

**Budget Deficit Resolution**  
**FY 2009**  
*Millions*

<b>\$51.6M Carryover</b>	
Opening Surplus	(3.2)
Budget Reserve Repayment(08)	(38.4)
Station Fire	(10.0)

<b>\$228.4M Resources Shortfall</b>	
Estimated Revenues	(233.6)
Lower Reserve Contribution	5.2

<b>\$77.4M Agency Expenditures</b>	
Medicaid Related - DHS	(36.9)
Medicaid Related - MHRH	(12.5)
Medicaid Related - DCYF	(18.7)
All Other	(9.3)

<b>\$357.4M Deficit Elimination Options</b>	
Expenditure Modifications	240.3
One-Time Revenues/Expenses	93.0
On-Going Revenues	24.1
<b>Total Options</b>	<b>\$357.4</b>

<b>One-Time Revenues/Expenses</b>	
RIH -Garrahy	6.0
RIH - Pontiac & Howard	4.0
RIH - Forand Building	6.0
Transfer from WC Escrow	0.7
Transfer from TDD Fund	0.4
Medicaid Stimulus	27.5
Defer RICAP Repayment	38.4
Defer Station Fire	10.0
<b>Subtotal</b>	<b>\$93.0</b>

<b>On-Going Revenues</b>	
Cigarette Tax to MA	17.4
Insur -1.75% to 2.0%	3.7
DMV Fees	3.4
Small Bus Tax Credit	(0.3)
Provider Tax Base Chg	(0.4)
Transfer PCard Rebates	0.3
<b>Subtotal</b>	<b>\$24.1</b>

<b>Expenditure Modifications</b>	
Local Aid	
General Rev Sharing	55.1
Educ Aid- Perm School	4.3
Educ Aid-Prof Dev	5.8
Educ Aid- Local Pension Rate	41.1
Ed Aid Providence School Cons	9.4
Motor Vehicle Excise Base	7.0
Medicaid CNOM savings	10.5
Agency Corrective Action Plans	51.2
Debt Service costs	5.8
Lower state emp retir. contrib	25.9
Lower state share-teacher cont	28.1
State Share teacher ret-base	2.2
Retiree Health Increase	(6.2)
<b>Subtotal</b>	<b>\$240.3</b>

<b>Remaining Budget Balance</b>	
<b>\$0.0</b>	

## Questions About the FY 2009 Supplemental Appropriations

1. Q. Why is the Supplemental Bill being submitted now?

A. The Supplemental Bill is being submitted earlier than it is statutorily required to be submitted because of the magnitude of the projected budget deficit; the Governor would like the Supplemental Bill to receive expedited consideration by the General Assembly. By law, the Governor is required to submit any request for supplemental appropriations and the next year's budget on, or before, the third Thursday in January, which this year falls on January 15, 2009.

2. Q. How does the Supplemental Bill change the spending levels?

A. The supplemental decreases general revenue spending by \$189.8 million, or 5.8 percent, from the enacted level. It increases spending from all fund sources by \$62.2 million.

	<u>Enacted</u>	<u>Revised</u>	<u>Change</u>
General Revenue:	3,276,156,221	3,086,404,059	(189,752,162)
Federal Funds:	1,997,927,181	2,118,648,424	120,721,243
Restricted Receipts:	152,502,978	150,468,710	(2,034,268)
Other Funds:	1,492,467,822	1,625,755,590	133,287,768
<u>Total</u>	<b>\$6,919,054,202</b>	<b>\$6,981,276,783</b>	<b>\$62,222,581</b>

3. Q. The First Quarter report projected a \$357.5 million deficit resulting from decreased revenues of \$233.6 million and increased expenditures of \$127.5 million, an opening surplus of \$0.0 million, and Budget Reserve Contribution savings of \$5.0 million. How has that changed?

A. See the *Change to General Revenue Budget Surplus* (Table 1) which shows the difference between the Enacted Budget, the First Quarter Projection and the recommend Revised Budget.

4. Q. What were the general revenue reappropriations into FY 2009?

A. A total of \$1,738,518 was reappropriated into FY 2009. The only entity that received a reappropriation was the Legislature. By law, the unspent balances of the Legislature are to be reappropriated. The authority for reappropriations is contained in RIGL 35-3-15 as shown below:

35-3-15. *Unexpended and unencumbered balances of revenue appropriations. — (a) All unexpended or unencumbered balances of general revenue appropriations, whether regular or special appropriations, at the end of any fiscal year, shall revert to the surplus account in the general fund, and may be reappropriated by the governor to the ensuing fiscal year and made immediately available for the same purposes as the former appropriations; provided, that the disposition of unexpended or unencumbered appropriations for the general assembly and legislative agencies shall be determined by the joint committee on legislative affairs, and written notification given thereof to the state controller within twenty (20) days after the end of the fiscal year; and furthermore that the disposition of unexpended or unencumbered appropriations for the judiciary, shall be determined by the state court administrator, and written notification given thereof to the state controller within twenty (20) days after the end of the fiscal year.*

*(b) The governor shall submit a report of such reappropriations to the chairperson of the house finance committee and the chairperson of the senate finance committee of each reappropriation stating the general revenue appropriation, the unexpended or unencumbered balance, the amount reappropriated, and an explanation of the reappropriation and the reason for the reappropriation by August 15 of each year.*

Based upon the preliminary closing, the Governor recommended that a total of \$1,738,518 in general revenue reappropriations be made, all of which was within the Legislative Branch.

5. Q. **How does the FY 2009 Supplemental Recommendation compare to past years' Supplemental Budgets?**
- A. The withdrawal of \$189.7 million of general revenues from enacted appropriations makes this the largest proposed withdrawal ever. The second largest withdrawal from enacted appropriations was \$35.8 million, which was done in FY 2008. This makes the current withdrawal unprecedented in Rhode Island history. Refer to Table 5, *Historical Perspective on Supplemental Appropriations*.
6. Q. **What is the projected fund balance should the Governor's Supplemental Budget pass as recommended?**
- A. The Fund balance would be \$119,817.
7. Q. **Is this Supplemental Bill in the same form as the Enacted Budget?**
- A. Yes. We have presented the FY 2009 supplemental in the same form as the Enacted Budget.
8. Q. **How does the FY 2008 Supplemental Appropriations Bill compare to the Enacted Budget on a percentage basis?**

A. This Supplemental Appropriations Bill totals \$3.086 million in general revenues, a decrease of \$189.7 million, or 5.8 percent, from the enacted level.

9. **Q. Are there any changes from the revenues estimated by the November 2008 Revenue Estimating Conference proposed by the Governor for FY 2009?**

A. As shown on the *General Revenue Changes to Adopted Estimates* table, the revised FY 2009 financial plan includes an increase of \$41,075,217 in general revenue from the estimates adopted at the November 2008 Revenue Estimating Conference.

10. **Q. What are the general revenue resources available to finance the revised FY 2009 budget?**

A. Total estimated resources of \$3.154 billion include: an opening surplus of \$0, \$2.426 billion of taxes, \$331.6 million of departmental revenues, and \$396.8 million of other sources including the gas tax, the lottery and unclaimed property revenues and a decrease of \$69.4 million due to the constitutionally required deposit to the Budget Reserve Fund. This includes \$41,075,217 of changes to the adopted estimates. These resources are still \$192.5 million less than those upon which the 2008 Enacted budget was based.

11. **Q. How many FTE are recommended to be authorized in the revised FY 2009 budget?**

A. Total FTE recommended in the FY 2009 revised budget is 13,680.8, not including sponsored research. This reflects a reduction of 492.8 FTE from the authorized level of 14,173.6, excluding sponsored research.

Including sponsored research, the recommend total FTE in the FY 2009 revised is 14,465.8, which is also a reduction of 492.8 FTE compared to the authorized level of 14,958.6. The number of sponsored research positions in the revised budget remains the same at 785 positions.

The large reduction is attributable to the large number of retirements prior to October 1 associated with the change in retiree health benefits and normal attrition. This reduction, and the associated savings, is reflected in the FY2009 budget. Since July 2007, the filled FTE positions have been reduced by 1,752.1 positions.

## Table 1 - FY 2009 General Revenue Budget Surplus

	FY2008 Preliminary Actual(1)	FY2008 Preliminary Actual Modified(2)	FY2009 Enacted Budget(3)	FY2009 Q 1 Report Projection(4)	FY2009 Governor's Supplemental(6)
<b>Surplus</b>					
Opening Surplus	\$ -	\$ -	\$ 3,199,106	\$ 0	\$ 0
Adjustment					
Reappropriated Surplus	3,640,364	3,640,364	-	1,738,518	1,738,518
Subtotal	3,640,364	3,640,364	3,199,106	1,738,518	1,738,518
<b>General Taxes</b>	2,518,689,049	2,518,689,049	2,600,358,244	2,600,358,244	2,600,358,244
Revenue estimators' revision	-	-	-	(198,228,244)	(198,228,244)
Changes to the Adopted Estimates	-	-	-	-	23,661,042
Subtotal	2,518,689,049	2,518,689,049	2,600,358,244	2,402,130,000	2,425,791,042
<b>Departmental Revenues</b>	352,107,296	352,107,296	347,627,559	347,627,559	347,627,559
Revenue estimators' revision	-	-	-	(16,127,559)	(16,127,559)
Changes to the Adopted Estimates	-	-	-	-	78,929
Subtotal	352,107,296	352,107,296	347,627,559	331,500,000	331,578,929
<b>Other Sources</b>					
Gas Tax Transfers	4,513,745	4,513,745	4,630,000	4,630,000	4,630,000
Revenue estimators' revision	-	-	-	(155,000)	(155,000)
Other Miscellaneous	182,892,012	182,892,012	19,400,000	19,400,000	19,400,000
Rev Estimators' revision-Miscellaneous	-	-	-	(2,802,960)	(2,802,960)
Changes to the Adopted Estimates	-	-	-	-	17,335,246
Lottery	354,311,448	354,311,448	365,500,000	365,500,000	365,500,000
Revenue Estimators' revision-Lottery	-	-	-	(16,400,000)	(16,400,000)
Unclaimed Property	15,387,030	15,387,030	9,200,000	9,200,000	9,200,000
Revenue Estimators' revision-Unclaimed	-	-	-	100,000	100,000
Subtotal	557,104,235	557,104,235	\$ 398,730,000	\$ 379,472,040	\$ 396,807,286
<b>Total Revenues</b>	\$ 3,427,900,580	\$ 3,427,900,580	\$ 3,346,715,803	\$ 3,113,102,040	\$ 3,154,177,257
<b>Transfer to Budget Reserve</b>	(68,558,012)	(68,558,012)	(73,698,128)	(68,488,245)	(69,391,900)
<b>Transfer from Budget Reserve</b>	-	38,374,852	-	-	-
<b>Total Available</b>	\$ 3,362,982,932	\$ 3,401,357,784	\$ 3,276,216,781	\$ 3,046,352,314	\$ 3,086,523,876
<b>Actual/Enacted Expenditures</b>	\$ 3,394,844,107	\$ 3,394,844,107	3,276,156,221	3,276,156,221	3,276,156,221
Change to Preliminary FY2008 Closing		4,775,159			
Projected net changes in expenditures				87,446,413	(191,490,680)
Reappropriations	-	-	-	1,738,518	1,738,518
Repayment of FY2008 Transfer	-	-	-	38,374,852	-
<b>Total Expenditures</b>	\$ 3,394,844,107	\$ 3,399,619,266	\$ 3,276,156,221	\$ 3,403,716,004	\$ 3,086,404,059
<b>Free Surplus</b>	\$ (33,599,693)	\$ 0	\$ 60,560	\$ 136,310	\$ 119,817
<b>Reappropriations</b>	(1,738,518)	(1,738,518)	-	-	-
<b>Budget Balancing Plan(5)</b>				357,500,000	-
<b>Total Ending Balances</b>	\$ (31,861,175)	\$ 1,738,518	\$ 60,560	\$ 136,310	\$ 119,817
<b>Budget Reserve and Cash</b>					
<b>Stabilization Account</b>	\$ 102,837,017	\$ 64,462,165	\$ 113,839,470	\$ 118,570,824	\$ 107,242,027

(1) Reflects the FY 2008 Preliminary Actual data as reported by the State Controller in his August 29, 2008 report which revealed a \$33,599,693 deficit.

(2) Reflects the FY 2008 Preliminary Actual data as reported by the State Controller in his August 29, 2008 report which revealed a \$33,599,693 deficit, modified by a change in paybles associated with a retroactive salary adjustment increasing expenditures by \$4,775,159 and an estimated \$38.4 million appropriation from the Budget Reserve Fund to be requested by the Governor in a resolution to be submitted to the General Assembly in January 2009.

(3) Reflects the FY 2009 budget enacted by the General Assembly in June 2008, including modifications to revenue estimates by the May 2008 Revenue Estimating Conference.

(4) Reflects the FY 2009 budget enacted by the General Assembly in June 2008, including enacted expenditures plus projected changes to agency spending and the repayment of the estimated Budget Reserve Fund Transfer for FY 2008 as reflected in the First Quarter Report. Includes estimated budget balancing plan described in footnote 5.

(5) Estimate of budget balancing plan required to be developed based upon the FY 2008 preliminary closing, revised revenue estimates and projected changes to expenditures. This reflects the projected financial position contained in the first quarter report of the State Budget Office issued on November 15, 2008.

(6) Reflects Governor's recommended supplemental budget.

**Table 2- Summary Changes to FY 2009 Enacted General Revenue Expenditures**

	FY 2009 Enacted	Reappropriation	Redistribution Of Enacted Personnel Savings	Projected Changes	Projected Expenditures	Change From Enacted
<b>General Government</b>						
Administration	\$511,888,244	-	(\$4,355,092)	(\$94,147,521)	\$413,385,631	(\$98,502,613)
Wide Personnel Savings	(\$50,227,972)	-	\$50,227,972	\$0	\$0	\$50,227,972
Business Regulation	10,118,066	-	(\$624,225)	(186,596)	9,307,245	(810,821)
Workforce and Training	6,513,092	-	(\$194,958)	377,946	6,696,080	182,988
Department of Revenue	37,849,916	-	(2,052,394)	(2,542,706)	33,254,816	(4,595,100)
Legislature	34,099,202	1,738,518	(2,098,828)	(287,557)	33,451,335	(647,867)
Attendant Governor	901,418	-	(50,690)	10,043	860,771	(40,647)
Secretary of State	6,307,144	-	(294,083)	394,466	6,407,527	100,383
General Treasurer	2,563,767	-	(128,298)	30,465	2,465,934	(97,833)
Board of Elections	1,512,874	-	(81,411)	121,227	1,552,690	39,816
State Island Ethics Commission	1,405,309	-	(71,349)	75,490	1,409,450	4,141
Governor's Office	5,158,611	-	(259,932)	524,677	5,423,356	264,745
Commission for Human Rights	991,659	-	(65,520)	6,279	932,418	(59,241)
Public Utilities Commission	-	-	-	-	-	-
State Island Commission on Women	107,208	-	(5,360)	6,529	108,377	1,169
<b>Subtotal - General Government</b>	<b>569,188,538</b>	<b>1,738,518</b>	<b>39,945,832</b>	<b>(95,617,258)</b>	<b>515,255,630</b>	<b>(53,932,908)</b>
<b>Human Services</b>						
Office of Health & Human Services	5,223,297	-	(353,760)	(1,078,987)	3,790,550	(1,432,747)
Children, Youth, and Families	137,133,720	-	(3,687,532)	33,440,207	166,886,395	29,752,675
Early Affairs	16,071,786	-	(135,766)	(1,398,521)	14,537,499	(1,534,287)
Health	32,281,674	-	(1,358,491)	(140,967)	30,782,216	(1,499,458)
Human Services	767,224,135	-	(2,658,282)	(39,294,158)	725,271,695	(41,952,440)
Mental Health, Retardation, & Hosp.	219,361,864	-	(3,993,744)	(6,506,364)	208,861,756	(10,500,108)
Office of the Child Advocate	519,657	-	(33,819)	28,604	514,442	(5,215)
Comm. on Deaf & Hard of Hearing	368,807	-	(20,230)	22,723	371,300	2,493
Developmental Disabilities Council	-	-	-	-	-	-
Governor's Commission on Disabilities	413,651	-	(23,879)	(1,910)	387,862	(25,789)
Office of the Mental Health Advocate	431,171	-	(27,557)	36,869	440,483	9,312
<b>Subtotal - Human Services</b>	<b>1,179,029,762</b>	<b>-</b>	<b>(12,293,060)</b>	<b>(14,892,504)</b>	<b>1,151,844,198</b>	<b>(27,185,564)</b>
<b>Education</b>						
Elementary and Secondary	931,218,471	-	(1,795,472)	(93,073,971)	836,349,028	(94,869,443)
Higher Education - Board of Governors	179,856,018	-	(6,111,373)	(883,803)	172,860,842	(6,995,176)
Council on the Arts	2,094,847	-	(45,233)	(143,818)	1,905,796	(189,051)
Atomic Energy Commission	824,470	-	(41,470)	3,847	786,847	(37,623)
Higher Education Assistance Authority	7,323,051	-	(30,710)	643	7,292,984	(30,067)
Historical Preservation & Heritage Comm.	1,348,825	-	(73,372)	22,063	1,297,516	(51,309)
Public Telecommunications Authority	1,365,306	-	(76,386)	(39,411)	1,249,509	(115,797)
<b>Subtotal - Education</b>	<b>1,124,030,988</b>	<b>-</b>	<b>(8,174,016)</b>	<b>(94,114,450)</b>	<b>1,021,742,522</b>	<b>(102,288,466)</b>
<b>Public Safety</b>						
Attorney General	\$21,212,039	-	(1,220,423)	1,142,794	21,134,410	(77,629)
Corrections	178,623,504	-	(9,237,871)	9,296,428	178,682,061	58,557
Police	85,000,000	-	(4,164,561)	1,961,792	82,797,231	(2,202,769)
Military Staff	3,739,948	-	(122,089)	(42,599)	3,575,260	(164,688)
Public Safety	66,828,094	-	(2,321,080)	149,924	64,656,938	(2,171,156)
Office Of Public Defender	9,468,259	-	(564,925)	414,713	9,318,047	(150,212)
<b>Subtotal - Public Safety</b>	<b>364,871,844</b>	<b>-</b>	<b>(17,630,949)</b>	<b>12,923,052</b>	<b>360,163,947</b>	<b>(4,707,897)</b>
<b>Natural Resources</b>						
Environmental Management	35,779,384	-	(1,703,604)	(64,418)	34,011,362	(1,768,022)
Coastal Resources Management Council	1,877,703	-	(102,392)	259,043	2,034,354	156,651
Water Resources Board	1,378,002	-	(41,811)	15,855	1,352,046	(25,956)
<b>Subtotal - Natural Resources</b>	<b>39,035,089</b>	<b>-</b>	<b>(1,847,807)</b>	<b>210,480</b>	<b>37,397,762</b>	<b>(1,637,327)</b>
<b>Total</b>	<b>3,276,156,221</b>	<b>1,738,518</b>	<b>-</b>	<b>(191,490,680)</b>	<b>3,086,404,059</b>	<b>(189,752,162)</b>
Reappropriations				1,738,518		-
				(189,752,162)	3,086,404,059	(189,752,162)

## Table 3- General Revenues Receipts

	FY 2007 Actual	FY 2008 Prelim Actual	FY 2009 Enacted	FY 2009 NOVREC	FY 2009 Gov Rec
<b>Personal Income Tax</b>	\$1,065,367,487	\$1,073,795,214	\$1,124,235,000	\$1,011,000,000	\$1,010,747,037
<b>General Business Taxes</b>					
Business Corporations	148,149,226	151,394,857	161,000,000	108,000,000	107,977,504
Public Utilities Gross Earnings	102,109,351	99,436,915	100,000,000	104,500,000	104,500,000
Financial Institutions	4,423,263	1,830,270	1,100,000	2,000,000	2,000,000
Insurance Companies	56,624,296	67,997,274	77,823,696	77,000,000	80,731,882
Bank Deposits	1,673,925	1,710,050	1,700,000	1,700,000	1,700,000
Health Care Provider Assessment	47,969,855	53,372,451	47,432,000	49,000,000	48,617,732
<b>Sales and Use Taxes</b>					
Sales and Use	873,203,817	845,365,207	863,100,000	831,000,000	831,573,847
Motor Vehicle	46,878,903	48,610,020	45,667,548	48,000,000	51,185,184
Motor Fuel	1,311,762	991,473	1,200,000	930,000	930,000
Cigarettes	120,480,817	114,674,498	114,500,000	119,600,000	136,427,856
Alcohol	10,705,751	11,140,941	11,100,000	11,100,000	11,100,000
<b>Other Taxes</b>					
Inheritance and Gift	34,683,979	35,333,925	38,000,000	28,000,000	28,000,000
Racing and Athletics	2,921,166	2,812,860	2,600,000	2,500,000	2,500,000
Realty Transfer	12,737,438	10,223,094	10,900,000	7,800,000	7,800,000
<b>Total Taxes</b>	<b>2,529,241,036</b>	<b>2,518,689,049</b>	<b>2,600,358,244</b>	<b>2,402,130,000</b>	<b>2,425,791,042</b>
<b>Departmental Receipts</b>	<b>277,790,450</b>	<b>352,107,296</b>	<b>347,627,559</b>	<b>331,500,000</b>	<b>331,578,929</b>
<b>Taxes and Departmentals</b>	<b>2,807,031,486</b>	<b>2,870,796,345</b>	<b>2,947,985,803</b>	<b>2,733,630,000</b>	<b>2,757,369,971</b>
<b>Other Sources</b>					
Gas Tax Transfer	4,704,602	4,513,745	4,630,000	4,475,000	4,475,000
Other Miscellaneous	67,471,487	182,892,012	19,400,000	16,597,040	33,932,286
Lottery	320,989,832	354,311,448	365,500,000	349,100,000	349,100,000
Unclaimed Property	11,456,513	15,387,030	9,200,000	9,300,000	9,300,000
<b>Other Sources</b>	<b>404,622,434</b>	<b>557,104,235</b>	<b>398,730,000</b>	<b>379,472,040</b>	<b>396,807,286</b>
<b>Total General Revenues</b>	<b>\$3,211,653,920</b>	<b>\$3,427,900,580</b>	<b>\$3,346,715,803</b>	<b>\$3,113,102,040</b>	<b>\$3,154,177,257</b>

## Table 4 - General Revenue Changes to Adopted Estimates

FY 2009

### Taxes

#### *Personal Income Taxes*

SBA Loan Guaranty Fee Tax Credit	(\$252,963)
<i>Subtotal: Personal Income Taxes</i>	<i>(\$252,963)</i>

#### *General Business Taxes*

Business Corporations: SBA Loan Guaranty Fee Tax Credit	(\$22,496)
Insurance Companies: Increase Health Care Insurers Gross Premiums Rate to 2.0%	3,731,882
Health Care Provider Assessment: Reduction in Nursing Home base expenditures	(382,268)
<i>Subtotal: General Business Taxes</i>	<i>\$3,327,118</i>

#### *Sales and Use Taxes*

Sales and Use Tax: Increase Cigarette Excise Tax by \$1.00 with no minimum price markup	\$573,847
Motor Vehicles: Increase reinstatement fee for registrations and titles from \$50.00 to \$250.00	358,417
Motor Vehicles: Increase reinstatement fee for operator's license from \$75.00 to \$250.00	1,534,167
Motor Vehicles: Increase certificate of title fee from \$25.00 to \$50.00	1,292,600
Cigarettes: Increase Cigarette Excise Tax to \$3.46 per pack with no minimum price markup	15,359,024
Cigarettes: Reduce cigarette stamping discount from 1.25% to 1.00%	43,197
Cigarettes: Floor stock tax from increased Cigarette Excise Tax	1,425,635
<i>Subtotal: Personal Income Taxes</i>	<i>\$20,586,887</i>

**Subtotal: All Taxes** **\$23,661,042**

### Departmental Revenues

#### *Licenses and Fees*

Small claims and consumer claims mediation entry fee from \$30.00 to \$50.00	\$78,929
<i>Subtotal: Licenses and Fees</i>	<i>\$78,929</i>

**Subtotal: All Departmental Revenues** **\$78,929**

### Other Sources

#### *Other Miscellaneous*

Land Sales: Downcity parking garage	\$6,000,000
Land Sales: Aime Forand Building	6,000,000
Land Sales: Pastore parcel (intersection of Howard and Pontiac Aves.)	4,000,000
Transfer of Worker's Compensation Escrow Account for companies with defunct operations	700,000
Transfer from TDD Dual Party Phone Relay Service Escrow Account	385,246
Transfer of Purchase Card Rebate Incentives	250,000
<i>Subtotal: Other Miscellaneous</i>	<i>\$17,335,246</i>

**Subtotal: Other Sources** **\$17,335,246**

**Total FY 2009 General Revenue Adjustments** **\$41,075,217**

## Other Revenue Enhancements

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### **FY 2009**

#### **Other Sources**

UST Fund 1/2 cent to DOT Intermodal Service Transportation Fund for RIPTA \$2,237,500

*Subtotal: Other Sources* \$2,237,500

#### **Restricted Receipts**

UST Fund dedication of 1/2 cent transferred top DOT for to RIPTA (\$2,237,500)

*Subtotal: Restricted Receipts* (2,237,500)

**Total FY 2009 Other Revenue Adjustments** \$0

#### **Other Pass Through Revenues**

Public Service Corporation Tax Freeze at FY2008 (12/31/2007) rates \$645,000

**Table 5 -Historical Perspective on Supplemental Appropriations**

Fiscal Year	General Revenue Expenditures	Supplemental Appropriation	Supplemental as a Percent of Expenditures	Growth in Expenditures
1959	79,549,088	0	0.0%	
1960	80,727,573	0	0.0%	1.5%
1961	95,464,115	0	0.0%	18.3%
1962	97,075,642	0	0.0%	1.7%
1963	103,641,758	0	0.0%	6.8%
1964	107,370,866	0	0.0%	3.6%
1965	126,121,807	1,931,537	1.5%	17.5%
1966	135,782,982	1,386,803	1.0%	7.7%
1967	161,545,893	1,114,754	0.7%	19.0%
1968	184,769,957	4,225,454	2.3%	14.4%
1969	208,767,393	3,866,666	1.9%	13.0%
1970	244,569,266	4,552,013	1.9%	17.1%
1971	286,113,089	17,279,666	6.0%	17.0%
1972	310,064,718	851,163	0.3%	8.4%
1973	348,330,191	2,061,680	0.6%	12.3%
1974	380,353,262	11,173,061	2.9%	9.2%
1975	422,240,050	11,363,593	2.7%	11.0%
1976	460,494,488	3,125,010	0.7%	9.1%
1977	504,388,181	5,044,617	1.0%	9.5%
1978	566,370,609	12,449,923	2.2%	12.3%
1979	607,400,721	9,432,990	1.6%	7.2%
1980	675,385,979	15,834,825	2.3%	11.2%
1981	756,451,958	30,837,711	4.1%	12.0%
1982	821,246,910	22,305,434	2.7%	8.6%
1983	858,299,233	6,341,951	0.7%	4.5%
1984	901,640,362	9,219,627	1.0%	5.0%
1985	972,577,002	9,052,705	0.9%	7.9%
1986	1,052,432,001	3,827,553	0.4%	8.2%
1987	1,130,879,188	1,048,059	0.1%	7.5%
1988	1,255,685,300	5,074,400	0.4%	11.0%
1989	1,399,729,737	14,060,565	1.0%	11.5%
1990	1,489,370,843	11,428,478	0.8%	6.4%
1991	1,450,196,044	8,892,505	0.6%	-2.6%
1992	1,446,411,916	13,111,756	0.9%	-0.3%
1993	1,711,077,758	65,146,262	3.8%	18.3%
1994	1,615,738,489	84,861,389	5.3%	-5.6%
1995	1,640,985,343	48,809,475	3.0%	1.6%
1996	1,713,529,897	23,293,491	1.4%	4.4%
1997	1,762,464,145	26,314,927	1.5%	2.9%
1997 *	1,762,464,145	15,685,640	0.9%	
1998	1,862,541,413	34,764,341	1.9%	5.7%
1998 *	1,862,541,413	25,727,872	1.4%	
1999	2,036,282,595	28,169,968	1.4%	9.3%
1999 *	2,036,282,595	18,133,156	0.9%	
2000	2,230,582,642	43,177,064	1.9%	9.5%
2000 *	2,230,582,642	34,003,968	1.5%	
2001	2,482,676,487	74,483,919	3.0%	11.3%
2001 *	2,482,676,487	52,744,963	2.1%	
2002	2,651,654,648	9,612,597	0.4%	6.8%
2002 *	2,651,654,648	(1,443,820)	-0.1%	
2003	2,690,323,692	34,573,005	1.3%	1.5%
2003 *	2,690,323,692	26,802,576	1.0%	
2004	2,726,472,721	5,893,065	0.2%	1.3%
2004 *	2,726,472,721	(2,098,882)	-0.1%	
2005	2,926,928,737	28,196,074	1.0%	7.4%
2005 *	2,926,928,737	18,050,186	0.6%	
2006	3,073,387,685	(18,227,832) (1)	-0.6%	5.0%
2006 *	3,073,387,685	(31,717,046) (1)	-1.0%	
2007	3,217,760,937	3,193,957	0.1%	4.7%
2007 *	3,217,760,937	(14,187,407)	-0.4%	
2008	3,394,844,107	(39,464,122)	-1.2%	5.5%
2008 *	3,394,844,107	(35,823,758)	-1.1%	
2009	3,086,658,883	(189,497,338)	-6.1%	-9.1%
2009 *	3,086,658,883	(189,497,338)	-6.1%	

\* Supplemental is adjusted to exclude reappropriations and special appropriations since previous supplemental bills did not include the reappropriations because the legal authority for such funding was already provided by statute.

(1) FY2006 supplemental reflects the withdrawal of \$25 million for local special ed

**Table 6 - Full-Time Equivalent Positions**

	FY 2007	FY 2008 Revised	FY 2009 Enacted	Recommended FY 2009	09 Change from FY2008 revm	09 Change FY2009 Enact
<b>General Government</b>						
Administration	1,065.2	1,032.8	955.8	845.6	(187.3)	(110.2)
Business Regulation	103.0	102.0	97.0	91.0	(14.0)	(6.0)
Labor & Training	467.9	417.5	407.2	395.3	(59.6)	(11.9)
Revenue	473.0	465.0	464.0	410.0	(65.0)	(54.0)
Legislature	294.0	297.9	297.9	289.8	(8.4)	(8.1)
Office of the Lieutenant Governor	9.5	9.0	8.0	7.0	(2.5)	(1.0)
Secretary of State	56.0	58.0	57.0	55.0	(3.0)	(2.0)
General Treasurer	86.5	88.0	86.0	83.0	(5.0)	(3.0)
Boards for Design Professionals	4.0	-	-	-	-	-
Board Of Elections	14.0	14.0	14.0	12.0	(2.0)	(2.0)
Rhode Island Ethics Commission	12.0	12.0	12.0	12.0	-	-
Office of the Governor	46.0	45.0	39.0	39.0	(5.0)	-
Commission for Human Rights	14.5	14.5	14.5	14.5	-	-
Public Utilities Commission	45.7	45.0	44.0	44.0	(1.7)	-
Rhode Island Commission on Women	1.0	1.0	1.0	1.0	-	-
<b>Subtotal - General Government</b>	<b>2,692.3</b>	<b>2,601.7</b>	<b>2,497.4</b>	<b>2,299.2</b>	<b>(353.5)</b>	<b>(198.2)</b>
<b>Human Services</b>						
Office of Health and Human Services	5.0	6.0	92.2	85.1	80.1	(7.1)
Children, Youth, and Families	789.0	788.5	738.5	694.0	(111.0)	(44.5)
Elderly Affairs	48.0	44.0	35.0	32.0	(14.0)	(3.0)
Health	465.6	437.1	413.5	409.6	(49.4)	(3.9)
Human Services	1,111.0	1,067.6	994.4	884.6	(224.4)	(109.8)
Mental Health, Retardation, & Hospitals	1,824.3	1,657.6	1,534.6	1,352.4	(408.6)	(182.2)
Office of the Child Advocate	5.8	5.8	5.8	5.7	(0.1)	(0.1)
Commission On the Deaf & Hard of Hearing	3.0	3.0	3.0	3.0	-	-
State Council on Developmental Disabilities (3)	2.0	2.0	-	-	(2.0)	-
Governor's Commission on Disabilities	6.6	5.6	4.6	4.0	(1.6)	(0.6)
Office of the Mental Health Advocate	3.7	3.7	3.7	3.7	-	-
<b>Subtotal - Human Services</b>	<b>4,264.0</b>	<b>4,020.9</b>	<b>3,825.3</b>	<b>3,474.1</b>	<b>(731.0)</b>	<b>(351.2)</b>
<b>Education</b>						
Elementary and Secondary Education	131.2	133.2	140.2	128.4	(5.8)	(11.8)
Davies	133.0	133.0	133.0	133.0	-	-
School for the Deaf	68.0	65.8	65.8	50.0	(18.0)	(15.8)
<b>Elementary Secondary Education - Total</b>	<b>332.2</b>	<b>332.0</b>	<b>339.0</b>	<b>311.4</b>	<b>(23.8)</b>	<b>(27.6)</b>
Office of Higher Education Non-Sponsored Research	21.0	21.0	20.1	19.4	(1.6)	(0.7)
URI Non-Sponsored Research	1,940.1	1,930.1	1,902.1	1,849.9	(80.2)	(52.2)
RIC Non-Sponsored Research	843.5	850.5	835.5	812.6	(37.9)	(22.9)
CCRI Non-Sponsored Research	750.2	748.2	733.2	713.1	(35.1)	(20.1)
<b>Higher Education - Total Non-Sponsored</b>	<b>3,554.8</b>	<b>3,549.8</b>	<b>3,490.9</b>	<b>3,395.0</b>	<b>(154.8)</b>	<b>(95.9)</b>
RI Council On The Arts	8.6	8.6	8.6	7.6	(1.0)	(1.0)
RI Atomic Energy Commission	8.6	8.6	8.6	8.6	-	-
Higher Education Assistance Authority	46.0	42.6	42.6	42.6	(3.4)	-
Historical Preservation and Heritage Commission	17.6	17.6	16.6	16.6	(1.0)	-
Public Telecommunications Authority	20.0	20.0	20.0	18.0	(2.0)	(2.0)
<b>Subtotal - Education</b>	<b>3,987.8</b>	<b>3,979.2</b>	<b>3,926.3</b>	<b>3,799.8</b>	<b>(186.0)</b>	<b>(126.5)</b>

**Table 6 - Full-Time Equivalent Positions**

	FY 2007	FY 2008 Revised	FY 2009 Enacted	Recommended FY 2009	09 Change from FY2008 revm	09 Change from FY2009 Enact
<b>Public Safety</b>						
Attorney General	234.8	234.8	231.1	231.1	(3.7)	-
Corrections	1,498.6	1,515.0	1,515.0	1,423.0	(85.6)	(92.0)
Judicial	732.5	732.3	729.3	729.3	(3.2)	-
Military Staff	109.0	104.0	103.0	101.0	(9.0)	(2.0)
Public Safety	-	-	414.5	396.1	396.1	(18.4)
E-911 (1)	53.6	53.5	-	-	(53.6)	-
RI State Fire Marshal (1)	36.0	35.0	-	-	(35.0)	-
Commission on Judicial Tenure and Discipline	1.0	-	-	-	-	-
Rhode Island Justice Commission (1)	7.6	7.6	-	-	(7.6)	-
Municipal Police Training Academy (1)	4.0	4.0	-	-	(4.0)	-
State Police (1)	273.0	268.0	-	-	(272.0)	-
Fire Safety Code Board of Appeal and Review (2)	3.0	3.0	-	-	(3.0)	-
Office of the Public Defender	93.5	93.5	93.5	91.0	(2.5)	(2.5)
<b>Subtotal - Public Safety</b>	<b>3,046.6</b>	<b>3,050.7</b>	<b>3,086.4</b>	<b>2,971.5</b>	<b>(83.1)</b>	<b>(114.9)</b>
<b>Natural Resources</b>						
Environmental Management	505.3	482.0	473.0	409.0	(82.4)	(64.0)
Coastal Resources Management Council	30.0	30.0	30.0	30.0	-	-
Water Resources Board	9.0	6.0	6.0	6.0	(3.0)	-
<b>Subtotal - Natural Resources</b>	<b>544.3</b>	<b>518.0</b>	<b>509.0</b>	<b>445.0</b>	<b>(85.4)</b>	<b>(64.0)</b>
<b>Transportation</b>						
Transportation	786.7	733.2	729.2	691.2	(82.5)	(38.0)
<b>Subtotal - Transportation</b>	<b>786.7</b>	<b>733.2</b>	<b>729.2</b>	<b>691.2</b>	<b>(82.5)</b>	<b>(38.0)</b>
Statwide Retirement Vacancies	-	-	(400.0)	-	-	400.0
<b>Total Non Sponsored</b>	<b>15,321.7</b>	<b>14,903.7</b>	<b>14,173.6</b>	<b>13,680.8</b>	<b>(1,521.5)</b>	<b>(492.8)</b>
<b>Higher Education Sponsored Research *</b>						
Office	1.0	1.0	1.0	1.0	-	-
CCRI	100.0	100.0	100.0	100.0	-	-
RIC	82.0	82.0	82.0	82.0	-	-
URI	602.0	602.0	602.0	602.0	-	-
<b>Subtotal Sponsored Research</b>	<b>785.0</b>	<b>785.0</b>	<b>785.0</b>	<b>785.0</b>	<b>-</b>	<b>-</b>
<b>Total Personnel Authorizations</b>	<b>16,106.7</b>	<b>15,688.7</b>	<b>14,958.6</b>	<b>14,465.8</b>	<b>(1,521.5)</b>	<b>(492.8)</b>
<b>Total Personnel **</b>	<b>16,106.7</b>	<b>15,688.7</b>	<b>14,958.6</b>	<b>14,465.8</b>	<b>(1,521.5)</b>	<b>(492.8)</b>

\*A total of 785.0 FTE positions in Higher Education in FY 2008 and FY 2009 represent FTE's supported by sponsored research funds. Commencing in FY2005, these positions were included in the overall FTE Cap. In addition, there are separate caps for each program and for sponsored/non-sponsored research FTE's.

- (1) Agencies merged with Department of Public Safety
- (2) Agencies merged with Department of Administration
- (3) Agency merged with URI



**Item :** Relating to DMV Reinstatement Fee Changes

		<u>FY 2009</u>	<u>FY 2010</u>
<b>Amount:</b>	<b>General Revenue:</b>	\$ 1,892,584	\$ 4,542,200
	<b>All Funds:</b>	\$ 1,892,584	\$ 4,542,200
	<b>General Fund</b>	\$ 1,892,584	\$ 4,542,200

**Timetable:** Effective Date of February 1, 2009

**Barriers:** Legislative action

**FTE:** N/A

**Description:** This article increases the fee for the restoration of a revoked or suspended registration or certificate of title from fifty dollars (\$50.00) to two hundred and fifty dollars (\$250.00). In FY 2008, 4,301 registrations and/or certificates of title were restored, generating \$219,849 in fees. Using the same number of transactions with a two hundred dollar (\$200.00) fee increase yields additional revenue of \$358,417 in FY 2009 (pro-rated) and \$860,200 in FY 2010.

This article also increases the fee for the restoration of a revoked or suspended operator's license from seventy-five dollars (\$75.00) to two hundred and fifty dollars (\$250.00). In FY 2008, 21,040 operator's licenses were restored, generating \$1,687,263 in fees. Using the same number of transactions with a one hundred and seventy-five dollar (\$175.00) fee increase yields additional revenue of \$1,534,167 in FY 2009 (pro-rated) and \$3,682,000 in FY 2010.

The figures above are the sum of the estimates derived in the preceding two paragraphs.

**Revenue Impact:** This article increases general revenue Motor Vehicle License and Registration Fees by \$1.9 million in FY 2009 and \$4.5 million in FY 2010.

**Item :** Relating to Motor Vehicle Title Fees

<b>Amount:</b>		<u><b>FY 2009</b></u>	<u><b>FY 2010</b></u>
	<b>General Revenue:</b>	<b>\$ 1,292,600</b>	<b>\$ 3,877,825</b>
	<b>All Funds:</b>	<b>\$ 1,292,600</b>	<b>\$ 3,877,825</b>
	<b>General Fund</b>	<b>\$ 1,292,600</b>	<b>\$ 3,877,825</b>

**Timetable:** Effective Date of March 1, 2009

**Barriers:** Legislative action

**FTE:** N/A

**Description:** This article increases the fees for the issuance of a certificate of title for a motor vehicle for any purpose from \$25.00 to \$50.00. In FY 2008, there were 155,113 certificate of title transactions. Assuming the same level of transactions in FY 2009 and a twenty-five dollar (\$25.00) fee increase yields additional fee revenue of \$1,292,600 in FY 2009 (pro-rated for a March 1, 2009 effective date) and \$3,877,825 in FY 2010.

**Revenue Impact:** This article increases general revenue Motor Vehicle License and Registration Fees by \$1.3 million in FY 2009 and \$3.9 million in FY 2010.

**Item :** Relating to Division of Motor Vehicles Warren Office

		<u><b>FY 2009</b></u>	<u><b>FY 2010</b></u>
<b>Amount:</b>	<b>General Revenue:</b>	<b>\$ 5,400</b>	<b>\$ 13,000</b>
	<b>All Funds:</b>	<b>\$ 5,400</b>	<b>\$ 13,000</b>
	<b>General Fund</b>	<b>\$ 5,400</b>	<b>\$ 13,000</b>

**Timetable:** Effective date of February 1, 2009

**Barriers:** Legislative action

**FTE:** No impact as current FTEs will be reallocated to other DMV branches

**Description:** The Division of Motor Vehicles proposes the repeal of RIGL § 31-2-6 and the subsequent closure of the Warren branch office of the Division of Motor Vehicles.

Currently, the Warren Office of the Division of Motor Vehicles is open one day per week, Tuesday, from 8:30 am to 3:30 pm. Direct costs associated with operating the Warren branch are shown below:

<b>DMV Warren Branch Expenses</b>	
<u><b>Item</b></u>	<u><b>Full Year Costs</b></u>
Rent/Lease	\$9,262
Telephone Services	592
Utilities	N/A
Janitorial Services	N/A
Alarm Services	N/A
Armored Car Services	1,510
Copier Maintenance	737
Mileage Reimbursement	662
<b>Total</b>	<b>\$12,763</b>

Assuming a February 1, 2009, closure, direct savings for FY 2009 would be more than \$5,400. Full-year, direct savings for FY 2010 will be more than \$13,000.

In addition to the direct savings, important savings result by avoiding costs associated with operating the Warren branch. Warren is currently staffed with one permanent supervisor and two to three customer service representatives, who are taken from the pool of staff working in Pawtucket and other branches. Reducing the number of DMV branches by closing Warren allows the DMV to use these three to four staff members in the main office or to rotate them to other, larger DMV branch offices. This provides staff coverage for services, vacations, illness, and vacancies. The closing of the Warren branch will also reduce the amount of time Pawtucket management spends in overseeing, supervising, and staffing a remote site.

In addition to the savings, the closing of the Warren branch will produce customer efficiencies by consolidating DMV services into fewer but better staffed offices. This allows the DMV to respond quickly to fluctuating customer numbers, seasonal transactions, and unexpected events.

**Revenue Impact:** The closure of the Warren branch office of the Division of Motor Vehicles will have no impact on revenues.

**Item :** Relating to Cigarette Excise Tax Increase

		<u>FY 2009</u>	<u>FY 2010</u>
<b>Amount:</b>	<b>General Revenue:</b>	\$ 17,401,703	\$ 40,094,503
	<b>All Funds:</b>	\$ 17,401,703	\$ 40,094,503
	<b>General Fund</b>	\$ 17,401,703	\$ 40,094,503

**Timetable:** Effective date of February 3, 2009

**Barriers:** Legislative action

**FTE:** N/A

**Description:** This article eliminates the state law that requires distributors and retailers to mark-up the cost of cigarettes and related tobacco products prior to their sale. In addition, it increases the state's cigarette excise tax from \$2.46 per pack of 20 cigarettes to \$3.46 per pack of 20 cigarettes. The article also imposes a floor stock tax on cigarettes and stamps held in inventory or purchased prior to the imposition of the tax increase but not yet in inventory. Further, the article requires that the prepayment of the sales tax on cigarettes reflect the new brand price that results from the increase in the cigarette excise tax without any minimum price mark-ups. Finally, the article reduces the stamping discount provided to distributors from 1.25 percent to 1.0 percent.

The estimates above are based on Office of Revenue Analysis (ORA) projections of cigarette sales consistent with the FY 2009 and FY 2010 cigarette tax estimates adopted at the November 2008 Revenue Estimating Conference. In particular, ORA projects 19,198,780 packs of 20 cigarettes for the last five months of FY 2009.

A tax increase of one hundred cents (\$1.00) per pack (from \$2.46 per pack to \$3.46 per pack), results in a revenue increase of \$19,198,790. *Assuming a twenty percent (20.0%) decrease in consumption* yields a net revenue gain from the tax increase of \$15,359,024.

On a per pack basis the sales tax increase from the increase in the price of cigarettes that results from the state cigarette tax increase and the elimination of minimum wholesale and retail price mark-up provisions is four cents (\$0.04). The net sales tax increase then is \$573,847.

The cigarette floor stock tax is estimated by using the ratio of the actual FY 2005 cigarette floor stock tax revenues to cigarette tax revenues collected during the months of February through June of FY 2005 (approximately 9.3

percent). The application of this ratio to the estimated net cigarette tax revenues noted above yields cigarette floor stock tax revenues of \$1,425,635.

Finally, using the estimate of packs sold after a 20.0 percent drop in consumption and noting that a cigarette stamp tax roll has 30,000 cigarette tax stamps, the decrease in the stamping discount yields an additional \$43,197 in revenue to the state. Thus, the FY 2009 revenue impact from the article is \$17,401,703.

For FY 2010, the Office of Revenue Analysis projects that 46,341,463 packs of 20 cigarettes will be sold. A tax increase of one hundred cents (\$1.00) results in a revenue increase of \$46,341,463. *Assuming a twenty percent (20.0%) decrease in consumption* yields a net revenue gain from the tax increase of \$37,980,768. On a per pack basis the sales tax increase from the increase in the price of cigarettes that results from the state cigarette tax increase and the elimination of minimum wholesale and retail price mark-up provisions is four cents (\$0.04). The net sales tax increase then is \$1,731,418. Using the estimate of packs sold after a 20.0 percent drop in consumption and noting that a cigarette stamp tax roll has 30,000 cigarette tax stamps, the decrease in the stamping discount yields an additional \$382,317 in revenue to the state. Since there is no increase in the cigarette tax between FY 2009 and FY 2010, no cigarette floor stock tax will be assessed.

**Revenue Impact:** This article increases general revenue Cigarette taxes by \$17.4 million in FY 2009 and \$40.1 million in FY 2010.

**Item :** Relating to Increasing Gross Premiums Tax Rate on Health Insurance Companies to 2.0%

		<u>FY 2009</u>	<u>FY 2010</u>
<b>Amount:</b>	<b>General Revenue:</b>	\$ 3,731,882	\$ 3,802,788
	<b>All Funds:</b>	\$ 3,731,882	\$ 3,802,788
	<b>General Fund</b>	<b>\$ 3,731,882</b>	<b>\$ 3,802,788</b>

**Timetable:** Effective upon passage and applicable to tax years beginning on or after January 1, 2009

**Barriers:** Legislative action

**FTE:** N/A

**Description:** This article increases the gross premiums tax rate for nonprofit hospital service corporations, nonprofit medical service corporations, nonprofit dental service corporations, and health maintenance organizations from one and three-quarters percent (1.75%) to two percent (2.0%)

The revenue estimates above are based on Office of Revenue Analysis estimates that were derived as follows: (1) the estimated payments made by nonprofit hospital service corporations, nonprofit medical service corporations, and health maintenance organizations when the tax rate on such entities was one and one-tenth percent (1.1%) were used as the base; (2) these payments were then adjusted in two steps: they were recalculated under a gross premiums insurance tax rate of one and three-quarters percent (1.75%) the rate in current law and then they were recalculated under the proposed gross premiums insurance tax rate of two percent (2.0%); (3) the difference between the total revenue at a two percent (2.0%) gross premiums tax rate and a one and three-quarters percent (1.75%) gross premiums tax rate was computed to arrive at the incremental revenue gain of \$2,985,640.

For nonprofit dental service corporations, the Office of Revenue Analysis used the revenue estimate of \$5,223,696 derived by the House Fiscal Office for use in the FY 2009 enacted budget. This estimate was based on a gross insurance premium rate of one and three-quarters percent (1.75%). Using the House Fiscal Office estimate as a base, the Office of Revenue Analysis estimated the potential revenue gain from applying a two percent (2.0%) gross premiums tax rate. The difference between the Office of Revenue Analysis estimate and the House Fiscal Office estimate was \$746,242.

The sum of these two estimates comprises the FY 2009 estimate above. The FY 2010 revenue estimate was derived by using the growth rate in Insurance Companies Gross Premiums taxes adopted at the November 2008 Revenue estimating Conference.

**Revenue Impact:** Passage of this article will increase Insurance Companies Gross Premiums taxes by \$3.7 million in FY 2009 and \$3.8 million in FY 2010.

**Item :** Relating to SBA Loan Guaranty Fee Tax Credit

		<u>FY 2009</u>	<u>FY 2010</u>
<b>Amount:</b>	<b>General Revenue:</b>	<b>\$(275,459)</b>	<b>\$(555,488)</b>
	<b>All Funds:</b>	<b>\$(275,459)</b>	<b>\$(555,488)</b>
	<b>General Fund</b>	<b>\$(275,459)</b>	<b>\$(555,488)</b>

**Timetable:** Effective upon passage but applicable to tax years beginning on or after January 1, 2009.

**Barriers:** Legislative action

**FTE:** N/A

**Description:** This article re-introduces a tax credit against personal income, business corporation, or insurance companies taxes for any eligible small business, as defined “under the standards contained in Title 13, code of federal regulations, section 121”, for any amount paid to the U.S. small business administration (SBA) as a guaranty fee pursuant to the obtaining of SBA guaranteed financing.

A Small Business Administration (SBA) loan guaranty fee tax credit was in effect for tax years 2000 through 2003 before its repeal by the 2004 General Assembly. For personal income tax filers, an average of 332 taxpayers claimed a SBA loan guaranty fee tax credit during tax years 2001 through 2003 for an average total of \$474,857. For corporate income tax filers, an average of 23 taxpayers claimed a SBA loan guaranty fee tax credit during tax years 2000 through 2003 for an average total of \$54,557.

The Office of Revenue Analysis (ORA) determined the ratio of tax receipts paid by pass through entities out of net tax receipts for the period January 1, 2008 through November 30, 2008. This ratio equaled 15.19 percent. ORA applied this ratio to estimated net tax receipts for FY 2009 and FY 2010 as adopted at the November 2008 Revenue Estimating Conference (REC) to estimate the tax receipts paid by pass through entities for FY 2009 and FY 2010. ORA then determined the ratio of the average total SBA loan guaranty fee tax credits claimed in the 2001 to 2003 tax years to personal income tax receipts paid by pass through entities from January 1, 2008 through November 30, 2008. This ratio was 0.33 percent. ORA then applied this ratio to the estimated tax receipts paid by pass through entities for FY 2009 and FY 2010 to arrive at estimated personal income tax credits for SBA loan guaranty fee payments of \$505,926 and \$509,329 respectively. The FY 2009 estimate was cut in half to accommodate the effective date of the legislation.

For business corporation taxes, ORA determined the ratio of the average total SBA loan guaranty fee tax credits claimed in the 2000 to 2003 tax years to business corporation net tax receipts for the January 1, 2008 to November 30, 2008 period. This ratio was 0.04 percent. ORA then applied this ratio to the estimated net tax receipts paid by business corporation tax filers as determined at the November 2008 REC to arrive at estimated business corporation tax credits for SBA loan guaranty fee payments of \$44,992 for FY 2009 and \$46,158 for FY 2010. The FY 2009 estimate was cut in half to accommodate the effective date of the legislation.

ORA did not attempt to estimate the potential SBA loan guaranty fee tax credits that would be taken against insurance companies taxes as prior versions of this tax credit program did not allow a SBA loan guaranty fee tax credit against insurance companies taxes.

**Revenue Impact:** This article will decrease personal income tax revenues from the estimates adopted at the November 2008 Revenue Estimating Conference by \$252,963 in FY 2009 and \$509,329 in FY 2010. With respect to business corporation taxes, the equivalent reductions are \$22,496 in FY 2009 and \$46,158 in FY 2010.

**Item: Increase Entry Fee for Small Claims and Consumer Claims Mediation to \$50.00**

		<u>FY 2009</u>	<u>FY 2010</u>
<b>Amount:</b>	<b>General Revenue:</b>	<b>\$78,929</b>	<b>\$198,901</b>
	<b>All Funds:</b>	<b>\$131,548</b>	<b>\$331,502</b>
	<b>General Fund:</b>	<b>\$78,929</b>	<b>\$198,901</b>

**Timetable:** Effective February 1, 2009

**Barriers:** Legislative action

**FTE:** N/A

**Description:** RIGL §10-16-4 entitled "Small Claims and Consumer Claims" states that a plaintiff must pay an entry fee of \$30.00, of which \$10.00 is placed in a mediation fund escrow account. The Court maintains control of this fund and retains services to qualified mediators with financing from this fund. The remaining \$20.00 from this fee is forwarded to the state general fund.

The Budget Office proposes that this 'mediation fund' be converted to a restricted receipt account and that the fee charged to the plaintiff be raised from \$30.00 to \$50.00, of which \$20.00 is to be placed in the mediation restricted receipt account and \$30.00 forwarded to the state general fund. The Court will continue to maintain control over the restricted receipt account; however, a more general description of what expenditures can be billed to this account is proposed, which includes related operating expenses. The restricted receipt account would provide for more transparency in the budget process.

For FY 2009, this change in the plaintiff fee will increase general revenues by an estimated \$78,929 which is based on the fee increase taking effect as of February 1, 2009. This includes \$65,774 of new revenues and \$13,155 from the indirect charges from the increased restricted receipts.

For FY 2010, the estimated increase to the general fund is \$198,901, which includes the fee increase from the general revenue share of \$165,751 and an associated 10.0 percent indirect cost recovery of \$33,150 from the restricted receipt account per RIGL §35-4-27.

**Revenue Impact:** This article increases general revenue Departmental Receipts by \$78,929 in FY 2009 and \$198,901 in FY 2010.

**Item : Reduction in Health Care Provider Assessment Revenues Due to Decrease in Nursing Home Revenue Base**

		<u>FY2009</u>	<u>FY2010</u>
<b>Amount:</b>	<b>General Revenue:</b>	\$(382,268)	\$0
	<b>All Funds:</b>	\$(382,268)	\$0
	<b>General Fund:</b>	\$(382,268)	

**Timetable:** Effective Date of February 1, 2009

**Barriers:** Legislative action for nursing home COLA deferral

**FTE:** None

**Description:** The Department of Human Services, as part of its corrective action plan, proposes five changes that will reduce nursing home revenue and thereby reduce the nursing home tax revenue portion of the health care provider assessment. These five revenue reductions are: (1) Defer the nursing home cost-of-living adjustment (COLA) from April 1, 2009 to July 1, 2009 for a savings of \$1,422,300; (2) Reduce the daily reimbursement rate to nursing homes by five percent (5.0%) effective February 1, 2009 for a savings of \$3,079,828; (3) Reduce the direct labor cost center ceiling from one hundred and twelve percent (112.0%) of the median to one hundred and ten percent (110.0%) of the median retroactive to July 1, 2008 for a savings of \$948,200; (4) Initiate nursing home patient diversion consistent with provisions of the *Rhode Island Global Consumer Choice Compact Section 1115 Demonstration* ("Global Medicaid Waiver") for a savings of \$1,000,000; and (5) Initiate nursing home patient transition consistent with provisions of the *Rhode Island Global Consumer Choice Compact Section 1115 Demonstration* ("Global Medicaid Waiver") for a savings of \$500,000. The total reduction in nursing home revenue is \$6,950,328.

The reduction in nursing home revenue lowers the tax base upon which the nursing home tax is applied (see RIGL 44-51). The current nursing home tax rate is five and one-half percent (5.5%) and it is assessed on nursing home gross revenues. Based upon the revenue reductions noted above, it is estimated that nursing home tax revenues will decline by \$382,268, thereby lowering health care provider assessment collections by the same amount.

**Revenue Impact:** This article decreases general revenue Health care Provider Assessments by \$(382,268) in FY 2009.

**Item : Relating to Land Sales: Downcity Parking Garage, Aime Forand Building, and Pastore Center Parcel**

		<u>FY 2009</u>	<u>FY 2010</u>
<b>Amount:</b>	<b>General Revenue:</b>	<b>\$16,000,000</b>	<b>\$0</b>
	<b>All Funds:</b>	<b>\$16,000,000</b>	<b>\$0</b>
	<b>General Fund:</b>	<b>\$16,000,000</b>	<b>\$0</b>

**Timetable:** See below

**Barriers:** None

**Statutory/Regulatory Changes:** None

**FTE Impact:** N/A

**Description of Change:** The State expects to receive \$16,000,000 from the sale of three parcels of land.

**Downcity Parking Garage: \$6.0 million**

The Route I-195 relocation project is expected to cause significant disruption to the parking surrounding the Garrahy Courthouse, which is currently available for customers utilizing this facility and other buildings in the area, and the State needs to address the upcoming parking situation and can capture the increased value of the land caused by the current market demand for developable land in the City. The State is prepared to entertain bids for a public private partnership to develop the land at the Garrahy Courthouse. The State is prepared to partner with Rhode Island Housing and Mortgage Finance Corporation ("Rhode Island Housing") or another qualified agency, if deemed preferable, in order to establish a request for proposals (RFP) for a mixed use project consisting of parking, housing and retail. The State would sell the property next to the courthouse (currently a parking lot) to Rhode Island Housing, which would then issue an RFP for prospective developers and /or general contractors. The State would partner with the quasi-public agency to enter into a long term financial structure that would provide additional parking and that would provide initial financial benefits for the State from the land sale. Initially the State would enter into a financing structure for the purchase price with Rhode Island Housing or another qualified agency. The financing would be subject to appraisal of the property, but would not be less than \$6.0 million. The financing would be structured to allow the agency to call the bonds if sufficient revenues existed to fully fund the financing. As a second phase to the project, the State as part of the public private partnership, along with Rhode Island Housing or another

agency, will provide details of the development, pre-lease of parking and retail space and the financial structure by April 1, 2009. The State would be authorized, under the budget proposal, but not mandated, to enter into a long term parking lease for court employees, other state employees and or court jurors, and to develop with Rhode Island Housing a financing structure that would provide additional payments or other economic benefits or concessions to the State from the winning developer over a twenty (20) to thirty (30) year period. The State must provide a financing plan to the general assembly prior to entering into a long term lease.

#### **Forand Building Renovations Project: \$6.0 million**

The State needs to address the month to month lease arrangement for the Division of Motor Vehicles at the facility it presently uses in Pawtucket; and the utilization of the Aime Forand Building ("Forand Building") at the Pastore Campus as the main office of the Division of Motor Vehicles. Addressing these needs would allow for the consolidation of the Office of Operator Control with the Division of Motor Vehicles. The location of the Forand Building provides synergies with the Traffic Tribunal and would further enhance customer service. The State believes that the Rhode Island Housing and Mortgage Finance Corporation ("Rhode Island Housing") is capable of managing a public private partnership in order to renovate the Forand Building. The State would partner with Rhode Island Housing in order to establish a request for proposals (RFP) for the renovation and construction of the Forand Building and to convert it into the main consolidated office of the Division of Motor Vehicles. The State would sell the Forand property to Rhode Island Housing, which would then issue an RFP for prospective developers. The State would partner with the quasi-public agency to enter into a long term financial structure that would provide the lease financing structure for the project. The State along with RI Housing or another agency will provide details of the development and financing plan by April 1, 2009. The cost is expected to total \$23.3 million, \$17.3 million in construction and \$6.0 million for the cost of the land. The Budget would authorize the State to enter into a long-term agreement with respect to the leasing of space for use by the Division of Motor Vehicles and by Operator Control, and to develop a financing structure that would provide additional payments or other economic benefits or concessions to the State from the winning developer over a twenty (20) to thirty (30) year period.

#### **Pastore Parcel Project: \$4.0 million**

The State owns significant property on the Pastore campus that has potential for mixed use. Currently, there are no retail or restaurant locations on the Pastore campus to serve the needs of the thousands of employees and visitors to the campus. The State is prepared to entertain bids for a public private partnership to develop the land at the intersection of Howard and Pontiac Avenues. There is interest from Rhode Island Housing and Mortgage Finance Corporation ("Rhode Island Housing") to develop and finance a mixed use office building for the State. The State is prepared to partner with Rhode Island Housing or another qualified agency, if deemed preferable, in order to establish a request for proposals (RFP) for a mixed use project consisting of government and private office space, retail and restaurant mixed use. The State would sell the property comprising of approximately ten (10) acres at the intersection of Howard and Pontiac Avenues to Rhode Island Housing,

which would then issue an RFP for prospective developers. Initially the State would enter into a financing structure for the purchase price with Rhode Island Housing or another qualified agency. The financing would be subject to appraisal of the property, but would not be less than \$4.0 million. The financing would be structured to allow the agency to call the bonds if sufficient revenues existed to fully fund the financing. As a second phase to the project, the State as part of the public private partnership, along with Rhode Island Housing or another agency, will provide details of the development, including but not limited to the pre-lease of office, retail and restaurant space and the financial structure by April 1, 2009. The budget authorizes, but does not mandate, the State to enter into a long term lease for office space and to develop with Rhode Island Housing or another agency a financing structure that would provide additional payments or other economic benefits or concessions to the State from the winning developer over a twenty (20) to thirty (30) year period. Prior to entering into a long term lease the State must provide a financing plan to the General Assembly.

**Revenue Impact:** This article increases Other Sources general revenue by \$16.0 million in FY 2009.

**Item: Relating to the Transfer of Workers Compensation Claim Escrows for Defunct Companies**

		<u>FY 2009</u>	<u>FY 2010</u>
<b>Amount:</b>	<b>General Revenue:</b>	<b>\$700,000</b>	<b>\$0</b>
	<b>All Funds:</b>	<b>\$700,000</b>	<b>\$0</b>
	<b>General Fund</b>	<b>\$700,000</b>	<b>\$0</b>

**Timetable:****Barriers:** None**Statutory/Regulatory Changes:** None**FTE Impact:** N/A

**Description of Change:** When a company withdraws from operating a business in the state, the parent company of the defunct operation is required to pay into an escrow account to cover potential worker's compensation claims filed by employees of the defunct operation. Some of the companies that have had to make payments into escrow accounts include Somerville Lumber, School House Candies, Worcester Company, Job Link, Kaiser Aluminum, and Collins and Aiken. Many of these accounts have been inactive for a number of years.

Currently, \$1.2 million is on deposit in the worker's compensation escrow accounts for companies with defunct operations in the state. The Budget Office proposes to transfer \$700,000 of the total amount of these escrow accounts to the general fund. This would leave \$500,000 in these escrow accounts to cover any worker's compensation claims with the State liable for any claims above this amount.

**Revenue Impact:** This article increases Other Sources general revenue by \$700,000 in FY 2009.

**Item : Transfer the Balance in the Telecommunications Device for the Deaf (TDD)  
Relay Service Escrow Account to the General Fund**

<b>Amount:</b>		<u><b>FY2009</b></u>	<u><b>FY2010</b></u>
	<b>General Revenue:</b>	<b>\$385,246</b>	<b>\$0</b>
	<b>All Funds:</b>	<b>\$385,246</b>	<b>\$0</b>
	<b>General Fund:</b>	<b>\$385,246</b>	<b>\$0</b>

**Timetable:** Transfer on or before June 30, 2009

**Barriers:** Legislative action

**FTE:** None

**Description:** The Budget Office proposes to transfer \$385,246 which has been deposited in the Telecommunication Device for the Deaf (TDD) Relay Service Escrow account. The escrow account is funded from the \$0.09 per month assessed on landline phone lines. The remaining monies in the account after the proposed transfer will enable continuation of the service through FY 2009. The \$0.09 per month rate is set by the Public Utilities Commission. In FY 2008, \$450,000 was transferred from this escrow account to the general fund.

**Revenue Impact:** This article increases Other Sources general revenue by \$385,246 in FY 2009.

**Item: Transfer of JP Morgan Chase Purchasing Card Rebate Incentives Escrow Account**

<b>Amount:</b>		<u><b>FY 2009</b></u>	<u><b>FY 2010</b></u>
	<b>General Revenue:</b>	<b>\$250,000</b>	<b>\$50,000</b>
	<b>All Funds:</b>	<b>\$250,000</b>	<b>\$50,000</b>
	<b>General Fund:</b>	<b>\$250,000</b>	<b>\$50,000</b>

**Timetable:****Barriers:** None**Statutory/Regulatory Changes:** None**FTE Impact:** N/A

**Description of Change:** Under its purchasing card agreement with JP Morgan Chase, the State receives a rebate based on the volume of purchases made annually. The purchasing card program was established for one-time exception based purchases of less than \$500.00. The earned rebates are paid annually for the prior calendar year's purchasing card transaction volume. Currently, there is \$250,000 in the escrow account that has been accruing over the past several years. The Budget Office proposes that these monies be transferred to general revenues in FY 2009 with all annual rebate incentives to be deposited as general revenues in FY 2010 and beyond.

**Revenue Impact:** This article increases Other Sources general revenue by \$250,000 in FY 2009 and \$50,000 in FY 2010.

**Item:** Relating to Article 13 - Transfer One-Half Cent from Underground Storage Tank Fund to RIPTA

		<u>FY 2009</u>	<u>FY 2010</u>
<b>Amount:</b>	<b>General Revenue:</b>	\$ 0	\$ 0
	<b>Restricted Receipts (UST):</b>	\$ (2,237,500)	\$ (2,237,500)
	<b>Other Funds (ISTF):</b>	\$2,237,500	\$2,237,500

**Timetable:** Effective on February 1, 2009.

**Barriers:** Legislative action

**FTE:** N/A

**Description:** Beginning in FY 2009, this article provides for the transfer to the Intermodal Surface Transportation (IST) Fund and specifically, RIPTA one-half cent of the one cent per gallon environmental protection regulatory fee collected by distributors of motor fuel when the product is sold to owners and/or operators of underground storage tanks. The November Revenue Estimating Conference has set the current estimate of the per penny yield of the gasoline tax at \$4,475,000. One half of this estimate, or \$2,237,500, is the current amount to be distributed to RIPTA from the one-half cent of the Underground Storage Tank Fee. This will provide RIPTA with total proceeds worth 7.75 pennies of motor fuel-related fees for a total transfer of \$34,681,250, \$1,113,750 more than the enacted budget when the per penny yield was estimated at \$4,630,000.

**Revenue Impact:** This article is expected to increase total revenues to RIPTA by one-half cent of the November Revenue Estimating Conference per penny gasoline tax yield, or \$2,237,500. After taking into account the lower of the yield in gas tax estimated at the November Revenue Estimating Conference of \$4,475,000 per penny, RIPTA will receive \$1,113,750 more than the enacted budget for a total revenue transfer of \$34,681,250, which does not include total debt service for FY 2009 of \$759,878. Beginning in FY 2006, RIPTA received 7.25 of the 30 cent per gallon of the gasoline tax currently deposited into the Intermodal Surface Transportation Fund and distributed to various entities.

**Item:** Relating to the Freezing of the Public Service Corporation Tax Rate at FY 2008 Levels

		<u>FY 2009</u>	<u>FY 2010</u>
<b>Amount:</b>	<b>General Revenue:</b>	\$ 0	\$ 0
	<b>All Funds</b>	\$ 0	\$ 0
	<b>Other Pass Through Revenues:</b>	\$ 645,000	\$ 0

**Timetable:** Effective on March 31, 2009, the declaration of value due date for public service corporations

**Barriers:** Legislative action

**FTE:** N/A

**Description:** As a result of more frequent municipal revaluations, the average statewide property tax rate has been dropping for several years. The average statewide property tax rate is used for taxing the tangible property of public service corporations such as telecommunications companies, utilities, and cable television companies. In FY 2008, the statewide rate was \$15.56 per thousand dollars of value. For FY 2009, it will be \$14.47 per thousand. Earlier in this decade, the tax rate was well over \$20 per thousand. This article freezes the statewide property tax rate at its FY 2008 level of \$15.56.

**Revenue Impact:** This article is designed to preserve the revenue product of municipalities that is derived from the public service corporation tax. Absent the freezing of the statewide property tax rate at FY 2008 levels, the expected collections from the taxation of telecommunications tangible property will decrease by \$645,000. This assumes no growth in value of the tangible property of public service corporations and no change in the assessed value of same property as declared for the year ending December 31, 2007.