135,000
<b>Total Expenditures</b>	<b>\$6,152,034</b>

#### ***Pre-examination Analysis***

The article authorizes the Office of the Health Insurance Commissioner (OHIC) to conduct pre-examination analyses, a process in which OHIC may collect and analyze information to identify if insurers have policies or practices that may pose a potential harm to consumers or if their activities may violate state or federal laws or regulations. Costs of the pre-examinations would be the responsibility of the insurer. The article also establishes the Health Insurance Regulation and System Planning Cost Recovery restricted receipt account to be utilized for OHIC to collect the costs and conduct pre-examinations and examinations. The account will be exempt from the 10.0 percent indirect cost recovery charge on restricted receipt accounts under RIGL 35-4-27.

#### ***Federal Grants Management***

Section 4 of the article adds language to RIGL 35-1.1-5 establishing the Grants Management System Administration restricted receipt account within the Department of Administration for the purpose of centralizing the administrative costs in managing federal grant applications, providing administrative assistance on reporting requirements, technical assistance, and approving agreements with federal agencies. The account will be exempt from the 10.0 percent indirect cost recovery charge on restricted receipt accounts under RIGL 35-4-27. All state agencies receiving federal funds shall deposit into this fund an amount equal to a percentage determined annually by the State Controller multiplied by the federal funds received by the agency.

#### ***Control of State Spending***

Section 5 of the article clarifies that spending controls requiring reporting and corrective action plans only apply to agencies who are in excess of their appropriated general revenue expenditures. In addition, the article narrows the authority of the State Controller to stop general revenue payments by agencies on payments only involving one-time payments or are in excess of the agency's previous fiscal years' service levels.

*Analyst Note: The FY2020 Budget as Enacted added language to RIGL 35-3-24 to control state spending with state departments and agencies that demonstrate in a quarterly financial report, that the entity's obligations, encumbrances, and expenditures will exceed amounts appropriated to the entity.*

#### ***Department of Transportation***

Section 7 of this article amends RIGL 39-18.1-5 regarding the annual transfer of \$5.0 million in Highway Maintenance Funds to the Rhode Island Public Transit Authority (RIPTA). Article 4 of the FY2018 Budget as Enacted provided 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 seniors and disabled persons, and for the payment of RIPTA debt service payments. Article 8 of the FY2020 Budget as Enacted extended the annual \$5.0 million transfer from the HMA to RIPTA indefinitely. This article stipulates that for FY2020, FY2021, and FY2022, the \$5.0 million transfer from the Rhode Island Highway Maintenance Fund will not occur and instead be replaced with federal Coronavirus Relief Funds.

### **Rhode Island Council on the Arts**

Section 8 of the article amends RIGL 42-75-13, creating the Governor’s Portrait Donation Fund as a restricted receipt account to receive any revenue received by the Rhode Island Council on the Arts from contributions received to supplement the state appropriation for the purchase of a governor’s portrait pursuant to RIGL 37-8-9. The FY2022 Budget authorizes \$25,000 in expenditures from this fund.

### **Restricted Receipt Accounts**

Section 6 of the article proposes changes involving the appropriation of state funds, the use of restricted receipts or special revenue funds, and amends state law concerning indirect cost recoveries on restricted receipts.

- **Legislative Appropriation Authority:** The article amends state law to define an appropriation as an enactment of the General Assembly authorizing the withdrawal of funds from the State Treasury. Laws passed by the General Assembly that authorize, specify, or provide that funds are to be used for a particular purpose shall not be defined as an appropriation if they do not also authorize the fund withdrawal.

According to the Budget Office the inclusion of this language is to set a definition for appropriations. The intent of the change is to alleviate confusion whenever language in a statute is incongruent to an appropriation and allows the appropriation act to be the “single definitive source” for what can be spent from general revenues.

The article further defines appropriations as spending authorizations needed to comply with a court order, for response under a declared emergency, or to finance programs covered under the caseload estimating conference process up to the officially adopted estimates in the current fiscal year. If revenues are insufficient to fully-fund estimated caseload expenses, the article requires prioritization of federally-mandated programs and allows for a proportional adjustment to remaining caseload programs.

- **Use of Restricted Receipt or Special Revenue Funds:** Authorizes the State Budget Officer to establish restricted receipt accounts within any state agency under the following conditions:
  - To account for donated funds, funds received from non-profit entities, proceeds from multi-state settlements or from a contract or memorandum understanding with another state for a specific or one-time purpose.
  - To convert any escrow liability account whenever such move is deemed appropriate by both the State Controller and State Auditor General.

*Analyst Note: The inclusion of new language under RIGL 35-4-22.2(c) will allow the Budget Office to create various restricted receipt accounts without any further notice to or authorization from the General Assembly.*

- **Indirect Cost Recovery Exemptions:** State law permits the assessment of a 10.0 percent indirect cost recovery charge on most state restricted receipt accounts in order to support the administrative overhead costs associated with the collection of funds and administration of the accounts. RIGL 35-4-27 enumerates those restricted receipts exempted from this assessment. Section 6 of this article expands the list to include the following accounts:

- **Health Spending Transparency and Containment:** The Health Spending Transparency and Containment account within the Executive Office of Health and Human Services provides a funding stream for the Healthcare Cost Trend project with a contribution from insurers of \$1 per covered life in the State as proposed in Article 15 of the FY2022 Budget. The Office of Management and Budget project revenues to be \$502,752 in FY2022, which is exempt from indirect cost recoveries.
- **Adult-Use Marijuana Licensing:** The article exempts all adult-use marijuana licensing accounts from recovery charges. After the account pays all state expenditures and municipality shares, the balances is transferred to general revenues.
- **Marijuana Cash Use Surcharge:** The Budget establishes the Marijuana Cash-Use Surcharge, exempt from indirect cost recoveries, to collect a 10.0 percent surcharge on tax payments made in cash by licensees.
- **Housing Production Fund:** The Budget establishes a new restricted receipt account in the Executive Office of Commerce to finance housing production in the State. The Housing Production Fund (HPF) will be used to provide financial assistance, loans, grants, or otherwise for the planning, production, or preservation of housing opportunities in Rhode Island, including housing affordable to workers and located near workforce centers. The Fund may also be used to support technical and financial assistance for municipalities to support increased local housing production, including a proposed new “Housing Incentives for Municipalities” program authorized in Article 16. Revenue from the proposed changes to the real estate conveyance tax authorized by Article 16 will be deposited into the HPF. The Fund is to be administered by RIHousing, through a memorandum of understanding between RIHousing and the Executive Office of Commerce, subject to program and reporting guidelines adopted by the Housing Resources Agency Coordinating Committee and the Housing Resources Commission.
- **Grants Management System Administration:** The article establishes the Grants Management System Administration restricted receipt account within the Department of Administration for the purpose of centralizing the administrative costs in managing federal grant applications, providing administrative assistance on reporting requirements, technical assistance, and approving agreements with federal agencies.
- **Governors’ Portrait Donation Fund:** Section 8 of the article amends RIGL 42-75-13, creating the Governor’s Portrait Donation Fund as a restricted receipt account to receive any revenue received by the Rhode Island Council on the Arts from contributions received to supplement the state appropriation for the purchase of a governor’s portrait pursuant to RIGL 37-8-9. The FY2022 Budget authorizes \$25,000 in expenditures from this fund.
- **Health Insurance Regulation and System Planning Cost Recovery:** The article establishes the Health Insurance Regulation and System Planning Cost Recovery restricted receipt account to be utilized for OHIC to collect the costs and conduct pre-examinations and examinations. Insurers are responsible for the costs associated with the pre-examinations and examinations and this account is to collect those revenues.

## Article 3: Relating to Government Reform and Reorganization

This article authorizes various reforms to multiple departments. Specifically the article:

- Authorizes the transfer of the Employer Tax Unit from the Department of Revenue (DOR) to the Department of Labor and Training (DLT).
- Amends the minimum score for the risk-based capital trend test, a formula that measures the minimum amount of assets needed to support an insurer's overall business operations, for life insurers from 2.5 to 3.0. The test and resulting score allow the Department of Business Regulation to measure an insurer's solvency and work with insurers to correct potential issues.
- Delays the statutorily mandated license plate reissuance from June 1, 2020, to July 1, 2022.
- Transfers administration of commercial driver license (CDL) testing from the Community College of Rhode Island (CCRI) to the Division of Motor Vehicles (DMV), effective January 1, 2022.
- Requires the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) to submit monthly caseload data to the state budget officer, house fiscal advisor, and senate fiscal advisor as part of the bi-yearly Caseload Estimating Conference beginning July 1, 2022.
- Transfers the authority to request additional caseload estimating meetings throughout the year from the Director of the Department of Human Services to the Secretary of the Executive Office of Health and Human Services.
- Eliminates the June 30, 2021, sunset date for the Department of Revenue's (DOR) Collections Unit, originally established in July 2018 to assist state agencies in the collection of debts owed to the State, effective July 1, 2022.

### FISCAL IMPACT

DOR Revenue Changes	Revenue	Expenditure	Net Impact
License Plate Reissuance Delay	(\$3,440,000)	-	(\$3,440,000)
DOR 's Collection Unit	1,377,299	828,769	548,530
CDL Road Test Administration	100,000	104,465	(4,465)
<b>Total</b>	<b>(\$1,962,701)</b>	<b>\$933,234</b>	<b>(\$2,895,935)</b>

Article 3 includes a net general revenue savings of \$2.1 million. This includes a \$3.4 million savings from the license plate reissuance delay. This decrease is partially offset by an additional \$1.3 million for the Department of Revenues' Collections Unit and additional costs to administer the commercial driver's license (CDL) road test.

While there is no fiscal impact associated with the proposed BHDDH reporting requirements, Article 1 of the Budget does appropriate \$2.0 million (\$4.0 million all funds) to manage a Developmental Disability (DD) system transformation initiative, including building capacity for the Department to participate in the twice-annual Caseload Estimating Conference.

### ANALYSIS AND BACKGROUND

#### *Employer Tax Unit*

Article 3 authorizes the transfer of the Employer Tax Unit from the Department of Revenue (DOR) to the Department of Labor and Training (DLT). The Employer Tax Unit administers the unemployment tax, the temporary disability tax, and the job development assessment tax. These taxes are used to fund Unemployment Insurance (UI) benefits and Temporary Disability Insurance (TDI) benefits. Although the Employer Tax Unit has been housed in DOR, the funding they collect is used for DLT benefit programs.

The transfer is intended to centralize the unit's efforts related to UI and TDI benefits. The transfer includes 35.0 FTE positions. There is no funding included as the Employer Tax Unit is already funded by DLT.

### ***Risk-Based Capital Trend Test:***

The Division of Insurance Regulation within DBR is responsible for conducting financial examinations of domestic insurance companies to ensure financial solvency. Since 1993, the Division has been re-accredited every five years by the National Association of Insurance Commissioners (NAIC). NAIC is the standard-setting and regulatory support organization for insurance regulators. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer review, and coordinate regulatory oversight.

Although the Division recently received accreditation, the accreditation was contingent on the State increasing the risk-based capital trend test minimum score through legislation. Without this accreditation, the State risks losing its current domestic insurance industry of 28 insurers, including Amica, FM Global, and Metropolitan Property & Casualty, in addition to any potential new insurers. The loss would result in a significant revenue impact as a result of a loss in taxes on insurance companies, income, and other taxes.

Currently, the minimum score for the risk-based capital trend test for life insurers in the State is set at 2.5; the new article would increase the minimum score to 3.0. The risk-based capital trend test assists DBR in evaluating the solvency of life insurers and acts as an early warning signal of potential financial issues. Rhode Island is the only state with a minimum score of 2.5 and increasing the minimum score to 3.0 aligns the State with the rest of the country and NAIC standards. Increasing the minimum score for the risk-based capital trend test requires the insurer to have a higher value of assets versus risks.

Although the loss of NAIC accreditation would impact all insurers in the State, the score change only applies to companies providing life insurance. Amica is the only life insurer headquartered in Rhode Island. According to DBR, Amica has a score of above 3.0 and is therefore already in compliance with the proposed change.

### ***License Plate Reissuance Delay***

Under RIGL 31-3-33, the DMV is required to issue new reflective license plates for all registered vehicles every ten years in order to reduce fraud, improve public safety and law enforcement, and to generate revenue. The reissuance was first scheduled to take place in September 2011. It has been delayed 8 times since, with a myriad of different rationales (see table).

The most recent change to the reissuance date was made in Article 7 of the FY2020 Budget as Enacted, which set June 1, 2020, as the new implementation date. Article 7 of the FY2020 Budget as Enacted also changed the fee for the plates from \$6.00 per reissued set to \$8.00. In January 2020, just prior to the COVID-19 pandemic emergency, the Division had reported that the DMV and its vendor, 3M were still in the early stages of preparing to implement. According to the Department, the complications surrounding operations during the COVID-19 pandemic made the implementation of the reissuance impractical in the near term.

Article 6 extends the reissuance deadline from June 1, 2020, to July 1, 2022. The Budget does not include any implementation expenditures in FY2022. The Budget assumes a \$3.4 million reduction in registration fee revenue in FY2022, based on a July 1, 2021, effective date.

Session	Date	Delay Date	Reason
2011	9/2011	9/2013	\$3.3 million savings initiative
2013	9/2013	9/2015	Budget reduction target initiative
2015	9/2015	7/2016	Need to align plate design w/ state tourism campaign
2016	7/2016	4/2017	RIMS - Staff would have to be taken away from implementation
2017	4/2017	1/2019	Launch of RIMS System/Reprogramming legacy IT system
2018	1/2019	1/2020	Real ID - Staff would have to be taken away from implementation
2019	1/2020	6/2020	Governor had proposed eliminating the reissuance altogether. By the time Budget was enacted, it was too late to timely implement
2020	6/2020	No new date	Delay due to impact of the pandemic
2021	6/2020	7/2022	Delay due to impact of the pandemic

**Commercial Driver’s License Testing**

Article 3 shifts the administration of the commercial driver’s license (CDL) road test from the Community College of Rhode Island (CCRI) to the Division of Motor Vehicles (DMV), effective January 1, 2022. This transfer impacts expenditures and revenues at both the DMV and CCRI. CCRI currently collects and retains approximately \$200,000 in restricted receipt revenue from a \$100 CDL road test fee. Under Article 3, this revenue would instead be collected by the DMV and deposited into the general fund. Because the effective date of the article is January 1, 2022, the amount deposited as general revenues would be half of the annual revenue collected from the fee, or \$100,000, in FY2022. The Budget also includes \$132,961 for seven months of additional personnel expenditures at the DMV required to administer the road testing. These expenditures are for 3.0 FTE positions, including 2.0 Senior Motor Vehicle Examiners and 1.0 Customer Service Specialist III, and \$3,605 in operating expenses.

**FY2022 Net Fiscal Impact - Article 3 CDL Transfer**

<b>Budget Initiative</b>	<b>Expenditures</b>	<b>Revenues</b>	<b>Net Fiscal Impact</b>
DMV - Personnel	\$132,961	-	(\$132,961)
DMV - Operating	3,605	-	(3,605)
Transfer of CDL Fee Restricted Receipt Revenue to General Fund	-	\$100,000	\$100,000
Elimination of School Bus Training Payments to CCRI	(32,101)	-	32,101
<b>Total</b>	<b>\$104,465</b>	<b>\$100,000</b>	<b>(\$4,465)</b>

*Analyst Note: The DMV has been providing CCRI with approximately \$75,000 per year for several years. The funds were originally leveraged by the College to secure a school bus driver education grant. The DMV indicates, however, that CCRI does not currently have this type of grant, and has not for some time. According to OMB and the DMV, CCRI has been notified that they will no longer be receiving these funds. The DMV explained that CCRI charges tuition for its classes and does not need the funds to support the training. The elimination of this payment is shown as \$32,101 savings in FY2022. This is half of the full payment, presumably based on the January 1, 2022, effective date of Article 3.*

A base commercial driver’s license (CDL) permits the licensee to operate large, heavy, or hazardous materials vehicles for commercial purposes. In addition to the base CDL, licensees may obtain additional endorsements such as semi-trailer (T), school bus driver (S), or passenger vehicle (P). To obtain these endorsements, an individual must possess a valid CDL and typically pass both a written and driving test.

Testing and licensing standards for the base CDL and accompanying endorsements are developed by the Federal Motor Carrier Safety Administration (FMCSA) at the U.S. Department of Transportation (USDOT). States are required to ensure that their testing and licensing procedures conform to these standards and are subject to compliance reviews by FMCSA. States failing to administer written and road tests in accordance to these regulations risk losing up to 6.0 percent of their federal highway funding.

In addition to the base CDL and endorsement for school bus drivers, Rhode Island law requires an individual to attend and pass a 10-hour school bus driver certification course. Every five years, an individual must attend a 3-hour refresher course to renew the license.

Currently, training for the base CDL and accompanying endorsements are provided by private truck driving schools. CCRI also provides preparation classes for the base CDL, as well as the 10-hour and 3-hour school bus driver certification classes and tests. These classes are conducted at all three of its campuses. The written test for the CDL and its endorsements are administered by the DMV. CCRI currently administers the CDL road test on behalf of the DMV, which would shift to the DMV under Article 3.

According to the DMV and the State’s Office of Management and Budget (OMB), this shift would improve oversight and customer service.

- **Oversight:** Road testing for the CDL is closely regulated and audited by USDOT. Ensuring compliance with FMCSA standards is the responsibility of the DMV. Currently, because DMV staff are not present when CDL road testing occurs, they cannot guarantee that standards are being met. In-housing the road testing function mitigates the risk of non-compliant testing.
- **Customer Service and Efficiencies:** According to the DMV, Article 3 changes would improve customer service and create efficiencies. FMCSA rules require that an individual taking the road test present proof of insurance, copies of relevant permits, and proof of registration. If that a customer does not bring these materials, CCRI cannot permit the test to be taken. The DMV would be able to provide the individual with these materials at the time of the test, allowing the test to go forward. Similarly, upon successful completion of the test, the DMV would be able to provide the license to the customer immediately.

### **BHDDH Caseload**

The State has been under a Consent Decree with the United States Department of Justice since 2014 for violating the Olmstead Decision of the Americans with Disabilities Act. The United States Department of Justice, focusing specifically on sheltered workshops, concluded that the State's services for individuals with developmental disabilities were not adequately integrated within the community. The State subsequently entered into a Consent Decree, requiring the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH) to foster more supportive and less isolated employment opportunities and day services for individuals with intellectual and developmental disabilities. Employment placements must be typical jobs that pay at least minimum wage and support employment for 20 hours or more per week. The Consent Decree requires funding to support a reformed system of care within the Division of Developmental Disabilities (DD) until FY2024.

With three years left in the Consent Decree, the presiding judge has issued a court order with guidance on how the State should move forward to achieve the goals of the Consent Decree. The court order states that to meet compliance with the Consent Decree, the State must establish a data collection and reporting method to facilitate proper expenditure forecasting. Article 3 of the Budget updates BHDDH reporting requirements that would provide the information necessary to include BHDDH in the Caseload Estimating Conference to satisfy the court order. The previous month's caseload and expenditure data must be submitted to the House Fiscal Advisor, the Senate Fiscal Advisor, and the State Budget Officer by the fifteenth of each month.

The Article also repeals Section 40.1-22-39 of the General Laws, eliminating language which requires monthly caseload reporting to the General Assembly of the same data to avoid duplicative language.

*Analyst Note: While the Article does require reporting of caseload data, it does not specifically declare an effective date for inclusion of BHDDH in the State's Caseload Estimating Conference. In addition, the Article requires the new reporting requirements beginning on July 1, 2022, but the previous reporting requirements would be eliminated upon passage of the Budget, eliminating reporting requirements for approximately a year. A Governor's Budget Amendment is expected to resolve the gap in reporting, which is an error.*

### **Caseload Estimating Conference Additional Meetings**

Article 3 amends RIGL 35-17-3 to transfer the authority to request additional caseload estimating meetings throughout the year from the Director of the Department of Human Services to the Secretary of the Executive Office of Health and Human Services.

Under current law, if at any time during the fiscal year a participant of the caseload estimating conference feels that recommendations made during the conference are no longer valid that participant is allowed to notify the Director of the Department of Human Services. The Director will then review the participants concerns and determine if the concerns are sufficient to request an additional conference.

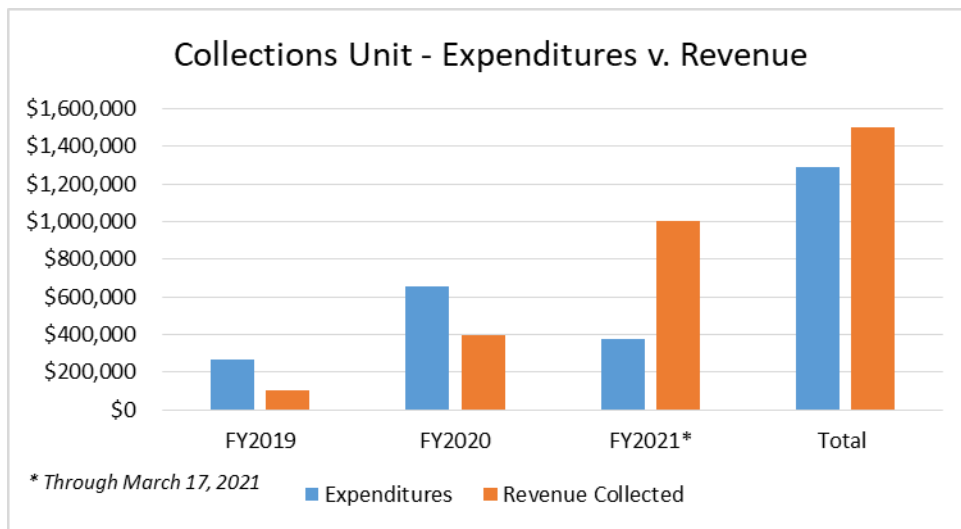
**DOR's Collection Unit**

Article 3 permanently authorizes the Department of Revenue (DOR) Central Collections Unit (CCU) by eliminating the statutory sunset date of June 30, 2021.

- Background:** The FY2019 Budget as Enacted established the CCU as a three-year demonstration pilot designed to improve the collection of delinquent debts owed to State agencies. The CCU relies on agencies to voluntarily engage with it and enter into Memorandums of Understanding (MOUs) for its services. Implementation of the program began on July 1, 2018, and is set to expire on June 30, 2021. The program required several months to fully operationalize and the first revenues collected occurred in January 2019. The unit began in 2018 with a budget of \$601,755 in general revenue and 7.0 FTE positions. In FY2021, it operated with 8.0 FTE positions and \$792,634. For FY2022, the Governor is recommending 8.0 FTE positions and a budget of \$828,769.

*Analyst Note: The Governor's FY2021 Budget recommended making State agency participation mandatory, however this was not included in the FY2021 Budget as Enacted.*

- Performance:** When the unit was initially proposed, the Governor indicated that the pilot unit would be a precursor to a fully mobilized collection's division, and the authorizing legislation provided for an evaluation report on the performance of the pilot to be issued by September 1, 2020. At the November 2020 Revenue Estimating Conference, the DOR testified that since the pilot was established, 16 agencies have entered into 13 MOUs with the CCU, \$725,843 in total revenue has been collected, and 85 court cases have been filed. According to DOR, the rate at which collections are occurring has been increasing over time. Total collections in the first quarter of FY2021 were \$170,175, with another \$84,462 in October 2020, as compared to \$392,392 in all of FY2020. The following tables show FY2021 activity:



<b>Agency</b>	<b>Total Principal Debt Referred</b>	<b>Principal Collected in FY2021</b>	<b>Interest &amp; Fees Collected in FY2021</b>	<b>Total Collected in FY2021</b>
DLT	\$4,848,994	\$73,019	\$1,664	\$74,683
DEM	358,285	28,302	210	28,512
Ethics Commission	141,856	845	0	845
DOA	59,711	3,910	18	3,928
Commission for Human Rights	19,920	-	-	0
DOH	2,000	1,400	1	1,401
RITT	28,504,525	765,742	4	765,746
DCYF	190,480	-	-	0
SOS	4,512	50	-	50
DMV	1,277,722	65,106	3,035	68,140
EOHHS	197,443	59,202		59,202
Board of Elections	13,925	925	27	952
Taxation	2,830,252	-	-	-
<b>Total</b>	<b>\$38,449,625</b>	<b>\$998,500</b>	<b>\$4,958</b>	<b>\$1,003,459</b>

Source: DOR - FY2021 Data through March 17, 2021

- Article 3:** Article 3 repeals RIGL 42-142-8(q) which had set the expiration date for the Collections Unit pilot at June 30, 2021. The amendment results in the permanent authorization of the program. Because current law does not permit unit operations in FY2022, the November 2020 Revenue Estimating Conference did not include revenues attributable to the Collections Unit in its estimates. The Governor's FY2022 Budget anticipates an additional \$1.4 million in revenue with the unit fully operational.



## Article 4: Relating to Debt Management Act Joint Resolutions

Pursuant to RIGL 35-18, the Public Corporation Debt Management Act, any financing leases or other guarantees entered into by an elected or appointed State official must have prior approval of the General Assembly. This article authorizes the issuance of \$86.6 million in revenue bonds through the Rhode Island Health and Educational Building Corporation (RIHEBC) for two projects at the University of Rhode Island (URI). The article also authorizes \$70.6 million in certificates of participation (COPs) for Eleanor Slater Hospital and the Rhode Island Children’s Information System (RICHIST) at the Department of Children, Youth and Families.

### FISCAL IMPACT

This article authorizes the issuance of \$86.6 million in revenue bonds through the Rhode Island Health and Educational Building Corporation (RIHEBC) for two projects at the University of Rhode Island (URI), including Memorial Hall and the Combined Health & Counseling Center. The article also authorizes \$70.6 million in certificates of participation (COPs) for Eleanor Slater Hospital and the Rhode Island Children’s Information System (RICHIST) at the Department of Children, Youth and Families.

Revenue Bonds	Department	Proposed Debt Authorizations					
		Article Authorization				Annual Debt Service	Term of Loan (years)
		Previous Authorization	Principal	Interest	Total Debt		
Memorial Union	URI	51.5	\$57.6	\$68.0	\$125.6	\$4.2	30.0
Combined Health & Counseling Center	URI	26.9	29.0	34.3	63.3	2.1	30.0
Eleanor Slater Hospital	BHDDH	-	53.6	12.9	66.5	4.4	15.0
RICHIST	DCYF	-	17.0	2.7	19.7	2.0	10.0
<b>Total</b>			<b>\$157.2</b>	<b>\$117.9</b>	<b>\$275.1</b>		

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

### ANALYSIS AND BACKGROUND

#### University of Rhode Island – Memorial Union – Auxiliary Enterprise

The article amends the previous authorization approved through the FY2020 Budget as Enacted for the renovation and expansion of the Memorial Union. URI has completed an advanced planning study for this renovation. The article increases the financing for the renovation and expansion by \$6.1 million from \$51.5 million to \$57.6 million. The debt service payments continue to be funded from student fees and retail lease payments associated with auxiliary enterprise. Total debt service on Rhode Island Health and Educational Building Corporation (RIHEBC) the revenue bonds increases by \$13.3 million over the thirty-year term, assuming an average interest rate of 6.0 percent. Annual debt service payments are estimated at \$4.2 million.

According to URI, the increased cost of the Memorial Union project is due to the two-year delay. The project was originally delayed by one year to avoid issuing the new bonds at the same time as the bonds for the Combined Health & Counseling Center in order to ease the burden of the increase in debt-service. An additional one-year delay was due to COVID and the impact on Auxiliary funding need to pay for the initial design of the project. Delaying the project will allow for the Auxiliary to recover sufficiently to support the increased debt service.

#### University of Rhode Island – Combined Health & Counseling Center – Auxiliary Enterprise

The article amends the previous authorization for the design and construction of a new one-stop center to address the physical, emotional, and mental health of students approved through the FY2020 Budget as Enacted. The article increases the financing for the renovation and expansion by \$2.1 million, from \$26.9 million to \$29.0 million. The debt service payments continue to be funded from student fees associated

with auxiliary enterprise. Total debt service on the RIHEBC revenue bonds increases by \$4.6 million over the thirty-year term to \$63.3 million, assuming an average interest rate of 6.0 percent. Annual debt service payments are estimated at \$2.1 million.

URI indicated that the Health & Counseling Center project was delayed by 19 months as a direct result of the impact of COVID. The Health Services Staff, who need to be fully integrated into the design process, have been focused on addressing the pandemic and have not been available to assist in the planning of the project. Also, the Health Services reserve funds, needed to support the design work, have been strained recently due to the pandemic. Delaying the project will allow for the Auxiliary to recover sufficiently to support the increased debt service.

### ***Eleanor Slater Hospital Project***

The article amends a previously authorized issuance of certificates of participation (COPs) to allow remaining funds to be used for any Eleanor Slater Hospital (ESH) building, including the construction of a new healthcare facility on the Zambarano campus. The Budget also authorizes the issuance of \$53.6 million in new COPs for the construction of the proposed new facility with a total estimated project cost of \$64.9 million. The new COPs will be paid over fifteen years, at an interest rate of 2.75 percent.

ESH, located on two campuses in Cranston and Burrillville, is the State's only long-term acute care hospital providing care to patients with a variety of complex psychological and medical needs. The Hospital has a total capacity of 426 beds, and provides long-term acute and post-acute hospital-level care to forensic, psychiatric, and medical patients with complex needs. Forensic patients are individuals in need of treatment to gain competency to stand trial or who were found not guilty by reason of insanity. The ESH patient population is heavily dependent on court decisions, as the courts decide when forensic patients require hospitalization at ESH as well as when patients are discharged.

ESH currently consists of four buildings: Benton, Regan, Adolph Meyer, and Zambarano.

- Benton is only used for the care of forensic patients and has a current population of 50 patients. Benton was fully renovated in 2018 and is a secure forensic psychiatric facility.
- Regan and Adolph Meyer are used for both medical and psychiatric patients and are in need of significant renovations to eliminate ligature risks. Regan has a current census of 39 patients and Adolph Meyer has a current census of 27 patients.
- Zambarano is currently used only for medical patients and the building is aged and in poor condition. Extreme ligature risks prohibit Zambarano from caring for any psychiatric patients. Zambarano has a current census of 74 patients.

BHDDH, in coordination with the Office of Management and Budget and the consulting firm Alvarez & Marsal, proposed a redesign of the Eleanor Slater Hospital. Article 4 authorizes \$53.6 million in new certificates of participation (COPs), in addition to \$11.3 million in previously authorized COPs for a total project cost of \$64.9 million, to build a new long-term care facility for patients of the Eleanor Slater Hospital. The new footprint ensures that the State is in compliance with federal regulations and transforms the State's long-term acute care hospital into a newly constructed long-term care facility and a separately licensed Institute for Mental Disease (IMD) hospital at the existing Benton building on the Pastore campus in Cranston. The new Zambarano building would be licensed as a mixed-use facility for skilled nursing, custodial care, intermediate care, and traumatic brain injury. The Regan and Adolph Meyer buildings would be closed under the proposed plan.

### ***Rhode Island Children's Information System (RICHIST)***

Article 4 authorizes the issuance of \$17.0 million in certificates of participation (COPs) to provide 60.0 percent of the estimated \$28.0 million required to replace the Department of Children, Youth, and Families' child welfare case management system, known as RICHIST. The remaining 40.0 percent, or \$11.0 million, would be supported by federal funds.

The total funding of \$28.0 million would be utilized over three years, FY2022 through FY2024, as follows:

<b>Rhode Island Children's Information System</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>	<b>Total</b>
Certificates of Participation	\$2,000,000	\$10,000,000	\$5,000,000	\$17,000,000
Federal Funds	1,300,000	6,500,000	3,200,000	11,000,000
<b>Total</b>	<b>\$3,300,000</b>	<b>\$16,500,000</b>	<b>\$8,200,000</b>	<b>\$28,000,000</b>

*Analyst Note: The Governor's recommendation for FY2022 does not include the \$1.3 million in federal funds planned for this project. The Governor's Budget Amendment dated April 19, 2021, adds the funding within the Department of Children, Youth, and Families to account for the federal match.*

RICHIST was developed in 1998 and serves as a registry for all confidential case, financial, provider, and staff management information. RICHIST also generates the caseload and financial data which the Department reports to the Governor, General Assembly, and federal government. While Rhode Island was a national leader when RICHIST was first developed, it now relies on antiquated technology that has not adapted well to changes over the last 23 years. Most significantly, the existing RICHIST system does not enable easy mobility for staff in the field which inhibits the Department's ability to operate efficiently.

The new system would be a modular system that enables data analytics and reporting, allows easy access to real-time information when making important decisions for children and families, and simplifies the system's mobile interface. The federal government encourages use of modular systems because they are more comprehensive and flexible, and enhance the ability to navigate case information and incorporate data analytics into child welfare practice. Modern systems are also more dynamic, allowing child welfare agencies to respond more adeptly to frequent changes in standards and practices. The Governor's Budget assumes the use of a Custom Off the Shelf (COTS) software package which can be adapted from interfaces being used in other states, as opposed to custom-building a solution from scratch. The existing system will be maintained as portions of the new system are developed and phased in, with a full transition occurring when all components of the new system are sufficiently tested.

The annual debt service on the COPs authorized by this article would be approximately \$2.0 million, based on an assumed interest rate of 2.75 percent over ten years. These payments would be budgeted within the Department of Administration beginning in FY2023, with payments through FY2032. Including interest, the total cost to the State will be \$19.7 million at the end of the ten-year period.

*Analyst Note: Following the budget submission, the Office of Management and Budget provided updated budget projections and details regarding the cost to build a new system with a consultant as well as the expense to maintain the current RICHIST system while development is underway. Based on this information, it appears that the total cost for the system is expected to be \$28.5 million, with the majority of the costs being incurred in FY2023 and FY2024.*

<b>Purpose</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>	<b>Total</b>
Planning Vendor and Project Governance	\$1,200,000	\$1,000,000	\$1,000,000	\$3,200,000
Implementation Vendor	1,000,000	14,500,000	7,250,000	22,750,000
Independent Verification and Validation	-	1,000,000	1,500,000	2,500,000
<b>Total</b>	<b>\$2,200,000</b>	<b>\$16,500,000</b>	<b>\$9,750,000</b>	<b>\$28,450,000</b>

*The \$28.5 million estimate only reflects the costs attributable to the new system. The costs to maintain the current system during the phase-in period are included in DCYF's base budget. Ongoing RICHIST maintenance is expected to cost \$6.9 million over the three-year period.*



## Article 5: Relating to Tax Anticipation Notes

This article allows the State to borrow a maximum of \$300.0 million in anticipation of tax revenues during FY2022. This form of commercial paper borrowing is referred to as Tax Anticipation Notes, or TANs.

### FISCAL IMPACT

The Budget Office has not projected the cost of the TANs interest payment in FY2022.

### ANALYSIS AND BACKGROUND

Tax Anticipation Notes, or TANs, are a form of short-term debt issued by states or municipalities to finance current governmental operations before tax revenues are received. When the issuer collects the taxes, the proceeds are then used to retire the debt.

The State of Rhode Island issued TANs as a matter of standard practice for many years. The General Assembly annually authorized TANs through a budget article. The State started to use TANs authorizations during FY1990. TANs were used regularly through FY2012. In FY2021, the General Assembly authorized a \$300.0 million TANs issuance, but due to the receipt of federal COVID Relief Funds, the State did not issue any TANs.

For FY2022, the Budget Office does not anticipate the need to borrow given all of the federal money the State has received and is anticipated to receive, but the State General Treasurer requested the ability to borrow if necessary to avoid the need for an emergency approval again. The Budget does not include any costs of TANs borrowing in FY2022.

### Why Tax Anticipation Notes are Used

State government is largely financed by taxes. While some taxes are collected and remitted on a regular basis (for example sales tax collections are deposited monthly), other tax and state revenue collections may not follow set patterns, or may follow patterns that do not align with state spending needs (personal income tax payments are largely due in mid-April). A shortfall, or gap, appears when the flow of revenues do not keep pace with estimated required expenditures. One strategy to bridge this gap is to issue TANs, which are limited to expected revenue collections within the fiscal year.

### Authorization for Tax Anticipation Notes

Section 17 of Article 6 of the Rhode Island Constitution allows for General Assembly authorization for state borrowing to meet cash flow demands within a fiscal year. The Rhode Island Constitution requires that “any money borrowed in anticipation of such receipts shall be repaid within the fiscal year of the state in which such borrowings take place.” Therefore, funds borrowed through a TANs issuance for the FY2022 budget must be repaid by June 30, 2022.

The cost of the borrowing depends upon the amount of the borrowing and the interest rate at the time of the borrowing. The Article authorizes the use of interest proceeds from the TANs issuance to offset the costs of the borrowed amount.

Fiscal Year	TANs History		
	Authorization	Issued	% Issued
2001	\$0.0	\$0.0	0.0%
2002	150.0	90.0	60.0%
2003	150.0	150.0	100.0%
2004	200.0	200.0	100.0%
2005	250.0	-	0.0%
2006	250.0	-	0.0%
2007	250.0	120.0	48.0%
2008	270.0	220.0	81.5%
2009	350.0	350.0	100.0%
2010	350.0	350.0	100.0%
2011	350.0	350.0	100.0%
2012	350.0	200.0	57.1%
2013	250.0	-	0.0%
2014 - 2020	-	-	0.0%
2021	300.0	-	0.0%
2022	300.0	-	0.0%

\$ in millions



## Article 6: Relating to Fees

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This article makes a number of changes to fees, administrative penalties, and public utilities. Specifically the article:

- Authorizes a 6.0 percent hospital license fee in FY2022.
- Amends fees for contractors and stock broker sales representative licenses within the Department of Business Regulation.
- Authorizes the Department of Environmental Management to increase fees for the beaches, parks, and recreational areas in Westerly.
- Authorizes the Director of the Department of Health (DOH) to establish a data request fee for special data analysis requests that require compiling and/or analyzing health-related data requests that are not subject to the Access to Public Records Act (APRA).
- Eliminates the \$10 fee charged for the annual permit for the right and obligation to collect and remit Rhode Island sales and use taxes.
- The article increases the maximum penalties that the Coastal Resources Management Council (CRMC) Chair or Executive Director can assess for various violations.

### FISCAL IMPACT

The changes in Article 6 are expected to generate \$181.5 million in new revenue collections relative to the November 2020 adopted revenue estimate.

<b>FY2022 Article 6 Revenue Changes</b>	
<b>Initiative</b>	<b>General Revenues</b>
Hospital License Fee	\$178,249,870
Stock Broker Sales Representatives	2,715,925
Beach Parking Fees	453,793
Center for Health Data and Analysis	438,900
Sales Tax Permit Fee	(331,585)
CRMC Administrative Penalties	15,000
<b>Total</b>	<b>\$181,541,903</b>

### ANALYSIS AND BACKGROUND

#### *Hospital License Fee*

The hospital license fee is a provider tax that the State levies on hospitals. This fee is federally capped at 6.0 percent and requires annual legislative action in order to continue. It is calculated as a percent of gross patient services revenue, which includes revenues from patient care activity but excludes other activities such as research, academic activity, or investment earnings. It is assessed against all community hospitals in Rhode Island, including the State-run Eleanor Slater Hospital. Bradley and Butler Hospitals and the Rehabilitation Hospital of Rhode Island are exempt from paying the fee because their primary services and patient beds are psychiatric in nature. Hospitals pay the fee each July but the revenues are booked as a receivable to the prior fiscal year.

Because the State's largest hospitals are non-profit and do not pay corporate income or property taxes, the hospital license fee is a considerable source of revenue for the State. In past fiscal years, the hospital license fee has been used as a mechanism to generate State funds, approximately one-third of which are then matched with federal Medicaid funds and returned to hospitals to offset uncompensated care costs through the Disproportionate Share Hospital (DSH) program. The hospital license fee and DSH are usually reauthorized at the same time; the Governor's Budget reauthorizes DSH payments in Article 14.

Fiscal Year	Fee	Revenue
FY2016	5.862%	\$169.0
FY2017	5.652%	168.8
FY2018	5.856%	182.0
FY2019	6.000%	180.8
FY2020	6.000%	193.8
FY2021 Gov.	6.000%	193.8
FY2022 Gov.	6.000%	178.2

*\$ in millions*

Article 6 recognizes the increase in the fee from 5.0 percent to 6.0 percent in FY2021, which is contemporaneously authorized by Article 2 of the Supplemental Budget, and reauthorizes the fee at 6.0 percent in FY2022. The rate is discounted by 37.0 percent for hospitals located in Washington County (South County and Westerly Hospitals). The article assesses the license fee against hospital fiscal year 2020 patient revenues. The Budget assumes \$178.2 million in new revenues in FY2022. This is \$15.6 million less than FY2020 and FY2021 collections.

The Budget uses an estimated 2020 patient revenue base to calculate collections from the fee in FY2022, as actual 2020 data is not yet available. Hospitals experienced a significant decline in activity in 2020 due to the onset of the COVID-19 pandemic and the mandated suspension of elective procedures that followed. According to initial reports from the Hospital Association of Rhode Island, COVID-19 resulted in an approximately 4.9 percent decline in revenues between 2018 and 2020. The estimate uses this trend to approximate the 2020 revenue base.

Also contributing to the revenue loss is a substantial decline in revenues from Eleanor Slater Hospital, which reported \$6.1 million in patient care activity in FY2020, a 94.6 percent decline from FY2018 activity of \$113.8 million. This results in a \$6.5 million loss in hospital license fee revenues. It is unclear at this time whether these revenues were properly reported.

Hospital	2018 Hospital Revenue	Revenue Trend	2020 Hospital Revenue (est.)	License Fee Rate	FY2022 Fee Revenue
Eleanor Slater Hospital	\$113,808,358	-94.6%	\$6,142,948	6.00%	\$368,577
Kent Hospital	333,131,126	-4.9%	316,850,578	6.00%	19,011,035
Landmark Medical Center	122,851,913	-4.9%	116,847,982	6.00%	7,010,879
Miriam Hospital	432,069,972	-4.9%	410,954,155	6.00%	24,657,249
Newport Hospital	107,157,575	-4.9%	101,920,646	6.00%	6,115,239
Rhode Island Hospital	1,261,059,365	-4.9%	1,199,429,767	6.00%	71,965,786
Roger Williams	162,804,976	-4.9%	154,848,487	6.00%	9,290,909
St. Joseph's	134,622,907	-4.9%	128,043,712	6.00%	7,682,623
South County Hospital	160,376,076	-4.9%	152,538,290	3.78%	5,765,947
Westerly Hospital	65,349,407	-4.9%	62,155,697	3.78%	2,349,485
Women & Infants	421,116,177	-4.9%	400,535,686	6.00%	24,032,141
<b>Total</b>	<b>\$3,314,347,852</b>		<b>\$3,050,267,948</b>		<b>\$178,249,870</b>

*Analyst Note: Actual 2020 hospital revenues should be available in spring 2021. The Governor's Budget typically bases the calculation on the most recent data available, which is currently 2019 revenues. However, due to the expected decline in patient revenues from 2019 to 2020, the Budget includes the lower estimate to recognize that revenues would be overstated if the 2019 base year was utilized.*

*Additionally, the Governor's Budget Amendment dated April 19, 2021, includes an adjustment to FY2020 patient revenues from Eleanor Slater Hospital, increasing revenues from \$6.1 million to \$16.1 million. This increases the FY2022 revenue assumption by \$596,363 to \$178,846,233.*



**Uniform Securities Sales Representatives**

The article increases the fee paid by individuals who are licensed to conduct business in Rhode Island as a broker dealer sales representative through the Division of Securities Regulation within the Department of Business Regulation. The article proposes a fee increase of \$25, from \$75 to \$100. Approximately 3.0 percent of licensed sales representatives are from Rhode Island, as most are individuals who choose to be licensed in all states. The fee was last increased in FY2012. Massachusetts charges an annual fee of \$75, and Connecticut charges \$125.

**Beach Parking Fees**

The article allows the Department of Environmental Management (DEM) to set the beach parking fees for facilities in Westerly at a “reasonably determined” amount. Beach parking fees are generally determined by DEM through regulation; however, under current law, the beach parking fees are frozen at 2011 levels until October 1, 2021.

The article is estimated to generate an additional \$621,634 in beach parking fees beginning in FY2022. Of this total, 27.0 percent (\$167,841) would be remitted to the host community, Westerly, and 73.0 percent (\$453,793) retained by the State as general revenue.

**Beach Parking Fees at Misquamicut**

	<b>Current</b>	<b>Article 6</b>	<b>Change</b>
Resident Weekday	\$6.00	\$10.00	\$4.00
Resident Weekend	7.00	15.00	8.00
Non-resident Weekday	12.00	20.00	8.00
Non-resident Weekend	14.00	30.00	16.00
Resident Senior Weekday	3.00	10.00	7.00
Resident Senior Weekend	3.50	15.00	11.50
Non-Resident Senior Weekday	6.00	20.00	14.00
Non-resident Senior Weekend	7.00	30.00	23.00

Misquamicut is the State’s largest and most popular beach, with over 76.0 percent of the visitors coming from out of state. This beach also has excessive trash problems that require the addition of dumpsters and recycling containers at every exit and an increase in seasonal employees for trash pickup. According to DEM, Misquamicut’s current parking fees are substantially lower than municipal and other beaches in the area and there is strong support for local political and business leaders to increase the parking fee. The increase in revenue would support additional staffing and maintenance.

*Analyst Note: A Governor’s Budget Amendment, dated April 19, 2021, adjusted the revenue estimate downward by \$26,262, from a total of \$621,634 to \$595,372. This adjustment results in projected revenue of \$434,622 to the State and \$160,750 for the host community.*

**Center for Health Data and Analysis**

The Budget establishes a fee for data requests that require the Center for Health Data and Analysis (CHDA) to analyze, calculate, and/or interpret data. The fee would be set by the Department of Health through rules and regulations and is anticipated to generate \$438,900 in general revenues annually, of which \$219,450 would be allocated to CDHA for personnel costs associated with completing the analyses.

The Center receives approximately 700 requests per year and the fee would apply to external requests that require fifteen or more hours. The fee would not apply to Access to Public Records Act (APRA) requests as the records must be created and APRA requests are for existing records. DOH estimates they would receive 209 chargeable requests, at an average hourly rate of \$140 per hour. The Director would have discretionary authority to waive the fee and it would not apply to any public records requests.

**Sales Tax Permit Fee**

Rhode Island requires all businesses that sell retail to obtain a sales tax permit and renew it annually. This is also required for lodging businesses that “rent living quarters in any hotel, rooming house, or tourist camp”. Permits are issued by the Division of Taxation upon receipt and approval of a sales tax permit application and payment of a \$10 fee. Permits must be renewed by February 1 of each year and are valid

for the period of July 1 of that calendar year through June 30 of the subsequent calendar year, unless otherwise canceled, suspended, or revoked.

Article 6 makes several changes related to sales tax permits that according to the Office of Management and Budget (OMB), are proposed in an effort to reduce the burden of doing business in the State. These include:

- **Elimination of Fee:** Article 6 repeals the \$10 application fee for the sales tax permit (RIGL 44-19-1(a)(1)).
- **Reinstatement Fee:** The article eliminates the requirement to pay the \$10 reinstatement fee for sales tax permits that previously were canceled, suspended, or revoked (RIGL 44-19-2).
- **Renewal Period:** The article provides the Division of Taxation the discretion to establish the time period for renewal.

In FY2020, Rhode Island collected \$331,585 in sales tax permit fees. This represents over 30,000 businesses. Based on the FY2020 data and a July 1 effective date, OMB estimates that the Article 6 changes would result in a \$331,585 loss in revenue.

**Coastal Resources Management Council (CRMC) Administrative Penalties**

The article increases the maximum penalties that can be assessed by the CRMC and changes the review of appeals to the Superior Court. According to CRMC, the penalties have not been changed since 2004, and are so low that violators absorb any fines issued as a cost of doing business. The increase is projected to increase revenue from fines and penalties by \$15,000 (\$22,500 total) in FY2022.

	CRMC Administrative Penalties		
	Current	Article 6	Change
Maximum Administrative Penalty	\$2,500	\$10,000	\$7,500
Maximum Penalty Per Day	500	1,000	500
Maximum Aggregate Penalty	10,000	50,000	40,000
Maximum Criminal Fine	500	1,000	500
Maximum Penalty for Posting or Blocking Rights-of-Way	500	1,000	500

The article also removes the requirement of de novo for appeals for penalties imposed to the Superior Court; consequently, the Court’s review would be guided by the Council’s finding.

**Contractors’ Registration and Licensing Board**

The article proposes restructuring the licensing fee paid to the Contractors’ Registration and Licensing Board (CRLB). Currently, licenses require renewal biennially and must pay a \$200 fee. The article changes the license to annual renewal with a \$150 fee. The fee change would apply to all contractors licensed through CRLB except roofing contractors. Due to the timing of the change, an increase in fee revenue will occur in FY2023, at which time, restricted receipt revenues would increase by \$639,916.

The change aligns Rhode Island with neighboring states, as Massachusetts has an annual fee of \$150 and Connecticut has a tiered annual fee that starts at \$220.

## Article 7: Relating to the Environment

This article repeals the requirement that hunting and fishing regulations promulgated by the Department of Environmental Management (DEM) only remain in effect for one year after the date of effectiveness. The article also changes fees related to recreational hunting and fishing, as well as certain agriculture fees.

### FISCAL IMPACT

The article is projected to increase general revenue generated from the collection of registration fees for pesticide products, commercial feed, and commercial fertilizer by \$1.4 million.

Changes to recreational hunting and fishing license fees are projected to increase restricted receipts by \$62,960 in FY2022. The article proposes three hunting and fishing fee increases over an eight-year period

Fishing and Wildlife Fees Increased Restricted Receipts	
FY2022	\$62,960
FY2026	187,840
FY2029	314,433

### ANALYSIS AND BACKGROUND

#### *Agriculture Fee Increases*

The article increases fees paid by manufacturers or distributors to register pesticide, commercial feed, and commercial fertilizer products. The fees are deposited as general revenue. According to DEM, the increased fees would align with neighboring states.

Agriculture Fee Increases					Regional Agriculture Fees			
Fee	Current	Proposed	Change	Projected Revenue	Fee	RI		
						Proposed	MA	CT
Pesticide Product	\$200	\$300	\$100	\$842,900	Pesticide Product	\$300	\$300	\$188
Commercial Feed	60	100	40	460,640	Commercial Feed	100	100	80
Commercial Fertilizer	72	100	28	103,992	Commercial Fertilizer	100	250	75
<b>Total Revenue</b>				<b>\$1,407,532</b>				

**Recreational Fishing and Hunting License Fees:** The article repeals the requirement that hunting and fishing regulations promulgated by the Department of Environmental Management (DEM) only remain in effect for one year after the date of effectiveness. The administration asserts that repealing the requirement will reduce unnecessary work for the Division of Fish and Wildlife and, since there are minimal changes from year to year, there is no need for the automatic sunset. While most fees increase, junior hunting license fees decrease, and license fees for the disabled and those over 65 years of age remain free. The article also establishes a new category of hunting license for resident and non-resident juniors, and provides for fee changes to various recreational fishing and hunting licenses, as provided in the following table.

## Article 7. Recreational Fishing and Hunting License Fees

License/Permit	Rhode Island				Massachusetts Fees	Connecticut Fees	Regional Average <sup>1</sup>
	Current Fee	FY2022 Fee	FY2026 Fee	FY2029 Fee			
Hunting	\$18.00	\$21.00	\$24.00	\$27.00	\$27.50	\$19.00	\$26.49
Hunting Jr.	18.00	14.00	14.00	14.00	11.50	10.00	8.11
Hunting - non-resident	45.00	55.00	65.00	75.00	65.50/99.50 <sup>2</sup>	91.00	118.54
Hunting Jr. - non-resident	45.00	40.00	40.00	40.00	65.50/99.50 <sup>2</sup>	91.00	47.49
Hunting Landowner - non-resident	18.00	21.00	24.00	27.00	n/a <sup>3</sup>	n/a <sup>3</sup>	n/a
Hunting Tourist 3-day - non-resident	16.00	20.00	20.00	20.00	n/a	35.00	42.63
Hunting Tourist Jr. 3-day - non-resident	16.00	16.00	16.00	16.00	n/a	n/a	n/a
Hunting Active Military - non-resident	18.00	21.00	24.00	27.00	27.50	19.00	26.49
Freshwater Fishing	18.00	21.00	24.00	27.00	27.50	28.00	25.09
Freshwater Fishing - non-resident	35.00	38.00	41.00	44.00	37.50	55.00	45.89
Freshwater Fishing Tourist 3-day - non-resident	16.00	18.00	20.00	22.00	23.50	22.00	17.84
Freshwater Fishing Active Military - non-resident	18.00	21.00	24.00	27.00	27.50	28.00	25.09
Freshwater Fishing Disabled	0.00						
Freshwater Fishing Permanent over 65 yrs.	0.00						
Combination	33.00	38.00	43.00	48.00	n/a	40.00	50.65
Combination Disabled	0.00						
Combination Permanent over 65 years	0.00						
Trapping	10.00	15.00	20.00	25.00	35.50	34.00	25.29
Fur Buyer	10.00						
Trapping - non-resident	30.00	50.00	75.00	100.00	200.00	250.00	192.32
Fur Buyer non-resident	30.00						
Game Bird Permit	15.50	17.00	18.50	21.00	n/a	25.00	28.58
Deer Permit	12.50	13.00	14.00	15.00	5.00	19.00	15.61
Deer Permit All Outdoors Package	75.00	75.00	75.00	75.00	n/a	n/a	n/a
Deer Permit - non-resident	25.50	26.50	27.50	28.50	5.00	68.00	29.11
Turkey Permit Spring	7.50	8.00	9.00	10.50	5.00	28.00	18.11
Turkey Permit Spring - non-resident	20.00	21.50	23.00	24.50	5.00	28.00	25.61
Turkey Permit Fall Archery	7.50	8.00	9.00	10.50	5.00	28.00	18.11
Turkey Permit Fall Archery - non-resident	20.00	21.00	23.00	24.50	5.00	28.00	25.61
Trout Stamp	5.50	5.50	6.00	6.50	n/a	5.00	10.22
Waterfowl Stamp	7.50	8.00	9.00	10.00	5.00	17.00	8.99/9.88 <sup>4</sup>

<sup>1</sup>Regional Average includes MA, CT, ME, NH, VT, NY, NJ, DE, MD, and PA.

<sup>2</sup>MA charges \$65.50 for a nonresident small game hunting license (includes all game except deer, bear, and turkey), and \$99.50 for big game hunting (includes deer, bear, and turkey).

<sup>3</sup>Ma and CT do not offer this license - nonresident landowners must obtain a regular nonresident hunting license.

<sup>4</sup>Resident/non-resident

According to DEM, the changes bring Rhode Island Fishing and Wildlife fees more in line with neighboring states. In addition, the fee collections provide the state match for federal funds used to administer the State's fish and wildlife programs. The Division of Fish and Wildlife (DFW) relies primarily on fee collections and federal funds to administer the State's fish and wildlife programs; consequently, Rhode Island's low fee structure has made it difficult for the DFW to unlock all the available federal funding.

Rhode Island receives federal funding through two separate laws – the Wildlife Restoration Act (aka "Pittman-Robertson) and the Sport Fish Restoration Act (aka Dingell-Johnson). Funds for the Wildlife Restoration Act are derived from a federal excise tax on the sale of firearms, ammunition, and archery equipment. Similarly, funds for the Sport Fish Restoration Act are derived from a federal excise tax on fishing equipment, certain motorboat fuels, and import duties.

These funds are collected by the federal government and then apportioned to each state on an annual basis using a formula set in federal law. The use of these funds is tightly restricted by both state and federal law to purposes that directly benefit fish and wildlife purposes. Notably, the federal government requires as a condition of providing the funding that the state dedicates this funding solely to the state fish and wildlife agency (in our case, DEM Fish and Wildlife and DEM Marine Fisheries) pursuant to statute. Consequently, Rhode Island is required by statute (Title 20, Chapter 20-9-3) to restrict revenues raised from fees on

hunting, fishing, and related licenses to fish and wildlife purposes and these funds are used to provide the state match for the federal funding made available through the two programs.

In recent years, federal funding has increased rapidly as sales of firearms and ammunition have increased and revenue from license fees has not been sufficient to provide the full amount of state match needed. DEM has been able to utilize in-kind contributions and other sources of state match to access federal funding, but these methods are unlikely to prove sufficient in the future. The proposed fee increases occur in three steps over eight years to provide a predictable and measured increase that is need to ensure the state's fees remain competitive with our neighbors, keep pace with the rising costs of programming, and provide an increased state match.

The proposal is estimate to increase restricted receipts by \$62,960 in FY2022, \$187,340 in FY2026, and \$314,433 in FY2029. The additional revenue is projected to leverage additional federal funds at a ratio of 1:3, resulting in a corresponding increase in federal funds of \$188,880 in FY2022, \$563,520 in FY2026, and \$943,299 in FY2029.

*Analyst Note: While the article does not provide a definition for "junior", RIGL 20-13-5(1), Issuance of Licenses, provides that a junior hunting license may be obtained for persons 12 to 14 years of age upon completion of a basic hunter's safety course, and provided they only hunt in the immediate company of a qualified, license adult 21 years of age or over. Otherwise, a person must be at least 15 years of age to obtain a hunting license.*



## Article 8: Relating to Public Utilities and Carriers

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This Article amends RIGL 39-2, “Duties of Utilities and Carriers”, requiring all investor-owned gas and electric distribution companies to develop and file an emergency response plan with the Division of Public Utilities and Carriers (Division) on or before May 15, 2022, and annually thereafter, outlining a utility’s emergency preparations and response to restore service to customers after an emergency event. In addition, the Article requires the Division to develop standards of acceptable performance for emergency preparations and response to restore service by investor-owned gas and electric distribution companies. The Article:

- Authorizes a fine of up to \$500 per day to be issued to any company that fails to file the required emergency response plan.
- If the Division determines that an investor-owned distribution company violated the Division’s standards of acceptable performance, the Division shall have the authority to levy a penalty up to \$100,000 for each violation per day, not to exceed \$7.5 million for any related series of violations.
- Fines levied on the investor-owned electric or gas distribution utilities shall be credited back to the utility’s customers.

### FISCAL IMPACT

There is no projected fiscal impact stated with the passage of this Article.

### ANALYSIS AND BACKGROUND

This Article adds a new chapter, RIGL 39-2, “Emergency Response Plans”, requiring all investor-owned gas and electric distribution companies to file an annual emergency response plan with the Division of Public Utilities and Carriers (Division) on or before May 15, 2022. (Presently, there is only one investor-owned gas and electric distribution company in the state, National Grid [gas and electric].) A fine of \$500 per day may be issued to any company that fails to file the required emergency response plan. As part of the emergency plans, each company shall designate employee(s) to act as liaisons to the Rhode Island Emergency Management Agency’s emergency operations center during an emergency event and shall designate a liaison to each municipality within the service area of the company.

The Article further requires the Division to establish standards of acceptable performance for emergency preparation and restoration of services for each investor-owned electric and gas distribution company doing business in the State. If the Division determines that a distribution company violated the Division’s standards of acceptable performance for emergency preparation and restoration of service, the Division shall have the authority to levy a penalty up to \$100,000 for each violation per day not to exceed \$7.5 million. Municipalities are authorized to file a complaint with the Division, within 90 days of an occurrence, regarding a violation of the Division’s standards by an investor-owned electric and gas distribution company.

The Article adds language stating that all fines levied on an investor-owned electric or gas distribution company for failure to file the emergency response plans or are in violation of the Division’s standards of acceptable performance shall be credited back to the utility’s customers. The method of credit shall be determined by the Public Utilities Commission.





## Article 9: Relating to Economic Development

Article 9 introduces new or amends existing economic development incentives. The changes include:

- **Professional Engineer License:** Expands eligibility for professional engineer licenses to include individuals who have an engineering technology degree and meet experience requirements.
- **Rebuild RI Tax Credit Program:** Raises the cap on the total amount of tax credits and sales tax exemptions that may be issued under the Rebuild RI program from \$210.0 million to \$240.0 million.
- **Reauthorization of Economic Development Incentive Programs:** Extends the sunset provisions on economic development incentive programs from June 30, 2021, to December 31, 2022.
- **Small Business Development Fund Changes:** Modifies the Small Business Development Fund (SBDF) program administered by the Rhode Island Commerce Corporation (CommerceRI).
- **Wavemaker Fellowship Program:** Clarifies elements of the Stay Invested in Rhode Island Wavemaker Fellowship program.

### FISCAL IMPACT

The expansion of engineering license eligibility is estimated to generate an additional \$90,000 in general revenues in FY2022. The tax exemption changes related to the Wavemaker Fellowship program result in a \$2,707 revenue reduction in FY2022.

### ANALYSIS AND BACKGROUND

#### *Professional Engineer License*

There are two types of degree programs in the engineering field, engineering and engineering technology. Currently, individuals with an undergraduate degree in engineering technology are not eligible for a professional engineer license unless they also hold a master's degree from an accredited engineering program. Engineering degrees are more heavily focused on math and science, whereas engineering technology degrees are more practical rather than theoretical. An engineering technology degree has less advanced math and science requirements. Currently, 24 states allow engineering technology degree holders to obtain a professional engineer license with adequate experience.

The article provides a licensure path for individuals with degrees in engineering technology, without also holding a master's degree, so long as they have a minimum of 8 years of experience working under a professional engineer licensee. Prospective licensees must also pass a Fundamentals in Engineering exam, and a Principles and Practice of Engineering Exam, both administered by the National Council of Examiners for Engineering and Surveying. Professional engineering license fees range from \$25 to \$300 (see table). The Department of Business Regulation anticipates eligibility changes will lead to an increase in license applications and fee collections, producing an estimated \$90,000 in additional revenue in FY2022.

Professional Engineer License Fees	
License	Fee
PE Certificate of Registration – Initial Registration Fee	\$300
Biennial PE Registration - Renewal Fee	300
Reinstatement of Expired PE Certificate of Registration - Fee	210
COA Initial Application Fee	150
Comity PE Application Fee	150
Initial PE Application fee	100
Biennial COA Renewal Fee	50
Engineer in Training (“EIT”) – Initial or Comity Application Fee	25
Retirement Status – Biennial Fee	20

***Rebuild Rhode Island Tax Credit Program***

Rebuild RI uses both tax credit and sales tax exemption incentives to promote investment in real estate development for commercial and/or residential use across the State. When the Rebuild RI tax credit program was first established by the General Assembly in 2015, several program limits were instituted to prevent awarded credits from outpacing general revenues and to ensure program performance. These limits included a \$150.0 million cap on the total amount of credits permitted to be issued and an initial sunset date of December 31, 2018. The limits ensured that the General Assembly had an opportunity to evaluate the effectiveness of the program over time and, based on its analysis, either reauthorize or curtail the program. The issuance of sales tax exemptions however, was not originally capped.

Additional limits have since been placed on the program. In 2019, the General Assembly modified the total program cap by increasing it from \$150.0 million to \$210.0 million. However, the cap now applies to the combined total of tax credits and sales tax exemptions. The program also has a \$15.0 million per-project cap. The General Assembly also modified this cap as it related to the potential Fane Tower project in the I-195 Redevelopment District. In this instance, the cap was raised to \$25.0 million, including credits and exemptions. The project also does not count against the overall program cap. The sunset date for Rebuild RI has been extended three times, most recently to June 30, 2021.

Since the program's inception, Commerce has awarded \$147.5 million in Rebuild RI tax credits and \$44.7 million in sales tax exemptions across 53 projects, for a combined total of \$192.2 million, or 92.5 percent of the current \$210.0 million program cap.

Article 9 increases the program cap to \$240.0 million and extends the Rebuild RI sunset from June 30, 2021, to December 31, 2022.

***Reauthorization of Economic Development Incentive Programs***

Article 9 reauthorizes the following incentives for another year and a half:

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

These programs are currently set to expire on June 30, 2021. The General Assembly originally established a two-year authorization for these incentives, calling for a sunset date of December 31, 2018. This expiration has been extended three times, most recently by the FY2021 Budget as Enacted. Article 9 extends the date to December 31, 2022.

### **Small Business Development Fund Changes**

The Small Business Development Fund (SBDF) program is an economic development tool specifically aimed at providing financing to small businesses. The program involves the creation of multiple private capital funds designed to invest in small, Rhode Island-based businesses. Investors are incentivized to participate through State-issued tax credits. Credits cannot be redeemed for three years and are capped at \$42.0 million, with no one fund receiving more than \$20.0 million. Funding is targeted at the gap in financing that exists for many small businesses and start-ups. The program is administered by the Rhode Island Commerce Corporation (Commerce). The Budget does not have a fiscal impact in FY2022 and will not until three years after the first SBDF is awarded and meets program criteria.

*Analyst Note: The State has not estimated the potential economic impact of the program. In testimony before the Senate Finance Committee in January 2019, Enhanced Capital's hired economic consultant, the Economic Impact Group, estimated that the full \$42.0 million in tax credit revenue loss would be realized by FY2026 (\$14.0 million per year from FY2024-FY2026). Cumulative new revenue from SBDF-related job creation and retention and small businesses development was estimated to reach \$74.6 million by FY2026 and continue to grow to \$151.0 million by FY2030.*

**Program Elements:** The Small Business Development Fund program model includes the following features:

- **Fund Approval:** Investment companies apply to Commerce for authorization to form a Rhode Island Small Business Development Fund (SBDF). Applicants have to meet certain federal and State criteria in order to qualify, including being a federally-licensed Small Business Investment Company (SBIC) or a Rural Business Investment Company (RBIC).
- **Raising Capital:** Once approved, fund managers are awarded the authority to raise money for their designated SBDF. Private investors provide capital to the funds in exchange for investment returns. A portion of these returns come from delayed, at-risk State tax credits. The program requires that at least 45.0 percent of the capital raised comes from sources other than the investor awarded the tax credit. SBDF fund managers must provide at least 10.0 percent.
- **Capital Investment:** Commerce is permitted to authorize up to \$65.0 million in capital investments, with no more than \$20.0 million to any one SBDF. These funds must be invested in small, Rhode Island-based businesses within three years.
  - Small businesses are defined as those with fewer than 250 employees and less than \$15.0 million in net income.
  - The businesses must be within one of the State's target growth sectors.
  - Investments may take the form of debt or equity.
- **Tax Credit Incentive:** Upon making an investment in a SBDF, an investor earns a vested right to a non-transferable credit against the investor's State insurance premium tax liability. The credit is equal to the applicable percentage for the credit allowance date multiplied by the purchase price paid to the small business fund for the capital investment. The credit may not be taken within the first three years or prior to the deployment of 100.0 percent of a fund's capital. The aggregate number of credits that can be claimed per year is capped at approximately \$14.0 million per year. Credits may only be carried forward seven years.
- **Accountability and Claw-backs:** The SBDF includes several precautions to protect the State's investment and ensure accountability. Commerce may recapture credits from any fund manager that:
  - Does not invest 100.0 percent of its capital within the first three years of the first credit allowance.
  - Fails to maintain all its qualified investments for six years after the first credit allowance.

- Makes a payout to investors that result in less than 100.0 percent of the authorized capital being deployed in its qualified investments.
- Fails to make at least 10.0 percent of its qualified investments in minority business enterprises.
- Invests in an entity that is itself a SBDF.

If the number of jobs created or retained by a business receiving a qualified investment from a SBDF is less than 60.0 percent of the projected amount agreed on in the SBDF's plan approved by Commerce, then at the time of exiting the program, the State shall receive 30.0 percent of any distribution or payment to SBDF investors. If the number of jobs is greater than 60.0 percent but less than 100.0 percent, then the State shall receive 15.0 percent. Each SBDF is required file an annual report on its investments and the number of jobs created or retained to Commerce for the first three years.

**Program Implementation:** The General Assembly authorized the SBDF program in 2019. The implementation of the program since then has experienced challenges.

- **Applications and Rulemaking:** Article 12 of the FY2019 Budget as Enacted required that Commerce begin taking applications from potential SBDF managers 90 days after July 5, 2019, or October 3, 2019.

At its September 16, 2019, board of directors meeting, Commerce board members expressed concerns over the lack of guardrails and taxpayer protections for the program. Commerce staff was authorized to draft expedited, emergency regulations prior to the planned October 3 deadline, which were adopted in September. The regulations included:

- Augmenting the statutory application provisions to require sufficient information for Commerce to fully vet applicants;
- Enhancing the requirements for the applicant's business plan and proof of investment history;
- Authorizing the Commerce Board to approve fund applications (the statute does not provide for this, rather applicants who meet the criteria are automatically approved on a first-come-first-served basis);
- Proposing a reduction of the tax credit allocation in those instances where a SBDF investment fails to result in a positive economic impact to the State or if an SBDF breaches the covenants within the business plan;
- Creating various reporting requirements in addition to those provided for in the statute;
- Incorporating elements designed to prevent SBDFs from exiting before the promised outcomes and returns to the State are realized;
- Permitting Commerce the option to retain the authority to approve individual business applications to a fund.

In October 2019, three investment companies submitted applications to Commerce: Advantage Capital, Enhanced Capital, and Stonehenge Capital. During the review period, Commerce staff made a determination that none of the applications were complete and notified applicants on October 30, 2019, that they had 15 days to submit additional information or the applications would not be certified. Each of the applicants submitted an updated application response on October 31, 2019; however, these responses were also deemed incomplete. At Commerce's December 20, 2019, board of directors meeting, the applications were formally denied. In February 2020, Commerce held public hearings on formal rules for the program and promulgated final rules.

- **Pandemic Recovery:** With the onset of the coronavirus pandemic and its devastating impact on the Rhode Island economy, Commerce revisited the SBDF program with the intent of utilizing it as an economic recovery tool for small businesses. From March through July 2020, Commerce engaged in

negotiations with Enhanced Capital that resulted in the latter being approved on July 16, 2020, to form an SBDF, being awarded \$20.0 million in tax credits, and authorized to begin lending \$20.0 million to Rhode Island businesses.

The terms of the agreement required Enhanced Capital to invest 75.0 percent of the funds in certain coronavirus affected businesses that could show a 33.0 percent of revenues from January to May 2020 compared with the same period in 2019. Loans must be for a minimum period of five years with a 0.0 percent interest rate for the first six months. After the first six months, interest is capped at 5.0 percent for two years, and 8.0 percent until maturity. The agreement also included additional claw-back measures and a series of penalties in the event that the firm fails to meet certain thresholds. According to Enhanced Capital, the firm made loans to approximately 50 companies, in amounts ranging from \$10,000 to \$1.0 million.

**Article 9 Changes:** Article 9 modifies the small business development fund program as follows:

- **Eligibility:** The article expands the types of eligible applicants to include mission-oriented community financial institutions. These would include community development financial institutions, minority depository institutions, certified development companies, microloan intermediaries, or organizations with demonstrated experience in making capital investments in small businesses. According to Commerce, these community financial institutions are primary vehicles for federal pandemic business assistance and relief and Rhode Island has several that are locally-based. To date only, one entity has been approved to create an SBDF and it is based in Louisiana.
- **Application and Selections Process:** The article modifies the process for reviewing and approving applications. It eliminates the mandated \$5,000 application fee and authorizes Commerce to set the fee by regulation. Commerce is granted the discretion to impose additional application requirements that it deems appropriate. Under current law, any eligible applicant that meets the statutory criteria and submits a timely application is automatically eligible to create a SBDF and receive tax credits. Article 9 eliminates these automatic provisions and provides Commerce with the authority establish the application process, the discretion to approve or deny applications, and the discretion to determine the level of tax credits to be awarded.
- **Financing and Tax Credits:** Under current law, credits under the program may only be used against a State insurance premium tax liability. Article 9 expands the types of taxes to which the tax credits can apply to include business corporations taxes, public service corporations taxes, bank deposit taxes, and personal income taxes. Article 9 also eliminates the current prohibition against the credits being transferred, conveyed, or sold and provides Commerce with the ability to recapture credits that have been fraudulently transferred without notice. Lastly, the article eliminates the requirement that at least 10.0 percent of any SBDF be capitalized by the fund managers.
- **Rules and Regulations:** Article 9 authorizes Commerce to promulgate rules and regulations for the SBDF program, an element currently not codified.

#### ***Wavemaker Fellowship Program***

Established in 2015, the Wavemaker Fellowship is a competitive student loan reimbursement program 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's degree up to \$6,000 for a graduate or post-graduate degree.

**Article 9 Changes:** Article 9 clarifies several aspects of the program and aligns the statute with current practices.

- **Employment:** To be eligible for a Wavemaker Fellowship under current law, an individual must be a full-time employee who works in one or more of the following covered fields: life, natural or environmental sciences; computer, information or software technology; advanced mathematics or finance; engineering; industrial design or other commercially related design field; or medicine or medical device technology. A full-time employee under the program is defined in statute as a person who is employed by a business for consideration for a minimum of at least 35 hours per week. What constitutes a business, for purposes of the program, is not currently defined in statute. Article 9 provides for an expansive definition that includes corporations, banks and other financial institutions, limited liability companies, partnerships, sole proprietorships, or federal agencies or their subsidiaries. This more expansive definition permits entrepreneurs and self-employed individuals to be eligible for the program.
- **Tax Exemption:** Article 9 further clarifies that all tax credit awards made to fellows under the program are exempt from all State taxes. For purposes of the Wavemaker Fellowship program, awards may be delivered as an up-front tax credit redemption or as a tax credit certificate when filing a tax return. State law exempts up-front redemptions from State taxation; however, tax credit certificates are still subject to tax. Article 9 exempts the latter from taxation. This policy change results in a general revenue reduction of \$2,707 in FY2022.
- **Tax Credit Amount:** Under current law, tax credits cannot exceed 100.0 percent of the education loan repayment expenses “incurred” by a fellow. Article 9 amends “incurred” to read “paid”, making it clear that the fellow is in fact the individual paying the loan, not some other entity.

## Article 10: Relating to Fishing Industry Modernization

This article modernizes the commercial fishing licensing system and establishes a dockside program for shellfish packing houses through the Department of Health (DOH).

### FISCAL IMPACT

The new dockside program is projected to increase general revenue by \$366,300 in new licensing fees; however, the cost of the 3.0 new FTE positions needed to manage the program and the additional operating costs are estimated to completely offset the new revenue.

The increase in party and charter boat licenses is projected to generate an additional \$81,025 in restricted receipts in FY2022, with the commercial licensing fees estimated to generate an additional \$236,025 in restricted receipts beginning in FY2023. The additional resources will be reinvested into the Marine Fisheries program.

### ANALYSIS AND BACKGROUND

The article is based on the Rhode Island Commercial Fishing License Modernization Initiative (Initiative), which was designed with input from the industry. The Initiative aims to improve the commercial fisheries licensing system in response to the evolution of fisheries management and fisheries accounting technologies, and to simplify the structure of the licensing system. The four main goals of the restructure include:

1. Maintain a healthy fishing community in the State of Rhode Island,
2. Maintain flexibility for fishermen and allow for diversification of their fishing portfolio,
3. Increase simplicity and understanding of the system for fishermen and seafood dealers, and
4. Increase and support resources for RI’s contemporary marine fisheries needs.

The changes will also better align licensing fees with the cost of assessing and managing marine resources, while bringing Rhode Island’s fee structure more in line with neighboring states.

#### **Party and Charter Vessel License**

The article increases the license fee for vessels carrying recreational passengers for marine fishing from a biannual fee of \$25 to an annual fee of \$100 for residents and \$300 for non-residents to better align fees with neighboring states. The change is estimated to generate an additional \$81,025 in restricted receipts annually.

Multistate Commercial Fishing License Fee Analysis (2017)

Type of License	Connecticut	New York	Massachusetts	Rhode Island	Rhode Island
				Current	Proposed
Party and Charter Vessel - Resident	\$315	\$250	\$65 - \$130	\$25/2 years	\$100
Party and Charter Vessel - Non-Resident	315	250	130 - 260	25/2 years	300

Source: Rhode Island Department of Environmental Management

#### **Commercial Fishing License Fees:**

DEM estimates that the updated fee structure will increase annual restricted receipts by \$236,025 beginning in FY2023, which will unlock additional federal funds by providing additional matching funds. There is no general revenue impact. The additional restricted receipts will replace expiring federal grants such as the one currently supporting the electronic seafood dealer program, also known as the Standard Atlantic Fishery Information System (SAFIS). The program, including data auditing, customer service, and

compliance management, is currently supported by the Atlantic Coastal Cooperative Statistics Program (ACCSP), which is in the first year of a three-year phase out.

**Multistate Commercial Fishing License Fee Analysis (2017)**

Type of License	Connecticut	New York	Massachusetts	Current (average)	Proposed (average)
Limited License (single sector focus) - Resident	\$790 - \$975	\$180 - \$450	\$160 - \$310	\$209	\$200
Limited License (single sector focus) - Non-Resident	855 - 2,100	275 - 1,250	320 - 570	460	700
Maximum Flexibility License - Resident	790 - 975	780	1,240	329	4450
Maximum Flexibility License - Non-Resident	885 - 2,100	1,975	2,330	n/a	n/a

*Source: Rhode Island Department of Environmental Management*

The main structure of the new licensing system will consist of licenses for Rhode Island's three main fishing sectors: shellfish, finfish, and crustaceans. In each of the sectors there will be an open license, or "Limited", category for species unconstrained by quotas. There will also be restricted, or "Unlimited", license that allows for all species in the category including those regulated through quotas. Limited license categories will be available annually without restriction.

Under the new system, a fishing license owner with a multipurpose license will have an opportunity to convert the license to a vessel license. This change will allow owners with multiple vessels to have more flexibility in the captains they hire, allowing a vessel to be operated by any captain who can now land any species available under the vessel license.

The Rhode Island Commercial Fishing License Modernization Initiative (Initiative) seeks to protect and expand commercial-related fishing jobs by maintaining healthy resources, enhancing opportunities for fishermen to grow their businesses through diversified fishing portfolios, and improving customer service by simplifying the license system for fishermen and seafood dealers. The current license structure is outdated relative to changes in fisheries management and results in fee disparities among license holders who have the same access to the same resources.

Elements of the current system that will remain in place include a gear endorsement requirement for gillnets, and landing licenses, which were recently streamlined through regulation. Seafood dealer licenses will be simplified through the removal of a couple of categories that are no longer needed and the fees will be adjusted to equate to the license costs for fishermen. The following table provides the proposed fee changes as provided by DEM.



## Commercial Fishing License Modernization

License Type	Old/ New	Current Fee	Proposed Fee
Multipurpose Dealer License		\$300	\$450
Finfish Dealer License		200	300
Shellfish Dealer License		200	300
Crustacean Dealer License		200	300
Party and Charter Vessel License - Resident		13	100
Party and Charter Vessel License - Non Resident		13	300
Resident Landing Permit		200	300
Non Resident Landing Permit		300	600
Multipurpose License (resident only)		300	450
Standard Resident Commercial Fishing License with 1 Limited Endorsement	New		150
Standard Resident Commercial Fishing License with 2 Limited Endorsements	New		200
Standard Resident Commercial Fishing License with 3 Limited Endorsements	New		250
Standard Resident Commercial Fishing License with 1 Unlimited Endorsement	New		300
Standard Resident Commercial Fishing License with 1 Unlimited Endorsement and 1 Limited Endorsement	New		350
Standard Resident Commercial Fishing License with 2 Unlimited Endorsements and 1 Limited Endorsement	New		375
Standard Resident Commercial Fishing License with 1 Unlimited Endorsement and 2 Limited Endorsements	New		400
Standard Resident Commercial Fishing License with 2 Unlimited Endorsements and 1 Limited Endorsement	New		425
Standard Resident Commercial Fishing License with 3 Unlimited Endorsements	New		450
Standard Non Resident Commercial Fishing License with 1 Limited Endorsement	New		350
Standard Non Resident Commercial Fishing License with 2 Limited Endorsements	New		700
Standard Non Resident Commercial Fishing License with 3 Limited Endorsements	New		1,050
Standard Non Resident Commercial Fishing License with 1 Unlimited Endorsement	New		700
Standard Non Resident Commercial Fishing License with 1 Unlimited Endorsement and 1 Limited Endorsement	New		1,050
Standard Non Resident Commercial Fishing License with 2 Unlimited Endorsements and 1 Limited Endorsement	New		1,400
Standard Non Resident Commercial Fishing License with 1 Unlimited Endorsement and 2 Limited Endorsements	New		1,400
Standard Non Resident Commercial Fishing License with 2 Unlimited Endorsements and 1 Limited Endorsement	New		1,750
Commercial Fishing License with 1 Endorsement - Resident	Old	75	
Commercial Fishing License with 1 Endorsement - Non Resident	Old	200	
Commercial Fishing License with 2 Endorsements - Resident	Old	100	
Commercial Fishing License with 3 Endorsements - Resident	Old	125	
Commercial Fishing License with 4 Endorsements - Resident	Old	150	
Commercial Fishing License with 5 Endorsements - Resident	Old	175	
Commercial Fishing License with 6 Endorsements - Resident	Old	200	
Commercial Fishing License with 7 Endorsements - Resident	Old	225	
Principle Effort License with 1 Endorsement - Resident	Old	150	
Principle Effort License with 1 Endorsement - Non Resident	Old	400	
Principle Effort License with 2 Endorsements - Resident	Old	225	
Principle Effort License with 2 Endorsements - Non Resident	Old	500	
Principle Effort License with 3 Endorsements - Resident	Old	300	
Principle Effort License with 3 Endorsements - Non Resident	Old	600	
Principle Effort License with 4 Endorsements - Resident	Old	375	
Principle Effort License with 5 Endorsements - Resident	Old	450	
Principle Effort License with 5 Endorsements - Non Resident	Old	900	
Principle Effort License with 6 Endorsements - Resident	Old	525	
Principle Effort License with 7 Endorsements - Resident	Old	600	
Principle Effort License with 8 Endorsements - Resident	Old	675	

Source: Department of Environmental Management

The additional revenue will be used to replace declining federal funds but can also be used to support other commercial fishing industry priorities including dedicated staff to support commercial-only species such as squid, mackerel, and lobster; infrastructure improvements; and, increased enforcement capabilities to maintain a level playing field for fishermen. Other investments include upgrading Rhode Island's physical licensing system to use swipe cards, physical licenses with photographs, and an improved licensing database infrastructure.

If approved by the 2021 General Assembly, the Initiative will go through rulemaking in the fall of 2021 and be implemented in 2022. The proposal will address problems with an outdated, overly complicated, and unbalanced commercial fishing license structure, while also addressing a funding deficit in the Division of Marine Fisheries caused by discontinued federal resources and growing responsibilities.

***Shellfish Packing Houses:***

The article authorizes the Director of the Department of Health (DOH), with the assistance of DEM, to establish a dockside program, including rules and regulations. The article also provides DOH with the authority to set a shellfish-licensing fee through rules and regulations. In April 2019, the National Marine Fisheries Council closed a large portion of fishing grounds used for harvesting surf clams in order to protect certain marine species. Authorizing DOH to establish the program allows companies in the State to continue processing certain shellfish and ensure they are safe for human consumption. The program would not apply to aquaculture, the cultivation of fish in controlled conditions.

Massachusetts has a similar program, with a fee of \$35,000 per vessel, per year and is collected from vessels that harvest from specific waters not regularly monitored for biotoxins. The fee is deposited into the Dockside Testing Trust fund and is used for the regulation, monitoring, and testing of shellfish.

The new dockside program would require 2.0 FTE Lab Scientist positions and 1.0 FTE Food Specialist. The cost of the FTE positions, in addition to operating costs, would result in increased expenditures of \$366,300, funded by the proposed license fee.

## Article 11: Relating to Adult-Use Marijuana

This article proposes the legalization of marijuana for adult-use. The proposed changes are estimated to generate \$1.7 million in net revenue in FY2022, based on an anticipated retail sales start date of April 1, 2022. In FY2023, the first full year of retail sales, the anticipated net revenues increase to \$16.9 million. Revenue estimates were completed by the Office of Management and Budget (OMB) based on Rhode Island population data and adult-use marijuana revenues in other states. Specifically, the article:

- Legalizes the recreational use and purchase of marijuana for individuals aged twenty-one or older.
- Establishes the Marijuana Trust Fund, funded by taxes and fees collected from marijuana revenues, to distribute funds to municipalities, for state expenditures related to the market, and to general revenues.
- Establishes an overall tax rate on adult-use marijuana of approximately 20.0 percent, comprised of excise taxes and retail sales taxes.
- Includes provisions designed to ensure minority access to the industry and to ensure medical marijuana patients are not adversely impacted by the implementation of an adult-use market.

### FISCAL IMPACT

The general revenue impact of Article 11 is summarized in the following tables:

<b>Article 11 Revenues</b>		
<b>Initiative</b>	<b>FY2022</b>	<b>FY2023</b>
Licensing Fees	\$3,816,000	\$2,652,250
Retail Excise Tax	2,387,902	9,551,606
Retail Sales Tax	1,671,531	6,686,124
Cultivator Excise Tax - Flower	1,335,073	5,340,292
Medical Cultivator Excise Tax	1,172,703	2,345,407
Cultivator Excise Tax - Trim	410,849	1,643,398
<b>Total</b>	<b>\$10,794,058</b>	<b>\$28,219,077</b>

<b>Article 11 Net Impact</b>		
<b>Initiative</b>	<b>FY2022</b>	<b>FY2023</b>
Total Revenues	\$10,794,058	\$28,219,077
State Expenditures (Increased in FY2022)	(2,698,515)	(7,054,769)
Additional Expenditures in Year 1	(4,805,954)	-
Share Dedicated to Municipalities	(1,619,109)	(4,232,862)
<b>Annual General Revenue Transfer</b>	<b>\$1,670,481</b>	<b>\$16,931,446</b>

*Totals may vary due to rounding.*

### ANALYSIS AND BACKGROUND

**Adult-Use Marijuana:** The article legalizes the adult-use of marijuana for those aged twenty-one and older and provides the Office of Cannabis Regulation (OCR) within the Department of Business Regulation (DBR) with the authority to oversee the proposed adult-use. The article would allow individuals twenty-one or older to purchase up to one ounce of marijuana per day, and allows storage of up to five ounces of marijuana in a secured, locked container in their home. In households with two or more individuals aged over twenty-one, adults would be permitted to have up to ten ounces secured in a locked container. OCR would be responsible for overseeing the regulation, licensing, and control of the market. OCR will work in coordination with other impacted agencies, offer guidance to municipalities, and work in coordination with other states with a legal market.

The article provides DBR with the authority to limit the potency of products cultivated and sold, with a planned potency limit of 50.0 percent. Potency limitations would decrease production by approximately 12.9 percent. The article limits the amount of tetrahydrocannabinol (THC), which is the part of the marijuana plant that produces a high, to 5mg per serving, or 100mg per edible package. Marijuana products must not be packaged in a way that it is easy for a child to open and cannot be shaped in a way that children may find attractive, such as animals or vehicles.

The article prohibits the use of marijuana in public places, multi-unit housing (unless with explicit permission from the property owner), and places of business. The article does not permit the smoking or vaping of marijuana on public housing properties due to Housing and Urban Development (HUD) requirements for smoke-free public housing to prevent the risk of fire. While HUD does prohibit smoking on property, it does not explicitly prohibit vaping on properties and allows Public Housing Authorities to use their discretion.

Only licensed cultivators are permitted to cultivate marijuana and the article outlines penalties associated with the possession of marijuana plants without a cultivator license. Penalties range from financial penalties starting at \$2,000 per plant to criminal penalties for possession of more than twenty plants. Possessing marijuana in excess of permitted amounts is subject to an administrative penalty of \$2,000 per ounce and the forfeiture and/or destruction of the excess marijuana. Distribution to minors is prohibited and is subject to a \$10,000 fine per violation and a felony.

Massachusetts legalized adult-use marijuana in 2016, with sales beginning in 2018. There are a number of marijuana retailers close to the Rhode Island border including Fall River, Attleboro, and Uxbridge. In 2020, Massachusetts had \$702.4 million in total adult-use retail sales. The Governor of Connecticut included the legalization of adult-use marijuana in his budget proposal with an anticipated starting retail sale date of May 2022.

**Medical Marijuana:** The article includes provisions that are intended to protect the viability of the medical marijuana program and mitigate any negative impacts on medical marijuana patients. The article permits licensed compassion centers to apply for a hybrid license, which would permit the licensee to have both a compassion center license and a retail adult-use market. A medical marijuana cultivator may also apply for a hybrid cultivator license to cultivate marijuana for both the medical marijuana program and the adult-use market. Applicants must be able to demonstrate that their expansion into the adult-use market will have no adverse impacts on the medical market or patients.

The article requires DBR, in collaboration with the Department of Health (DOH), and the Office of Management and Budget (OMB), to complete and deliver a study to the Governor, the Speaker of the House, and the President of the Senate by April 1, 2023. The study must analyze the impact that implementation of an adult-use market has had on the existing medical marijuana program and offer recommendations for avoiding adverse impacts on the medical marijuana program.

The article establishes a new weight-based cultivator excise tax, applicable to both medical and adult-use cultivators. Medical marijuana cultivators are not currently taxed. The cultivator excise tax is \$10 per ounce of flower, which is used to make products that are smoked, and \$3 per ounce of trim, which is used to make other marijuana products. The tax would be paid by the cultivator upon the transfer of marijuana. The new fee has an effective date of January 1, 2022, and is anticipated to generate \$1.2 million in revenue from the existing medical marijuana market.

**Reinvestment Task Force:** The article establishes the Governor's Cannabis Reinvestment Task Force, comprised of 15 uncompensated members with one-year terms. The task force would include representatives from municipalities, faith-based organizations, small business owners, and at least two members of the industry. The task force must report findings and recommendations to OCR and OMB by July 1, 2022.

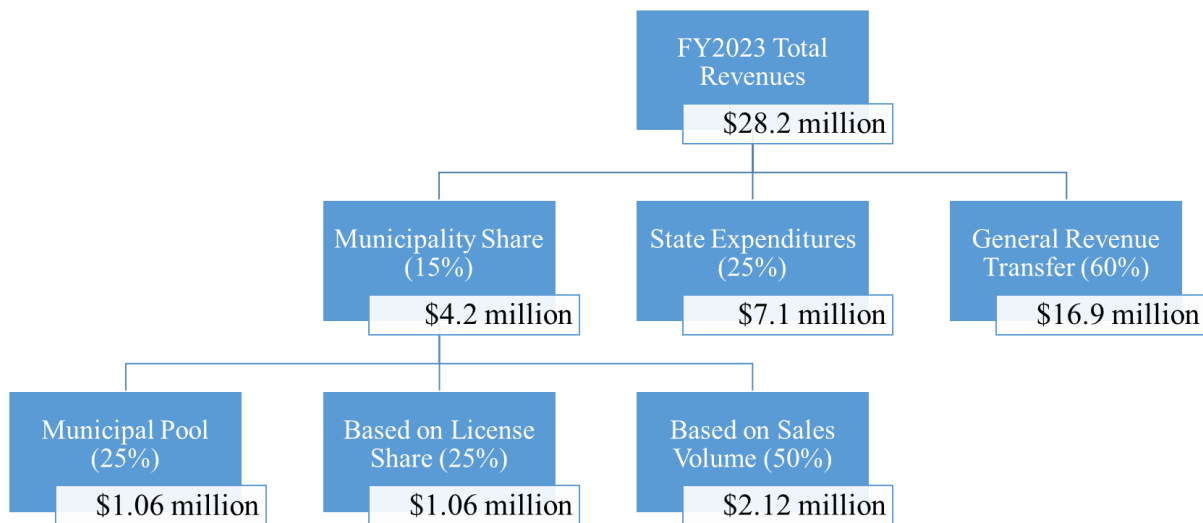
**Equal Opportunity Provisions:** The article requires adherence with existing equal opportunity laws in the Hemp Growth Act. The article prohibits denial of cannabidiol (CBD) and any marijuana-related licenses on the basis of race, color, religion, sex, sexual orientation, gender identity or expression, age, national origin, or disability. In addition, the article requires that at least five or 20.0 percent, whichever is greater, of all the marijuana establishment licenses, must be awarded to qualifying Minority Business Enterprises (MBEs).

**Marijuana Trust Fund:** The article establishes the Marijuana Trust Fund as a restricted receipt account. All adult-use marijuana revenue would be deposited into the Marijuana Trust Fund; 25.0 percent of the funds would be allocated for state expenditures to be allocated to the appropriate agencies based on need, 15.0 percent of funds are dedicated to municipalities, and 60.0 percent of funds would be transferred to the general fund. The article allocates \$4.8 million in funding from the trust fund for expenditures related to adult-use marijuana for first-year expenditures of the adult-use marijuana program. First-year expenditures include additional training and resources for public safety departments and funding for substance use disorder prevention.

The Marijuana Trust Fund would be exempt from the indirect cost recovery provision of RIGL 35-4-27. The exclusion of the fund from indirect cost recovery requirements prevents 10.0 percent of the fund’s balance from being deposited as general revenues.

**Municipalities:** The article outlines mechanisms for municipalities to prohibit some or all marijuana-related activities. Municipalities would have the opportunity to ban any or all marijuana licenses through zoning ordinances within their jurisdiction, but such ordinances may only remain in effect until November 2, 2021. At that point, a referendum would need to be conducted to continue the prohibitions, with a separate question for each type of license. If a referendum prohibiting a specific license were approved by a simple majority, no application for that license would be approved. For example, if a municipality prohibits retail licenses within their jurisdiction, OCR would not approve that license.

The Marijuana Trust Fund allocates 15.0 percent of revenues to municipalities, of which all municipalities would receive 25.0 percent regardless of their volume, an estimated \$10,378.90 per municipality in FY2022 and \$42,860 in FY2023. The remaining funding would be based on volume; 25.0 percent of the municipality allocation would be allocated based on license volume and the remaining 50.0 percent would be allocated based on sales volume. The following tables display the total municipality allocation for FY2022 and FY2023.



Estimated Municipality Distribution		
Allocation	FY2022	FY2023
Sales Volume (50%)	\$835,766	\$2,116,431
License Volume (25%)	417,883	1,058,216
All Municipalities (25%)	417,883	1,058,216
<b>Total</b>	<b>\$1,671,531</b>	<b>\$4,232,862</b>

**Public Safety:** The article allows the testimony of certified drug recognition experts as evidence in cases of driving under the influence of drugs or alcohol and allows for the chemical analysis of saliva. The article amends RIGL 37-27-2.1 to add saliva to the list of chemical tests that drivers are deemed to have given consent to. The article requires a course on driving under the influence or a program for convicted individuals that meets the standards established by the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH).

The Department of Public Safety and municipal police departments would require additional resources to train officers on recognizing individuals who are impaired by marijuana. The Budget allocates \$849,997 in FY2022, including \$494,762 for local police departments and \$355,255 for personnel and training to enforce provisions prohibiting driving under the influence.

**Tax Administration:** The article establishes tax rates on the retail sale of adult-use marijuana. An excise tax of \$10 per ounce of flower, which is used to make products that are smoked, is anticipated to generate \$1.3 million in FY2022 and \$5.3 million in FY2023. An excise tax of \$3 per ounce of trim, parts of the plant that can be used to make other products, is anticipated to generate \$410,849 in FY2022 and \$1.6 million in FY2023. The two weight-based excise taxes on flowers and trims equal approximately a 3.0 percent effective tax rate and would be paid upon the transfer of marijuana from the cultivator to the processor or retailer.

Retail sales would be taxed at the state sales tax rate of 7.0 percent and a 10.0 percent retail excise tax. The Budget assumes adult-use marijuana will increase sales tax revenues by \$1.7 million in FY2022 and \$6.7 million in FY2023. The retail excise tax is anticipated to generate \$2.4 million in FY2022 and \$9.6 million in FY2023. A 10.0 percent surcharge on tax payments made in cash will be collected from retail locations and deposited into a restricted receipt account for the handling of cash payments. The Budget did not assume any revenues from the cash surcharge.

Proposed Tax Rates on Adult-Use Marijuana			
Initiative	Rate	FY2022	FY2023
Flower Excise Tax (per ounce)	\$10	\$1,335,073	\$5,340,292
Trim Excise Tax (per ounce)	\$3	410,849	1,643,398
Retail Excise Tax	10%	2,387,902	9,551,606
Sales Tax	7%	1,671,531	6,686,124
<b>Total</b>	<b>20%</b>	<b>\$5,805,355</b>	<b>\$23,221,420</b>

**License and Application Fees:** The article authorizes OCR to establish new licenses and the fees associated with applying for and obtaining licenses for adult-use marijuana retailers, labs, processors, cultivators, manufacturers, employees who work in the marijuana industry, and other ancillary licenses. The proposed licenses are separate from the existing medical marijuana cultivator and compassion center licenses. Hybrid licensees would be required to pay license fees for both the medical marijuana and adult-use markets. The anticipated revenues were estimated based on assumed regulations and are anticipated to generate \$3.8 million in FY2022 and \$2.7 million in FY2023.

- **Cultivator License:** In order to cultivate marijuana, an entity would be required to have a cultivator license with an application fee of \$5,000. Medical marijuana cultivators may apply for a hybrid license that would permit them to cultivate for both the adult-use and medical markets, however, they must demonstrate that doing so will not adversely impact the medical marijuana market. The State estimates

they would receive and approve 73 applications, at an average license fee of \$15,000. The cultivator licensing and application fees are projected to generate \$1.5 million in revenues for FY2022.

- **Manufacturer License:** Manufacturers, or those who compound controlled substances to be sold or dispensed, would be required to pay an application fee of \$5,000 and an average license fee of \$15,000. The State estimates they would receive and approve 55 manufacturer applications. The manufacturer licensing and application fees are projected to generate \$1.1 million in revenues for FY2022.
- **Retail License:** A retail license will be required to sell marijuana for adult-use. There would be a limit of 25 licenses issued per year for the first three years, for a maximum of 75 retail licenses. The retail license application fee would be \$5,000 and the license fee would be an additional \$15,000. The State estimates they will receive one-hundred applications and will approve 34 applicants, including nine hybrid licenses. Locations for marijuana retail sales cannot be within 1,000 feet of the property line of school, and must be permitted by zoning classifications or receive specific zoning approval. Retailers must have security measures in place, including video surveillance and alarms, a record-keeping system, and inventory tracking. Applications for retail locations that are in areas where residents have passed a majority referendum banning the retail sale of marijuana will be denied. The retail license fees are projected to generate \$1.0 million in revenues for FY2022.
- **Employee License:** The State estimates there would be an average of 20 employees per business, equaling 760 total new employee licenses. Employees must obtain an employee card at a cost of \$100 annually. The employee registration fees would generate a projected \$76,000 in revenues for FY2022.
- **Lab Testing:** Testing facilities are required to obtain a lab license with an associated application fee of \$5,000 and a license fee of \$20,000. The Budget anticipates they would receive five applications and approve three applications. The lab testing facility fees would generate \$85,000 in revenue in FY2022.
- **Ancillary Licenses:** Ancillary licenses are required by any other company providing products or services to the industry. Ancillary license fees are anticipated to generate \$90,000 at a fee of \$9,000 per license.





## Article 12: Relating to Medical Assistance

This article modifies the financing and delivery of the medical assistance (Medicaid) program. The article also includes a joint resolution authorizing the Executive Office of Health and Human Services (EOHHS) to undertake various reforms within the Medicaid program that require amendments to the State's 1115 waiver, Medicaid State Plan, rules and regulations, or managed care contracts. Specifically, the article:

- Modifies existing Long Term Services and Supports (LTSS) programs to shift the State's long-term care options away from institutional settings and towards home- and community-based services.
- Eliminates the supplemental outpatient upper payment limit (UPL) and Graduate Medical Education (GME) payments to hospitals.
- Reduces the risk margin built into the State's managed care rates from 1.5 percent to 1.25 percent.
- Adds Medicaid coverage for the Department of Health's First Connections and Parents as Teachers programs.
- Changes the deadline for the annual Medicaid expenditure report from March 15 to September 15 of each year.
- Adds Medicaid coverage and reimbursement for community health workers.
- Adds Medicaid coverage for perinatal doula services, which provide individual supports for expectant mothers before, during, and after birth.
- Includes provisions to support transitioning patients from Eleanor Slater Hospital into clinically appropriate settings in the community.
- Expands child dental benefits to include an additional type of cavity treatment.
- Makes a number of technical corrections to Medicaid enabling statutes to reflect current practice.
- Allows the Executive Office to pursue any changes in the Medicaid program which may offset State costs or improve access, quality, or effectiveness.

### FISCAL IMPACT

The initiatives included in this article result in a net \$8.4 million in general revenue expenditure savings (\$17.7 million all funds) relative to the November 2020 Caseload Estimating Conference (CEC) adopted estimates for FY2022.

<b>Article 12 Expenditure Impact</b>		
<b>Initiative</b>	<b>General Revenue</b>	<b>All Funds</b>
LTSS Resiliency and Rebalancing	(\$4,545,226)	(\$8,870,459)
Hospital Payments	(3,158,639)	(6,941,280)
Managed Care Risk Margin	(1,244,186)	(3,952,244)
RIDOH Programs	701,293	2,362,338
Medicaid Expenditure Report	(138,000)	(276,000)
Community Health Workers	(115,082)	(340,313)
Perinatal Doula Services	112,252	278,022
<b>Total</b>	<b>(\$8,387,588)</b>	<b>(\$17,739,936)</b>

Several initiatives also impact revenue collections from the 2.0 percent insurance premium tax on health insurers and 5.5 percent nursing home provider tax. The Governor's Budget accounts for a net \$600,000 revenue loss, accordingly.

## ANALYSIS AND BACKGROUND

Article 12 includes two primary components. First, Article 12 amends current law to make the statutory changes necessary to implement Medicaid budget initiatives where required. However, many aspects of the Medicaid program are not codified in statute, as they are primarily governed by separate documents submitted to the federal government, such as the State Plan and Section 1115 waiver, as well as State rules and regulations and certain contractual agreements. State law requires that the Executive Office of Health and Human Services (EOHHS) seek authority from the General Assembly in order to pursue any significant, non-statutory changes to the Medicaid program by submitting a joint resolution. Article 12 also includes the joint resolution authorizing EOHHS to amend the Medicaid State Plan, submit formal amendments to the special terms and conditions of Rhode Island's Section 1115 waiver, update State rules and regulations, and/or modify the terms of managed care contracts. The combined authority from the statutory changes and joint resolution included in Article 12 enables EOHHS to undertake all actions required to realize the funding levels included in Article 1.

*Analyst Note: There is a proposal included in Article 15 to amend the reporting requirements of Medicaid's Rlte Share program. It appears that the proposal should also be included in the resolution because it requires amending Medicaid regulations as well as potential amendments to the State Plan or 1115 waiver, but it is not included in Article 12. The Governor submitted an identical proposal in FY2021 and included it in the resolution.*

### **Long-Term Services and Supports (LTSS) Resiliency and Rebalancing**

Article 12 contains a number of initiatives designed to work in tandem to rebalance the State's array of long-term care programs by shifting away from institutional settings and towards home- and community-based services (HCBS). This includes reforming program eligibility, modifying rates, and establishing a wage pass-through program for direct care workers, among other targeted investments. The Governor's Budget assumes that these investments will in turn reduce nursing home admissions, which are significantly more expensive than HCBS, thereby resulting in net savings to the State. According to the Executive Office, this initiative will result in an estimated reduction of 101,070 nursing home bed days in FY2022, resulting in \$8.9 million in general revenue savings (\$19.6 million all funds) in FY2022. The nursing home savings are offset by a number of investments, totaling \$4.3 million from general revenues (\$10.8 million all funds), as follows:

<b>LTSS Resiliency and Rebalancing</b>	<b>General Revenue</b>	<b>Federal Funds</b>	<b>All Funds</b>
Nursing Home Reductions	(\$8,894,050)	(\$10,730,950)	(\$19,625,000)
Maintenance of Need	2,433,630	2,936,251	5,369,881
Assisted Living Rates	1,121,262	2,108,461	3,229,722
Home Care Wages	662,244	799,018	1,461,263
Supplemental Security Income	(208,747)	-	(208,747)
Implementation - Contract and Staff	180,723	326,883	507,606
Shared Living Rates	123,181	191,029	314,210
Nursing Home Rates	36,531	44,075	80,606
<b>Total</b>	<b>(\$4,545,226)</b>	<b>(\$4,325,232)</b>	<b>(\$8,870,459)</b>

- Maintenance of Need:** The article raises the HCBS Maintenance of Need allowance from 100.0 percent of the federal poverty level plus \$20 per month (\$1,093 per month) to 300.0 percent of the federal standard for supplemental security income (\$2,382 per month) to enable individuals to retain more of their income while receiving services in their homes.

Medicaid does not cover room and board expenses when individuals receive services in home- or community-based living arrangements. To ensure that beneficiaries opting for care in these settings have adequate resources to meet these and other personal needs, the State allows individuals in HCBS programs to retain part of their income. This is known as the Maintenance of Need. By increasing the allowance, individuals will be able to retain more of their income to cover more of their expenses at

home. This will reduce the likelihood that individuals need to move into institutional settings because staying home is cost prohibitive. The increase in the allowance also means that individuals will contribute less towards their cost of care. The Budget adds \$2.4 million from general revenues (\$5.4 million all funds) to recognize the corresponding increase in the cost to the State for these services.

*Analyst Note: The Governor’s Budget adds the funding to the Medicaid program; however, approximately half is for the population of individuals with intellectual or developmental disabilities whose services are funded through the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH). The Governor’s Budget Amendment dated April 12, 2021, shifts half of the additional costs from EOHHS to BHDDH, which reduces the impact within the Medicaid program but is budget neutral to the State.*

- **Assisted Living Rates:** The article increases assisted living rates in both fee-for-service and managed care. Currently, assisted living facilities are reimbursed at \$69.00 per day for all beneficiaries. The rate does not compensate facilities for the difference in costs to provide care for higher-need patients; this creates a disincentive for assisted living providers to care for patients with higher acuity. The Governor’s Budget establishes a tiered rate structure to reimburse assisted living based on residents’ acuity as follows:

<b>Assisted Living Tiered Reimbursement</b>				
<b>Tier</b>	<b>Description</b>	<b>Population</b>	<b>Rate</b>	<b>Increase</b>
A	Basic	57.1%	\$78.00	13.0%
B	Enhanced care and transition services Serious cognitive decline and co-morbidities that may	40.5%	\$98.00	42.0%
C	require skilled care or stabilization services	2.4%	\$121.00	75.4%

The Budget adds \$1.1 million from general revenues (\$3.2 million all funds) to fund the rate increases, representing a composite rate increase of 23.0 percent based on the share of assisted living residents expected to be assigned to each tier. The tiered structure is effective October 1, 2021.

*Analyst Note: The Governor’s Budget Amendment dated April 12, 2021, increases the general revenue portion of the tiered reimbursement rates by \$612,225 to \$1.7 million. There is no accompanying federal funds change. The Governor’s Budget originally included \$612,225 in general revenue savings attributable to the elimination of the State-only Category F Supplemental Security Income payment within the assisted living budget line. These initiatives are related, as the savings are reinvested in higher assisted living rates; however, Category F is budgeted separately in DHS. The amendment shifts the savings to DHS, leaving a higher amount in EOHHS. The Category F changes are described in more detail below.*

<b>Assisted Living Rates - Medicaid</b>	<b>FY2022 Governor</b>		<b>As Amended</b>	
	<b>General Revenue</b>	<b>Federal Funds</b>	<b>General Revenue</b>	<b>Federal Funds</b>
Medicaid Population	\$1,145,480	\$1,393,261	\$1,145,480	\$1,393,261
Remove Category F	(612,225)	-	-	-
Reinvest Category F in Tiered Rates	588,007	715,199	588,007	715,199
<b>Total</b>	<b>\$1,121,262</b>	<b>\$2,108,460</b>	<b>\$1,733,487</b>	<b>\$2,108,460</b>

- **Home Care Wages:** The article establishes a targeted wage pass-through program for home care workers to bolster the State’s ability to provide services to individuals in their homes.
  - **Shift Differential:** Article 12 increases the shift differential rate modifier for Personal Care and Combined Personal Care/Homemaker services delivered by Certified Nursing Assistants (CNAs). The modifier grants extra pay to CNAs that deliver direct care services during non-standard hours (evenings, nights, weekends, and holidays). The Budget increases the existing modifier from \$0.38 per 15 minutes (\$1.50 per hour) to \$0.56 per 15 minutes (\$2.25 per hour) effective July 1, 2021. The intent is to increase the number of staff that can care for individuals in their homes during off-hours, thereby reducing the need for 24-hour residential care. The rate modifier is paid to HCBS providers (employers) through the Medicaid reimbursement rate, but the article requires that 100.0

percent of the modifier be passed directly to CNAs and imposes reporting requirements on employers to confirm that the wage is passed through. The Budget includes \$274,684 from general revenues to fund the shift modifier.

- **Behavioral Health Enhancement:** Article 12 also adds a new behavioral healthcare rate enhancement of \$0.39 per 15 minutes (\$1.55 per hour) for Personal Care, Combined Personal Care/Homemaker, and Homemaker Only services for providers with at least 30.0 percent of staff with behavioral healthcare training. The enhancement applies to CNAs who have completed a required behavioral health certificate training program, effective January 1, 2022. Similar to the shift differential noted above, the rate enhancement provides extra pay for CNAs that specialize in behavioral healthcare. The article requires that 100.0 percent of the enhancement be passed directly to CNAs and imposes reporting requirements on employers to confirm that the wage is passed through. The Budget includes \$469,127 from general revenues to fund the behavioral health enhancement.

*Analyst Note: A portion of home care expenses are incurred by the Department of Human Services' Office of Healthy Aging for the Home and Community Care Co-Pay program. There should be funds added to DHS to account for the modifiers. All costs for the direct care wage enhancements are accounted for in EOHHS in the Governor's Budget.*

- **Supplemental Security Income:** The article eliminates the Supplemental Security Income (SSI) Category F payment and part of the Category D payment.
  - **Category F:** Category F is an enhanced SSI payment for certain individuals in assisted living facilities. The payment assists with room and board expenses, but is State-only because the federal government does not provide matching funds for room and board outside of institutional settings. The Governor's Budget eliminates the Category F payment in Article 12. Individuals are not allowed to retain the payment for personal use and therefore will not be impacted by its elimination. Assisted living facilities, which benefit from the payment, will also receive a rate increase, noted above, effectively building the Category F payment into the federally-matched rates. The Budget includes \$208,747 in general revenue savings within the Department of Human Services by eliminating the State-only Category F payment.
  - **Category D:** Category D is a subset of assisted living residents who receive SSI but reside in an assisted living facility that is not eligible to receive Medicaid. The State makes supplemental \$206 payments per month to assisted living facilities for these beneficiaries. Current law includes a provision for the \$206 payment for Category D individuals living in assisted living facilities financed by the Rhode Island Housing and Mortgage Financing Corporation (RI Housing). Article 12 strikes the language as it relates to \$206 payments to RI Housing facilities. The Budget does not appear to remove the funding associated with this population.

*Analyst Note: As noted above, the Governor's Budget Amendment dated April 12, 2021, shifts additional savings to DHS to account for the Category F elimination. The Governor's Budget included \$612,225 in general revenue savings within EOHHS related to Category F. This represents the proper total associated with Category F; it is unclear why the Governor's Budget also removed \$208,747 from DHS. The amendment adds \$612,225 back to EOHHS and shifts approximately \$400,000 to DHS to reflect the total savings in the proper budget. It does not appear that the Governor's Budget accounts for savings by eliminating the Category D payment for individuals in RI Housing facilities.*

- **Implementation:** The Governor's Budget adds 2.0 Implementation Director of Policy and Program FTE positions within the Executive Office of Health and Human Services to administer and oversee the various programmatic changes associated with the LTSS Resiliency and Rebalancing initiative. These positions are funded 50/50 between general revenues and federal funds. The Budget includes \$107,508 from general revenues and \$107,508 from federal funds, assuming an October 1, 2021, start date. The Budget also includes \$73,215 from general revenues and \$219,375 from federal funds for

contracted IT support to provide the necessary system upgrades to implement the home care rate modifiers and tiered reimbursement rates for assisted living facilities.

- Shared Living:** The article authorizes a 10.0 percent rate increase for shared living caregiver stipends beginning July 1, 2021. Currently, shared living providers are paid rates ranging from \$24.23 per day to \$48.11 per day. Approximately 200 individuals utilize shared living arrangements. EOHHS anticipates that increasing shared living rates will provide an incentive for willing caregivers to utilize shared living as an alternative to more intensive options. The Budget includes \$123,181 from general revenues (\$314,210 all funds) to fund the rate increase.
- Nursing Home Rates:** The article allows the Executive Office of Health and Human Services to revise the methodology used to determine nursing home rates by re-weighting rates towards behavioral healthcare effective October 1, 2021. The resolution increases the acuity-based rates for beneficiaries with behavioral health symptoms and cognitive performance diagnoses by 10.0 percent to recognize the additional staff time needed for behavioral health patients and adds \$516,871 from general revenues (\$1.1 million all funds) to fund the increase. The Budget simultaneously reduces rates for all other diagnoses categories by approximately 1.0 percent, reducing general revenues by \$480,340 (\$1.0 million all funds).

*Analyst Note: This part of the LTSS Resiliency and Rebalancing initiative is supposed to be budget neutral per the Executive Office's request. The Budget updated the cost associated with the behavioral health increase, but did not update the savings associated with the rate reduction for other diagnoses, leaving residual funding. The Governor's Budget Amendment dated April 12, 2021, corrects the reduction for other diagnoses categories such that there is no net impact from this change.*

**Hospital Payments**

Article 12 reduces general revenue payments to hospitals by \$3.2 million (\$6.9 million all funds) relative to the November 2020 caseload estimate by eliminating two supplemental payments.

- Outpatient Upper Payment Limit:** Upper Payment Limit (UPL) payments compensate hospitals for the difference between what hospitals receive for Medicaid services and what they are paid under Medicare reimbursement principles. These payments are authorized, but not required, by federal law. A portion of the payments are eligible for the favorable Expansion federal match rate; the State pays approximately one-third of the total cost. Currently, the State only makes UPL payments for outpatient services; the inpatient portion was eliminated in the FY2020 Enacted Budget. Article 12 eliminates the outpatient portion.

The November 2020 CEC estimate includes a total of \$4.9 million for outpatient UPL payments in FY2022, of which \$1.7 million is from general revenues. The Governor's Budget removes funding for the UPL payment in FY2022; however, the Budget applies an incorrect federal match and takes more general revenues than were included in the estimate. The Budget includes \$2.2 million in general revenue savings, which is overstated by \$418,808.

<b>Outpatient UPL</b>	
<b>Hospital</b>	<b>FY2022 Adopted</b>
Butler	-
Kent	488,429
Women and Infants	526,493
<b>Care New England</b>	<b>\$1,014,923</b>
Bradley	-
Miriam	550,548
Newport	160,290
Rhode Island Hospital	2,247,859
<b>Lifespan</b>	<b>\$2,958,696</b>
Roger Williams	346,164
St. Joseph's	220,956
<b>Prospect - CharterCARE</b>	<b>\$567,120</b>
Landmark	149,008
South County	119,590
Westerly	36,232
Rehabilitation	6,670
<b>Other</b>	<b>\$311,500</b>
<b>Total</b>	<b>\$4,852,239</b>
<i>General Revenue</i>	<i>\$1,739,831</i>

- Graduate Medical Education:** Article 12 eliminates the Graduate Medical Education (GME) payment to Rhode Island Hospital in FY2022. The GME program, created in 2014, provides funding for

academic Level I trauma center hospitals that have a minimum of 25,000 inpatient discharges and provide training for at least 250 interns and residents per year. Rhode Island Hospital is the only hospital that qualifies for this funding. The payment is made in June of each year.

In prior years, Rhode Island Hospital received a State-only payment because the federal government did not allow a match for GME. However, the State applied for and received approval for federal Medicaid matching funds for the program in October 2019. The approval document authorizes \$548,800 in federal matching funds in FY2022 to supplement the State's \$1.0 million general revenue payment. The November 2020 CEC included \$1.5 million from all funds based on this approval document. The Executive Office applied for and expects approval for a full federal match of \$1.2 million for the FY2021 and FY2022 payments, although this has not yet been approved. Because caseload estimates are based on current law, the FY2022 estimate only includes the \$548,800 federal match. The Governor's Budget removes \$1.0 million from general revenues and \$1.2 million from federal funds for the GME payment in FY2022 based on the Executive Office's expectations; however, this exceeds the caseload estimate and overstates the federal funds savings by \$629,375.

*Analyst Note: The following table summarizes the amounts included in the November 2020 CEC estimate for supplemental hospital payments in FY2022. The Governor's Budget should include a total of \$2.7 million in general revenue savings (\$6.4 million all funds) by eliminating these payments.*

<b>Supplemental Payments</b>	<b>General Revenue</b>	<b>Federal Funds</b>	<b>All Funds</b>
Outpatient UPL	\$1,739,831	\$3,112,408	\$4,852,239
Graduate Medical Education	1,000,000	548,800	1,548,800
<b>Total</b>	<b>\$2,739,831</b>	<b>\$3,661,208</b>	<b>\$6,401,039</b>

*Both payments, along with the savings associated with their elimination, will be readjusted at the May 2021 CEC, though these errors could also be corrected via a budget amendment.*

### **Managed Care Risk Margin**

Most Medicaid beneficiaries are enrolled in managed care programs, whereby the State pays a health plan a per member per month capitation rate to provide comprehensive coverage. Managed care is the alternative to fee-for-service, where the State pays providers directly based on the services each member actually uses. The managed care structure is similar to a private insurance arrangement, where beneficiaries pay a premium regardless of whether or not services are actually used. Rhode Island operates its managed care programs using risk-based managed care organizations (MCOs).

Federal actuarial soundness requirements mandate that states account for risk in managed care arrangements. Rhode Island does so by including a risk adjustment within the monthly capitation rates, which allows the State and Medicaid managed care organizations to share in aggregate gains or losses associated with insuring Medicaid beneficiaries. The arrangement provides financial protection by addressing potential claims volatility that MCOs may face by covering an array of different Medicaid coverage groups, particularly high-need populations. The margin recognizes that rates are developed prospectively and that the actual expense of providing care may vary. Federal requirements do not set the margin; according to EOHHS, most states' use margins ranging from 0.5 percent to 2.5 percent of monthly capitation rates. Rhode Island Medicaid currently uses a 1.5 percent margin.

The resolution allows EOHHS to execute contract amendments with the MCOs in order to reduce the margin from 1.5 percent to 1.25 percent in FY2022. The Governor includes \$1.2 million in general revenue savings (\$4.0 million all funds) to reflect a reduction in the rates paid by the State to the MCOs. The Medicaid savings are offset by a \$79,045 revenue loss from the 2.0 percent insurance premium tax.

### **RIDOH Programs**

The resolution authorizes the State to modify two programs at the Department of Health (RIDOH).

- **Family Home Visiting:** The Family Home Visiting program provides pregnant women and families with services to improve maternal and child health, prevent child abuse and neglect, encourage positive parenting, promote child development, and improve school readiness. The program is funded by the Department of Health; coordinated along with the Departments of Children, Youth, and Families (DCYF) and Human Services (DHS); and administered by local, community-based agencies.

Family Home Visiting encompasses three sub-programs: Healthy Families America, Nurse-Family Partnership, and Parents as Teachers. These programs are currently supported by a federal Maternal, Infant, and Early Childhood Home Visiting (MIECHV) formula grant. Federal grant funding will be reduced in FY2022 and RIDOH will need to reduce capacity from 1,400 to 1,150 families. The Governor proposes establishing a costs not otherwise matchable (CNOM) program in order to maintain Family Home Visiting services at the current capacity. CNOMs are programs that cover populations that are not mandatory under federal Medicaid rules, but for which the federal government authorizes Medicaid reimbursement. Rhode Island establishes its CNOM programs in the Section 1115 waiver. Two of the home visiting sub-programs—Healthy Families America and Nurse-Family Partnership—are already included in the waiver as a CNOM program but are not funded as such. The Medicaid resolution in Article 12 authorizes the State to amend the 1115 waiver to add Parents as Teachers to the CNOM in the 1115 waiver so that the full array of home visiting services are reflected. The Budget adds \$605,538 from general revenues (\$1.4 million all funds) to fund the CNOM.

*Analyst Note: The additional funding is not limited to Parents as Teachers and encompasses all three programs, as they are not funded as discrete items in the Budget. Note that the Budget could fund the CNOM for the other two programs without the authority in Article 12 since they are already in the waiver.*

- **First Connections:** The First Connections program is a referral-based home visiting program that works to connect families with services such as food assistance, behavioral healthcare services, child care, long-term family home visiting, Early Intervention (EI), and other community-based services and supports. Services are delivered through a multidisciplinary team that includes a maternal child health nurse, a social worker, and a community health worker. The goal of the program is to ensure that at-risk families are engaged and connected to appropriate services in order to reduce poor outcomes for children. Currently, families are referred to the First Connections program after a screening at birth. Children up to age three may also be referred by a primary care provider, DCYF, or another source. Article 12 authorizes an expansion of the program to pregnant women who meet the income requirements for Medicaid eligibility in order to identify and address risk factors earlier on. The resolution authorizes this new coverage as a CNOM program. The Budget includes a general revenue increase of \$95,755 (\$226,800 all funds) to fund the expansion for an estimated 60 women in FY2022. The funding would provide for 30 visits per person per year at a cost of \$126 per visit.

### **Medicaid Expenditure Report**

RIGL 42-7.2-5 requires that the Executive Office of Health and Human Services submit an annual, comprehensive overview of all Medicaid expenditures, outcomes, administrative costs, and utilization rates for each fiscal year. The Medicaid report includes spending and trends by population and major service area, including populations served by other departments within the Secretariat.

Under current law, the report is due by March 15 of each year. According to EOHHS, because of the timing and requirements of the report as is, State staff do not compile the report in-house. It is completed by a contractor, Milliman, which already provides other claims data analysis and rate setting support for the Medicaid program. The report is generated at an annual expense of \$138,000 from general revenues and \$138,000 from federal funds.

Article 12 shifts the deadline for the annual Medicaid report from March 15 to September 15 of each year. This would shift the next deadline from March 15, 2022, to September 15, 2022. As a result, a report would

not be completed during FY2022 and the next report would be submitted during FY2023. The Governor's Budget removes funding for the report in FY2022, accordingly.

*Analyst Note: This report has not been completed since September 2019, when it was submitted six months late. It is unclear why EOHHS has continued funding this portion of the Milliman contract since then.*

### **Community Health Workers**

The resolution adds Medicaid coverage for care management services provided by community health workers. Care management refers to a comprehensive set of services and activities that support patients in managing their health conditions or risks by coordinating healthcare and connecting patients with other resources outside of the healthcare system. There is a growing evidence base which shows that addressing patients' holistic needs has significant potential to yield cost savings in Medicaid and the healthcare system generally. A study published in Health Affairs in February 2020 showed a return on investment of \$2.47 for every dollar invested in community health workers. By covering community health worker services under Medicaid, EOHHS anticipates a \$2.25 annual return on investment (ROI).

Based on prior year care management data, an estimated 2,000 high-risk Medicaid members will utilize community health workers each year under the new coverage group. Assuming that each community health worker can provide care management services for 55 members, this initiative requires 36 full-time community health workers per year. At an hourly rate of \$48.50, this requires annual funding of \$3.6 million, including \$1.2 million from general revenues.

<b>Community Health Workers</b>	<b>FY2022</b>	<b>Out-Years</b>
Total CHWs Needed	36	36
Medicaid Rate - Hourly per CHW	\$48.50	\$48.50
Months Paid	9	12
<b>Annual Cost</b>	<b>\$2,722,500</b>	<b>\$3,630,000</b>
<i>General Revenue</i>	<i>920,653</i>	<i>1,227,537</i>
ROI Assumption	\$1.125	\$2.25
<b>Annual ROI</b>	<b>(\$3,062,813)</b>	<b>(\$8,167,500)</b>
<i>General Revenue</i>	<i>(1,035,735)</i>	<i>(2,761,959)</i>
<b>Net Impact</b>	<b>(\$340,313)</b>	<b>(\$4,537,500)</b>
<i>General Revenue</i>	<i>(115,082)</i>	<i>(1,534,422)</i>

The Budget assumes a three-quarter impact from this initiative in FY2022, with the coverage and reimbursement effective October 1, 2021. The Budget also assumes a \$1.125 return on investment in the first year of implementation to reflect that it may take some time to see the full return on investment. The Budget adds \$920,653 from general revenues (\$2.7 million all funds) to fund the 36 community health workers in FY2022. The investment is offset by an anticipated \$1.0 million in general revenue savings (\$3.1 million all funds) via the return on investment. The net impact to the state is a \$115,082 general revenue savings (\$340,313 all funds). In future years, the net general revenue savings is expected to grow to \$1.5 million (\$4.5 million all funds).

### **Perinatal Doula Services**

The resolution allows EOHHS to submit a State Plan Amendment in order to add Medicaid coverage for perinatal doula services. The Governor includes \$112,252 from general revenues (\$278,022 all funds) to cover \$850 per birth for these services. This investment would generate an additional \$5,560 from the 2.0 percent insurance premium tax.

Doulas are non-medical professionals trained in childbirth who provide women with continuous physical, emotional, and informational support before, during, and after birth. During childbirth, doulas provide breathing techniques, massages, advice, and advocacy. Studies show that one-on-one support during labor and delivery is associated with improved outcomes, particularly in communities of color, including shorter labor periods, reduced risk for costly C-section procedures and premature births, and a reduction in the use of pain medication. EOHHS anticipates that doula coverage will reduce the likelihood of higher-cost interventions in labor and delivery within Medicaid populations.

The Governor's Budget assumes that 10.0 percent of Medicaid births, or 456 births, will be assisted by a doula. Studies show that doulas reduce the incidence of C-section births by 40.4 percent. The Governor's



Budget assumes that providing doula services would result in 52 fewer C-section births for savings of \$109,578, offset by an increase of \$387,600 to cover the additional cost of providing doula services for 456 women. This would result in a net expenditure increase of \$278,022 in FY2022, including \$112,252 from general revenues.

### ***Eleanor Slater Hospital Transitions***

The resolution includes two provisions related to the effort to transition patients from the State-run Eleanor Slater Hospital (ESH) into clinically appropriate settings.

- **Mental Health Psychiatric Rehabilitative Residential (MHPRR) Program:** A Mental Health Psychiatric Rehabilitative Residence (MHPRR) is a congregate licensed residential program with 24-hour staffing. MHPRRs serve individuals with developmental disabilities, addiction, and mental health issues and other individuals who cannot be treated in the community through outpatient supports. MHPRRs provide discharge planning, medical and/or psychiatric treatment, and reduce barriers that prevent transitions to less restrictive settings. MHPRR services are currently reimbursed by Medicaid at a per diem rate of either \$125 or \$175. Article 12 authorizes a \$350 rate increase. MHPRRs are less costly than ESH, and the savings attributable to these transitions are included in BHDDH's budget. However, once patients leave ESH, the cost of their care is transferred to EOHHS and the Budget does not include any associated funding for the rate change in EOHHS.
- **Nursing Home Rates:** The resolution authorizes EOHHS to modify nursing home rates to assist in Eleanor Slater Hospital transitions. Specifically, it increases rates for patients on ventilators and establishes a behavioral health add-on to per diem nursing home rates. It appears that these rate modifications are targeted at existing Eleanor Slater Hospital patients; however, the language applies to all nursing home rates and will impact other individuals. The scope of the impact to other Medicaid beneficiaries is unclear. Supporting documentation indicates that the behavioral health add-on refers to the \$175 per day noted above, but the increase is not limited to MHPRR patients. The Budget does not add funding to EOHHS to increase the rates.

*Analyst Note: The Governor's Budget Amendment dated April 12, 2021, adds \$5.9 million from general revenues to the Medicaid program to reflect the additional caseload related to the transition of patients from ESH into community-based settings paid by Medicaid. The amendment adds \$2.9 million from general revenues (\$6.9 million all funds) to reflect the additional Medicaid expenses associated with patients discharged from ESH. The estimate accounts for the rate increases for MHPRRs, behavioral health patients, and ventilators that are included in Article 12. The amendment also includes \$2.9 million from general revenues (\$7.0 million all funds) to reflect that the proposed rate increases will also affect existing, non-ESH populations that may also be discharged to community-based settings as a result of the rate increases.*

### ***Dental Benefits for Children***

The resolution authorizes Medicaid coverage for dental caries (cavity) arresting treatments using Silver Diamine Fluoride (SDF) within the RItE Smiles program, which provides dental benefits for children up to age 21. The Budget does not include funding associated with this proposal. EOHHS' budget request noted that the gross cost of the benefit for the population is approximately \$30,000 from all funds, but that a variety of research indicates that the addition of the benefit results in a net reduction to costs. The Executive Office only requested the authority to provide the benefit, without associated funding.

Cavities are typically treated by drilling into tooth surfaces and filling the defects with restorative materials (amalgam, ceramic, etc.) and usually involves the use of local anesthesia. Unlike traditional restorative treatment, SDF application takes about one minute and does not require the removal of carious tissue. SDF is applied topically by brushing, which eliminates the need for needles and anesthesia. Additionally, unlike traditional fillings, SDF application remineralizes the tooth and kills bacteria, helping to prevent future cavities. The treatment costs about \$1 per patient, compared to several hundred for a filling. This cost

differential is the basis for the assumption that this new benefit will be at least cost neutral, but it is likely that providing SDF coverage will produce savings.

### ***Technical Corrections***

Section 2 amends current law to make two technical corrections that do not have a budget impact.

- **Medicaid Co-Pays:** RIGL 40-8-4 currently authorizes the State to charge nominal co-pays for certain hospital services and prescription drugs by promulgating regulations to impose cost sharing. However, Rhode Island does not actually require cost sharing from Medicaid beneficiaries. Article 12 strikes the current language to clarify that the Medicaid program does not charge co-pays and to remove the potential that the existing language could be used to impose co-pays in the future.
- **Federally Qualified Health Centers (FQHCs):** The federal government imposes special payment rules for FQHCs, which are safety net organizations that provide comprehensive and affordable care to vulnerable populations in underserved areas. State Medicaid programs must reimburse FQHCs at a minimum rate per encounter, known as a prospective payment system (PPS). States also have the option to establish higher rates under an alternative payment methodology (APM). Rhode Island opted to establish APM rates through a document known as the FQHC Principles of Reimbursement. FQHCs may opt into the APM if they agree to certain additional obligations; if they opt out, they are reimbursed under the PPS. Current law only recognizes PPS reimbursement. Article 12 amends RIGL 40-8-26 to recognize the APM and clarify that it is established by the Principles of Reimbursement.

### ***Federal Financing Opportunities***

The resolution allows EOHHS to pursue any changes to the Medicaid program which improve quality, access, and cost-effective delivery, so long as the changes do not have an adverse impact on beneficiaries or increase expenditures beyond appropriations for FY2022.

## Article 13: Relating to Human Services

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This article makes a number of changes to the Department of Human Services and the Department of Corrections. Specifically the article:

- Changes the RI Works program to include children who are over 18 and still in high school, and amends the Income section of the RI Works program, such that the first six months of earned income received by a RI Works member shall be excluded from the family's income as it pertains to receiving cash assistance.
- Expands child care supports to include families at or below 180.0 percent of the Federal Poverty Level, with parents enrolled at a Rhode Island institution of higher education or in a qualified training program.
- Amends RI Works to include a clothing allowance payment of no less than \$100 made once a year to any child living with a family that receives cash assistance.
- Amends the child care reimbursement rates for licensed child care centers providing care for infants/toddlers and preschool-aged children.
- Amends RIGL to limit probation revocation as a response to probation technical violations when the violation does not constitute a new alleged crime.
- Amends the Department of Corrections Parole Board's guidelines to include special considerations for incarcerated inmates who committed crimes as juveniles younger than 18 years old.
- Updates the thresholds for which inmates will be eligible for home confinement after having served specific portions of their term of incarceration.
- Changes the work release program at the Department of Corrections such that 30.0 percent of an inmate's **net** salary shall be withheld from their income earned through work release. Under current law, 30.0 percent of an inmate's gross salary is withheld.
- Expands medical parole within the Department of Corrections to include geriatric parole. Geriatric parole would be available to inmates whose advanced age reduces the risk they pose to the public's safety.
- Makes amendments to parole modifications including:
  - Allows eligible people to earn five days of compliance credits towards the completion of their sentences for each month served without a violation.
  - Expands the Parole Board's discretion for responding to technical violations of parole without requiring the re-arrest of the parolee.
  - Allows those who are serving a probation sentence of one year or longer to be eligible to receive a compliance credit of 10 days for each month that the person remains in compliance with the terms and conditions of their probation.

**FISCAL IMPACT**

<b>Article 13:</b>		<b>Expenditures:</b>	<b>Fund:</b>
Sentencing Reforms	Work Release Withholding	\$18,880	General Revenue
Sentencing Reforms	Juvenile Parole	(17,268)	General Revenue
Sentencing Reforms	Probation Reforms	(46,046)	General Revenue
Sentencing Reforms	Compliance Credits	(49,886)	General Revenue
Sentencing Reforms	Medical & Geriatric Parole	(149,997)	General Revenue
RI Works	Child Care Rates- Infants/Toddler, Preschool	6,000,000	Federal Funds
RI Works	Postsecondary Child Care Assistance	200,000	Federal Funds
RI Works	Earned Income Disregard	175,461	Federal Funds
RI Works	Clothing Increase	116,300	Federal Funds
RI Works	Age Expansion	40,000	Federal Funds
		<b>\$6,287,444</b>	

Article 13 includes an additional \$6.3 million in expenditures. Of this total, \$6.5 million is an increase in federal funds related to changes in the Department of Human Services including modifications to the RI Works program such as expanding the earned income disregard, a child clothing increase, expanding the age at which children are no longer eligible for RI works, and expanding child care assistance to include parents participating in secondary education. The Budget also includes additional federal funds for child care reimbursement rates. These increases are partially offset by \$244,317 in general revenue savings related to changes in the Department of Corrections including probation and parole reforms, changes to work release withholding, and changes to medical parole.

**ANALYSIS AND BACKGROUND*****RI Works***

Rhode Island Works provides cash assistance and employment support services, including child care assistance, to enable working parents with children to support their families. Applicants may have up to \$1,000 in resources (excluding a home) and one vehicle per adult. Each month a typical family of three would receive about \$554 in assistance. Rhode Island Works (RIGL 40-5.2-5) replaced the Family Independence Program in 2008. This program is funded through the federal Temporary Assistance to Needy Families (TANF) program.

**RI Works Dependent Children Age Increase:** Section 5 of this article amends the definition of a “dependent child” within the RI Works program to allow children who turn 18 while in high school to continue receiving cash assistance regardless of their graduation date. Under current law, children may receive cash assistance if they are under 18, but when they turn 18 they are only be eligible for cash assistance if they are anticipated to graduate high school before turning 19. The Office of Management and Budget anticipates an additional 10 students will remain on RI Works in FY2022, costing an additional \$40,000 in federal Temporary and Needy Family (TANF) funds.

**RI Works Earned Income Disregard:** Section 5 amends RIGL 40-5.2-10, the income section of the RI Works program, such that the first six months of earned income received by a RI Works member be excluded from the family’s income as it pertains to receiving cash assistance. This income may be excluded for six months, until the family’s total gross income exceeds 185.0 percent of the Federal Poverty Level, or the family reaches the 48-month time limit, whichever is first. The Budget includes \$175,461 in TANF funds to support this initiative for the second half of FY2022, a full year of this initiative would cost \$347,225. The Office of Management and Budget anticipates anywhere from 26 to 59 additional beneficiaries receiving RI Works benefits.

**RI Works Clothing Allowance:** This article amends the clothing allowance for children living with a family receiving cash assistance to include a child of any age. Current law provides the clothing allowance to school-aged children only. The article also increases the amount of the clothing allowance to \$100 per child per year, up from \$30. Current law states the clothing allowance is subject to General Assembly appropriation. In past years, the Caseload Estimating Conference has included a clothing allowance of \$30 per child. The Budget includes an additional \$116,300 in federal TANF funds to support this expansion.

*Analyst Note: The increase in clothing allowance has already been implemented through a regulatory change by the Department of Human Services as of the first quarter of FY2021. The increase was also included in the November 2020 Caseload Estimating Conference estimates.*

### **Postsecondary Child Care Assistance**

The article expands child care assistance eligibility to include families who require child care in order to pursue an educational degree or professional certificate. The Budget includes a \$200,000 federal TANF funds cap for this expansion. The Department of Human Services (DHS) administers the child care assistance program, which provides child care to families with incomes at or below 180.0 percent of the federal poverty level, so that parents are able to continue working at a paid employment position or participate in a short-term training apprenticeship or job readiness program. The beneficiary must attend a Rhode Island based accredited post-secondary educational institute on a full-time basis, or on a part-time basis in conjunction with employment as approved by DHS. This expansion is effective from January 1, 2021 through June 30, 2022.

### **Child Care Rates**

The article amends child care reimbursement rates for licensed, child care centers to include a base rate. The base rate will be set at the 25th percentile of the 2018 weekly market rate for both infant/toddler care and preschool aged children. The maximum reimbursement rates for infant/toddler and preschool care that will be paid to licensed child care centers will be implemented in a tiered rate based on the quality rating the provider has achieved within the State's Quality Rating system. The article also includes a weekly reimbursement rate of \$148.50 for licensed, child care centers providing care to school-aged children.

The article also states that the base reimbursement rates for licensed family child care providers caring for infants/toddlers and preschool aged children will be determined through a collective bargaining agreement. Like licensed child care centers, the maximum reimbursement rates for infant/toddler and preschool care that will be paid to licensed family child care providers will be implemented in a tiered rate based on the quality rating the provider has achieved within the State's Quality Rating system.

Laws impacting child care reimbursement rates for licensed child care centers were last altered in Article 15 of the FY2019 Budget as Enacted. On May 27, 2020, Governor Raimondo issued Executive Order 20-39 which allowed child care centers that reopened during the pandemic to be reimbursed at a higher rate. Child care providers that were below the 5<sup>th</sup> tier, as determined by the State's Quality Rating system, are now reimbursed at the 5<sup>th</sup> tier level. Providers who were at the 5<sup>th</sup> tier are now reimbursed at the 90<sup>th</sup> percentile. This executive order has been extended ten times and is currently set to expire June 6, 2021.

The following tables illustrate the changes in reimbursement rates for infants/toddlers and preschool-aged children.

Licensed Child Care Centers Infant/Toddler Rates	FY2019 Infant/Toddler Rates	Art. 13 Infant/Toddler Rates	Change from FY2019	
Tier 1	\$198.48	\$222.38	\$23.90	12.0%
Tier 2	\$203.32	\$227.65	\$24.33	12.0%
Tier 3	\$218.81	\$239.96	\$21.15	9.7%
Tier 4	\$232.37	\$248.75	\$16.38	7.0%
Tier 5	\$257.54	\$257.54	-	0.0%

\* Based on FY2018 weekly rate of \$193.64

Licensed Child Care Centers Preschool Rates	FY2019 Preschool Rates	Art. 13 Preschool Rates	Change from FY2019	
Tier 1	\$165.75	\$187.50	\$21.75	13.1%
Tier 2	\$169.80	\$193.88	\$24.08	14.2%
Tier 3	\$177.88	\$208.76	\$30.88	17.4%
Tier 4	\$182.73	\$219.38	\$36.65	20.1%
Tier 5	\$195.67	\$230.00	\$34.33	17.5%

\* Based on FY2018 weekly rate of \$193.64

### **Parole**

The Budget makes a number of changes to parole and parole guidelines within the Department of Corrections. Changes include:

- **Probation Violation:** The article amends RIGL 12-19, Sentence and Execution, to limit probation revocation as a response to technical violations when the violation does not constitute a new alleged crime. The Department of Corrections' Division of Rehabilitative Services will be able to use their discretion when deciding to revoke parole and requiring a defendant to appear in court. This will not apply in cases where a defendant poses a public safety risk. If the Division of Rehabilitative Services does revoke probation for a technical violation, a finding must be made on the record to describe the public safety risk posed by the defendant.
- **Technical Violation:** The article expands the Parole Board's discretion to respond to technical violations of parole without requiring the re-arrest of the parolee when there is no new criminal charge. The Parole Board may, at their discretion, issue an arrest warrant for the parolee in response to a technical violation. The amendment will help prevent parole revocation and re-incarceration for low-risk parolees. The article also allows the alleged violator to waive their right to a final parole revocation hearing, if there is no dispute as to the alleged violation and the parolee admits to the violation and accepts the sanction imposed by the Parole Board.

This expansion of the Parole Board's discretion, as well as changes to probation violations detailed above, are anticipated to save \$46,046 in general revenue per-diem savings.

- **Juvenile Parole:** Section 2 of this article amends RIGL 13-8-14.2 to match the Department of Corrections Parole Board's existing guidelines which include special considerations for incarcerated inmates who committed crimes as juveniles younger than 18 years old. The Parole Board adopted the special consideration guidelines in 2018. The guidelines require the consideration of circumstances such as diminished culpability of juveniles, growth and maturation during incarceration, participation in rehabilitation and educational programs while incarcerated, age and immaturity at the time of offence, and evidence of remorse.

The article also amends RIGL 13-8-13 to allow inmates who are given longer sentences for crimes committed before the age of 22 to be considered for earlier parole after ten years of incarceration. This

will be retroactive for offenses occurring on or after January 1, 1991. This will not apply to inmates serving a sentence of life without parole.

The Department estimates that 22 juveniles are potentially eligible for parole due to these changes and anticipates \$17,268 in general revenue per diem savings in FY2022.

- **Compliance Credits:** Section 3 of this article amends RIGL 13-8-11 such that, beginning July 1, 2021, eligible people on parole would be allowed to earn five days of compliance credits toward the completion of their sentence for each month served without a violation. Eligible paroles include any offender who is serving post-incarceration parole except those who are serving a sentence for a violation of felony sexual assault or murder, first degree sexual assault, kidnapping of a minor, child molestation sexual assault, or second degree child molestation assault.

The article also amends RIGL 42-56-24 to allow those serving a probation sentence of one year or longer, including those who are serving a probation sentence after serving an incarceration sentence, to be eligible to receive a compliance credit of 10 days for each month that the person remains in compliance with the terms and conditions of their probation. This will only apply to those who have served at least three years of their probation sentence.

Changes to compliance credit eligibility is anticipated to save the Department \$46,866 in general revenue per-diem costs in FY2022.

- **Medical and Geriatric Parole:** Section 4 of this article amends RIGL 13-8.1 to retitle it the “Medical and Geriatric Parole Act” and allows the Department to expand parole to include geriatric parole. Geriatric parole would be available to inmates whose advanced age reduces the risk they pose to the public’s safety. All inmates above age 65, except those serving life without parole, would be eligible for geriatric parole. The article amends the definition of permanently physically incapacitated to include inmates suffering from an incurable progressive condition that diminishes the inmate’s ability to function in a corrections setting. The article also includes a new category for “cognitively incapacitated”, allowing inmates who are suffering from dementia to be eligible for parole. The Department’s Medical Director has identified 28 inmates that could be eligible for medical parole in FY2022, with 13 of the inmates considered highly eligible. This change is anticipated to save \$149,997 in FY2022.

17 states currently have geriatric parole. Massachusetts and Connecticut are not among these states; however, inmates in Connecticut, who are eligible for medical parole, may be paroled to a private nursing home that receives federal funds to help support their care.

### ***Home Confinement Expansion***

This article amends RIGL 42-56-20.2 to update the thresholds for which inmates will be eligible for home confinement after having served specific portions of their term of incarceration. Under current law, people sentenced to six months or less of incarceration are eligible for home confinement upon completion of 3/4ths of their sentence. People with longer sentences are eligible once they are six months from their projected release date, as long as they have served at least one-half (1/2) of their term of incarceration. The amendment would update these thresholds such that people sentenced to six months or less must serve one-half (1/2) of their term of incarceration, people with more than six months must be within one year of their anticipated release date. These changes would allow low-risk inmates to move to home confinement sooner, decreasing costs associated with housing an inmate.

### ***Work Release Inmate Earnings***

The article amends RIGL 42-56-38 such that 30.0 percent of an inmate’s **net** salary will be withheld from their income earned through work release. Under current law, 30.0 percent of an inmate’s **gross** salary is withheld. The Department withholds a portion of the inmates’ work release earnings for room and board.

The inmate may use the remaining earnings to support their family, pay court fees and fines, make restitution, and fulfill other responsibilities.

The Budget includes an additional \$18,880 in general revenue from this change. This increase is the net result of the revenue loss when the 30.0 percent of an inmate's net salary is withheld, rather than gross salary, combined with the earnings that will be withheld from an additional 9 inmates participating in the program. The Department anticipates that allowing inmates to retain more income will incentivize an additional 9 inmates to begin participating in work release. The funds that are withheld from inmates salaries are used for costs associated with the work release room and board.

*Analyst Note: The work release program has been suspended since March 12, 2020, due to the COVID-19 pandemic. The Department of Corrections newly upgraded work release module has the ability to support 24 inmates.*



## Article 14: Relating to Hospital Uncompensated Care

This article authorizes the disbursement of Medicaid Disproportionate Share Hospital (DSH) payments to qualifying community hospitals in federal fiscal years (FFY) 2021 and 2022. These payments will be made in State FY2022 and FY2023, respectively. Article 14 limits the aggregate amount of the payments to \$142.3 million all funds in FY2022 and \$142.5 million all funds in FY2023.

### FISCAL IMPACT

Article 14 increases general revenue expenditures in FY2022 by \$32.6 million (\$70.9 million all funds) compared to the November 2020 adopted caseload estimate. Relative to the FY2021 Enacted Budget, Article 14 reduces general revenue expenditures by \$871,207 to reflect a slight increase in the aggregate payment and a favorable change in the federal match rate which reduces the general revenue share.

Disproportionate Share Hospital Payment	FY2021 Enacted	FY2022 Nov CEC	FY2022 Governor	Change to Enacted	Change to Nov CEC
General Revenue	\$66,290,193	\$32,855,159	\$65,418,986	(\$871,207)	\$32,563,827
Federal Funds	76,010,842	38,709,117	77,074,994	1,064,152	38,365,877
<b>Total</b>	<b>\$142,301,035</b>	<b>\$71,564,276</b>	<b>\$142,493,980</b>	<b>\$192,945</b>	<b>\$70,929,704</b>

*Analyst Note: The \$142.5 million all funds payment included in the Governor’s Budget exceeds the ceiling included in the language of Article 14, which limits the payment to \$142.3 million in FY2022. It appears that the language should authorize a \$142.5 million all funds payment in both FY2022 and FY2023.*

### ANALYSIS AND BACKGROUND

Federal law requires that state Medicaid programs make Disproportionate Share Hospital (DSH) payments to qualifying community hospitals which serve a large number of Medicaid and uninsured patients. The DSH program subsidizes hospitals with high uncompensated care costs, which include certain expenses that are not covered by Medicaid or other sources. DSH payments are lump-sum disbursements issued each July and are subject to the applicable Federal Medical Assistance Percentage (FMAP) at the time of issuance. Funds are distributed in proportion to each hospital’s share of statewide uncompensated care. The State share is funded through revenues generated by the hospital licensing fee authorized in Article 6.

The federal Patient Protection and Affordable Care Act (ACA) included a phase-out of federal DSH payments, set to begin initially in 2014, which has been postponed by Congress several times. At the time of the November 2020 Caseload Estimating Conference (CEC), the impending cut to the July 2021 (FY2022) payment had not been delayed. Because caseload estimates are based on current law, the Conference lowered the aggregate payment to \$71.6 million in the FY2022 estimate. The DSH cuts were then postponed by the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA) in December 2020. The CRRSAA extended the timing of the cuts from FFY2021 to FFY2024. Article 14 authorizes the full payment in both FY2022 and FY2023, accordingly. The Governor’s Budget includes \$142.5 million all funds in FY2022, including \$65.4 million from general revenues.

DSH Payments			
State	Federal	Limit	State Share
FY2017	FY2016	\$138.2	49.58%
FY2018	FY2017	139.7	48.98%
FY2019	FY2018	138.6	45.85%
FY2020	FY2019	142.4	47.43%
FY2021	FY2020	142.3	47.05%
FY2022	FY2021	142.3	45.91%
FY2023	FY2022	142.5	45.12%

*\$ in millions*

*Analyst Note: The American Rescue Plan (ARP) passed on March 11, 2021, included a provision which allows states to claim an enhanced FMAP for the DSH payment. The Families First Coronavirus Response Act authorized a 6.2 percentage point increase in the FMAP for the duration of the COVID-19 public health emergency. Previous guidance exempted DSH payments from the enhanced rate. The ARP provision is not accounted for in the Governor’s Budget. This change will not amend the cap, but will reduce the general revenue share of the FY2022 DSH payment by \$8.8 million and increase federal funds by an equivalent amount.*



## Article 15: Relating to Healthcare Reform

This article establishes several initiatives to increase access to healthcare and promote stability in the health insurance market in the State of Rhode Island. Specifically, the article:

- Establishes and amends state statute to allow Rhode Island to enter into five medical profession interstate compacts.
- Establishes the Health Spending Transparency and Containment Act with an imposed fee of \$1 per enrolled individual in the State.
- Promotes enrollment in RItE Share, Rhode Island's premium assistance program for Medicaid-eligible individuals, by ensuring that the Medicaid program has the requisite information from employers to be able to enroll their employees in a RItE Share plan. The article also establishes new penalties for employers with 50 or more employees that do not comply with the State's reporting requirements.

### FISCAL IMPACT

The impact of Article 15 on revenues and expenditures is summarized in the following tables:

#### FY2022 Article 15 Revenue Impact

<b>Initiative</b>	<b>General Revenue</b>
RItE Share	(\$111,675)
Medical Profession Interstate Compacts	(58,919)
<b>Total</b>	<b>(\$170,594)</b>

<b>Initiative</b>	<b>Restricted Receipts</b>
Health Spending Transparency and Containment Program	\$502,752

#### FY2022 Article 15 Expenditure Impact

<b>Initiative</b>	<b>General Revenue</b>
RItE Share	(\$367,723)
Health Spending Transparency and Containment Program	150,000
Medical Profession Interstate Compacts	12,000
<b>Total Expenditures</b>	<b>(\$205,723)</b>

<b>Net General Revenue Impact</b>	<b>\$35,129</b>
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### ANALYSIS AND BACKGROUND

#### *Medical Profession Interstate Compacts*

This article establishes and modifies language to allow the State to enter into several medical profession interstate compacts. Interstate licensure compacts allow special licensure or exceptions to state licensing requirements for specific health care providers to practice across state lines in other states that have adopted the same compact as long as certain requirements are met. The compacts would decrease license fee revenues by \$58,919 and increase expenditures by \$12,000. The State would enter into the following interstate compacts:

- **Interstate Medical Licensure Compact (IMLC):** The article would allow the State to enter into the Interstate Medical License Compact. The IMLC is an agreement between 29 states, the District of Columbia and the Territory of Guam, where physicians are licensed by 43 different Medical and Osteopathic Boards. The state legislature and Governor must sign off on the new rule and the Compact language must be the same in every state. Under this agreement, licensed physicians can qualify to practice medicine in other compact states if they meet the agreed-upon eligibility requirements.

Approximately 80.0 percent of physicians meet the criteria for licensure through the IMLC. The Compact began approving physician applications in 2017 and has approved over 500 physicians.

The Compact provides an optional, expedited, pathway to licensure for physicians with an exemplary record. Physicians from a compact state who meet qualifications of the Compact would be eligible for licensure in any other compact state. Physicians are responsible for following all statutory laws and administrative rules of the state. Approved physicians can provide services in compact states, increasing access to primary care and specialist physicians.

Physicians must already be licensed in a compact state, have an impeccable record, and the physician must choose a primary state of principal license. The Compact is governed by a Board of Directors made up of two representatives from each Compact state. The physician's credentials and legal history are reviewed by the Board, who decides if licensure is granted. All compact states are required to share complaint/investigative information so that if the physician comes under review in one state, all states will take similar action.

- **Nurse Licensure Compact:** The Enhanced Nurse Licensure Compact (eNLC) promotes access to care while maintaining public health at the state level. Under the eNLC, nurses may practice in other eNLC states, without having to obtain additional licenses. Rhode Island was a member of the former version of the compact, the Nurse Licensure Compact (NLC), from 2008 until 2017. When the State did not update the necessary statutes to join the new Compact, the State lost its status as a compact state. The Budget updates the necessary statutes to comply with eNLC standards and allows Rhode Island to regain its status as a compact state.

The eNLC allows for registered nurses (RNs) and licensed practical/vocational nurses (LPN/VNs) to have one multistate license, with the ability to practice in person or via telehealth in both their home state and other eNLC states. Licensing standards are aligned in eNLC states so all nurses applying for a multistate license are required to meet the same standards, which include a federal and state criminal background check that will be conducted for all applicants for multistate licensure.

The eNLC is governed by a commission established on July 20, 2017. The purpose of the commission is to facilitate the States' responsibility to protect the public as well as the exchange of information between party states.

- **Psychology Interjurisdictional Compact (PSYPACT):** The Psychology Interjurisdictional Compact (PSYPACT) is an interstate compact designed to facilitate the practice of telepsychology and temporary in-person, face-to-face psychology practice across state boundaries. Currently, PSYPACT has twelve member states. Currently, New Hampshire is the only compact state in New England. PSYPACT is governed by a commission comprised of one representative from each member state.
- **Physical Therapist Licensure Compact:** The Physical Therapy Licensure Compact (PTLC) would allow Physical Therapists (PTs) and Physical Therapy Assistants (PTAs) to practice or work in multiple states. In order to participate in the PTLC, states must adopt the PTLC through legislation. PTs and PTAs in participating states will have the option of obtaining a "compact privilege" to practice or work in another participating state if they meet certain criteria.
- **Interstate Commission for EMS Personnel Practice:** The Emergency Medical Services (EMS) Compact, enacted by legislation in 16 states, would allow for EMS personnel to perform duties across state lines. Currently, New Hampshire is the only compact state in New England. The multi-state compact allows EMS personnel in member states to respond to calls and transport patients across state lines and provide emergency services before returning to their home state without having to apply for a separate license in another member state. It is not considered a separate license but is considered an extension of privileges for EMS personnel to practice on a short-term, intermittent basis under certain circumstances. The Compact provides a mechanism for states to access and rapidly share EMS

personnel licensure information. EMS personnel are prohibited from practicing if their home state license is suspended or restricted.

### ***Health Spending Transparency and Containment Act***

In August 2018, the Governor convened the Rhode Island Cost Trend Steering Committee to advise the Rhode Island Health Care Cost Trend Project. The project's goal is to provide all Rhode Islanders with access to high-quality, affordable healthcare with spending that does not increase at a rate higher than the consumer price index (CPI). Key stakeholders including hospital systems, health insurers, physicians' groups, advocates, and researchers agreed to a voluntary target of 3.2 percent total healthcare cost growth.

The Executive Office of Health and Human Services (EOHHS) and the Office of the Health Insurance Commissioner (OHIC) partnered on the Cost Trends Project to work with community stakeholders. The project has historically been funded by the Peterson Center, however, funding for the project ends in August of 2021. The article establishes the Health Spending Transparency and Containment Act with an imposed fee of up to \$1 per year per commercially covered individual in the State to establish a funding stream for the project. The funds raised from the fee, paid by insurers, will help sustain the Cost Trends effort moving forward. OHIC will be working with EOHHS, but the primary focus is the data analytics, which will be done by EOHHS staff.

The fee will raise \$502,752 in restricted receipts in FY2022 to fund the program and the data analysis required to track and steer healthcare spending. The Budget also includes \$150,000 in general revenue (\$330,980 all funds) within EOHHS to reflect the cost to include the assessment within Rhode Island's Medicaid managed care rates.

### ***RItE Share***

Article 15 amends RIGL 40-8.4-12 to promote enrollment in the RItE Share program, Rhode Island's premium assistance program for working Medicaid beneficiaries, by ensuring that the State has the requisite eligibility information from employers. The article requires for-profit, non-government employers with 50 or more employees to submit employee eligibility information to the State and establishes penalties for non-compliance, modeled after a penalty in Massachusetts. The article also amends the duties of the Tax Administrator to collect the penalties established by the article. The Budget assumes \$367,273 in general revenue savings and \$111,675 in new revenue collections in FY2022 related to these changes.

The Rhode Island Health Reform Act of 2000 established the RItE Share premium assistance program to subsidize the costs of enrolling working Medicaid beneficiaries in employer-sponsored health insurance (ESI) plans. The program is an alternative to RItE Care or Medicaid Expansion, Rhode Island's primary managed care plans that provide health insurance coverage to low-income children, pregnant women, families, and non-disabled adults. Instead of enrolling individuals in either RItE Care or Expansion, the RItE Share program pays all or a portion of an individual or family's premium on an approved ESI plan, which is significantly more cost-effective. RItE Share participants are also eligible to receive any services and benefits that would be available through RItE Care or Expansion that are not available through the employer's plan, known as wraparound services. On average, the all funds cost avoided by enrolling one individual in RItE Share instead of RItE Care or Expansion is approximately \$1,600 per year.

In order to enroll in the program, the Executive Office of Health and Human Services (EOHHS) must first approve the ESI plan to ensure that it meets specific criteria. EOHHS must determine that the benefits offered by the ESI plan are substantially similar to the benefits offered by the Medicaid program. EOHHS must also determine that an ESI plan is cost-effective, meaning that the portion of the ESI subsidized by the State (including premiums, wraparound services, and cost sharing), on average, costs less to the State than enrolling the same individual or family in a managed care delivery system. Once EOHHS determines that an ESI plan conforms to RItE Share requirements, any Medicaid-eligible employee working for the same employer is required to participate.

Average RItE Share enrollment has steadily declined over the last decade, although overall participation in Medicaid has increased. This is partly attributable to the current RItE Share enrollment process, which Article 15 seeks to amend. Currently, the State requires employees to furnish information about available ESI plans and EOHHS must confirm with their employers. This puts the burden of enrollment on employees and is inefficient for employers, who often respond to EOHHS on a per-employee basis.

Article 15 shifts the burden of ESI data collection from the employee to the employer to efficiently enroll all eligible employees from a single employer at the same time. In order to accomplish this, the article requires for-profit employers with 50 or more employees to provide EOHHS and the Division of Taxation with sufficient and necessary information for EOHHS to determine employee eligibility for RItE Share. Submissions would be required from employers who had an average of 50 or more employees at any time during the preceding calendar year (CY), with the first submission applying to CY2020. The forms must be filed with the Division of Taxation between November 15 and December 15 during the year in which they are due, with the first reports due at the end of CY2021. Employers that do not file on time would be assessed a \$2,500 penalty, and employers that falsify or omit information would be assessed a \$5,000 penalty. Assuming that 1.0 percent of employers will file late and 0.5 percent will not comply, the Budget includes \$165,675 in new penalty revenue in FY2022.

By streamlining the RItE Share eligibility determination process, the Budget assumes that approximately 3,500 members will be enrolled in RItE Share instead of either RItE Care or Expansion starting in January 2022, resulting in \$729,128 in general revenue savings (\$2.7 million all funds) to the Medicaid program in FY2022 relative to the November 2020 caseload estimate. This would result in a \$54,000 loss in insurance premium tax revenues, as the \$2.7 million in savings would otherwise be subject to a 2.0 percent tax. The savings in FY2022 are offset by \$361,855 in implementation costs within EOHHS, including \$275,605 for contracted staff and \$86,250 for system enhancements. The net favorable general revenue impact, due to new revenues and reduced expenses, is \$478,948 in FY2022.

#### General Revenue Impact

RItE Share	Expenditures	Collections
Medicaid Savings	(\$729,128)	-
Premium Tax Impact	-	(54,000)
Contracted Staff	275,605	-
System Upgrades	86,250	-
Noncompliance Penalty	-	165,675
<b>Total</b>	<b>(\$367,273)</b>	<b>\$111,675</b>

*Analyst Note: Supporting documentation provided by the Office of Management and Budget (OMB) indicates that the majority of the revenue generated by the noncompliance penalty is intended to fund the additional personnel costs required to implement the penalty within the Division of Taxation. The Budget does not include funding for implementation. The Governor's Budget Amendment dated April 12, 2021, adds 1.0 Business Analyst FTE position and \$103,091 in general revenue funding to the Department of Revenue's Division of Taxation to correct this exclusion. The amendment reduces the net favorable impact to the State from \$478,948 to \$375,857. However, it appears that the funding and FTE position should be added to the Department of Labor and Training (DLT), as the Governor's Budget simultaneously shifts Taxation's Employer Tax Unit to DLT in Article 3.*

## Article 16: Relating to Housing

Article 16 establishes a comprehensive new framework for the development of housing in Rhode Island. The article modifies the governance, policy-making, and funding mechanisms available to the State to ensure sufficient housing for Rhode Islanders. Changes are effective July 1, 2021, except for the real estate conveyance tax amendments in Section 6, which are effective on January 1, 2022. Specifically, the article:

- **Reorganization of Housing Governance:** Modifies the membership of both the Housing Resources Coordinating Committee (HRCC) and Housing Resources Commission (HRC) and elevates the Office of Housing and Community Development (OHCD).
- **Dedicated Funding for Housing Development:** Modifies how the revenue generated from the real estate conveyance tax is allocated among statutorily-prescribed recipients and increases the real estate conveyance tax on the portion of real estate value over \$700,000. The additional revenue from these changes is to be used to support increased housing opportunities in the State, including affordable and workforce housing initiatives.
- **Housing Incentives for Municipalities (HIM):** Creates a new incentive for municipalities to support and develop housing by making school impact offset payments through RIHousing.

### FISCAL IMPACT

Section 6 of the article reallocates real estate conveyance tax revenue by shifting \$0.16 of the State's \$0.90 allocation from the General Fund to a new, restricted Housing Production Fund. The Office of Revenue Analysis (ORA) estimates this change will yield \$1.3 million in the second half of FY2022 for the Housing Production Fund, accompanied by a corresponding decrease in general revenue. Section 6 also increases the real estate conveyance tax on the portion of real estate value greater than \$700,000. ORA estimates that this will generate an additional \$1.7 million in Housing Production Funds in FY2022 based on a January 1, 2022, effective date.

The Budget includes \$2.6 million in new expenses from the Housing Production Fund in FY2022, out of which the HIM program incentive may be paid. The Budget also includes \$262,051 from general revenues for the personnel costs of a new Deputy Secretary for Housing and Community Development within the Executive Office of Commerce and \$125,288 in federal Community Development Block Grant program funds to a new 1.0 Assistance Administrator – Financial Management within the new Division of Housing and Community Development.

Initiative	General Revenue		FY2022 Federal Funds		Housing Production Fund	
	Revenue	Expenditure	Revenue	Expenditure	Revenue	Expenditure
Real Estate Conveyance Tax Increase	-	-	-	-	\$1,719,412	-
Real Estate Conveyance Tax Reallocation	(1,293,796)	-	-	-	1,293,796	-
Housing Production Support*	-	-	-	-	-	2,598,731
New Housing Related Staff	-	262,051	-	125,228	-	-
<b>Total</b>	<b>(\$1,293,796)</b>	<b>\$262,051</b>	<b>-</b>	<b>\$125,228</b>	<b>\$3,013,208</b>	<b>\$2,598,731</b>

\* Support includes funds for the HIM program.

**ANALYSIS AND BACKGROUND**

Article 16 establishes a comprehensive new framework for the development of housing in Rhode Island. The elements of this new framework are outlined below.

**Reorganization of Housing Governance**

Rhode Island currently has a network of public and quasi-public entities responsible for housing policy development, planning, program administration, and financing. There are several aspects of this network that facilitate its coordination.

- **RIHousing:** The Rhode Island Housing and Mortgage Financing Corporation, RIHousing, is Rhode Island’s official State-chartered housing finance agency. Housing finance agencies vary from state-to-state, but typically are independent entities that operate under the direction of a board of directors appointed by the state’s governor. They administer a wide range of affordable housing and community development programs, including providing mortgage loans. RIHousing is also charged with administering affordable housing bonds.
- **Housing Resources Commission:** Under the Housing Resources Act of 1998, the Housing Resources Commission (HRC) was established as the State’s principal organization for housing policy, strategy, and coordination. It is comprised of 28 members, including six State agency directors, eight community groups, several municipal planning officials, banking and professional associations, and the chair of RIHousing. The HRC is charged with developing the State’s housing strategic plan, setting housing standards, developing programs, and providing technical assistance to organizations and municipalities related to housing and homelessness. The HRC receives funding for these activities from a dedicated 13.0 percent of the State’s real estate conveyance tax revenue. This revenue is deposited into a Housing Resources Commission restricted receipt account called the Housing Resources Commission Fund.
- **Housing Resources Agency Coordinating Committee:** The Housing Resources Act of 1998 also created an entity within the executive department called the Housing Resources Agency Coordinating Committee (HRACC) for the purpose of providing “coherence to the housing programs of the State and its departments, agencies, commissions, corporations, and subdivisions” and provide guidance on what federal housing assistance the State should apply for. It consists of the chairs of RIHousing and the HRC as well as the Director of the Department of Administration (DOA).
- **Office of Housing and Community Development:** The Office of Housing and Community Development (OHCD) provides financial and operational support as well as staffing for all housing programs administered by the HRC, including the State’s rental assistance and homelessness programs. OHCD is also responsible for administering the federal Community Development Block Grant (CDBG) and other related programs. When the General Assembly established the Executive Office of Commerce (EOC) in 2013, it transferred the OHCD from DOA to the EOC. The OHCD is comprised of two sections and is led by a 1.0 Chief of Housing and Community Development FTE position.

RI Housing and Mortgage Finance Corporation (RIHousing)	
Current	Article 16 Proposed
DOA	Ex . Dir. - HRC <sup>#</sup>
Treasurer	Chair - HRC <sup>#</sup>
DBR	DOA
Representing Appointee <sup>†</sup>	Treasurer
Representing Appointee <sup>†</sup>	DBR
Representing Appointee <sup>†</sup>	Representing Appointee <sup>†</sup>
Representing Appointee <sup>†</sup>	Representing Appointee <sup>†</sup>
	Representing Appointee <sup>†</sup>
	Representing Appointee <sup>†</sup>

*Serves ex-officio*  
*Gubernatorial appointment with advice and consent of Senate*

*# Serves ex-officio, non-voting*  
*† The representing appointees are to be drawn from the following: housing design, development, finance, management, state finance, municipal finance.*

Article 16 modifies how the State is organized around housing and homelessness issues by aligning, streamlining, and updating the entities described above by amending board memberships, clarifying responsibilities, and other changes.



- **RIHousing:** Article 16 increases the number of RIHousing board members from 7 to 9, adding the Executive Director and Chair of the HRC (or designee) as ex-officio, non-voting members. According to the Executive Office of Commerce, these additions strengthen the integration across the official organizations charged with developing and implementing housing policies and programs in the State.
- **Housing Resources Commission:** Article 16 also modifies the structure and responsibilities of the Housing Resources Commission.

- **Membership:** The article streamlines and updates the HRC’s board composition, reducing the total number of members from 28 to 20 (see table), while retaining significant stakeholder input opportunities.
- **Strategic Housing Plan:** Under current law, the HRC, in conjunction with the State Planning Council, is required to develop a five-year strategic plan for housing. The plan includes quantified goals, measurable intermediate steps towards accomplishing those goals, implementation activities, and standards for the production and/or rehabilitation of year-round housing to meet the housing needs of the State. The plan addresses the need for workforce housing as well as housing for seniors, students, low-income individuals, individuals with disabilities, and other vulnerable populations. Article 16 changes the planning period from five years to four. The plan currently on file with the State Planning Council is outdated, having expired in 2010.

Housing Resources Commission (HRC)	
Current	Article 16 Proposed
DOA	RIHousing
DBR	Chair HRC
Elderly Affairs	Secretary of Commerce
DOH	Secretary of EOHHS
DHS	RI Continuum of Care/Agency
BHDDH	Agency or Political
RIHousing	Subdivision Rep.
Attorney General	Agency or Political
RI Bankers Assoc.	Subdivision Rep.
RI Mortg. Bankers Assoc.	Representing Appointee†
RI Realtors	Representing Appointee†
RI Homeless Coalition	Representing Appointee†
Assoc. of Housing Ex. Dir.	Representing Appointee†
RI Housing Network	Representing Appointee†
Operation Stand Down	Representing Appointee†
Community Develop Rep.	Representing Appointee†
Lead Abatement Rep.	Representing Appointee†
Local Planner	Representing Appointee†
Local Building Official	Representing Appointee†
Fair Housing Advocate	Representing Appointee†
Advocate for Minority Housing	Representing Appointee†
RI Builders Assoc.	Representing Appointee†
Insurer Rep.	
Community Develop Intermediary	
Non-profit Developer	
Senior Housing Rep.	
Citizen Rep.	
Citizen Rep.	

*Serves ex-officio*  
*Gubernatorial appointment with advice and consent of Senate*  
*Gubernatorial appointment only*

† The representing appointees are to be drawn from the following: disability advocacy, homelessness, veterans, banking/lending, fair housing, education, healthy housing, health equity, business, public housing, for-profit/non-profit development, community development corporations, local government, senior housing, colleges/universities, realty, and homeownership advocates.

- **Executive Director and Staff:** The Housing Resources Commission is currently staffed by the OHCD and is headed by a Chief of Housing and Community Development. Currently, the chief is the ranking staff person within the EOC on housing issues and is appointed by the HRC to be its Executive Director. Article 16 transfers the appointing authority for the Executive Director to the Governor, with the advice of the HRC. The article also provides that the Executive Director “may also serve in the Executive Office of Commerce as the Deputy Secretary for Housing and Homelessness.” The Budget authorizes a new 1.0 Deputy Chief of Staff/Policy FTE position within the Executive Office Commerce and \$262,051 in general revenue in FY2022, ostensibly to accommodate the Executive Director/Deputy Secretary post. According to EOC, the chief will remain as part of the staff at the OHCD, which is elevated to the Division of Housing and Community Development pursuant to the article. The Budget also includes a new 1.0 Assistance Administrator – Financial Management within the new division along with \$125,228 in federal Community Development Block Grant program funds to support the personnel expenses.

*Analyst Note: Article 16 that states the Chair of the HRC is to be one of five members to serve ex-officio on the HRC. RIGL 42-128-6(b), however, states that the Governor shall appoint the HRC chair, with the advice and consent of the Senate, and shall not be an ex-officio member.*

- **Housing Resources Agency Coordinating Committee:** Article 16 modifies the structure and responsibilities of the current HRACC.

**Housing Resources Agency Coordinating Committee (HRACC)**

Current	Article 16 Proposed*
Chair of RIHousing	Chair of RIHousing
Chair HRC	Chair HRC
Director - DOA	Secretary of Commerce
Ex. Dir - RIHousing	Secretary of EOHHS
	Agency or Political Subdivision Rep.
	Agency or Political Subdivision Rep.

*Serves ex-officio*

*Gubernatorial appointment only*

*\* Governor designates the HRACC Chair from among the entire membership*

- **Membership:** The article amends the membership of the existing HRACC by replacing the Director of Administration with the Secretary of Commerce, replacing the Executive Director of RIHousing with the Secretary of the Executive Office of Health and Human Services, and adding two gubernatorial-appointed members that represent an agency or political subdivision of the State.

- **Powers and Duties:** Under current law, the scope of the HRACC is very limited. The HRACC is primarily responsible for articulating the fiscal and operational relationship between the HRC and RIHousing. Article 16 expands the scope by providing the HRACC with the authority to negotiate and enter into contracts and agreements with State agencies, political subdivisions, and non-profit and for profit corporations and other partnerships for the purposes of addressing housing and homelessness issues covered under the Rhode Island Housing Resources Act (RIGL 42-128).

- **Division of Housing and Community Development (DHCD):** Article 16 elevates the Office of Housing and Community (OHCD) to a formal division within the Executive Office of Commerce. The new division retains the same responsibilities as the OHCD, administering programs pertaining to housing, housing services, and community development including services for the homeless; rental assistance; community development; disaster assistance; outreach, education, and technical assistance; and financial support to non-profits and community development organizations. DHCD is required to provide the Governor and General Assembly with annual reports on its activities and recommendations by March 1 of each year, beginning March 1, 2022. The Budget transfers the existing 11.0 FTE positions and personnel and operating costs in the OHCD to the DHCD in FY2022.

	FY2022		
DHCD	General Revenue	Federal Funds	HRCF
Personnel	\$705,281	\$706,355	\$34,734
Operating	228,838	47,769	4,408
<b>Total</b>	<b>\$934,119</b>	<b>\$754,124</b>	<b>\$39,142</b>

Authorized FTE Level 12.0

***Dedicated Funding for Housing Development***

Article 16 modifies the how revenue generated by the real estate conveyance tax is allocated among its statutorily-proscribed recipients and increases the portion of real estate value over \$700,000. Revenue from these changes would be deposited into a new restricted receipt account used to increase housing opportunities for Rhode Islanders.

**Housing Production Fund/Housing Resources Commission Fund:** Article 16 establishes a new fund related to finance housing programs in the State. The Housing Production Fund (HPF) is a new restricted receipt fund for the purposes of providing “financial assistance, loans, grants, or otherwise for the planning, production, or preservation of housing opportunities in Rhode Island, including housing affordable to workers and located near workforce centers”. The fund may also be used to support technical and financial assistance for municipalities to support increased local housing production, including the Housing Incentives for Municipalities program, described below. Revenue from the proposed changes to the real

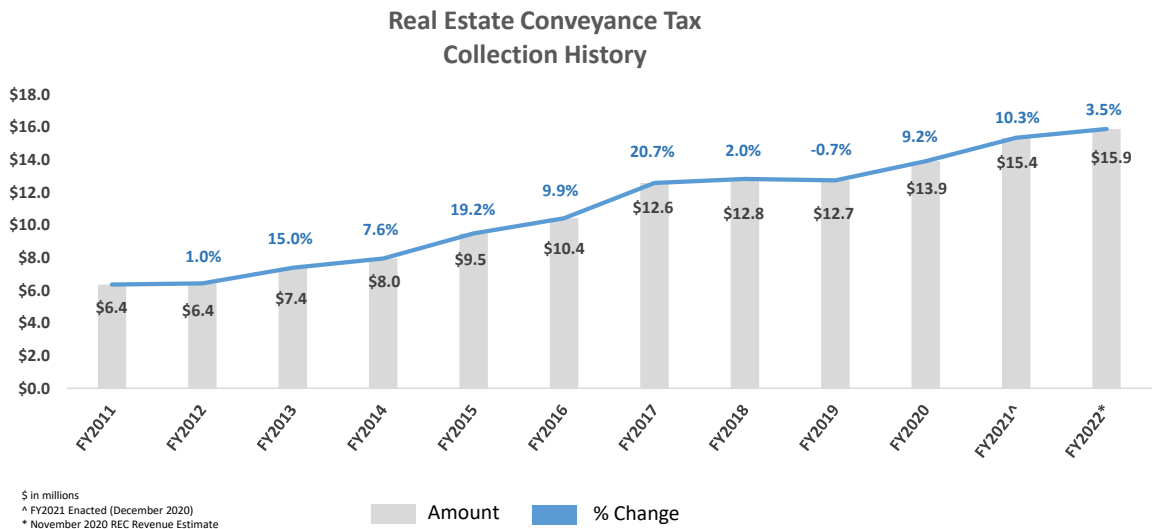
estate conveyance tax authorized by Article 16, described below, will be deposited into the HPF. The fund is to be administered by RIHousing, subject to program and reporting guidelines adopted by the HRACC and HRC.

*Analyst Note: Although Article 16 does not specifically define workforce housing, it is generally understood to be housing that is affordable to workers and close to their jobs. It may include both home ownership and rental housing opportunities. Workforce housing is typically defined as housing that is affordable to households earning 60.0 to 120.0 percent of the area median income, ranging between \$42,701 and \$85,403. It may also be defined as housing costs that are no more than 30.0 to 40.0 percent of income.*

Article 16 also modifies the existing Housing Resources Commission Fund (HRCF). Under current law, the HRCF is administered by the HRC, in conjunction with RIHousing and OHCD, and is used to support lead abatement programs, housing rental subsidy programs, and housing retention and homelessness programs. Article 16 adds housing production to the authorized uses of the funds. The funds will be used to by the HRCC for initiatives including housing production, lead hazard abatement, housing rental subsidies, housing retention assistance, homelessness services, and veteran services.

**Real Estate Conveyance Tax:** The State imposes a tax on each deed, instrument, or writing by which interests in real estate are conveyed to a purchaser when the value of the transfer is greater than \$100. The tax rate is \$2.30 for each additional \$500 in value.

Real estate conveyance tax collections grew by 33.5 percent during the five-year period from FY2016 to FY2020. Based on the November 2020 Revenue Estimating Conference adopted estimate, the general revenue portion of the tax is estimated to be \$15.9 million in FY2022.



Tax payments are due upon the making, execution, delivery, acceptance, or recording of the instrument of conveyance. The municipality where the real estate is located collects the fee at the time the deed is recorded and then remits the State share on a monthly basis. The State collects the fee directly when the transaction involves the sale or transfer of ownership interest in a real estate company. Collections are shared between the State and the municipality in which the property is situated.

**Article 16 Changes:** Article 16 makes several changes to the real estate conveyance tax.

- Real Estate Conveyance Tax Distribution:** Section 6 of the article modifies the distribution of the real estate conveyance tax by shifting a portion the State's share from the general fund to the new HPF restricted receipt fund. Under current law, the real estate conveyance tax is applied at a rate of \$2.30 per \$500 of value and \$0.60 is deposited into the general fund. Article 16 shifts \$0.16 per \$500 from the general fund to the HPF. Based on a January 1, 2022, effective date, ORA estimates this change will yield \$1.3 million in FY2022 (half a year) and \$2.9 million in FY2023 (first full year of the shift) in additional Housing Production Funds, with a corresponding decrease in general revenue.

Fund	Current	Article 16	
		Portion < \$700K	Portion > \$700K
		Per \$500	Per \$500
State	\$1.20	\$1.20	\$1.20
General Revenue	0.60	0.44	0.44
Distressed Communities	0.30	0.30	0.30
Housing Resources Commission Fund	0.30	0.30	0.30
Housing Production Fund	-	0.16	2.46
Local Government	1.10	1.10	1.10
<b>Total</b>	<b>\$2.30</b>	<b>\$2.30</b>	<b>\$4.60</b>

- Real Estate Conveyance Tax Increase:** Section 6 also increases the real estate conveyance tax on the portion of real estate value over \$700,000. The rate applied to this portion doubles from \$2.30 to \$4.60 per each \$500 in value above \$700,000. Revenue from this increase would be deposited into the HPF, to be administered by RIHousing and used to increase housing opportunities across the State. The Office of Revenue Analysis (ORA) estimates that this will generate \$1.7 million in new Housing Production Funds in FY2022 based on a January 1, 2022, effective date. The estimate for a full year of the increase is \$3.8 million in FY2023.

Real Estate Value	Current	Article 16	Change
	Tax Liability	Tax Liability	
\$350,000	\$1,610	\$1,610	0.0%
700,000	3,220	3,220	0.0%
900,000	4,140	5,060	22.2%
1,750,000	8,050	12,880	60.0%

Source: Office of Management and Budget

*Analyst Note: On April 19, 2021, the Governor requested an amendment to Article 16 (GBA#6) that exempts affordable housing developments financed with federal Low-Income Housing Tax Credits and/or owned by nonprofit corporations from the transfer provisions of the State's real estate conveyance tax. The transfer provisions are considered a barrier to affordable housing production. If accepted, this amendment would result in a \$30,194 general revenue reduction and an \$84,198 restricted receipts reduction (Housing Production Funds) in FY2022.*

### **Housing Incentives for Municipalities**

Article 16 authorizes a new program designed to encourage municipalities to establish new overlay zoning districts to promote affordable housing production. Article 16 provides a financial incentive for municipalities to participate by providing payments to offset the additional costs of educating students living in new affordable housing districts. The Budget does not include a specific appropriation for these new housing incentives in FY2022, however the new Housing Production Fund, out of which the incentives may be paid, includes \$2.9 million in expenditures in FY2022. Because the school impact offset payments are reimbursements made after housing is built and occupied, it is unlikely that there would be any FY2022 fiscal impact relative to this incentive.

**Administration:** The new program will be administered by the HRACC in consultation with State's Division of Statewide Planning and RIHousing. The HRACC is charged with developing rules and

regulations, including application criteria, eligible locations for housing incentive districts, minimum requirements for districts, eligible students for the calculation of school impact offset payments, and the amount and method of payment to municipalities for school impact offset payments. The HRACC is also authorized to provide municipalities with technical assistance and other support related to developing affordable housing. The HRACC is required to provide annual reports to the Governor and General Assembly that include information on the commitment and disbursement of funds allocated under the program.

**Housing Incentive Districts:** Municipalities are encouraged to establish special overlay zones in locations that—by virtue of their infrastructure, existing underutilized facilities, proximity to public transit centers, and concentrated development—are determined by the HRACC to be suitable as housing incentive districts. A housing incentive district under Article 16 is intended to encourage residential development and must permit minimum residential uses. The district may accommodate uses complimentary to residential use; however, the majority of lots must be dedicated to housing. Although the districts may adopt zoning that encourages residential development, Article 16 does not infringe upon a municipality’s zoning and permitting authority.

**School Impact Offset Payments:** Article 16 establishes a school impact offset payment program based on a Massachusetts program known as 40S. In Massachusetts, eligible communities are reimbursed for any net cost of educating students living in new housing in a designated smart growth district. The reimbursement is equal to the cost of educating students living in new housing in a smart growth district, less the percentage of new revenues from the district that would otherwise be devoted to educational costs and any increase in state educational aid resulting from students living in new housing in the district.

Article 16 defines school impact offset payments as payments to a city or town to help offset increased municipal costs of educating a student attending a school in the town that lives in newly constructed housing that would not otherwise have been built absent the housing incentive district zoning. The article charges the HRCC with developing a framework for the school impact offset payment component of the new incentive program, including the amount and method of payment. Article 16 does not address the duration of payments and whether they are transitional or permanent for a particular project. The offset payments are to be made out of the new Housing Production Fund. Article 16 also authorizes RIHousing to make the payments.



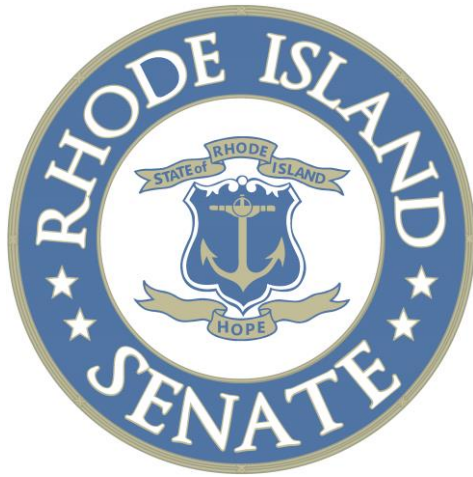
## **Article 17 Relating to Effective Date**

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This article provides that the Act will take effect on July 1, 2021, except as otherwise provided herein.







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**FY2021 SUPPLEMENTAL BUDGET ARTICLES**

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## Article 1: Relating to Making Revised Appropriations in Support of FY2021

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Article 1 outlines the appropriation amounts from all fund sources for the FY2021 Supplemental Budget. In most cases, the appropriations are by fund source at the program level in each department or agency. The article includes the FTE position authorizations by department or agency. Other sections of the article outline the use of contingency funds; expenditure limits for internal service funds; and, disbursements of Lottery, Temporary Disability Insurance, Employment Security, and University and College Funds. This article makes appropriations for general revenues, federal, restricted, and other funds, and authorizes FTE levels for each agency and department. Article 1 also includes the following items:

- Sets the airport impact aid formula at \$1.0 million.
- Authorizes 15,124.7 FTE positions reflecting no net change as compared to the authorized level set in the FY2021 Budget as Enacted.
- Details Community Service Objective grant funding recipients and amounts.
- The FY2020 final budget transferred \$120.0 million from the Budget Stabilization and Cash Reserve Account for use in balancing that budget. The Rhode Island General Law requires that the repayment be made to the Rhode Island Capital Plan fund in the following fiscal year. The FY2021 Budget as Enacted included a \$90.0 million repayment to the RICAP fund in FY2021 and delayed payment on the remainder until FY2022. This Article reduces the amount of the payback in FY2021 to \$7.5 million, reflecting an \$82.5 million reduction, and includes \$42.5 million payback in FY2022 to partially reimburse the State's Rhode Island Capital Plan Fund. The remaining payment of \$70.0 million will be made during FY2023.
- Outlines the distribution of \$136.5 million in federal Coronavirus Relief Funds (CRF) based on an initiative to fully fund local aid programs and provide additional federal relief resources to municipalities according to various methodologies.
- Prohibits the obligation or expenditure of indirect cost recoveries on federal stimulus funds in the Department of Health without the approval of the Director of the Office of Management and Budget.
- Requires that all unexpended or unencumbered balances relating to the University of Rhode Island, Rhode Island College, and the Community College of Rhode Island, be reappropriated to FY2022. In addition, the Office of the Postsecondary Commissioner shall provide \$7.2 million be allocated to the Rhode Island Promise Scholarship program, and \$147,000 to be used to support the State's membership in the New England Board of Higher Education.
- Caps the amount the Judiciary may charge 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 \$1.4 million. It requires Judiciary to provide \$230,000 to the Rhode Island Coalition Against Domestic Violence for domestic abuse court advocacy and requires \$90,000 be provided to the Rhode Island Legal Services to provide housing and eviction defense to indigent individuals.

**APPROPRIATIONS**

Article 1 makes appropriations from general revenues and authorizes expenditures of federal funds, restricted receipts, and other funds for the fiscal year ending June 30, 2021.

<b>Expenditures by Source</b>	<b>FY2020 Final</b>	<b>FY2021 Enacted</b>	<b>FY2021 Governor</b>	<b>Change to Enacted</b>
General Revenue	\$3,937.4	\$4,153.3	\$3,881.6	(\$271.7)
Federal Funds	4,475.1	5,812.9	7,059.1	1,246.2
Other Funds	2,273.1	2,441.9	2,456.3	14.4
Restricted Receipts	332.1	322.3	353.2	30.9
<b>Total</b>	<b>\$11,017.7</b>	<b>\$12,730.4</b>	<b>\$13,750.2</b>	<b>\$1,019.8</b>

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

Under the budget for the Office of Postsecondary Commissioner – Guaranty Agency Administration, Article 1 amends the limitations on the uses of guaranty agency funds to allow for the financing of the mid-year increase in assessed fringe benefits. It is unclear if the intent is to fund the fringe benefits for the 1.0 FTE administering scholarships and grants or for the entire agency; however, the guaranty agency funds are currently projected to be exhausted in FY2022 without the expansion of qualified expenditures. These funds are primarily used to fund need-based Promise I grants for students at public and private institutions in Rhode Island, and the dual/concurrent enrollment program which allows high school students to take courses for college and high school credit at the University of Rhode Island (URI), Rhode Island College (RIC), or the Community College of Rhode Island (CCRI) at no cost to the student.

**INTERNAL SERVICE FUNDS**

Article 1 authorizes 16 specific, capped internal service accounts to permit reimbursement of costs for work or other services performed by certain departments or agencies for any other department or agency. The FY2018 Budget as Enacted established centralized accounts for each agency and allows the Department of Administration to draw upon these accounts for billable centralized services and deposit the funds into the rotary accounts under the Department of Administration. Reimbursements may only be made up to the expenditure cap for each account, as outlined below.

<b>Internal Service Account</b>	<b>FY2021 Enacted</b>	<b>FY2021 Governor</b>	<b>Change</b>
State Assessed Fringe Benefits	\$37,505,032	\$37,518,277	\$13,245
Administration Central Utilities	27,426,989	27,427,555	566
State Central Mail	6,583,197	6,586,516	3,319
State Telecommunications	3,552,053	3,555,274	3,221
State Automotive Fleet	12,743,910	12,746,422	2,512
Surplus Property	3,000	3,000	-
Health Insurance	273,639,595	273,647,077	7,482
State Fleet Revolving Loan Fund	264,339	263,857	(482)
Other Post-Employment Benefits	63,858,483	63,858,483	-
Capital Police	1,429,798	1,429,798	-
Corrections Central Distribution Center	6,868,331	6,871,587	3,256
Correctional Industries	8,231,177	8,237,403	6,226
Secretary of State Records Center	1,086,670	1,088,490	1,820
Human Resources Internal Service Fund	14,237,328	14,278,614	41,286
DCAMM Facilities Internal Service Fund	42,849,110	42,890,862	41,752
Information Technology Internal Service Fund	49,488,621	49,583,032	94,411
<b>Total</b>	<b>\$549,767,633</b>	<b>\$549,986,247</b>	<b>\$218,614</b>

**FTE POSITIONS**

Article 1 establishes the authorized number of full-time equivalent (FTE) positions for each State department and agency. Departments and agencies may not exceed in any pay period the number of authorized FTE positions shown. The Governor recommends no net change as compared to the authorized level set in the FY2021 Budget as Enacted. The following table illustrates the FTE levels by government function:

<b>Expense by Function</b>	<b>FY2021 Enacted</b>	<b>FY2021 Governor</b>	<b>Change to Enacted</b>
General Government	2,441.9	2,441.9	0.0
Human Services	3,571.6	3,571.6	0.0
Education	4,218.4	4,218.4	0.0
Public Safety	3,190.0	3,190.0	0.0
Natural Resources	424.0	424.0	0.0
Transportation	755.0	755.0	0.0
<b>Subtotal</b>	<b>14,600.9</b>	<b>14,600.9</b>	<b>0.0</b>
<i>Higher Ed. Sponsored Positions</i>	<i>523.8</i>	<i>523.8</i>	<i>0.0</i>
<b>Total FTE Positions</b>	<b>15,124.7</b>	<b>15,124.7</b>	<b>-</b>

**RICAP REPAYMENT**

The Budget includes \$7.5 million in general revenue payback in FY2021 to partially reimburse the State’s Rhode Island Capital Plan (RICAP) fund. This reflects a reduction of \$82.5 million as compared to the FY2021 Budget as Enacted. The FY2020 final budget transferred \$120.0 million from the State Budget Reserve and Cash Stabilization Account for use in balancing that budget. The Rhode Island General Law requires that the repayment be made to the Rhode Island Capital Plan fund in the following fiscal year.

The FY2021 Budget as Enacted included a \$90.0 million repayment and legislation under Section 18 of Article 1 to delay the full payback until FY2022. However, Article 1 of the Governor’s FY2021 Supplemental Budget proposes to further delay the payback to FY2023 and reduces the amount of the payback in FY2021 to \$7.5 million, reflecting an \$82.5 million reduction, and includes a \$42.5 million payback in FY2022 to partially reimburse the State’s Rhode Island Capital Plan Fund. The remaining payment of \$70.0 million will be made during FY2023.

<b>Expense by Function</b>	<b>FY2021 Enacted</b>	<b>FY2022 Governor</b>	<b>Change to Enacted</b>
General Government	2,441.9	2,471.4	29.5
Human Services	3,571.6	3,446.6	(125.0)
Education	4,218.4	4,221.4	3.0
Public Safety	3,190.0	3,240.0	50.0
Natural Resources	424.0	431.0	7.0
Transportation	755.0	755.0	0.0
<b>Subtotal</b>	<b>14,600.9</b>	<b>14,565.4</b>	<b>(35.5)</b>
<i>Higher Ed. Sponsored Positions</i>	<i>523.8</i>	<i>523.8</i>	<i>0.0</i>
<b>Total FTE Positions</b>	<b>15,124.7</b>	<b>15,089.2</b>	<b>(35.5)</b>

## COMMUNITY SERVICE OBJECTIVES

The FY2017 Budget as Enacted changed the Community Service Objective (CSO) Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The program now consists to two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process. State agencies will manage the application, award, and reconciliation processes for the awards. Consistent with previous practice, the awards may be subject to audits by the Bureau of Audits.

The FY2021 Budget as Enacted includes \$8.7 million in general revenue for CSO grant awards across 12 state agencies. The Budget recommends an appropriation of \$8.9 million in general revenue in FY2022, an increase of \$175,000 from the previously enacted budget. The Budget recommends increasing the grant to the Rhode Island Community Food Bank by \$175,000.

<b>Agency</b>	<b>Grant Recipient</b>	<b>FY2021 Enacted</b>	<b>FY2021 Governor</b>	<b>FY2022 Governor</b>	<b>Change</b>
Administration	City Year - Whole School Whole Child Program	\$130,000	\$130,000	\$130,000	\$0
Executive Office of Commerce	Polaris Manufacturing Technical Assistance Program	350,000	350,000	350,000	-
Executive Office of Commerce	International Trade And Export Programming	476,200	476,200	476,200	-
Executive Office of Commerce	Minority Entrepreneurship	140,000	140,000	140,000	-
Executive Office of Commerce	East Providence Waterfront Commission	50,000	50,000	50,000	-
Secretary of State	Rhode Island Historical Society	125,000	125,000	125,000	-
Secretary of State	Newport Historical Society	18,000	18,000	18,000	-
Human Services - Healthy Aging	Diocese of Providence - Elder Services	325,000	325,000	325,000	-
Human Services - Healthy Aging	Alliance for Long Term Care Ombudsman Services	40,000	40,000	40,000	-
Human Services - Healthy Aging	Elderly Housing Security	85,000	85,000	85,000	-
Human Services - Healthy Aging	Meals on Wheels	530,000	530,000	530,000	-
Human Services - Healthy Aging	Senior Center Support	800,000	800,000	800,000	-
Human Services - Healthy Aging	Elderly Nutrition	50,000	50,000	50,000	-
Human Services	Coalition Against Domestic Violence	300,000	300,000	300,000	-
Human Services	Project Reach - Boys and Girls Club	250,000	250,000	250,000	-
Human Services	Day One	217,000	217,000	217,000	-
Human Services	RI Community Food Bank	175,000	175,000	350,000	175,000
Human Services	Crossroads Rhode Island	500,000	500,000	500,000	-
Human Services	Institute for the Study and Practice of Nonviolence	200,000	200,000	200,000	-
Human Services	Veterans' Organizations	200,000	200,000	200,000	-
Human Services	Community Action Fund	600,000	600,000	600,000	-
Education	Hasbro Children's Hospital - Hospital School	90,000	90,000	90,000	-
Education	Child Opportunity Zones	395,000	395,000	395,000	-
Office of Postsecondary Commissioner	Rhode Island College Crusade	355,000	355,000	355,000	-
Office of Postsecondary Commissioner	Best Buddies Rhode Island	75,000	75,000	75,000	-
University of Rhode Island	Small Business Development Center	350,000	350,000	350,000	-
University of Rhode Island	Special Olympics Rhode Island	50,000	50,000	50,000	-
Arts Council	WaterFire Providence	375,000	375,000	375,000	-
Historical Preservation	Fort Adam's Trust	30,000	30,000	30,000	-
Corrections	Crossroads Rhode Island	1,050,000	1,050,000	1,050,000	-
Judicial	Rhode Island Coalition Against Domestic Violence	230,000	230,000	230,000	-
Judicial	Rhode Island Legal Services	90,000	90,000	90,000	-
Environmental Management	Conservation Districts	50,000	50,000	50,000	-
<b>Total</b>		<b>\$8,701,200</b>	<b>\$8,701,200</b>	<b>\$8,876,200</b>	<b>\$175,000</b>

**CAPITAL APPROPRIATIONS**

Article 1 authorizes amounts from the Rhode Island Capital Plan (RICAP) Fund, not otherwise appropriated, to be expended during the fiscal years ending June 30, 2023, June 30, 2024, June 30, 2025, and June 30, 2026. These amounts supersede appropriations provided for FY2022 within the FY2021 Budget as Enacted.

Subject to final General Assembly approval, any unexpended or unencumbered funds from the RICAP Fund project appropriations in excess of \$500 may be reappropriated to the next fiscal year and made available for the same purpose. Any remaining funding less than \$500 may be reappropriated at the discretion of the State Budget Officer.





## Article 2: Relating to the Paycheck Protection Program

Article 2 partially decouples Rhode Island law from federal tax statutes governing how federal Paycheck Protection Program (PPP) loans are treated for purposes of personal and business income taxes. The purpose of the initiative is to preserve pandemic relief for those smaller businesses that received PPP loans of \$150,000 or less, while mitigating the significant State revenue loss that would result by remaining completely in alignment with federal law. The article also increase the State’s hospital license fee. Article 2 specifically:

- Provides the Tax Administrator with authority to exclude the amount of any PPP loan forgiven for federal income tax purposes from State tax in the event that the federal government provides funds to the State for revenue replacement.
- Exempts the first \$150,000 of a PPP loan from Rhode Island business and personal income taxation.
- Includes the amount of any forgiven PPP loan over \$150,000 as part of net patient-services revenue for purposes of calculating the State’s nursing facility provider assessment (for Tax Years beginning January 1, 2020, and after).
- Increases the hospital license fee from 5.0 percent to 6.0 percent in FY2021 and includes the amount of any forgiven PPP loan over \$150,000 as part of net patient services revenue for purposes of calculating the fee beginning in FY2022.

### FISCAL IMPACT

The increase in the hospital license fee results in \$32.3 million more general revenue in FY2021 than estimated by the November 2020 Revenue Estimating Conference. The fiscal impact of the policy changes related to forgiven PPP loans and the calculation of the hospital license fee and the nursing facility provider assessment are not clear. To date, no hospitals have received PPP loans; however, a number of nursing homes received PPP loans and a significant amount of such loans are likely to have gone towards caring for patients, and thus impact revenue. The Office of Management and Budget has not provided a fiscal impact estimate for these sections of the article. The fiscal impact of the remaining sections of the article are summarized in the following table:

PPP Tax Policy Revenue Changes	FY2021		FY2022		Total 2 Year Impact
	Personal Income Tax	Business Taxes	Personal Income Tax	Business Taxes	
Federal PPP Loan Forgiveness	(\$28,788,938)	(\$57,489,763)	(\$15,678,451)	(\$31,308,915)	(\$133,266,067)
Decoupling from Federal PPP Loan Forgiveness ≥ \$150,000	969,731	2,630,262	19,480,908	44,597,887	67,678,788
<b>Total</b>	<b>(\$27,819,207)</b>	<b>(\$54,859,501)</b>	<b>\$3,802,457</b>	<b>\$13,288,972</b>	<b>(\$65,587,279)</b>

### ANALYSIS AND BACKGROUND

In response to devastating impacts that the COVID-19 pandemic had on businesses, Congress enacted a series of supports and relief measures in 2020. The Coronavirus Aid, Relief, and Economic Security (CARES), enacted in March 2020, established the federal Paycheck Protection Program, which provides loans to help businesses keep their workforce employed during the pandemic. In December 2020, Congress enacted the Consolidated Appropriations Act (CAA), with the purpose of providing further pandemic relief, including for businesses. The CAA allowed businesses to deduct expenses paid for with PPP loans. These federal interventions combined to produce a significant loss in State revenue for FY2021 and FY2022.

#### ***Paycheck Protection Program***

The Paycheck Protection Program (PPP) is a small business loan program created by Congress in the CARES Act in March 2020. Congress originally appropriated \$350.0 billion for the PPP program in order to provide small businesses with cash-flow assistance through 100.0 percent federally guaranteed loans,

backed by the United States Small Business Administration (SBA). In April 2020, Congress provided the program an additional \$310.0 billion in funding, allowed more time to spend the funds, and made it easier to get loans forgiven. In December 2020, Congress enacted a second stimulus package, the CAA, which provided an additional \$285.0 billion in funding and updated the eligible expenses. Congress also authorized businesses to receive a second PPP loan if they had used up their first PPP loan and experienced a 25.0 percent or greater decrease in revenue.

- **Loan Terms:** Under the PPP program, businesses with 500 employees or less (definition of “small business”) are eligible. Loans have a maturity rate of two years and an interest rate of 1.0 percent. Loans made after June 5, 2020, have a length of five years and cover expenses for 24 weeks starting from the loan disbursement date. Businesses are not required to make payments until either 10 months after the 24-week covered period ends or if the loan is forgiven. Collateral is not required and there are no fees.
- **Eligible Expenses:** At least 60.0 percent of a PPP loan must be used to fund payroll and employee benefits costs. The maximum amount a business can receive is equal to the monthly average payroll cost in 2019, 2020, or the one-year period before the application, multiplied by 2.5, up to a maximum of \$2.0 million. Businesses in the food and accommodation industries are eligible for 3.5 times the average payroll costs, also with a maximum of \$2.0 million. The remaining 40.0 percent can be spent on mortgage interest payments, rent and lease payments, utilities, operations expenditures, property damage, costs due to public disturbances not covered by insurance, supplier costs such as cost of goods sold, and worker protection expenditures to be COVID compliant.
- **Loan Forgiveness:** If a business uses its PPP loan for eligible expenses, it may apply to have its loan forgiven. The amount of loan forgiveness may be reduced in proportion to the reduction of retained employees and if any wages are reduced by more than 25.0 percent. If a laid off employee rejects a re-employment offer at the same wage and number of hours, the business may be allowed to exclude this employee when calculating forgiveness.
- **Rhode Island:** According to the SBA, there have been 22,090 total PPP loans made to Rhode Island businesses, totaling \$2.3 billion as of March 28, 2021. The average loan in the State is \$102,964 and the average company size is 11 employees.

#### ***PPP - Income and Deductions***

Under normal circumstances, when a business’ debt is cancelled, the amount forgiven and not paid is considered income for federal tax purposes. The CARES Act explicitly excludes the amount of the forgiveness of PPP loans from federal gross income. The Act, however, does not address how expenses used to achieve forgiveness are to be treated. In August 2020, the Internal Revenue Service (IRS) clarified that, under existing law, expenses paid with PPP loan proceeds could not be deducted from any other taxable income. This clarification was consistent with previous IRS determinations regarding how tax-exempt income is treated. However, in December 2020, Congress enacted the CAA, which nullified the IRS position, and explicitly allowed for the deductibility of expenses paid for with forgiven PPP loan proceeds.

*Analyst Note: The CAA was enacted a month after the 2020 November Revenue Estimating Conference, and therefore the fiscal impact of the new exemption was not considered in the estimates.*

- **Example:** The following tables demonstrate a simplified example of the impact of the federal changes on small businesses (example provided by the Office of Revenue Analysis).
  - Without a PPP loan, a business reduces variable expenses, such as labor costs, by laying off workers and increasing unemployment:

No PPP Loan	Normal TY2020	Pandemic TY2020	Explanation
Gross Sales	\$100	\$50	COVID-19 pandemic impact reduces sales by 50.0%
Total Expenses	90	45	Business reduces expenses proportional to revenue decline
<b>Net Income</b>	<b>\$10</b>	<b>\$5</b>	<b>Business net income decreases</b>

- Under the CARES Act and IRS guidance, a PPP loan is made available to the business. Under the August 2020 IRS guidance, a business realizes an increase in net income above what would have been realized without the PPP loan:

With PPP Loan & IRS Guidance	Scenario 1	Scenario 2	Explanation
	Pandemic TY2020	Pandemic TY2020	
Gross Sales	\$50	\$50	COVID-19 pandemic impact reduces sales by 50.0%
Total Expenses	45	[90]	Business pays \$90 in expenses with PPP loan that is forgiven so cannot deduct expenses
<b>Net Income</b>	<b>\$5</b>	<b>\$50</b>	<b>Business net income increases</b>

- CAA passes and negates the IRS regulations regarding deductibility of expenses paid with tax-exempt and forgiven PPP loans. Under the CAA nullification, a business that took out a PPP loan that is forgiven has reduced net income (a loss in this example) that may be less than the net income realized without the PPP loan:

With PPP Loan and CAA Deductibility & IRS Guidance	Scenario 1	Scenario 2	Explanation
	Pandemic TY2020	Pandemic TY2020	
Gross Sales	\$50	\$50	COVID-19 pandemic impact reduces sales by 50.0%
Total Expenses	[90]	90	Businesses can deduct expenses paid with PPP loan against other taxable income
<b>Net Income</b>	<b>\$50</b>	<b>(\$40)</b>	<b>Business net income decreases</b>

- Implications for Rhode Island:** Rhode Island business and personal income tax statutes mirror federal tax statutes and regulations, particularly as it relates to what constitutes income, adjusted for deductions and other modifications. Any significant change in these modifications affects how income is determined for purposes of Rhode Island taxes. This includes the PPP expense deductions. The timing of the changes described above is such that it was not included in the 2020 November Revenue Estimating Conference estimates. In TY2020, \$1.9 billion of PPP loans were made to 17,875 businesses in the State, of which \$1.7 billion was made to for-profit, non-tax-exempt entities. If this entire amount of loans is forgiven and the \$1.7 billion of expenses paid with these loans are deducted against other taxable income, the impact on state revenues for FY2021 would be in a loss of \$86.3 million in revenue (\$57.5 million in business corporation tax revenues and \$28.8 million in personal income tax revenues).

**Article 2 Changes Relative to PPP**

In an effort to preserve a portion of the federal pandemic tax relief at the State level while ameliorating related revenue losses, Article 2 of the FY2021 Revised Budget makes several changes to State tax law. Changes include exempting the first \$150,000 of expenses paid with forgiven PPP loans from personal

income and business corporations taxation and the calculation of the hospital license fee and nursing facility assessment. Specifically, the article:

- Exempts the first \$150,000 of a PPP loan from State business and personal income taxation. According to the Office of Management and Budget, 13.0 percent of businesses in the State have loans greater than \$150,000.
- Includes the amount of any forgiven PPP loan up to \$150,000 as part of net patient-services revenue for purposes of calculating the State's hospital license fee (for Tax Years beginning January 1, 2020 and after).
- Includes the amount of any forgiven PPP loan up to \$150,000 as part of net patient-services revenue for purposes of calculating the State's nursing facility provider assessment (for Tax Years beginning January 1, 2020 and after).

The ORA estimates that the decoupling from the federal pandemic relief statutes reduces the State revenue impact by \$66.0 million.

PPP Tax Policy Revenue Changes	FY2021		FY2022		Total 2 Year Impact
	Personal Income Tax	Business Taxes	Personal Income Tax	Business Taxes	
Federal PPP Loan Forgiveness	(\$28,788,938)	(\$57,489,763)	(\$15,678,451)	(\$31,308,915)	(\$133,266,067)
Decoupling from Federal PPP Loan Forgiveness $\geq$ \$150,000	969,731	2,630,262	19,480,908	44,597,887	67,678,788
<b>Total</b>	<b>(\$27,819,207)</b>	<b>(\$54,859,501)</b>	<b>\$3,802,457</b>	<b>\$13,288,972</b>	<b>(\$65,587,279)</b>

The fiscal impact of the policy changes related to forgiven PPP loans and the calculation of the hospital license fee and the nursing facility provider assessment are not clear. To date, no hospitals have received PPP loans; however, a number of nursing homes received PPP loans and a significant amount of such loans is likely to have gone towards caring for patients, and thus affect revenue. The Office of Management and Budget has not provided a fiscal impact estimate for this section of the article.

### **Article 2 Changes Relative to Tax Administrator Discretion**

Article 2 also provides the Tax Administrator with authority to exclude the amount of any PPP loan forgiven for federal income tax purposes from State tax in the event that the federal government provides funds to the State for revenue replacement. The American Rescue Plan (ARP), enacted on March 11, 2021, appears to do this. The amount of revenue replacement made available under the ARP is not clear.

### **Hospital License Fee**

The hospital license fee is a provider tax which the State levies on hospitals. This fee is federally capped at 6.0 percent and requires annual legislative action in order to continue. It is calculated as a percent of gross patient services revenue, which includes revenues from patient care activity but excludes other activities such as research, academic activity, or investment earnings. It is assessed against all community hospitals in Rhode Island, including the State-run Eleanor Slater Hospital. Bradley and Butler Hospitals and the Rehabilitation Hospital of Rhode Island are exempt from paying the fee because their primary services and patient beds are psychiatric in nature. Hospitals pay the fee each July but the revenues are booked as a receivable to the prior fiscal year.

In past fiscal years, the hospital license fee has been used as a mechanism to generate State funds, approximately one-third of which are then matched with federal Medicaid funds and returned to hospitals to offset uncompensated care costs through the Disproportionate Share Hospital (DSH) program. The hospital license fee was assessed at the statutory maximum of 6.0 percent in FY2019 and FY2020. However, due to planned federal cuts to the DSH program, the FY2020 Enacted Budget lowered the fee to 5.0 percent for FY2021 to recognize a corresponding reduction in revenues needed to make the DSH payment. The federal DSH cuts were ultimately delayed by the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA) in December 2020. Article 2 restores the fee to 6.0

percent, accordingly, to provide the additional DSH funds. The rate is discounted by 37.0 percent for hospitals located in Washington County (South County and Westerly Hospitals).

The 6.0 percent hospital license fee is expected to generate \$193.8 million in FY2021. The November 2020 revenue estimate included \$161.5 million from the 5.0 percent fee based on current law, which was included in the FY2021 Budget as Enacted in December 2020. The Governor’s Revised Budget assumes an additional \$32.3 million in collections from the 1.0 percentage point increase.

<b>FY2021 Hospital License Fee Revenue</b>				
<b>Hospital</b>	<b>2018 Revenues</b>	<b>Enacted (5.0%)</b>	<b>Article 2 (6.0%)</b>	<b>Change</b>
Eleanor Slater Hospital	\$113,808,358	\$5,690,418	\$6,828,501	\$1,138,084
Kent Hospital	333,131,126	16,656,556	19,987,868	3,331,311
Landmark Medical Center	122,851,913	6,142,596	7,371,115	1,228,519
Miriam Hospital	432,069,972	21,603,499	25,924,198	4,320,700
Newport Hospital	107,157,575	5,357,879	6,429,455	1,071,576
Rhode Island Hospital	1,261,059,365	63,052,968	75,663,562	12,610,594
Roger Williams	162,804,976	8,140,249	9,768,299	1,628,050
St. Joseph's	134,622,907	6,731,145	8,077,374	1,346,229
South County Hospital	160,376,076	5,051,846	6,062,216	1,010,369
Westerly Hospital	65,349,407	2,058,506	2,470,208	411,701
Women & Infants	421,116,177	21,055,809	25,266,971	4,211,162
<b>Total</b>	<b>\$3,314,347,852</b>	<b>\$161,541,471</b>	<b>\$193,849,765</b>	<b>\$32,308,294</b>

*Analyst Note: Article 2 assesses the FY2021 fee against a hospital fiscal year 2018 revenue base. Typically, the fee is assessed against revenues from each hospital’s most recently-completed fiscal year (two years behind the budget year), which would normally be 2019 revenues for FY2021. When the FY2021 fee was initially authorized, 2018 was the most recently-completed fiscal year that could be included in the enabling statute. Typically, the revenue base would have been updated in the FY2021 Enacted Budget once the 2019 data became available. Because the General Assembly enacted a “skinny” budget for FY2021, it did not include language to amend the base year. The Governor’s Budget does not update the base year to 2019. Of note, a 6.0 percent fee assessed against 2019 revenues would generate an additional \$1.1 million.*

Article 2 also adds a provision to include the amount of Paycheck Protection Program (PPP) loans in excess of \$150,000 in the patient revenue base, meaning the loans are subject to the hospital license fee. This provision only applies to the portion of a PPP loan in excess of \$150,000 that otherwise would be considered patient service revenues. Effectively, the fee would only be assessed against the amount of PPP funds that were allocated for patient care activities. This provision is applicable to any taxable year beginning on or after January 1, 2020, which would impact the patient revenue base used to calculate the hospital license fee beginning in FY2022.

*Analyst Note: As of March 24, 2021, according to data released by the federal Small Business Administration, no hospitals have received a PPP loan in any amount since the program began. Accordingly, FY2022 hospital license fee revenues should not be affected, but the provision leaves open the possibility that future PPP loans to hospitals could be taxed at the State level.*



### **Article 3: Relating to Effective Date**

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This article provides that the Act will take effect upon passage, except as otherwise provided herein.







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**SUMMARY TABLES**

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## Summary Tables

### GENERAL REVENUE BUDGET SURPLUS

	FY2019 Audited	FY2020 Audited	FY2021 Enacted	FY2021 Governor	FY2022 Governor
<b>Opening Surplus</b>					
Free Surplus	\$52,525,379	\$30,502,912	\$180,395,600	\$156,188,375	\$265,441,846
Adjustment to Opening Surplus			\$70,000,000	\$110,877,242	
Reappropriated Surplus	10,057,409	10,296,451	5,336,652	5,336,652	
<b>Subtotal</b>	<b>\$62,582,788</b>	<b>\$40,799,363</b>	<b>\$255,732,252</b>	<b>\$272,402,269</b>	<b>\$265,441,846</b>
<b>Total Revenues</b>	<b>\$4,024,579,618</b>	<b>\$4,183,713,406</b>	<b>\$4,038,425,000</b>	<b>\$3,999,338,264</b>	<b>\$4,245,587,573</b>
To Cash Stabilization Fund	(122,313,150)	(126,426,490)	(128,664,618)	(124,665,799)	(135,330,883)
From Cash Stabilization Fund					
<b>Total Available Resources</b>	<b>\$3,964,849,256</b>	<b>\$4,098,086,279</b>	<b>\$4,165,492,634</b>	<b>\$4,147,074,734</b>	<b>\$4,375,698,536</b>
<b>Total Expenditures</b>	<b>3,924,049,893</b>	<b>3,936,561,251</b>	<b>4,153,269,709</b>	<b>3,881,632,888</b>	<b>4,371,272,821</b>
<b>Total Surplus</b>	<b>40,799,363</b>	<b>161,525,028</b>	<b>12,222,925</b>	<b>265,441,846</b>	<b>4,425,715</b>
<b>Free Surplus</b>	<b>\$30,502,912</b>	<b>\$156,188,375</b>	<b>\$12,222,925</b>	<b>\$265,441,846</b>	<b>\$4,425,715</b>
Rainy Day Fund	\$203,855,250	\$90,710,816	\$210,941,030	\$207,776,332	\$225,551,471

## ALL FUNDS EXPENDITURES

General Government	FY2020 Final	FY2021 Enacted	FY2021 Governor	Change from		
				Enacted	FY2022 Governor	
Administration	\$433,929,911	\$623,048,316	\$711,142,210	\$88,093,894	\$498,948,118	(\$124,100,198)
Business Regulation	23,612,912	27,754,929	28,719,082	964,153	32,782,818	5,027,889
Executive Office of Commerce	37,720,671	215,497,595	117,246,439	(98,251,156)	65,086,374	(150,411,221)
Labor and Training	1,733,251,000	1,712,347,502	2,431,191,834	718,844,332	647,721,222	(1,064,626,280)
Revenue	484,422,555	706,722,852	754,666,517	47,943,665	706,383,257	(339,595)
Legislature	43,046,435	46,122,617	47,016,046	893,429	47,399,661	1,277,044
Lieutenant Governor	1,142,645	1,145,231	1,148,918	3,687	1,186,120	40,889
Secretary of State	12,238,928	15,098,672	15,121,354	22,682	11,928,764	(3,169,908)
General Treasurer	40,414,386	44,517,242	44,631,776	114,534	44,210,243	(306,999)
Board of Elections	2,542,338	3,972,921	3,977,937	5,016	2,619,337	(1,353,584)
Ethics Commission	1,803,368	1,900,201	1,905,942	5,741	1,928,833	28,632
Office of the Governor	6,605,944	6,459,015	6,480,485	21,470	6,729,552	270,537
Commission for Human Rights	1,768,408	1,869,372	1,874,536	5,164	1,945,690	76,318
Public Utilities Commission	9,571,635	11,748,393	11,842,647	94,254	12,466,346	717,953
<b>Total</b>	<b>\$2,832,071,136</b>	<b>\$3,418,204,858</b>	<b>\$4,176,965,723</b>	<b>\$758,760,865</b>	<b>\$2,081,336,335</b>	<b>(\$1,336,868,523)</b>
<b>Health and Human Services</b>						
Office of Health and Human Services	\$2,603,777,245	\$2,983,643,790	\$3,034,203,357	\$50,559,567	\$3,035,864,147	\$52,220,357
Children, Youth, and Families	252,061,930	254,721,923	255,901,053	1,179,130	264,524,831	9,802,908
Health	193,164,062	578,629,413	642,276,424	63,647,011	364,387,772	(214,241,641)
Human Services	633,159,965	686,895,593	711,044,703	24,149,110	645,854,077	(41,041,516)
BHDDH	457,029,197	486,081,675	503,830,662	17,748,987	415,887,707	(70,193,968)
Commission on Disabilities	1,475,214	1,583,171	1,584,649	1,478	1,524,032	(59,139)
Deaf & Hard of Hearing	673,997	650,270	651,960	1,690	775,242	124,972
Office of the Child Advocate	1,028,374	1,233,388	1,237,225	3,837	1,179,668	(53,720)
Office of the Mental Health Advocate	620,923	630,982	632,932	1,950	646,303	15,321
<b>Total</b>	<b>\$4,142,990,907</b>	<b>\$4,994,070,205</b>	<b>\$5,151,362,965</b>	<b>\$157,292,760</b>	<b>\$4,730,643,779</b>	<b>(\$263,426,426)</b>
<b>Education</b>						
Elementary and Secondary Education	\$1,460,534,749	\$1,665,179,791	\$1,682,070,042	\$16,890,251	\$1,612,616,376	(\$52,563,415)
Public Higher Education	1,207,508,647	1,274,773,440	1,261,921,547	(12,851,893)	1,234,870,549	(39,902,891)
Council on the Arts	3,339,291	3,448,552	4,581,718	1,133,166	3,817,667	369,115
Atomic Energy Commission	1,309,910	1,515,857	1,989,154	473,297	1,475,053	(40,804)
Historical Preservation	2,145,441	2,675,751	2,780,446	104,695	2,851,625	175,874
<b>Total</b>	<b>\$2,674,838,038</b>	<b>\$2,947,593,391</b>	<b>\$2,953,342,907</b>	<b>\$5,749,516</b>	<b>\$2,855,631,270</b>	<b>(\$91,962,121)</b>
<b>Public Safety</b>						
Attorney General	\$34,645,642	\$33,796,154	\$36,174,477	\$2,378,323	\$34,536,605	\$740,451
Corrections	257,819,456	254,739,746	255,044,899	305,153	242,825,795	(11,913,951)
Judiciary	122,732,908	122,127,405	123,725,708	1,598,303	130,917,785	8,790,380
Military Staff	31,377,208	46,162,220	40,771,582	(5,390,638)	41,109,910	(5,052,310)
Emergency Management Agency	78,934,802	45,266,961	59,785,166	14,518,205	21,400,088	(23,866,873)
Public Safety	131,446,108	133,890,732	133,907,209	16,477	137,581,245	3,690,513
Public Defender	12,211,072	12,756,318	12,905,816	149,498	13,584,454	828,136
<b>Total</b>	<b>\$669,167,196</b>	<b>\$648,739,536</b>	<b>\$662,314,857</b>	<b>\$13,575,321</b>	<b>\$621,955,882</b>	<b>(\$26,783,654)</b>
<b>Natural Resources</b>						
Environmental Management	\$84,311,124	\$109,286,166	\$109,747,134	\$460,968	\$104,708,906	(\$4,577,260)
Coastal Resources Management	5,617,683	5,204,812	5,217,341	12,529	5,503,090	298,278
<b>Total</b>	<b>\$89,928,807</b>	<b>\$114,490,978</b>	<b>\$114,964,475</b>	<b>\$473,497</b>	<b>\$110,211,996</b>	<b>(\$4,278,982)</b>
<b>Transportation</b>						
Transportation	\$608,713,567	\$607,343,003	\$691,287,048	\$83,944,045	\$770,689,099	\$163,346,096
<b>Grand Total</b>	<b>\$11,017,709,651</b>	<b>\$12,730,441,971</b>	<b>\$13,750,237,975</b>	<b>\$1,019,796,004</b>	<b>\$11,170,468,361</b>	<b>(\$1,559,973,610)</b>

## GENERAL REVENUE EXPENDITURES

General Government	FY2020 Final	FY2021 Enacted	FY2021 Governor	Change from		
				Enacted	FY2022 Governor	
Administration	\$219,395,038	\$313,013,170	\$216,692,413	(\$96,320,757)	\$243,186,421	(\$69,826,749)
Business Regulation	15,696,309	17,469,427	17,490,565	21,138	19,610,673	2,141,246
Executive Office of Commerce	17,781,117	40,293,523	39,922,765	(370,758)	41,983,131	1,689,608
Labor and Training	14,025,683	14,120,999	14,131,759	10,760	17,743,117	3,622,118
Revenue	210,230,634	127,228,613	127,372,076	143,463	267,240,855	140,012,242
Legislature	41,474,794	44,283,435	44,408,645	125,210	45,617,236	1,333,801
Lieutenant Governor	1,142,645	1,145,231	1,148,918	3,687	1,186,120	40,889
Secretary of State	9,305,239	12,289,333	12,310,802	21,469	9,561,067	(2,728,266)
General Treasurer	2,965,895	2,986,194	2,993,826	7,632	3,318,690	332,496
Board of Elections	2,536,699	3,972,921	3,977,937	5,016	2,619,337	(1,353,584)
Ethics Commission	1,803,368	1,900,201	1,905,942	5,741	1,928,833	28,632
Office of the Governor	5,493,030	6,459,015	6,480,485	21,470	6,729,552	270,537
Commission for Human Rights	1,229,235	1,348,206	1,352,181	3,975	1,523,272	175,066
Public Utilities Commission	-	-	-	-	-	-
<b>Total</b>	<b>\$543,079,686</b>	<b>\$586,510,268</b>	<b>\$490,188,314</b>	<b>(\$96,321,954)</b>	<b>\$662,248,304</b>	<b>\$75,738,036</b>
<b>Health and Human Services</b>						
Office of Health and Human Services	\$896,330,861	\$974,945,186	\$945,814,563	(\$29,130,623)	\$1,023,836,423	\$48,891,237
Children, Youth, and Families	170,737,346	170,860,311	169,068,174	(1,792,137)	183,428,005	12,567,694
Health	38,272,964	110,254,084	32,755,109	(77,498,975)	30,582,755	(79,671,329)
Human Services	87,201,151	105,775,008	104,980,469	(794,539)	124,742,316	18,967,308
BHDDH	243,500,368	248,855,733	249,527,573	671,840	220,346,513	(28,509,220)
Governor's Commission on Disabilities	996,865	1,072,008	1,073,478	1,470	1,084,261	12,253
Governor's Commission on the Deaf	496,573	507,816	509,463	1,647	612,440	104,624
Office of the Child Advocate	865,115	1,005,223	1,008,314	3,091	1,044,909	39,686
Office of the Mental Health Advocate	620,923	630,982	632,932	1,950	646,303	15,321
<b>Total</b>	<b>\$1,439,022,166</b>	<b>\$1,613,906,351</b>	<b>\$1,505,370,075</b>	<b>(\$108,536,276)</b>	<b>\$1,586,323,925</b>	<b>(\$27,582,426)</b>
<b>Education</b>						
Elementary and Secondary Education	\$1,194,967,211	\$1,282,515,073	\$1,282,395,978	(\$119,095)	\$1,328,096,253	\$45,581,180
Public Higher Education	231,444,861	237,951,191	238,008,109	56,918	244,078,083	6,126,892
Council on the Arts	2,002,855	2,002,026	2,004,658	2,632	2,088,105	86,079
Atomic Energy Commission	1,002,739	1,059,645	1,063,124	3,479	1,068,650	9,005
Historical Preservation & Heritage Comm.	1,351,213	1,562,984	1,564,237	1,253	1,562,034	(950)
<b>Total</b>	<b>\$1,430,768,879</b>	<b>\$1,525,090,919</b>	<b>\$1,525,036,106</b>	<b>(\$54,813)</b>	<b>\$1,576,893,125</b>	<b>\$51,802,206</b>
<b>Public Safety</b>						
Attorney General	\$28,045,698	\$29,581,867	\$29,673,840	\$91,973	\$29,884,934	\$303,067
Corrections	185,063,804	163,246,644	118,452,254	(44,794,390)	233,115,486	69,868,842
Judiciary	101,864,401	103,483,394	103,771,550	288,156	108,788,654	5,305,260
Military Staff	6,717,016	3,275,354	3,280,158	4,804	2,608,853	(666,501)
Emergency Management Agency	66,323,909	2,713,353	2,415,075	(298,278)	2,655,619	(57,734)
Public Safety	77,870,719	67,430,637	45,525,632	(21,905,005)	105,755,411	38,324,774
Public Defender	12,112,369	12,680,653	12,719,301	38,648	13,508,789	828,136
<b>Total</b>	<b>\$477,997,916</b>	<b>\$382,411,902</b>	<b>\$315,837,810</b>	<b>(\$66,574,092)</b>	<b>\$496,317,746</b>	<b>\$113,905,844</b>
<b>Natural Resources</b>						
Environmental Management	\$42,861,538	\$42,769,969	\$42,611,952	(\$158,017)	\$46,637,374	\$3,867,405
Coastal Resources Management Council	2,831,187	2,580,300	2,588,632	8,332	2,852,347	272,047
<b>Total</b>	<b>\$45,692,725</b>	<b>\$45,350,269</b>	<b>\$45,200,584</b>	<b>(\$149,685)</b>	<b>\$49,489,721</b>	<b>\$4,139,452</b>
<b>Transportation</b>						
Transportation	\$858,467	-	-	-	-	-
<b>Grand Total</b>	<b>\$3,937,419,839</b>	<b>\$4,153,269,709</b>	<b>\$3,881,632,889</b>	<b>(\$271,636,820)</b>	<b>\$4,371,272,821</b>	<b>\$218,003,112</b>

## PERSONNEL

	FY2020	FY2021	FY2021	Change	FY2022	Change
	Actual	Enacted	Governor	from	Governor	from
				Enacted		Enacted
<b>General Government</b>						
Administration	647.7	647.7	647.7	-	649.7	2.0
Business Regulation	161.0	161.0	161.0	-	176.0	15.0
Executive Office of Commerce	14.0	14.0	14.0	-	16.0	2.0
Labor and Training	390.7	425.7	425.7	-	462.7	37.0
Revenue	602.5	602.5	602.5	-	574.5	(28.0)
Legislature	298.5	298.5	298.5	-	298.5	-
Lieutenant Governor	8.0	8.0	8.0	-	8.0	-
Secretary of State	59.0	59.0	59.0	-	59.0	-
General Treasurer	89.0	89.0	89.0	-	89.0	-
Board of Elections	13.0	13.0	13.0	-	13.0	-
Ethics Commission	12.0	12.0	12.0	-	12.0	-
Office of the Governor	45.0	45.0	45.0	-	45.0	-
Commission for Human Rights	14.5	14.5	14.5	-	14.0	(0.5)
Public Utilities Commission	52.0	52.0	52.0	-	54.0	2.0
<b>Total</b>	<b>2,406.9</b>	<b>2,441.9</b>	<b>2,441.9</b>	<b>-</b>	<b>2,471.4</b>	<b>29.5</b>
<b>Human Services</b>						
Office of Health and Human Services	186.0	192.0	192.0	-	190.0	(2.0)
Children, Youth, and Families	621.5	617.5	617.5	-	627.5	10.0
Health	499.6	513.6	513.6	-	517.6	4.0
Human Services	1,038.1	1,038.1	1,038.1	-	1,042.4	4.3
BHDDH	1,189.4	1,188.4	1,188.4	-	1,047.1	(141.3)
Office of the Child Advocate	10.0	10.0	10.0	-	10.0	-
Governor's Commission on the Deaf	4.0	4.0	4.0	-	4.0	-
Governor's Commission on Disabilities	4.0	4.0	4.0	-	4.0	-
Office of the Mental Health Advocate	4.0	4.0	4.0	-	4.0	-
<b>Total</b>	<b>3,556.6</b>	<b>3,571.6</b>	<b>3,571.6</b>	<b>-</b>	<b>3,446.6</b>	<b>(125.0)</b>
<b>Education</b>						
Elementary and Secondary Education	325.1	325.1	325.1	-	325.1	-
Public Higher Education	3,860.5	3,860.5	3,860.5	-	3,862.5	2.0
Council on the Arts	8.6	8.6	8.6	-	9.6	1.0
Atomic Energy Commission	8.6	8.6	8.6	-	8.6	-
Historical Preservation and Heritage Commission	15.6	15.6	15.6	-	15.6	-
<b>Total</b>	<b>4,218.4</b>	<b>4,218.4</b>	<b>4,218.4</b>	<b>-</b>	<b>4,221.4</b>	<b>3.0</b>
<b>Public Safety</b>						
Attorney General	239.1	239.1	239.1	-	243.1	4.0
Corrections	1,411.0	1,411.0	1,411.0	-	1,424.0	13.0
Judiciary	726.3	726.3	726.3	-	726.3	-
Military Staff	92.0	92.0	92.0	-	92.0	-
Emergency Management	32.0	32.0	32.0	-	33.0	1.0
Public Safety	593.6	593.6	593.6	-	622.6	29.0
Public Defender	96.0	96.0	96.0	-	99.0	3.0
<b>Total</b>	<b>3,190.0</b>	<b>3,190.0</b>	<b>3,190.0</b>	<b>-</b>	<b>3,240.0</b>	<b>50.0</b>
<b>Natural Resources</b>						
Environmental Management	394.0	394.0	394.0	-	401.0	7.0
Coastal Resources Management Council	30.0	30.0	30.0	-	30.0	-
<b>Total</b>	<b>424.0</b>	<b>424.0</b>	<b>424.0</b>	<b>-</b>	<b>431.0</b>	<b>7.0</b>
<b>Transportation</b>						
Transportation	755.0	755.0	755.0	-	755.0	-
<b>Higher Education Sponsored Research</b>						
Office of Higher Education	1.0	1.0	1.0	-	1.0	-
CCRI	89.0	89.0	89.0	-	89.0	-
RIC	76.0	76.0	76.0	-	76.0	-
URI	357.8	357.8	357.8	-	357.8	-
<b>Total</b>	<b>523.8</b>	<b>523.8</b>	<b>523.8</b>	<b>-</b>	<b>523.8</b>	<b>-</b>
<b>Grand Total</b>	<b>15,074.7</b>	<b>15,124.7</b>	<b>15,124.7</b>	<b>-</b>	<b>15,089.2</b>	<b>(35.5)</b>

## MUNICIPAL AID: DIRECT AID

## FY2022 Direct Local Aid to Cities and Towns

Municipality	Total FY2021 Municipal Aid	Payment in Lieu of Taxes	Distressed Communities Relief Fund*	Motor Vehicle Excise Tax*	Library Grant-in- Aid†	Library Construction Aid*	Total FY2022 Governor's Proposed	Change from FY2021
Barrington	\$3,610,292	\$17,094	-	\$3,566,139	\$365,527	107,551	\$4,056,310	\$446,018
Bristol	3,379,692	1,327,172	-	1,474,839	190,810	292,294	3,285,114	(94,577)
Burrillville	3,391,621	98,835	-	3,204,281	186,270	231,931	3,721,316	329,696
Central Falls	1,818,505	-	220,713	1,532,474	31,902	-	1,785,089	(33,416)
Charlestown	575,185	-	-	516,867	53,533	-	570,399	(4,786)
Coventry	3,365,030	-	-	3,141,355	197,001	-	3,338,356	(26,675)
Cranston	22,729,715	4,778,876	2,685,555	14,740,627	664,578	-	22,869,637	139,922
Cumberland	3,349,789	-	-	3,073,980	308,514	29,844	3,412,338	62,549
East Greenwich	1,920,447	729,131	-	865,992	123,871	49,190	1,768,184	(152,263)
East Providence	5,854,365	260,127	-	5,600,113	447,125	53,991	6,361,355	506,990
Exeter	1,050,280	-	-	1,174,231	60,044	29,901	1,264,176	213,896
Foster	934,586	-	-	1,027,831	34,393	-	1,062,224	127,638
Glocester	1,240,900	-	-	1,205,509	81,660	-	1,287,169	46,269
Hopkinton	925,728	-	-	896,335	37,216	-	933,552	7,824
Jamestown	317,950	-	-	182,168	109,968	-	292,136	(25,815)
Johnston	5,914,385	-	-	6,502,131	126,270	-	6,628,400	714,016
Lincoln	2,288,200	-	-	2,395,450	217,473	-	2,612,923	324,724
Little Compton	158,461	-	-	105,149	37,355	-	142,504	(15,957)
Middletown	945,177	-	-	794,581	126,831	45,005	966,418	21,241
Narragansett	784,479	-	-	526,083	87,158	-	613,241	(171,237)
Newport	3,160,726	1,601,050	-	672,750	415,522	-	2,689,322	-471,404
New Shoreham	250,608	-	-	94,711	91,679	63,325	249,714	(893)
North Kingstown	2,058,497	1,080	-	2,015,597	301,066	-	2,317,743	259,246
North Providence	7,581,698	-	987,908	6,697,585	201,533	-	7,887,025	305,327
North Smithfield	2,380,828	-	-	2,662,361	80,421	-	2,742,782	361,954
Pawtucket	14,174,807	3,501	1,490,485	12,271,628	421,641	-	14,187,255	12,448
Portsmouth	1,164,380	-	-	1,079,761	117,111	-	1,196,871	32,492
Providence	72,370,185	34,027,865	5,265,375	26,298,168	1,319,744	646,446	67,557,598	-4,812,586
Richmond	774,088	-	-	756,231	26,826	-	783,056	8,969
Scituate	702,425	-	-	574,145	109,928	-	684,074	(18,352)
Smithfield	4,405,414	860,981	-	3,880,588	317,166	-	5,058,736	653,322
South Kingstown	2,040,196	209,069	-	1,659,007	242,750	-	2,110,827	70,630
Tiverton	1,031,551	-	-	526,855	127,469	299,621	953,945	(77,606)
Warren	1,142,716	-	-	1,106,897	64,909	-	1,171,806	29,090
Warwick	12,496,805	1,528,261	-	13,018,239	736,708	-	15,283,208	2,786,403
Westerly	3,544,083	185,126	-	2,944,189	316,166	253,767	3,699,248	155,165
West Greenwich	679,807	-	-	655,354	48,116	-	703,470	23,663
West Warwick	4,108,528	-	953,745	3,008,286	171,836	-	4,133,868	25,340
Woonsocket	8,695,032	461,334	780,677	7,036,751	200,324	-	8,479,087	(215,945)
<b>Total</b>	<b>\$207,317,160</b>	<b>\$46,089,504</b>	<b>\$12,384,458</b>	<b>\$139,485,237</b>	<b>\$8,798,411</b>	<b>\$2,102,866</b>	<b>\$208,860,476</b>	<b>\$1,543,316</b>

† Providence's amount includes the Statewide Reference Library Grant.

## MUNICIPAL AID: INDIRECT AID

## FY2022 Indirect Local Aid to Cities and Towns

Municipality	FY2021 Total Indirect Aid	Public Service Corp. Tax	Meals and Beverage Tax	Hotel Tax	Airport Impact Fees*	FY2021 Total Indirect Aid	Change from FY2021 Enacted
Barrington	\$345,981	\$201,493	\$153,880	\$2,780	-	\$358,152	\$12,172
Bristol	699,147	276,918	418,434	51,623	-	746,976	47,829
Burrillville	378,404	204,918	188,080	147	-	393,145	14,741
Central Falls	365,113	241,398	133,569	644	-	375,610	10,498
Charlestown	294,250	96,898	153,885	63,940	-	314,723	20,472
Coventry	879,958	430,622	440,888	64,299	-	935,809	55,851
Cranston	2,777,168	1,011,274	1,869,562	63,065	-	2,943,901	166,733
Cumberland	901,551	431,581	509,611	296	-	941,488	39,938
East Greenwich	752,885	162,821	638,322	1,992	-	803,135	50,250
East Providence	1,546,509	590,964	992,030	59,059	-	1,642,054	95,545
Exeter	188,097	84,468	112,271	158	-	196,897	8,800
Foster	74,295	58,400	16,997	323	-	75,720	1,424
Glocester	196,325	125,319	75,076	2,647	-	203,042	6,717
Hopkinton	146,829	101,020	49,019	822	-	150,861	4,032
Jamestown	155,041	68,451	69,817	24,913	-	163,181	8,140
Johnston	1,001,768	364,114	687,593	5,891	-	1,057,598	55,829
Lincoln	996,304	269,570	689,309	100,165	25,000	1,084,045	87,741
Little Compton	107,261	43,654	48,817	21,665	-	114,135	6,874
Middletown	1,473,186	200,247	727,856	818,563	42,340	1,789,006	315,820
Narragansett	966,882	193,671	633,511	231,650	-	1,058,832	91,949
Newport	3,652,246	308,404	2,236,694	1,867,151	-	4,412,249	760,002
New Shoreham	781,645	10,300	376,441	497,291	31,017	915,049	133,403
North Kingstown	989,226	326,401	583,266	82,817	64,987	1,057,471	68,245
North Providence	802,342	404,268	429,163	2,542	-	835,973	33,631
North Smithfield	447,667	153,803	316,492	3,161	-	473,457	25,790
Pawtucket	1,814,591	893,702	945,009	73,820	-	1,912,530	97,940
Portsmouth	483,353	216,936	272,819	17,897	-	507,652	24,299
Providence	8,102,120	2,234,814	5,282,907	1,453,471	-	8,971,192	869,072
Richmond	226,244	94,980	135,881	6,800	-	237,661	11,417
Scituate	193,512	132,057	61,911	6,301	-	200,270	6,757
Smithfield	1,147,895	269,396	824,897	140,083	25,000	1,259,376	111,481
South Kingstown	1,327,392	382,796	876,322	192,530	-	1,451,648	124,256
Tiverton	471,827	196,984	280,088	22,854	-	499,926	28,099
Warren	410,742	130,625	302,209	1,646	-	434,480	23,738
Warwick	4,948,808	1,009,817	2,801,253	850,723	780,829	5,442,623	493,814
Westerly	1,602,553	281,776	864,129	681,839	40,863	1,868,607	266,054
West Greenwich	262,374	76,958	129,623	99,216	-	305,797	43,424
West Warwick	805,500	360,627	410,149	100,210	-	870,986	65,485
Woonsocket	1,074,237	517,357	569,172	47,533	-	1,134,062	59,825
<b>Total</b>	<b>\$43,791,229</b>	<b>\$13,159,804</b>	<b>\$26,306,952</b>	<b>\$7,662,525</b>	<b>\$1,010,036</b>	<b>\$48,139,317</b>	<b>\$4,348,088</b>

Source: Office of Revenue Analysis, November 2020

\* Airport Impact Aid distributions are Senate Fiscal Office Estimates are based on May 2020 landing data. Final distribution levels will be adjusted based on updated May 2021 data.



## EDUCATION AID

## FY2022 Governor's Education Aid - Change to FY2021 Budget as Enacted

Districts	FY2021 Enacted	FY2022 Formula Change	Transportation <sup>2</sup>	High-cost Special Education	Group Home <sup>3</sup>	English Learners	Stabilization Funding	Total Change	FY2022 Education Aid
Barrington	\$6,148,515	\$2,053,089	(\$13,207)	\$23,849	\$0	\$1,958	\$0	\$2,065,689	\$8,214,204
Burrillville	14,352,095	(374,596)	(29,717)	4,648	1,272	676	-	(397,717)	13,954,378
Charlestown	1,310,421	(19,036)	-	-	-	(11)	-	(19,047)	1,291,374
Coventry	23,564,535	653,401	511	(24,691)	(1,468)	(2,872)	-	624,882	24,189,417
Cranston	69,762,285	36,310	63,181	(110,446)	-	13,797	-	2,842	69,765,126
Cumberland	20,799,151	(272,060)	30,586	5,934	-	(1,125)	-	(236,666)	20,562,486
East Greenwich	3,490,910	1,015,994	3,584	19,630	-	661	-	1,039,869	4,530,780
East Providence	36,377,563	707,140	4,181	(119,580)	(6,421)	(7,356)	-	577,965	36,955,528
Foster	1,065,648	27,291	14,052	(2,601)	-	-	-	38,742	1,104,390
Glocester	2,218,174	300,252	10,229	(48,919)	-	-	-	261,562	2,479,735
Hopkinton	5,488,786	101,864	-	-	-	187	-	102,051	5,590,838
Jamestown	405,580	(78,920)	-	12,549	-	20	-	(66,351)	339,230
Johnston	19,127,285	817,261	26,097	(30,241)	-	7,901	-	821,018	19,948,303
Lincoln	15,198,685	908,909	-	39,787	(3,054)	3,677	-	949,319	16,148,004
Little Compton	397,669	34,408	-	-	-	(54)	-	34,354	432,023
Middletown	7,894,208	286,962	-	2,654	-	1,650	-	291,266	8,185,474
Narragansett	2,261,373	(28,130)	-	(36,039)	-	(213)	-	(64,382)	2,196,991
Newport	14,034,125	958,145	-	3,831	(7,016)	16,202	-	971,161	15,005,285
New Shoreham	178,491	13,209	-	25,178	-	154	-	38,542	217,032
North Kingstown	11,867,847	(575,161)	-	9,532	-	746	-	(564,883)	11,302,964
North Providence	25,275,683	1,995,502	62,169	(19,576)	(11,109)	17,225	-	2,044,211	27,319,894
North Smithfield	6,206,522	138,545	3,362	(14,894)	(1,162)	228	-	126,079	6,332,601
Pawtucket	92,823,636	2,636,671	9,725	(52,903)	(8,670)	22,352	-	2,607,175	95,430,811
Portsmouth	3,833,800	(157,071)	-	29,308	94,517	3	-	(33,243)	3,800,557
Providence	272,263,068	10,055,109	(40,281)	(34,535)	(40,956)	(93,598)	-	9,845,739	282,108,808
Richmond	4,694,206	455,845	-	-	-	(12)	-	455,833	5,150,039
Scituate	2,727,973	(289,305)	12,006	78,147	-	-	-	(199,152)	2,528,821
Smithfield	6,227,713	1,041,395	(32,318)	(51,539)	(114,992)	202	-	842,748	7,070,461
South Kingstown	4,853,437	96,681	43,426	(48,178)	(346)	(105)	-	91,478	4,944,915
Tiverton	7,475,572	(605,734)	-	26,295	-	175	-	(579,264)	6,896,308
Warwick	38,441,936	1,473,347	21,784	342,079	(5,132)	(3,862)	-	1,828,218	40,270,154
Westerly	8,255,191	(177,556)	-	6,180	-	(94)	-	(171,471)	8,083,720
West Warwick	29,535,239	1,419,425	(11,917)	(3,901)	-	1,101	-	1,404,708	30,939,947
Woonsocket	68,991,503	1,391,889	(4,760)	(35,335)	(2,711)	3,912	-	1,352,995	70,344,499
Bristol-Warren <sup>4</sup>	14,514,094	(1,284,903)	(159,702)	8,302	7,595	(342)	-	(1,429,050)	13,085,045
Exeter-West Greenwich <sup>4</sup>	5,696,332	16,692	(251,543)	7,895	(395)	(337)	-	(227,688)	5,468,644
Chariho	2,135,033	-	(281,999)	(36,845)	-	-	-	(318,844)	1,816,189
Foster-Glocester <sup>4</sup>	5,207,656	467,538	41,991	46,153	-	(4)	-	555,677	5,763,333
Central Falls	45,680,070	1,109,592	41,164	1,171	-	9,388	1,484,109	2,645,424	48,325,494
<b>District Total</b>	<b>\$900,782,012</b>	<b>\$26,349,997</b>	<b>(\$437,396)</b>	<b>\$22,899</b>	<b>(\$100,049)</b>	<b>(\$7,769)</b>	<b>\$1,484,109</b>	<b>\$27,311,792</b>	<b>\$928,093,804</b>
Charter School Total	109,288,557	9,535,605	-	(22,899)	-	973	-	9,513,679	118,802,236
Davies	13,728,646	327,322	-	-	-	1,409	383,600	712,332	14,440,978
Met School	9,356,426	320,126	-	-	-	2,128	(320,126)	2,128	9,358,555
Urban Collaborative	1,559,049	74,680	-	-	-	3,259	-	77,939	1,636,988
<b>Total</b>	<b>\$1,034,714,691</b>	<b>\$36,607,730</b>	<b>(\$437,396)</b>	<b>\$0</b>	<b>(\$100,049)</b>	<b>\$0</b>	<b>\$1,547,583</b>	<b>\$37,617,870</b>	<b>\$1,072,332,561</b>

<sup>1</sup> Based on March 2020 enrollment, will be updated based on March 2021 data.

<sup>2</sup> Based on FY2020 unaudited UCOA data, actual costs for regional transportation decreased, likely to COVID; however, the Budget level funds regional transportation.

<sup>3</sup> Based on final 12/31/2020 report from the Department of Children, Youth and Families. The FY2021 Revised Budget includes an increase of \$102,000 for Portsmouth (6 beds) and \$51,000 for Providence (3 beds).

<sup>4</sup> 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



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Senate Fiscal Advisor

**Robert C. Bromley**  
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