

State of Rhode Island and Providence Plantations

Technical Appendix



Fiscal Year 2013

Lincoln D. Chafee, Governor

Special Reports

Formula Aid to Cities and Towns

The Governor's FY 2013 budget recommends formula aid to cities and towns totaling \$98.1 million. This represents a 0.8 percent or a \$765,606 increase from the FY 2012 enacted level of funding. The tables on the following pages display the FY 2010 and FY 2011 actuals, the FY 2012 enacted, the FY 2012 revised, and the FY 2013 recommended levels of funding for formula aid to cities and towns by community. In general, formula state aid programs were level funded from the revised level. The narrative below describes each of the programs included on the tables. It should also be noted that updated formula drivers for PILOT and Distressed Community Relief Fund were incorporated for FY 2012. This results in increases and decreases by community depending on changes in relative wealth and other factors which are incorporated in determining entitlements.

Public Service Corporation Tax - The tangible personal property of telegraph, cable and telecommunications corporations is exempt from local taxation, but is subject to taxation by the state at the average property tax statewide. For FY 2012 and FY 2013, the Governor recommends level funding the program as no growth is forecasted. Funds collected from this tax are distributed to cities and towns within the state on the basis of the ratio of the city or town population to the population of the state as a whole.

Meals and Beverage Local Sales and Use Tax - During the January 2003 session, the General Assembly enacted a one percent gross receipts tax on retail sales of meals and beverages in or from eating and/or drinking establishments. 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 FY 2012, the Governor recommends \$19.6 million in the program and for FY 2013 the Governor recommends \$20.0 million.

Payment in Lieu of Taxes - Legislation creating this program requires the State of Rhode Island to reimburse cities and towns for property taxes that would have been due on certain types of real property that are exempted from taxation by state law. This includes property owned by nonprofit educational institutions, nonprofit hospitals, or any state owned hospital, veteran's facility, or correctional facility. The program was fully funded in FY 2007. Since FY 2008, state appropriations for the PILOT program have equaled less than 27 percent of all tax that would have been collected had the property been taxable. The Governor's recommendation is to level fund the program at the FY 2012 enacted level of \$33.1 million for the FY 2012 revised and FY 2013 budgets. Entitlements by community have been adjusted to reflect revenue which would have been lost resulting from eligible properties in the statutory reference year.

Distressed Communities Relief Fund - This program provides state assistance to those Rhode Island communities with the highest property tax burdens relative to the wealth of taxpayers. The amount of total funding distributed under this program is based on the amount enacted in the annual appropriations act. Entitlements for FY 2012 and FY 2013 by community reflect computations based upon the latest available qualifying data. The FY 2012 revised budget and the FY 2013 budget are level funded for a total of \$10.4 million each year.

Motor Vehicle Excise Tax - Legislation enacted during the 1999 General Assembly provides for a phase-out of the local excise tax on motor vehicles and trailers. This legislation was amended in 2002 to make the full phase out of the tax subject to the annual review and appropriation of the General Assembly. For fiscal year 2007, the value of the exemption from local taxes was increased to \$6,000 per vehicle. For FY 2009, the legislation was amended to reimburse only 98 percent of the exemption value, reflecting comparability with municipal motor vehicle tax collection rates. For FY 2011 and thereafter, the General Assembly enacted legislation that mandates a \$500 exemption for which the state will reimburse municipalities and amount subject to appropriation. The legislation further allows municipalities to

Formula Aid to Cities and Towns

provide an additional exemption, however, that additional exemption will not be subject to reimbursement. The legislation also removed the provision that restricted municipalities from taxing the difference in the event that the value of a vehicle is higher than the prior fiscal year. It also allowed for rates to be lowered from the current frozen levels. The Governor's recommendation is to level fund the program at the FY 2012 enacted level of \$10.0 million for the FY 2012 revised and the FY 2013 budget.

State Library Aid - This program provides financial support for local public library services and for the construction and capital improvement of any free public library. A portion of library aid is disbursed directly to local libraries, including private libraries, while other aid is disbursed to the individual cities and towns. The Governor's recommendation is to level fund the program at the FY 2012 enacted level of \$8.7 million for the FY 2012 revised and FY 2013 budgets. Although total funding is level funded at the FY 2012 enacted level, distributions by community/library have been calculated based upon the latest available qualifying data from the statutory reference year. Library construction aid is fully funded in both years based on outstanding commitments.

Central Falls Stabilization Payment - The Governor's recommendation includes a Central Falls Stabilization Payment of \$2.6 million for the FY 2012 revised budget. This payment represents an agreement between the Receiver for the City of Central Falls, the Department of Revenue, and the negotiating team for the Central Falls retirees to settle all of their respective disputes with a Settlement and Release Agreement. To effectuate the Agreement, a one-time appropriation for \$2.6 million would be utilized to provide transition or "supplemental payments" to retirees during a five year transitional period commencing in FY 2012.

Summary of Formula Aid to Cities and Towns

| | FY 2010 Actual | FY 2011 Actual | FY 2012 Enacted | FY 2012 Revised | FY 2013 Recommend |
|--|----------------------|----------------------|---------------------|----------------------|----------------------|
| Public Service Corporation Tax | 11,350,386 | 11,846,984 | 11,846,987 | 11,846,984 | 11,846,984 |
| Meals and Beverage Tax | 18,808,231 | 18,983,046 | 19,330,231 | 19,646,690 | 19,959,866 |
| Payment In Lieu of Taxes (PILOT) | 27,580,407 | 27,580,409 | 33,080,409 | 33,080,409 | 33,080,409 |
| Total Miscellaneous Aid | \$57,739,024 | \$58,410,439 | \$64,257,627 | \$64,574,083 | \$64,887,259 |
| General Revenue Sharing | - | - | - | - | - |
| Total State Aid to Cities and Towns | - | - | - | - | - |
| Central Falls Stabilization Payment | - | - | - | 2,636,932 | - |
| Dist. Comm. - General Appropriation | 10,384,458 | 10,384,458 | 10,384,458 | 10,384,458 | 10,384,458 |
| Total Distressed Communities Aid | \$10,384,458 | \$10,384,458 | \$10,384,458 | \$13,021,390 | \$10,384,458 |
| Motor Vehicle Tax Phase-out Program ¹ | 135,376,122 | 117,179,992 | 10,000,000 | 10,000,000 | 10,000,000 |
| Total Motor Vehicle Tax Phase-out Prog. | \$135,376,122 | \$117,179,992 | \$10,000,000 | \$10,000,000 | \$10,000,000 |
| Subtotal Formula Aid - All Sources | \$203,499,604 | \$185,974,889 | \$84,642,085 | \$87,595,473 | \$85,271,717 |
| Percent Change from prior year | -20.87% | -8.61% | -58.41% | -52.90% | -2.65% |
| Resource Sharing & Library Aid ² | 8,773,023 | 8,741,818 | 8,773,398 | 8,773,398 | 8,773,398 |
| Library Construction Aid | 2,739,488 | 2,490,094 | 2,821,772 | 2,821,772 | 2,471,714 |
| Total Library Aid | \$11,512,511 | \$11,231,912 | \$11,595,170 | \$11,595,170 | \$11,245,112 |
| Property Revaluation Program | 1,531,211 | 718,306 | 1,125,000 | 1,004,286 | 1,611,032 |
| Total Other Aid | \$1,531,211 | \$718,306 | \$1,125,000 | \$1,004,286 | \$1,611,032 |
| Total Aid | \$216,543,326 | \$197,925,107 | \$97,362,255 | \$100,194,929 | \$98,127,861 |
| Percent Change from prior year | -19.70% | -8.60% | -55.04% | -49.38% | -2.06% |

¹ Amounts for the Motor Vehicle Excise Tax represent final payments due each community based upon the exemption amounts in effect for the given fiscal year. Actual cash payments may have occurred over multiple fiscal years.

² Resource Sharing and Library Aid for state institutions is included in these totals.

Fiscal Year 2012 Enacted State Aid-Cities and Towns

| City or Town | Payment In Lieu of Tax Exempt Property | Distressed Community Relief Fund | State Library Aid | Motor Vehicle Excise Tax Reimbursement Value of Exemption | FY 2012 Total Appropriated State Aid |
|---|---|--|-------------------------|--|--|
| Barrington | 54,250 | | 332,622 | 245,208 | 632,080 |
| Bristol | 715,338 | | 119,255 | 117,205 | 951,798 |
| Burrillville | 115,270 | 243,867 | 124,048 | 214,709 | 697,894 |
| Central Falls | 23,895 | 293,509 | 62,301 | 84,330 | 464,034 |
| Charlestown | - | | 47,345 | 41,218 | 88,563 |
| Coventry | - | | 203,149 | 225,597 | 428,746 |
| Cranston | 4,807,056 | | 530,519 | 951,625 | 6,289,200 |
| Cumberland | 124 | | 266,209 | 216,513 | 482,846 |
| East Greenwich | 8,724 | | 111,399 | 123,478 | 243,601 |
| East Providence | 153,405 | 757,468 | 395,804 | 445,084 | 1,751,762 |
| Exeter | - | | 40,392 | 82,437 | 122,829 |
| Foster | 475 | | 31,425 | 69,333 | 101,233 |
| Glocester | - | | 70,178 | 94,919 | 165,097 |
| Hopkinton | - | | 29,512 | 65,621 | 95,133 |
| Jamestown | - | | 77,618 | 36,685 | 114,303 |
| Johnston | - | | 110,371 | 382,377 | 492,748 |
| Lincoln | - | | 186,608 | 236,662 | 423,270 |
| Little Compton | - | | 28,295 | 23,548 | 51,843 |
| Middletown | - | | 126,526 | 89,262 | 215,788 |
| Narragansett | - | | 123,812 | 95,791 | 219,603 |
| Newport | 932,980 | | 377,002 | 138,612 | 1,448,594 |
| New Shoreham | - | | 73,576 | 8,132 | 81,708 |
| North Kingstown | 1,981 | | 257,813 | 228,200 | 487,994 |
| North Providence | 505,424 | 624,043 | 163,008 | 350,127 | 1,642,601 |
| North Smithfield | - | | 63,053 | 173,847 | 236,900 |
| Pawtucket | 435,268 | 1,534,272 | 365,315 | 664,782 | 2,999,637 |
| Portsmouth | - | | 102,565 | 109,483 | 212,048 |
| Providence | 23,109,815 | 5,143,906 | 1,262,405 | 1,617,922 | 31,134,048 |
| Richmond | - | | 22,762 | 60,200 | 82,962 |
| Scituate | - | | 94,735 | 127,207 | 221,942 |
| Smithfield | 533,237 | | 267,131 | 281,936 | 1,082,304 |
| South Kingstown | 160,632 | | 203,044 | 172,163 | 535,839 |
| Tiverton | - | | 76,399 | 108,700 | 185,099 |
| Warren | - | | 52,283 | 82,773 | 135,056 |
| Warwick | 1,241,268 | | 638,710 | 1,156,532 | 3,036,510 |
| Westerly | 128,720 | | 269,310 | 230,697 | 628,727 |
| West Greenwich | - | | 26,493 | 49,532 | 76,025 |
| West Warwick | - | 900,192 | 173,748 | 223,933 | 1,297,873 |
| Woonsocket | 152,547 | 887,201 | 191,671 | 373,623 | 1,605,042 |
| Subtotal | \$33,080,409 | \$10,384,458 | \$7,698,411 | \$10,000,000 | \$61,163,278 |
| Statewide Reference Library Resource Grant (Providence) | | | | | 1,012,378 |
| Grant-In-Aid to Institutional Libraries | | | | | 62,609 |
| Library Construction Reimbursement | | | | | 2,821,772 |
| Motor Vehicle Excise Tax Reimbursement - Fire Districts | | | | | - |
| Total | | | | | \$65,060,037 |

FY 2012 Enacted Pass Through Aid to Cities & Towns

| City or Town | Public Service Corporation Tax | Meals and Beverage Tax | FY 2012 Total Shared Taxes State Aid | FY 2012 Total Shared & Appropriated Aid |
|---|--------------------------------------|------------------------------|--|---|
| Barrington | 183,789 | 138,032 | 321,821 | 953,901 |
| Bristol | 250,908 | 308,712 | 559,620 | 1,511,418 |
| Burrillville | 186,455 | 176,049 | 362,504 | 1,060,398 |
| Central Falls | 210,526 | 89,786 | 300,312 | 764,346 |
| Charlestown | 90,899 | 98,863 | 189,762 | 278,325 |
| Coventry | 392,965 | 339,358 | 732,323 | 1,161,069 |
| Cranston | 901,294 | 1,346,084 | 2,247,378 | 8,536,578 |
| Cumberland | 386,610 | 356,716 | 743,326 | 1,226,173 |
| East Greenwich | 150,021 | 435,964 | 585,985 | 829,586 |
| East Providence | 546,338 | 742,334 | 1,288,672 | 3,040,434 |
| Exeter | 70,967 | 72,429 | 143,396 | 266,225 |
| Foster | 51,057 | 17,694 | 68,751 | 169,984 |
| Glocester | 118,694 | 54,998 | 173,692 | 338,788 |
| Hopkinton | 90,134 | 44,555 | 134,689 | 229,821 |
| Jamestown | 61,563 | 81,866 | 143,429 | 257,731 |
| Johnston | 321,852 | 436,874 | 758,726 | 1,251,474 |
| Lincoln | 248,017 | 620,867 | 868,884 | 1,292,154 |
| Little Compton | 39,662 | 40,300 | 79,962 | 131,804 |
| Middletown | 180,392 | 571,550 | 751,942 | 967,730 |
| Narragansett | 185,510 | 469,185 | 654,695 | 874,298 |
| Newport | 263,968 | 1,554,758 | 1,818,726 | 3,267,320 |
| New Shoreham | 11,642 | 230,071 | 241,713 | 323,421 |
| North Kingstown | 299,817 | 426,990 | 726,807 | 1,214,801 |
| North Providence | 368,297 | 350,824 | 719,121 | 2,361,722 |
| North Smithfield | 129,864 | 163,375 | 293,239 | 530,139 |
| Pawtucket | 809,361 | 644,778 | 1,454,139 | 4,453,776 |
| Portsmouth | 190,009 | 169,675 | 359,684 | 571,732 |
| Providence | 1,933,712 | 4,034,350 | 5,968,062 | 37,102,110 |
| Richmond | 86,006 | 104,512 | 190,518 | 273,481 |
| Scituate | 122,080 | 53,419 | 175,499 | 397,442 |
| Smithfield | 238,524 | 522,939 | 761,463 | 1,843,767 |
| South Kingstown | 328,399 | 546,472 | 874,871 | 1,410,710 |
| Tiverton | 167,658 | 154,703 | 322,361 | 507,460 |
| Warren | 122,575 | 206,069 | 328,644 | 463,700 |
| Warwick | 953,420 | 2,190,477 | 3,143,897 | 6,180,407 |
| Westerly | 264,339 | 604,562 | 868,901 | 1,497,629 |
| West Greenwich | 71,900 | 97,668 | 169,568 | 245,593 |
| West Warwick | 329,895 | 328,640 | 658,535 | 1,956,408 |
| Woonsocket | 487,868 | 503,734 | 991,602 | 2,596,643 |
| Subtotal | \$11,846,987 | \$19,330,231 | \$31,177,218 | \$92,340,496 |
| Statewide Reference Library Resource Grant | | | | 1,012,378 |
| Grant-In-Aid to Institutional Libraries | | | | 62,609 |
| Library Construction Reimbursement | | | | 2,821,772 |
| Motor Vehicle Excise Tax Reimbursement - Fire Districts | | | | - |
| Total | | | | \$96,237,255 |

Fiscal Year 2012 Revised State Aid to Cities and Towns

| City or Town | Payment In Lieu of Tax Exempt Property | Distressed Community Relief Fund | State Library Aid | Motor Vehicle Excise Tax Reimbursement Value of Exemption | FY 2012 Total Appropriated State Aid |
|------------------|---|--|-------------------------|--|--|
| Barrington | 54,250 | | 332,622 | 245,208 | 632,080 |
| Bristol | 715,338 | | 119,255 | 117,205 | 951,798 |
| Burrillville | 115,270 | 243,867 | 124,048 | 214,709 | 697,894 |
| Central Falls | 23,895 | 292,172 | 62,301 | 84,330 | 462,697 |
| Charlestown | - | | 47,345 | 41,218 | 88,563 |
| Coventry | - | | 203,149 | 225,597 | 428,746 |
| Cranston | 4,807,056 | | 530,519 | 951,625 | 6,289,200 |
| Cumberland | 124 | | 266,209 | 216,513 | 482,846 |
| East Greenwich | 8,724 | | 111,399 | 123,478 | 243,601 |
| East Providence | 153,405 | 757,468 | 395,804 | 445,084 | 1,751,762 |
| Exeter | - | | 40,392 | 82,437 | 122,829 |
| Foster | 475 | | 31,425 | 69,333 | 101,233 |
| Glocester | - | | 70,178 | 94,919 | 165,097 |
| Hopkinton | - | | 29,512 | 65,621 | 95,133 |
| Jamestown | - | | 77,618 | 36,685 | 114,303 |
| Johnston | - | | 110,371 | 382,377 | 492,748 |
| Lincoln | - | | 186,608 | 236,662 | 423,270 |
| Little Compton | - | | 28,295 | 23,548 | 51,843 |
| Middletown | - | | 126,526 | 89,262 | 215,788 |
| Narragansett | - | | 123,812 | 95,791 | 219,603 |
| Newport | 932,980 | | 377,002 | 138,612 | 1,448,594 |
| New Shoreham | - | | 73,576 | 8,132 | 81,708 |
| North Kingstown | 1,981 | | 257,813 | 228,200 | 487,994 |
| North Providence | 505,424 | 620,828 | 163,008 | 350,127 | 1,639,386 |
| North Smithfield | - | | 63,053 | 173,847 | 236,900 |
| Pawtucket | 435,268 | 1,524,800 | 365,315 | 664,782 | 2,990,165 |
| Portsmouth | - | | 102,565 | 109,483 | 212,048 |
| Providence | 23,109,815 | 5,169,135 | 1,262,405 | 1,617,922 | 31,159,277 |
| Richmond | - | | 22,762 | 60,200 | 82,962 |
| Scituate | - | | 94,735 | 127,207 | 221,942 |
| Smithfield | 533,237 | | 267,131 | 281,936 | 1,082,304 |
| South Kingstown | 160,632 | | 203,044 | 172,163 | 535,839 |
| Tiverton | - | | 76,399 | 108,700 | 185,099 |
| Warren | - | | 52,283 | 82,773 | 135,056 |
| Warwick | 1,241,268 | | 638,710 | 1,156,532 | 3,036,510 |
| Westerly | 128,720 | | 269,310 | 230,697 | 628,727 |
| West Greenwich | - | | 26,493 | 49,532 | 76,025 |
| West Warwick | - | 894,406 | 173,748 | 223,933 | 1,292,086 |
| Woonsocket | 152,547 | 881,782 | 191,671 | 373,623 | 1,599,623 |
| Subtotal | \$33,080,409 | \$10,384,458 | \$7,698,411 | \$10,000,000 | \$61,163,278 |

| | |
|---|-----------|
| Statewide Reference Library Resource Grant | 1,012,378 |
| Grant-In-Aid to Institutional Libraries | 62,609 |
| Library Construction Reimbursement | 2,821,772 |
| Motor Vehicle Excise Tax Reimbursement - Fire Districts | - |

Total **\$65,060,037**

Fiscal Year 2012 Revised Pass Through Aid-Cities & Towns

| City or Town | Public Service Corporation Tax | Meals and Beverage Tax | FY 2012 Total Shared Taxes State Aid | FY 2012 Total Shared & Appropriated Aid |
|---|--------------------------------------|------------------------------|--|---|
| Barrington | 183,574 | 125,369 | 308,943 | 941,023 |
| Bristol | 258,355 | 331,443 | 589,798 | 1,541,596 |
| Burrillville | 179,579 | 174,724 | 354,303 | 1,052,197 |
| Central Falls | 218,083 | 90,188 | 308,271 | 770,968 |
| Charlestown | 88,095 | 106,584 | 194,679 | 283,242 |
| Coventry | 394,094 | 338,344 | 732,438 | 1,161,184 |
| Cranston | 904,782 | 1,380,307 | 2,285,089 | 8,574,289 |
| Cumberland | 377,121 | 358,998 | 736,119 | 1,218,965 |
| East Greenwich | 147,963 | 425,423 | 573,386 | 816,987 |
| East Providence | 529,417 | 741,320 | 1,270,737 | 3,022,499 |
| Exeter | 72,315 | 67,792 | 140,107 | 262,936 |
| Foster | 51,842 | 17,356 | 69,198 | 170,431 |
| Glocester | 109,694 | 58,673 | 168,367 | 333,464 |
| Hopkinton | 92,159 | 44,859 | 137,018 | 232,151 |
| Jamestown | 60,835 | 75,200 | 136,035 | 250,338 |
| Johnston | 323,804 | 448,373 | 772,177 | 1,264,925 |
| Lincoln | 237,544 | 634,679 | 872,223 | 1,295,493 |
| Little Compton | 39,304 | 32,707 | 72,011 | 123,854 |
| Middletown | 181,774 | 572,552 | 754,326 | 970,114 |
| Narragansett | 178,600 | 450,262 | 628,862 | 848,465 |
| Newport | 277,691 | 1,654,747 | 1,932,438 | 3,381,032 |
| New Shoreham | 11,829 | 237,402 | 249,231 | 330,939 |
| North Kingstown | 298,109 | 442,617 | 740,726 | 1,228,720 |
| North Providence | 361,048 | 374,096 | 735,144 | 2,374,530 |
| North Smithfield | 134,692 | 157,666 | 292,358 | 529,258 |
| Pawtucket | 800,794 | 654,796 | 1,455,590 | 4,445,755 |
| Portsmouth | 195,719 | 165,836 | 361,555 | 573,603 |
| Providence | 2,003,921 | 4,111,509 | 6,115,430 | 37,274,707 |
| Richmond | 86,756 | 107,840 | 194,596 | 277,558 |
| Scituate | 116,256 | 54,344 | 170,600 | 392,542 |
| Smithfield | 241,202 | 515,963 | 757,165 | 1,839,469 |
| South Kingstown | 344,852 | 541,974 | 886,826 | 1,422,665 |
| Tiverton | 177,609 | 158,402 | 336,011 | 521,110 |
| Warren | 119,430 | 222,899 | 342,329 | 477,385 |
| Warwick | 930,500 | 2,248,356 | 3,178,856 | 6,215,366 |
| Westerly | 256,475 | 584,160 | 840,635 | 1,469,362 |
| West Greenwich | 69,051 | 87,954 | 157,005 | 233,030 |
| West Warwick | 328,554 | 344,913 | 673,467 | 1,965,553 |
| Woonsocket | 463,562 | 506,063 | 969,625 | 2,569,248 |
| Subtotal | \$11,846,984 | \$19,646,690 | \$31,493,674 | \$92,656,952 |
| Statewide Reference Library Resource Grant | | | | 1,012,378 |
| Grant-In-Aid to Institutional Libraries | | | | 62,609 |
| Library Construction Reimbursement | | | | 2,821,772 |
| Motor Vehicle Excise Tax Reimbursement - Fire Districts | | | | - |
| Total | | | | \$96,553,711 |

Changes in Formula Aid - FY 2012 Revised vs. FY 2012 Enacted

| City or Town | Payment In Lieu of Tax Exempt Property | Distressed Community Relief Fund | State Library Aid | Motor Vehicle Excise Tax Reimbursement | Total Appropriated Difference |
|---|---|--|-------------------------|--|-------------------------------------|
| Barrington | - | - | - | - | - |
| Bristol | - | - | - | - | - |
| Burrillville | - | - | - | - | - |
| Central Falls | - | (1,337) | - | - | (1,337) |
| Charlestown | - | - | - | - | - |
| Coventry | - | - | - | - | - |
| Cranston | - | - | - | - | - |
| Cumberland | - | - | - | - | - |
| East Greenwich | - | - | - | - | - |
| East Providence | - | - | - | - | - |
| Exeter | - | - | - | - | - |
| Foster | - | - | - | - | - |
| Glocester | - | - | - | - | - |
| Hopkinton | - | - | - | - | - |
| Jamestown | - | - | - | - | - |
| Johnston | - | - | - | - | - |
| Lincoln | - | - | - | - | - |
| Little Compton | - | - | - | - | - |
| Middletown | - | - | - | - | - |
| Narragansett | - | - | - | - | - |
| Newport | - | - | - | - | - |
| New Shoreham | - | - | - | - | - |
| North Kingstown | - | - | - | - | - |
| North Providence | - | (3,215) | - | - | (3,215) |
| North Smithfield | - | - | - | - | - |
| Pawtucket | - | (9,472) | - | - | (9,472) |
| Portsmouth | - | - | - | - | - |
| Providence | - | 25,228 | - | - | 25,228 |
| Richmond | - | - | - | - | - |
| Scituate | - | - | - | - | - |
| Smithfield | - | - | - | - | - |
| South Kingstown | - | - | - | - | - |
| Tiverton | - | - | - | - | - |
| Warren | - | - | - | - | - |
| Warwick | - | - | - | - | - |
| Westerly | - | - | - | - | - |
| West Greenwich | - | - | - | - | - |
| West Warwick | - | (5,786) | - | - | (5,786) |
| Woonsocket | - | (5,418) | - | - | (5,418) |
| Subtotal | - | (0) | - | - | (0) |
| Statewide Reference Library Resource Grant (Providence) | | | | | - |
| Grant-In-Aid to Institutional Libraries | | | | | - |
| Library Construction Reimbursement | | | | | - |
| Motor Vehicle Excise Tax Reimbursement - Fire Districts | | | | | - |
| Total | | | | | (0) |

Changes in Pass Through Aid - FY 2012 Rev vs. FY 2012 Enacted

| City or Town | Public Service Corporation Tax | Meals and Beverage Tax | Total Pass Through State Aid Difference | Total All State Aid Difference |
|------------------|--------------------------------------|------------------------------|--|--------------------------------------|
| Barrington | - | (12,663) | (12,663) | (12,663) |
| Bristol | - | 22,731 | 22,731 | 22,731 |
| Burrillville | - | (1,325) | (1,325) | (1,325) |
| Central Falls | - | 402 | 402 | (935) |
| Charlestown | - | 7,721 | 7,721 | 7,721 |
| Coventry | - | (1,014) | (1,014) | (1,014) |
| Cranston | - | 34,223 | 34,223 | 34,223 |
| Cumberland | - | 2,282 | 2,282 | 2,282 |
| East Greenwich | - | (10,541) | (10,541) | (10,541) |
| East Providence | - | (1,014) | (1,014) | (1,014) |
| Exeter | - | (4,637) | (4,637) | (4,637) |
| Foster | - | (338) | (338) | (338) |
| Glocester | - | 3,675 | 3,675 | 3,675 |
| Hopkinton | - | 304 | 304 | 304 |
| Jamestown | - | (6,666) | (6,666) | (6,666) |
| Johnston | - | 11,499 | 11,499 | 11,499 |
| Lincoln | - | 13,812 | 13,812 | 13,812 |
| Little Compton | - | (7,593) | (7,593) | (7,593) |
| Middletown | - | 1,002 | 1,002 | 1,002 |
| Narragansett | - | (18,923) | (18,923) | (18,923) |
| Newport | - | 99,989 | 99,989 | 99,989 |
| New Shoreham | - | 7,331 | 7,331 | 7,331 |
| North Kingstown | - | 15,627 | 15,627 | 15,627 |
| North Providence | - | 23,272 | 23,272 | 20,058 |
| North Smithfield | - | (5,709) | (5,709) | (5,709) |
| Pawtucket | - | 10,018 | 10,018 | 546 |
| Portsmouth | - | (3,839) | (3,839) | (3,839) |
| Providence | - | 77,159 | 77,159 | 102,387 |
| Richmond | - | 3,328 | 3,328 | 3,328 |
| Scituate | - | 925 | 925 | 925 |
| Smithfield | - | (6,976) | (6,976) | (6,976) |
| South Kingstown | - | (4,498) | (4,498) | (4,498) |
| Tiverton | - | 3,699 | 3,699 | 3,699 |
| Warren | - | 16,830 | 16,830 | 16,830 |
| Warwick | - | 57,879 | 57,879 | 57,879 |
| Westerly | - | (20,402) | (20,402) | (20,402) |
| West Greenwich | - | (9,714) | (9,714) | (9,714) |
| West Warwick | - | 16,273 | 16,273 | 10,487 |
| Woonsocket | - | 2,329 | 2,329 | (3,089) |
| Subtotal | - | \$316,459 | \$316,459 | \$316,459 |

| | |
|---|------------------|
| Statewide Reference Library Resource Grant (Providence) | - |
| Grant-In-Aid to Institutional Libraries | - |
| Library Construction Reimbursement | - |
| Motor Vehicle Excise Tax Reimbursement - Fire Districts | - |
| Total | \$316,459 |

Fiscal Year 2013 State Aid to Cities and Towns

| City or Town | Payment In Lieu of Tax Exempt Property | Distressed Community Relief Fund | State Library Aid | Motor Vehicle Excise Tax Reimbursement Value of Exemption | FY 2013 Total Appropriated State Aid |
|---|---|--|-------------------------|--|--|
| Barrington | 38,836 | | 334,107 | 245,208 | 618,151 |
| Bristol | 673,000 | | 118,895 | 117,205 | 909,100 |
| Burrillville | 108,973 | | 125,987 | 214,709 | 449,669 |
| Central Falls | 22,991 | 289,708 | 47,079 | 84,330 | 444,107 |
| Charlestown | - | | 47,128 | 41,218 | 88,346 |
| Coventry | - | | 207,369 | 225,597 | 432,966 |
| Cranston | 4,555,409 | 1,201,480 | 524,404 | 951,625 | 7,232,918 |
| Cumberland | 96 | | 264,240 | 216,513 | 480,849 |
| East Greenwich | 164,605 | | 114,121 | 123,478 | 402,204 |
| East Providence | 163,199 | | 416,425 | 445,084 | 1,024,708 |
| Exeter | - | | 40,082 | 82,437 | 122,519 |
| Foster | 435 | | 29,625 | 69,333 | 99,393 |
| Glocester | - | | 69,879 | 94,919 | 164,798 |
| Hopkinton | - | | 29,999 | 65,621 | 95,620 |
| Jamestown | - | | 79,139 | 36,685 | 115,824 |
| Johnston | - | | 111,963 | 382,377 | 494,340 |
| Lincoln | - | | 189,340 | 236,662 | 426,002 |
| Little Compton | - | | 28,078 | 23,548 | 51,626 |
| Middletown | - | | 128,935 | 89,262 | 218,197 |
| Narragansett | - | | 121,555 | 95,791 | 217,346 |
| Newport | 905,571 | | 374,002 | 138,612 | 1,418,185 |
| New Shoreham | - | | 73,011 | 8,132 | 81,143 |
| North Kingstown | 1,859 | | 257,842 | 228,200 | 487,901 |
| North Providence | 528,770 | 1,025,738 | 164,384 | 350,127 | 2,069,019 |
| North Smithfield | - | | 62,569 | 173,847 | 236,416 |
| Pawtucket | 398,753 | 1,416,751 | 369,002 | 664,782 | 2,849,288 |
| Portsmouth | - | | 102,367 | 109,483 | 211,850 |
| Providence | 23,460,727 | 4,804,334 | 1,217,603 | 1,617,922 | 31,100,586 |
| Richmond | - | | 24,829 | 60,200 | 85,029 |
| Scituate | - | | 94,008 | 127,207 | 221,215 |
| Smithfield | 497,162 | | 265,315 | 281,936 | 1,044,413 |
| South Kingstown | 151,272 | | 196,594 | 172,163 | 520,029 |
| Tiverton | - | | 91,928 | 108,700 | 200,628 |
| Warren | - | | 51,832 | 82,773 | 134,605 |
| Warwick | 1,150,596 | | 662,952 | 1,156,532 | 2,970,080 |
| Westerly | 118,406 | | 270,491 | 230,697 | 619,594 |
| West Greenwich | - | | 26,290 | 49,532 | 75,822 |
| West Warwick | - | 817,916 | 171,858 | 223,933 | 1,213,707 |
| Woonsocket | 139,749 | 828,531 | 193,184 | 373,623 | 1,535,087 |
| Subtotal | \$33,080,409 | \$10,384,458 | \$7,698,411 | \$10,000,000 | \$61,163,278 |
| Statewide Reference Library Resource Grant | | | | | 1,012,378 |
| Grant-In-Aid to Institutional Libraries | | | | | 62,609 |
| Library Construction Reimbursement | | | | | 2,471,714 |
| Motor Vehicle Excise Tax Reimbursement - Fire Districts | | | | | - |
| Total | | | | | \$64,709,979 |

Fiscal Year 2013 Pass Through Aid to Cities & Towns

| City or Town | Public Service Corporation Tax | Meals and Beverage Tax | FY 2013 Total Shared Taxes State Aid | FY 2013 Total Shared & Appropriated Aid |
|---|--------------------------------------|------------------------------|--|---|
| Barrington | 183,574 | 127,367 | 310,941 | 929,092 |
| Bristol | 258,355 | 336,726 | 595,081 | 1,504,181 |
| Burrillville | 179,579 | 177,509 | 357,088 | 806,757 |
| Central Falls | 218,083 | 91,626 | 309,709 | 753,816 |
| Charlestown | 88,095 | 108,283 | 196,378 | 284,724 |
| Coventry | 394,094 | 343,737 | 737,831 | 1,170,797 |
| Cranston | 904,782 | 1,402,310 | 2,307,092 | 9,540,010 |
| Cumberland | 377,121 | 364,720 | 741,841 | 1,222,690 |
| East Greenwich | 147,963 | 432,204 | 580,167 | 982,371 |
| East Providence | 529,417 | 753,137 | 1,282,554 | 2,307,262 |
| Exeter | 72,315 | 68,873 | 141,188 | 263,707 |
| Foster | 51,842 | 17,633 | 69,475 | 168,868 |
| Glocester | 109,694 | 59,608 | 169,302 | 334,100 |
| Hopkinton | 92,159 | 45,574 | 137,733 | 233,353 |
| Jamestown | 60,835 | 76,399 | 137,234 | 253,058 |
| Johnston | 323,804 | 455,520 | 779,324 | 1,273,664 |
| Lincoln | 237,544 | 644,796 | 882,340 | 1,308,342 |
| Little Compton | 39,304 | 33,228 | 72,532 | 124,158 |
| Middletown | 181,774 | 581,678 | 763,452 | 981,649 |
| Narragansett | 178,600 | 457,440 | 636,040 | 853,386 |
| Newport | 277,691 | 1,681,125 | 1,958,816 | 3,377,001 |
| New Shoreham | 11,829 | 241,187 | 253,016 | 334,159 |
| North Kingstown | 298,109 | 449,672 | 747,781 | 1,235,682 |
| North Providence | 361,048 | 380,059 | 741,107 | 2,810,126 |
| North Smithfield | 134,692 | 160,179 | 294,871 | 531,287 |
| Pawtucket | 800,794 | 665,234 | 1,466,028 | 4,315,316 |
| Portsmouth | 195,719 | 168,480 | 364,199 | 576,049 |
| Providence | 2,003,921 | 4,177,048 | 6,180,969 | 37,281,555 |
| Richmond | 86,756 | 109,559 | 196,315 | 281,344 |
| Scituate | 116,256 | 55,210 | 171,466 | 392,681 |
| Smithfield | 241,202 | 524,188 | 765,390 | 1,809,803 |
| South Kingstown | 344,852 | 550,613 | 895,465 | 1,415,494 |
| Tiverton | 177,609 | 160,927 | 338,536 | 539,164 |
| Warren | 119,430 | 226,453 | 345,883 | 480,488 |
| Warwick | 930,500 | 2,284,195 | 3,214,695 | 6,184,775 |
| Westerly | 256,475 | 593,472 | 849,947 | 1,469,541 |
| West Greenwich | 69,051 | 89,356 | 158,407 | 234,229 |
| West Warwick | 328,554 | 350,411 | 678,965 | 1,892,672 |
| Woonsocket | 463,562 | 514,130 | 977,692 | 2,512,779 |
| Subtotal | \$11,846,984 | \$19,959,866 | \$31,806,850 | \$92,970,128 |
| Statewide Reference Library Resource Grant (Providence) | | | | 1,012,378 |
| Grant-In-Aid to Institutional Libraries | | | | 62,609 |
| Library Construction Reimbursement | | | | 2,471,714 |
| Motor Vehicle Excise Tax Reimbursement - Fire Districts | | | | - |
| Total | | | | \$96,516,829 |

Changes in Formula Aid - FY 2013 vs. FY 2012 Revised

| City or Town | Payment In Lieu of Tax Exempt Property | Distressed Community Relief Fund | State Library Aid | Motor Vehicle Excise Tax Reimbursement Value of Exemption | Total Appropriated Difference |
|---|---|--|-------------------------|--|-------------------------------------|
| Barrington | (15,414) | - | 1,485 | - | (13,929) |
| Bristol | (42,338) | - | (360) | - | (42,698) |
| Burrillville | (6,297) | (243,867) | 1,939 | - | (248,225) |
| Central Falls | (904) | (2,464) | (15,222) | - | (18,590) |
| Charlestown | - | - | (217) | - | (217) |
| Coventry | - | - | 4,220 | - | 4,220 |
| Cranston | (251,647) | 1,201,480 | (6,115) | - | 943,718 |
| Cumberland | (28) | - | (1,969) | - | (1,997) |
| East Greenwich | 155,881 | - | 2,722 | - | 158,603 |
| East Providence | 9,794 | (757,468) | 20,621 | - | (727,053) |
| Exeter | - | - | (310) | - | (310) |
| Foster | (40) | - | (1,800) | - | (1,840) |
| Glocester | - | - | (299) | - | (299) |
| Hopkinton | - | - | 487 | - | 487 |
| Jamestown | - | - | 1,521 | - | 1,521 |
| Johnston | - | - | 1,592 | - | 1,592 |
| Lincoln | - | - | 2,732 | - | 2,732 |
| Little Compton | - | - | (217) | - | (217) |
| Middletown | - | - | 2,409 | - | 2,409 |
| Narragansett | - | - | (2,257) | - | (2,257) |
| Newport | (27,409) | - | (3,000) | - | (30,409) |
| New Shoreham | - | - | (565) | - | (565) |
| North Kingstown | (122) | - | 29 | - | (93) |
| North Providence | 23,346 | 404,911 | 1,376 | - | 429,633 |
| North Smithfield | - | - | (484) | - | (484) |
| Pawtucket | (36,515) | (108,049) | 3,687 | - | (140,877) |
| Portsmouth | - | - | (198) | - | (198) |
| Providence | 350,912 | (364,801) | (44,802) | - | (58,691) |
| Richmond | - | - | 2,067 | - | 2,067 |
| Scituate | - | - | (727) | - | (727) |
| Smithfield | (36,075) | - | (1,816) | - | (37,891) |
| South Kingstown | (9,360) | - | (6,450) | - | (15,810) |
| Tiverton | - | - | 15,529 | - | 15,529 |
| Warren | - | - | (451) | - | (451) |
| Warwick | (90,672) | - | 24,242 | - | (66,430) |
| Westerly | (10,314) | - | 1,181 | - | (9,133) |
| West Greenwich | - | - | (203) | - | (203) |
| West Warwick | - | (76,489) | (1,890) | - | (78,379) |
| Woonsocket | (12,798) | (53,251) | 1,513 | - | (64,536) |
| Subtotal | \$ - | \$ 0 | \$ - | \$ - | 0 |
| | | | | | |
| Statewide Reference Library Resource Grant | | | | | - |
| Grant-In-Aid to Institutional Libraries | | | | | - |
| Library Construction Reimbursement | | | | | (350,058) |
| Motor Vehicle Excise Tax Reimbursement - Fire Districts | | | | | - |
| Total | | | | | (350,058) |

Changes in Pass Through and All Aid - FY 2013 vs. FY 2012 Re

| City or Town | Public Service Corporation Tax | Meals and Beverage Tax | Total Pass Through State Aid Difference | Total All State Aid Difference |
|---|--------------------------------------|------------------------------|--|--------------------------------------|
| Barrington | - | 1,998 | 1,998 | (11,931) |
| Bristol | - | 5,283 | 5,283 | (37,415) |
| Burrillville | - | 2,785 | 2,785 | (245,440) |
| Central Falls | - | 1,438 | 1,438 | (17,152) |
| Charlestown | - | 1,699 | 1,699 | 1,482 |
| Coventry | - | 5,393 | 5,393 | 9,613 |
| Cranston | - | 22,003 | 22,003 | 965,721 |
| Cumberland | - | 5,722 | 5,722 | 3,725 |
| East Greenwich | - | 6,781 | 6,781 | 165,384 |
| East Providence | - | 11,817 | 11,817 | (715,236) |
| Exeter | - | 1,081 | 1,081 | 771 |
| Foster | - | 277 | 277 | (1,563) |
| Glocester | - | 935 | 935 | 636 |
| Hopkinton | - | 715 | 715 | 1,202 |
| Jamestown | - | 1,199 | 1,199 | 2,720 |
| Johnston | - | 7,147 | 7,147 | 8,739 |
| Lincoln | - | 10,117 | 10,117 | 12,849 |
| Little Compton | - | 521 | 521 | 304 |
| Middletown | - | 9,126 | 9,126 | 11,535 |
| Narragansett | - | 7,178 | 7,178 | 4,921 |
| Newport | - | 26,378 | 26,378 | (4,031) |
| New Shoreham | - | 3,785 | 3,785 | 3,220 |
| North Kingstown | - | 7,055 | 7,055 | 6,962 |
| North Providence | - | 5,963 | 5,963 | 435,596 |
| North Smithfield | - | 2,513 | 2,513 | 2,029 |
| Pawtucket | - | 10,438 | 10,438 | (130,439) |
| Portsmouth | - | 2,644 | 2,644 | 2,446 |
| Providence | - | 65,539 | 65,539 | 6,848 |
| Richmond | - | 1,719 | 1,719 | 3,786 |
| Scituate | - | 866 | 866 | 139 |
| Smithfield | - | 8,225 | 8,225 | (29,666) |
| South Kingstown | - | 8,639 | 8,639 | (7,171) |
| Tiverton | - | 2,525 | 2,525 | 18,054 |
| Warren | - | 3,554 | 3,554 | 3,103 |
| Warwick | - | 35,839 | 35,839 | (30,591) |
| Westerly | - | 9,312 | 9,312 | 179 |
| West Greenwich | - | 1,402 | 1,402 | 1,199 |
| West Warwick | - | 5,498 | 5,498 | (72,881) |
| Woonsocket | - | 8,067 | 8,067 | (56,469) |
| Subtotal | - | 313,176 | \$313,176 | \$313,176 |
| Statewide Reference Library Resource Grant | | | | - |
| Grant-In-Aid to Institutional Libraries | | | | - |
| Library Construction Reimbursement | | | | (350,058) |
| Motor Vehicle Excise Tax Reimbursement - Fire Districts | | | | - |
| Total | | | | (\$36,882) |

Education Aid to Local Governments

Education Aid to Local Governments totals \$913.3 million in FY 2013, a \$67.6 million increase in total state funding relative to the FY 2012 revised budget, an 8.0 percent increase. Total Education Aid is defined to include local public schools, the School for the Deaf, Davies Career and Technical School, the Charter Schools, the Central Falls School District and the Metropolitan Career and Technical School, as well as support for the state share of teacher retirement and school Housing Aid.

Fiscal year 2013 represents year two of the education aid funding formula. As of July 1, 2011, education aid to all districts, charter schools and state schools (Davies and the Met) will be formula based. The School for the Deaf is a special education program and the funding method will not change since it already has a state, federal and local share. Based on the principle that the money follows the student, the formula was developed with the following guiding principles: (1) Build a strong foundation for all children; (2) improve equity among districts and schools; (3) be transparent; and (4) be financially responsible.

The funding formula has been designed to distribute aid based on three key components:

- Core Instructional Amount – (\$8,679 per student in FY 2013) Derived from a regional average of the National Center for Education Statistics (NCES) expenditure data, the core instructional amount is based on cost studies from states that have been deemed by education researchers to be best practice financial models or states. In order to be informed, objective, and geographically sensitive, the formula uses a New England average cost to provide a balanced perspective on what Rhode Island should be spending to provide a high quality of education. The core instruction amount accounts for costs that have the greatest impact on a child's ability to learn, including instruction, instructional support, and leadership costs.
- Student Success Factor – (\$3,472 per student in FY 2013) Provides additional funding to support student needs beyond the core services listed above with the ultimate goal of closing student achievement gaps. Within the formula, each student is entitled to a 40% student success factor which is applied to the core instructional amount. This factor is also applied to PK-12 students who are eligible for free and reduced price lunch.
- State Share Ratio – After the core components have been determined, a state share ratio formula is applied to address two key questions: How to account for differences in the revenue-generation capacity of communities and how to allocate funding to communities based on the supports that students need. The state share ratio is dependent on district property values weighted for median family income and students eligible for free and reduced price lunch.

Data plays a crucial role in how education aid is distributed to districts, charter schools, Davies, and the Met. The funding formula will incorporate annual data updates including student counts, the core instruction per pupil, and the most recently assessed community property values and median family income data in order to ensure aid distribution uses the best available data. The formula establishes a platform for creating horizontal equity. It attempts to get a like amount of funding to children who have similar characteristics regardless of where they sit, which in turn gradually rebalances education funding to provide all districts a common level of purchasing power.

In addition, specific categorical funds for certain high-cost items were established outside the formula distribution: High cost special education, career and technical education, early childhood education, transportation for non-public and regional districts, as well as regional district bonuses. A Central Falls Stabilization Fund has also been created to assure that

Education Aid to Local Governments

appropriate funding is available to support the district, due to concerns regarding local capacity. According to law, state stabilization funds are only paid upon transfer of a matching amount to the school district by the city. If Central Falls is unable to pay its share, the State will not provide funding under the stabilization fund.

Lastly, funding allocations will be phased in over ten years based on a transition model where overfunded districts shall have a level decrease period, while underfunded districts will have a quicker transition. In FY 2013, the second year of the formula implementation, the transition periods will be nine years for overfunded districts and six years for underfunded districts.

The following sections summarize changes to the various aid categories that comprise total FY 2013 Education Aid.

Distributed Aid

Beginning in FY 2012, distributed aid will now reflect aid to both districts and charter schools as a result of the education aid funding formula. Please note that in prior years, charter schools have been displayed within the non-distributed aid category of the education aid tables following this section. In FY 2013, total distributed education aid increases \$63.7 million from the revised FY 2012 budget. The Governor's budget fully funds year two of the education aid funding formula in FY 2013, while also reducing the overall total amount remaining to be transitioned for underfunded districts. Formula Aid to districts and charter schools increases by \$64.1 million from the revised FY 2012 budget. A reduction of \$420,000 in Group Home aid is made to reflect updated group home bed census figures.

In September 2010, the State of Rhode Island received \$32.9 million in funding from a federal grant called the Education Jobs Fund. Of this total, 98%, or \$32.3 million was distributed by formula to school districts, charter schools, and state schools. In September 2011, Rhode Island received notice that the federal government was awarding the state an additional \$486,517 under the same Education Jobs Fund program. Similar to the original distribution, 98% of these funds will be distributed by formula to Local Education Agencies (LEAs), with 2% remaining with the state to pay for the administrative costs of administering the program. The additional funds were made available to LEAs on November 1, 2011 with LEAs having up until September 30, 2012 to spend the funds, similar to the original funding distribution and federal guidelines. This additional Education Jobs Fund money will be used to offset any general revenue reductions that occur in FY 2013. Unlike the previous guidelines for State Fiscal Stabilization funding, where the State could dictate when LEAs drew down federal money, terms for this federal fund allow districts to withdraw funds at anytime up until September 30, 2012.

State Schools

The State Schools- Davies Career and Technical School, Metropolitan Career and Technical School, and the Rhode Island School for the Deaf are collectively financed at \$31.2 million in general revenue, which constitutes a \$316,141 increase from the revised FY 2012 budget. Please note that Davies and the Met will also fall under year two of the funding formula.

Non-Distributed Aid

Non-distributed aid in FY 2013 increases \$4.7 million from the revised FY 2012 budget. The FY 2013 budget includes \$7.5 million to finance five education aid categorical funds, all of which were included in the funding formula legislation passed in 2010. These categorical funds will not be distributed according to the formula, but instead according to their own individual set of rules. The Governor recommends \$3.0 million to be used for the career and technical education fund which will support the initial investment requirements to transform existing or create new career and

Education Aid to Local Governments

technical programs and offset the higher than average costs of maintaining the highly specialized programs. An increase of \$1.1 million from the FY 2012 revised budget for a total of \$2.2 million is recommended for year two of the transportation fund, designed to reimburse districts for the excess costs associated with transporting non-public, non-special education students to out-of-district non-public schools and public school students within regional districts. Only those districts participating in the statewide system are eligible for non-public transportation funding. The Governor recommends \$1.5 million for early childhood programs to increase access to voluntary, free, high-quality pre-kindergarten programs. The Pre-K expansion in Rhode Island will start with seventeen communities with selected concentrations of children from low-income families. This began as a pilot program in FY 2010 and continued in FY 2011; however, funding was eliminated in the FY 2012 enacted budget. The FY 2013 budget restores funding for these early childhood programs. \$500,000 is recommended for a high cost special education fund which will reimburse districts for special education costs exceeding five times the total foundation per pupil (\$60,753 in FY 2013), including but not limited to instructional and related services provided to a child as defined in his/her Individual Education Plan (IEP), transportation costs, tuition costs, assistive technology costs, and other associated costs. Lastly, the Governor provides \$413,170 for the second year of the regional bonus. In FY 2013, the regional bonus decreases from 2.0% to 1.0% of the state's share of the foundation aid for regionalization districts as calculated per the formula and in accordance with the statutory provisions.

Offsetting some of these increases in education aid including a substantial investment in non-public transportation is the elimination of state aid that supplements the non-public textbook fund. The non-public textbook reimbursement fund provides a small fraction of the cost to purchase certain types of textbooks provided to non-public school students as the districts generally provide the majority of funding for these books. This reduction in state aid would have no impact on students who attend non-public schools, for the laws requiring the districts to loan the textbooks to students remain unchanged. Also, the FY 2013 budget eliminates state aid towards a school breakfast program. Currently the United States Department of Agriculture reimburses schools for breakfasts served to students each and every morning. This federal aid will not be affected by eliminating the state's funding.

General revenue funding for the Rhode Island Telecommunications Access fund is also eliminated in FY 2013, to be replaced with a broadening of the fee charged only off land-lines to include wireless lines as well. An estimated \$2.0 million in revenue will be gained from this surcharge and will be used to both leverage additional federal funds as well as provide a continuous source of funding for internet access lines for all K-12 public schools and libraries around the state.

Other Aid

The FY 2013 Budget also includes a decrease in other aid of \$1.1 million; a \$4.8 million increase for school housing aid reimbursements is offset by a \$5.9 million decrease in state contributions for teachers' retirement.

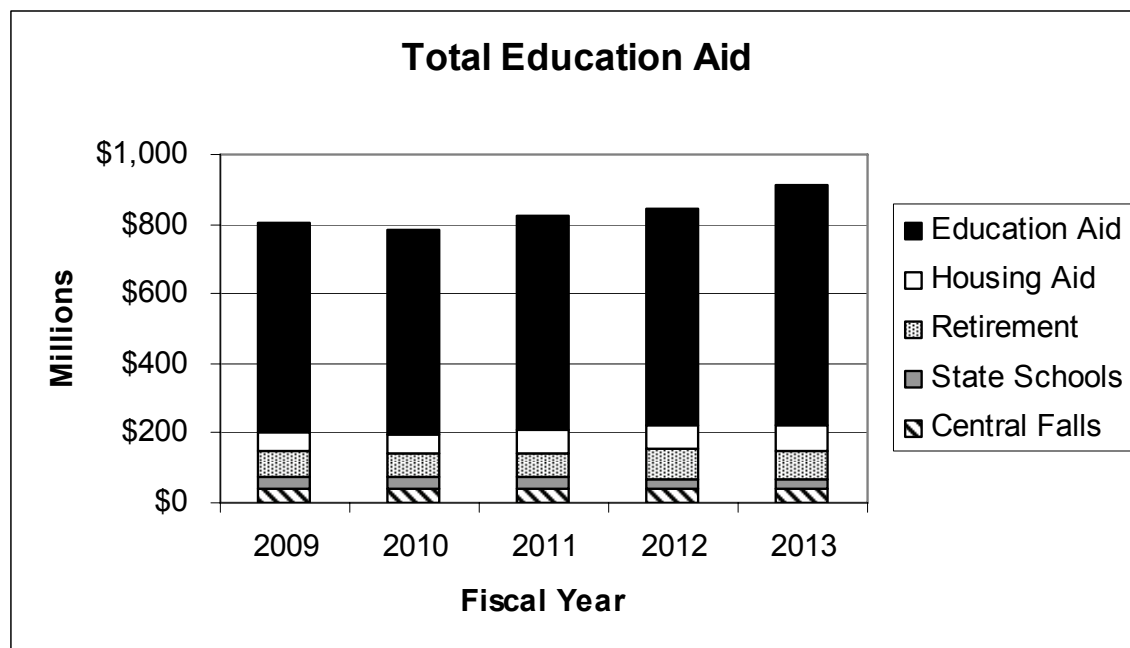
FY 2013 Education Aid Increases (Decreases) From the Revised FY 2012 Budget

- Formula Aid: \$63,884,371
- Group Home Funding: (\$420,000)
- Central Falls School District: \$251,502
- Textbook Expansion: (\$265,698)
- School Breakfast (\$270,000)

Education Aid to Local Governments

- Telecommunications Access: (\$350,000)
- Early Childhood Demonstration: \$1,450,000
- Transportation Categorical: \$1,087,840
- High Cost Special Ed Categorical: \$500,000
- Career and Tech Categorical: \$3,000,000
- Regionalization Bonus: (\$438,071)
- Metropolitan Career and Technical School: (\$40,864)
- School for the Deaf: \$372,764
- Davies Career and Technical School: (\$15,759)
- Teachers' Retirement: (\$5,893,513)
- School Housing Aid: \$4,792,896

The following graph displays total school aid from FY 2009 to FY 2013. The "Education Aid" component is comprised of all aid categories under the standard Education Aid program. For FY 2012 and on, this includes such items as the Funding Formula Distribution and Group Home Aid. FY 2011 and prior include but are not limited to, General Aid, Targeted Aid, Charter School Aid, and the Student Investment Initiatives. Other components of total aid include: State Contributions for Teachers' Retirement; School Housing Aid; Central Falls School District; and State Schools (Davies, Deaf, and the Metropolitan School).



Housing Aid

The School Housing Aid Program reimburses a community for eligible construction expenditures beginning in the fiscal year after the project is completed. The reimbursement rate is based on the cost of the project over the life of the bonds issued for the project. The Commissioner and the Board of Regents review each local community's request for reimbursement through the program. Pursuant to recent legislation, the Department of Education and the Board of Regents promulgated new regulations governing both this process as well as the oversight of all projects eligible for School Housing Aid.

Education Aid to Local Governments

It should be noted that although the reimbursement reference for completed projects is one year, there is a two-year reference for formula factors. For example, FY 2010 allocations were based on 2008 wealth and enrollment levels. The housing aid share ratio calculation is based on a district's income adjusted per-pupil property wealth compared to aggregate state per-pupil property wealth. The average state housing aid share ratio is thirty-eight percent, adjusted to ensure a minimum of thirty percent in each community. Under current law, beginning FY 2012, the minimum reimbursement to each community shall increase by five percent each year until a forty percent minimum share ratio has been achieved. A four percent bonus is awarded when a minimum of seventy-five percent of a project's cost is for energy conservation, asbestos removal, or handicapped access. Regional districts receive a two percent bonus for each regionalized grade for new construction projects, and an additional four percent bonus for renovation projects.

Reimbursement is based on total expended project cost, plus related bond interest cost, not on the amount of the original bond issuance. For example, if a community issued \$6.5 million for ten years for a capital improvement to a school, but only spent \$6.0 million, the department would reimburse the community for the State's appropriate share of the \$6.0 million spent on the completed project, plus the bond interest payments over a ten year period. This statute was amended to include the use of lease revenue bonds, financial leases, capital reserve funding, and similar financial instruments to finance school construction. Communities used this amendment to receive project reimbursements commencing in FY 1999. The FY 2004 Appropriation Act amended the housing aid statute to require that all future school construction debt be issued through the Rhode Island Health and Education Building Corporation.

In June 2011, the General Assembly enacted a moratorium on new school construction project approvals (except for health and safety projects) and a sunset provision for projects approved before the current school construction regulations went into effect. The Governor recommends amending RIGL 16-7-39, which sets the minimum state share ratio, by lowering the minimum share from 40% to 35% in FY 2013 and beyond.

The revised FY 2012 and FY 2013 budget propose general revenue expenditures of \$69.8 million and \$74.6 million, respectively, for the School Housing Aid program.

Teachers' Retirement

RIGL 16-16-22 requires the State to make contributions to the teacher retirement system in Rhode Island. The State shall contribute a percentage of the employer's share, with the school districts contributing the balance. The State's share has varied over the years based upon the total actuarially determined rate of payroll, but since FY 1993 it has been fixed at 40 percent, with the municipalities contributing 60 percent. Each district receives the same percentage, regardless of district wealth.

The State deferred the State's contributions to Teachers' Retirement in both FY 1991 and FY 1992. Most municipalities also deferred the local portion of teacher retirement contributions for this period. The state deferrals, valued at \$22.4 million in FY 1991 and \$22.2 million in FY 1992, will be financed over twenty years, as will the local deferral. The annual calculation applied to the state contribution to Teachers' Retirement includes an adjustment to accommodate the deferral liability.

Furthermore, the municipalities of Burrillville, East Greenwich, Little Compton, New Shoreham and North Smithfield did not participate in the 1990 early retirement window for teachers and therefore

Education Aid to Local Governments

contribute a slightly smaller percentage of teachers' salaries than the ones listed in the tables below.

Contribution Rates for Teachers' Retirement Fund

- Defined Benefit Retirement Plan

| | | <u>Employer Share</u> | | | |
|------|---|-------------------------|-------------------------|----------------------|--------------------------|
| | <u>Actuarial Contribution Rate of Payroll</u> | <u>Local (60%)*</u> | <u>State (40%)*</u> | <u>Sub Total</u> | <u>Teacher Share</u> |
| 1999 | 21.02% | 6.62% | 4.90% | 11.52% | 9.5% |
| 2000 | 24.14% | 8.43% | 6.21% | 14.64% | 9.5% |
| 2001 | 21.51% | 6.86% | 5.15% | 12.01% | 9.5% |
| 2002 | 19.45% | 5.73% | 4.22% | 9.95% | 9.5% |
| 2003 | 21.47% | 6.93% | 5.04% | 11.97% | 9.5% |
| 2004 | 23.22% | 7.99% | 5.73% | 13.72% | 9.5% |
| 2005 | 24.34% | 8.72% | 6.12% | 14.84% | 9.5% |
| 2006 | 25.97% | 9.72% | 6.75% | 16.47% | 9.5% |
| 2007 | 29.14% | 11.62% | 8.02% | 19.64% | 9.5% |
| 2008 | 31.51% | 13.04% | 8.97% | 22.01% | 9.5% |
| 2009 | 29.57% | 11.89% | 8.18% | 20.07% | 9.5% |
| 2010 | 29.57% | 11.89% | 8.18% | 20.07% | 9.5% |
| 2011 | 28.51% | 11.25% | 7.76% | 19.01% | 9.5% |
| 2012 | 31.82% | 13.23% | 9.09% | 22.32% | 9.5% |
| 2013 | 23.04% | 11.41% | 7.88% | 19.29% | 3.75% |

* Adjusted for deferral liability

- Defined Contribution Retirement Plan

| | | <u>Employer Share</u> | | | |
|--|--|------------------------|------------------------|----------------------|--------------------------|
| | <u>Required Contribution Rate of Payroll</u> | <u>Local (60%)</u> | <u>State (40%)</u> | <u>Sub total</u> | <u>Teacher Share</u> |
| 2013 | 6.0% | 0.6% | 0.4% | 1.0% | 5.0% |
| 2013 (non-Social Security- eligible position) | 10.0% | 2.6% | 0.4% | 3.0% | 7.0% |

The following table displays the state contributions to Teacher Retirement since FY 1999. The State Retirement Board uses the districts' retirement contribution data to calculate the state obligation each month, and contributions are accrued to the appropriate fiscal period.

State Contributions for Teacher Retirement

| <u>Fiscal Year</u> | <u>State Share</u> |
|--------------------|--------------------|
| 1999 Actual | \$30,202,943 |
| 2000 Actual | \$40,719,407 |
| 2001 Actual | \$35,365,234 |
| 2002 Actual | \$30,652,207 |
| 2003 Actual | \$38,242,690 |
| 2004 Actual | \$45,039,269 |
| 2005 Actual | \$48,503,125 |
| 2006 Actual | \$54,537,733 |

Education Aid to Local Governments

| | |
|------------------|--------------|
| 2007 Actual | \$70,286,753 |
| 2008 Actual | \$83,028,510 |
| 2009 Actual | \$73,592,722 |
| 2010 Actual | \$68,550,306 |
| 2011 Actual | \$70,286,261 |
| 2012 Revised | \$84,113,207 |
| 2013 Recommended | \$78,219,694 |

The FY 2013 recommend reflects statewide pension changes achieved through the Rhode Island Retirement Security Act of 2011. This legislation made significant changes to benefits received by current retirees and those to be received by teachers. As a result, the “employer” contribution rate changed from 35.25% to 19.29%.

Explanation of Tables- by Category and LEA

The following two tables display education aid first by category, and then by apportionment among the state’s local and regional education agencies (LEAs). “Distributed LEA Aid” consists of the various categories of aid that are directly distributed to school districts on a regular (usually monthly) basis, such as General Aid in FY 2011 and Formula Aid in FY 2012 and FY 2013, Targeted Aid, and funds for Student Equity. For completeness, financing of the Central Falls School District (plus an allocation for indirect Charter School Aid on the LEA table only up until FY 2011) is also displayed in this section. “State Schools” include the Metropolitan School, Davies, and School for the Deaf. “Non-Distributed Aid” includes several categories of aid that are either utilized at the departmental level or are not distributed regularly to school districts. “Other Aid” consists of allocations for School Housing Aid and state contributions to the Teachers’ Retirement Fund. For the purposes of these tables, direct aid to charter schools is categorized as non-distributed, up until FY 2011. Starting FY 2012 and beyond, direct aid to charter schools is categorized as distributed aid as a result of the funding formula.

Education Aid to Local Units of Government

| | FY 2009 Actual | FY 2010 Actual | FY 2011 Unaudited | FY 2012 Revised | FY 2013 Recommend |
|----------------------------|-------------------|-------------------|----------------------|--------------------|----------------------|
| Distributed LEA Aid | | | | | |
| Barrington | \$ 1,593,304 | \$ 1,629,678 | \$ 1,712,863 | \$ 2,282,481 | \$ 3,344,207 |
| Burrillville | 12,585,902 | 12,220,612 | 12,736,916 | 12,406,291 | 12,994,485 |
| Charlestown | 1,719,966 | 1,590,767 | 1,661,061 | 1,604,513 | 1,671,305 |
| Coventry | 17,533,300 | 16,912,980 | 17,646,066 | 17,841,361 | 19,702,293 |
| Cranston | 30,795,673 | 29,622,695 | 30,913,084 | 32,511,574 | 38,810,741 |
| Cumberland | 11,420,258 | 11,066,294 | 11,548,713 | 12,101,575 | 13,788,120 |
| East Greenwich | 1,161,275 | 1,321,451 | 1,280,422 | 1,442,707 | 1,928,774 |
| East Providence | 24,035,893 | 23,047,872 | 23,918,627 | 24,248,207 | 26,775,214 |
| Foster | 1,255,877 | 1,208,609 | 1,260,670 | 1,181,984 | 1,200,896 |
| Glocester | 2,869,463 | 2,754,277 | 2,872,692 | 2,725,127 | 2,781,494 |
| Hopkinton | 5,508,449 | 5,323,835 | 5,553,441 | 5,374,182 | 5,548,323 |
| Jamestown | 346,587 | 356,229 | 373,817 | 351,708 | 358,264 |
| Johnston | 9,303,192 | 8,971,463 | 9,362,199 | 9,617,586 | 10,875,308 |
| Lincoln | 6,074,101 | 5,884,774 | 6,147,563 | 6,710,317 | 8,231,951 |
| Little Compton | 247,714 | 267,222 | 279,764 | 300,714 | 340,404 |
| Middletown | 9,285,331 | 8,937,990 | 9,323,001 | 8,969,558 | 9,286,789 |
| Narragansett | 1,319,879 | 1,314,267 | 1,377,507 | 1,423,886 | 1,670,018 |
| Newport | 10,591,134 | 10,104,222 | 10,540,392 | 10,205,734 | 10,600,145 |
| New Shoreham | 36,668 | 50,323 | 53,292 | 59,350 | 72,329 |
| North Kingstown | 10,248,855 | 9,922,498 | 10,356,579 | 10,188,036 | 10,802,852 |
| North Providence | 11,712,879 | 11,311,934 | 11,800,998 | 12,160,857 | 13,936,915 |
| North Smithfield | 4,104,570 | 4,055,880 | 4,231,887 | 4,421,796 | 5,108,314 |
| Pawtucket | 61,245,410 | 58,731,451 | 61,226,793 | 61,722,490 | 68,519,984 |
| Portsmouth | 5,666,900 | 5,571,674 | 5,828,378 | 5,488,899 | 5,382,636 |
| Providence | 175,986,257 | 168,378,346 | 175,422,096 | 177,121,395 | 196,948,277 |
| Richmond | 5,466,053 | 5,300,144 | 5,528,422 | 5,298,508 | 5,414,664 |
| Scituate | 2,800,441 | 2,712,604 | 2,833,854 | 3,017,177 | 3,558,575 |
| Smithfield | 4,766,755 | 4,635,136 | 4,765,663 | 4,734,817 | 4,957,217 |
| South Kingstown | 8,857,916 | 8,575,177 | 8,953,748 | 8,395,479 | 8,478,752 |
| Tiverton | 5,083,992 | 4,923,363 | 5,138,483 | 5,088,118 | 5,682,400 |
| Warwick | 32,427,446 | 31,261,607 | 32,626,231 | 32,262,907 | 34,556,005 |
| Westerly | 5,468,551 | 5,319,551 | 5,560,097 | 5,721,060 | 6,536,425 |
| West Warwick | 18,356,525 | 17,635,159 | 18,390,194 | 18,267,435 | 19,784,418 |
| Woonsocket | 43,506,928 | 41,636,569 | 43,284,016 | 42,973,256 | 46,720,789 |
| Bristol/Warren | 18,438,436 | 17,675,687 | 18,431,734 | 17,223,772 | 17,311,653 |
| Exeter/W Greenwich | 6,609,853 | 6,378,147 | 6,534,833 | 6,208,981 | 6,340,874 |
| Chariho District | 369,090 | 359,704 | 374,769 | 273,805 | 305,512 |
| Foster/Glocester | 5,053,390 | 4,878,574 | 5,089,030 | 4,917,949 | 5,115,094 |
| Central Falls | 40,883,924 | 40,233,714 | 39,893,956 | 39,161,820 | 39,413,322 |
| LEA Subtotal | \$ 614,738,137 | \$ 592,082,479 | \$ 614,833,851 | \$ 616,007,412 | \$ 674,855,738 |

Education Aid to Local Units of Government

| | FY 2009 Actual | FY 2010 Actual | FY 2011 Unaudited | FY 2012 Revised | FY 2013 Recommend |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Distributed Charter School Aid | | | | | |
| Beacon Charter School | \$ - | \$ - | \$ - | \$ 1,636,387 | \$ 1,694,902 |
| Blackstone Academy | - | - | - | 1,481,057 | 1,566,758 |
| Compass School | - | - | - | 579,438 | 580,372 |
| Greene School | - | - | - | 640,513 | 825,758 |
| Highlander | - | - | - | 2,591,368 | 2,738,290 |
| International Charter School | - | - | - | 2,762,161 | 2,874,178 |
| Kingston Hill Academy | - | - | - | 692,088 | 687,796 |
| Learning Community | - | - | - | 5,724,503 | 5,922,924 |
| New England Laborers | - | - | - | 1,648,397 | 1,616,987 |
| Nurses Institute | - | - | - | 1,130,376 | 1,771,215 |
| Paul Cuffee Charter School | - | - | - | 6,526,131 | 7,444,006 |
| RIMA Blackstone Valley | - | - | - | 3,957,168 | 6,138,917 |
| Segue Institute for Learning | - | - | - | 2,482,437 | 2,570,134 |
| Textron | - | - | - | 2,323,795 | 2,317,949 |
| Times 2 Academy | - | - | - | 7,111,479 | 7,039,888 |
| Trinity Academy | - | - | - | 707,819 | 1,072,590 |
| Charter School Subtotal | \$ - | \$ - | \$ - | \$ 41,995,117 | \$ 46,862,664 |
| Distributed LEA Subtotal | \$ 614,738,137 | \$ 592,082,479 | \$ 614,833,851 | \$ 658,002,529 | \$ 721,718,402 |
| Non-Distributed Aid | | | | | |
| On-Site Visits | \$ 115,611 | \$ 125,022 | \$ - | \$ - | \$ - |
| Textbook Expansion | 316,676 | 233,861 | 241,490 | 265,698 | - |
| Hasbro Children's Hospital | 100,000 | - | - | - | - |
| School Breakfast | 300,000 | 300,000 | 300,000 | 270,000 | - |
| Professional Development | 493,474 | - | 250,000 | - | - |
| Charter School-Direct Aid | 28,772,645 | 30,513,329 | 37,007,176 | - | - |
| Progressive Support & Intervention | 2,365,101 | 2,840,573 | 2,670,964 | - | - |
| Telecommunications Access | - | 250,000 | 350,000 | 350,000 | - |
| Early Childhood Demonstration | - | - | 664,630 | - | 1,450,000 |
| Transportation Categorical | - | - | - | 1,087,840 | 2,175,680 |
| High Cost Special Ed Categorical | - | - | - | - | 500,000 |
| Career and Tech Categorical | - | - | - | - | 3,000,000 |
| Regionalization Bonus | - | - | - | 851,241 | 413,170 |
| Subtotal | \$ 32,463,507 | \$ 34,262,785 | \$ 41,484,260 | \$ 2,824,779 | \$ 7,538,850 |
| State Schools | | | | | |
| Metropolitan School | \$ 11,565,600 | \$ 11,857,331 | \$ 12,623,225 | \$ 11,642,563 | \$ 11,601,699 |
| School for the Deaf | 5,945,665 | 5,600,697 | 5,880,836 | 5,867,878 | 6,240,642 |
| Davies School | 14,211,423 | 13,366,261 | 13,986,276 | 13,416,256 | 13,400,497 |
| Subtotal | \$ 31,722,688 | \$ 30,824,289 | \$ 32,490,337 | \$ 30,926,697 | \$ 31,242,838 |
| Other Aid | | | | | |
| Teachers' Retirement | \$ 73,592,722 | \$ 68,550,306 | \$ 70,286,261 | \$ 84,113,207 | \$ 78,219,694 |
| School Housing Aid | 54,140,052 | 58,299,115 | 67,976,514 | 69,776,010 | 74,568,906 |
| Subtotal | \$ 127,732,774 | \$ 126,849,421 | \$ 138,262,775 | \$ 153,889,217 | \$ 152,788,600 |
| Total Aid | \$ 806,657,106 | \$ 784,018,974 | \$ 827,071,223 | \$ 845,643,222 | \$ 913,288,690 |

Education Aid by Category of Aid

| Category of Education Aid | FY 2009 Actual | FY 2010 Actual | FY 2011 Unaudited | FY 2012 Revised | FY 2013 Recommend |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Distributed LEA Aid | | | | | |
| General Aid | \$ 422,064,024 | \$ 400,334,173 | \$ 423,501,699 | \$ - | \$ - |
| Formula Aid | - | - | - | 610,239,709 | 674,124,080 |
| Student Technology | 3,341,315 | 3,366,803 | 3,397,692 | - | - |
| Student Equity | 73,423,792 | 73,554,202 | 73,800,000 | - | - |
| Early Childhood | 6,692,034 | 6,746,804 | 6,800,000 | - | - |
| Student Language Assistance | 31,709,540 | 31,703,049 | 31,715,459 | - | - |
| Targeted Aid | 20,000,000 | 20,000,000 | 20,000,000 | - | - |
| Charter School-Indirect Aid | 1,242,006 | 1,242,006 | 1,242,006 | - | - |
| Full Day Kindergarten | 4,117,081 | 3,930,903 | 4,163,000 | - | - |
| Vocational Equity | 1,496,808 | 1,498,261 | 1,512,500 | - | - |
| Group Home Funding | 9,846,075 | 9,551,025 | 8,886,000 | 8,601,000 | 8,181,000 |
| Central Falls School District | 40,805,462 | 40,155,253 | 39,815,495 | 39,161,820 | 39,413,322 |
| Subtotal | \$ 614,738,137 | \$ 592,082,479 | \$ 614,833,851 | \$ 658,002,529 | \$ 721,718,402 |
| Non-Distributed Aid | | | | | |
| On-Site Visits | \$115,611 | \$125,022 | \$ - | \$ - | \$ - |
| Textbook Expansion | 316,676 | 233,861 | 241,490 | 265,698 | - |
| Hasbro Children's Hospital | 100,000 | - | - | - | - |
| School Breakfast | 300,000 | 300,000 | 300,000 | 270,000 | - |
| Professional Development | 493,474 | - | 250,000 | - | - |
| Charter School-Direct Aid | 28,772,645 | 30,513,329 | 37,007,176 | - | - |
| Progressive Support & Intervention | 2,365,101 | 2,840,573 | 2,670,964 | - | - |
| Telecommunications Access | - | 250,000 | 350,000 | 350,000 | - |
| Early Childhood Demonstration | - | - | 664,630 | - | 1,450,000 |
| Transportation Categorical | - | - | - | 1,087,840 | 2,175,680 |
| High Cost Special Ed Categorical | - | - | - | - | 500,000 |
| Career and Tech Categorical | - | - | - | - | 3,000,000 |
| Regionalization Bonus | - | - | - | 851,241 | 413,170 |
| Subtotal | \$ 32,463,507 | \$ 34,262,785 | \$ 41,484,260 | \$ 2,824,779 | \$ 7,538,850 |
| State Schools | | | | | |
| Metropolitan School | \$ 11,565,600 | \$ 11,857,331 | \$ 12,623,225 | \$ 11,642,563 | \$ 11,601,699 |
| School for the Deaf | 5,945,665 | 5,600,697 | 5,880,836 | 5,867,878 | 6,240,642 |
| Davies School | 14,211,423 | 13,366,261 | 13,986,276 | 13,416,256 | 13,400,497 |
| Subtotal | \$ 31,722,688 | \$ 30,824,289 | \$ 32,490,337 | \$ 30,926,697 | \$ 31,242,838 |
| Other Aid | | | | | |
| Teachers' Retirement | \$ 73,592,722 | \$ 68,550,306 | \$ 70,286,261 | \$ 84,113,207 | \$ 78,219,694 |
| School Housing Aid | 54,140,052 | 58,299,115 | 67,976,514 | 69,776,010 | 74,568,906 |
| Subtotal | \$ 127,732,774 | \$ 126,849,421 | \$ 138,262,775 | \$ 153,889,217 | \$ 152,788,600 |
| Total Aid | \$ 806,657,106 | \$ 784,018,974 | \$ 827,071,223 | \$ 845,643,222 | \$ 913,288,690 |

Internal Service Fund Accounts

Internal Service Fund accounts are established to finance and account for the operations of certain state programs that provide services to other state agencies, institutions and other governmental units on a cost reimbursement basis. The purpose of such accounts is to ensure that the activities of the respective programs are managed in a businesslike manner. They are intended to promote efficient use of services by making agencies pay the full costs associated with providing the service and allocate the costs of central administrative functions across all fund types, particularly so that federal and other non-general revenue funded programs share in the costs.

Each Internal Service Fund develops its own billing structure, which is reviewed on an annual basis prior to the start of each fiscal year. In most cases, direct charges associated with a service being provided to a user agency are billed to that agency, along with an overhead charge for the administrative costs of operating the respective fund.

On the following pages are descriptions of each of the Internal Service Fund accounts requested as part of the FY 2013 Budget, with explanations of their purpose and the rationale for utilizing this structure for funding the respective program.

Department of Administration

Internal Service Fund: Health Insurance Fund

Description:

This Health Insurance Fund is used to account for the cost of health insurance coverage for employees and retirees. Historically, the state has accounted for employee health insurance costs in a series of clearing accounts related to payroll, i.e., state and employee (if any) contributions would be posted as additions to a clearing account and payments to health insurance companies would be posted as deductions. However, sometimes there wasn't a direct correlation between the "premiums" or claims paid to health insurance companies and rates assessed to state agencies (employer share) and/or employees and determining the financial position of the state relative to provision of this benefit was time-consuming. Also, any retroactive settlements with health insurance companies required the direct allocation of the settlement back to several thousand agency budget accounts.

Purpose:

This internal service was created to account for employee and retiree health insurance transactions because the state's financial position associated with providing this employee/retiree benefit will be more readily determinable due to the sometimes indirect correlation between the amount of "premiums" or claims paid to health insurance companies and rates assessed to state agencies (employer share) and/or employees. Also, any retroactive settlements with health insurance companies can be incorporated into a future rate charged to agency budget accounts and employees.

Efficacy:

This Internal Service Fund is used to account for the cost of health insurance coverage for employees and retirees. The current rationale for utilizing this methodology is to gain greater accounting efficiency by (1) avoiding the prior practice of allocating retroactive settlements among several thousand agency accounts and (2) being able to quickly determine the state financial position associated with providing this benefit to employees and retirees.

Internal Service Fund Accounts

Internal Service Fund: Central Utilities

Description:

The Central Utilities Internal Service Fund is responsible for the administration and fiscal management of electricity services provided to the state.

Purpose:

This unit processes all monthly payments for over 1,600 electric accounts to the state's primary supplier of electricity, National Grid. Expenditures are then billed to the respective agencies based upon the electricity usage determined by the meters assigned to that agency. In addition, this unit's overhead costs are allocated to user agencies based upon the number of meters assigned to the agency.

Efficacy:

Without this Internal Service Fund, each state agency would be independently responsible for paying electric bills for the meters assigned to that agency. This would require an internal distribution of costs to all applicable accounts within the agency, a service that is now provided by the central unit.

Internal Service Fund: Automotive Fleet

Description:

The State Automotive Fleet Internal Service Fund provides for the administration and fiscal management of state-owned vehicles and operates several fuel depots throughout the state

Purpose:

This program oversees the procurement, maintenance and allocation of 2,900 vehicles, including heavy-duty vehicles, boats, trailers, and maintenance equipment. Agencies are billed biweekly for expenses including repairs, fuel, and a surcharge (per gallon) for the operation and maintenance of fuel depots. The administrative costs for the Office of State Fleet Operations (OSFO) are charged to agencies per vehicle on an annual basis. All agencies share these overhead costs in an equitable manner.

Efficacy:

Decentralization of automotive fleet functions would result in duplication of efforts, inconsistent policies and procedures between agencies, loss of control over new vehicle purchases, and the absence of a central comprehensive database, which would make it difficult to meet mandated federal reporting requirements on alternative fuel vehicles.

Internal Service Fund: State Fleet Replacement Revolving Loan Fund

Description:

The State Fleet Replacement Revolving Loan Fund will provide loans to state agencies for the acquisition of vehicles and related equipment. These loans will be paid back by the respective agencies over a period of three to seven years depending on the value of the equipment acquired.

Purpose:

This revolving loan fund is intended to replace the use of debt issuances by the state to fund vehicle acquisitions. As funds are repaid annually, they will be available to issue new loans.

Efficacy:

Internal Service Fund Accounts

Use of a revolving loan fund will enable the state to save on interest expense associated with the issuance of debt to acquire vehicles.

Internal Service Fund: Surplus Property

Description:

This internal service fund oversees the acquisition and distribution of federal surplus property, as well as the storage and disposal of state surplus property.

Purpose:

Section 42-56.2-1 of the RI General Laws requires the appointment of a Federal Surplus Property Officer by the Director of Administration. This position is authorized to acquire from the federal government surplus property that may be of benefit to the state, local governments or non-profit educational or charitable institutions. This position oversees the Surplus Property Internal Service Fund. Although the Fund will acquire federal surplus property on behalf of state agencies or other eligible recipients, they do not bill for this service. The program is not currently generating revenues.

Efficacy:

The staff responsible for overseeing the surplus property program is funded with General Revenues and thus these costs are not allocated to user agencies. As stated above, the only billings made by this internal service fund are currently for space rental at a state warehouse. Without the existence of an internal service funds, these costs could be billed to the user agencies using an alternative accounting method or the costs to operate the warehouse could be fully funded with general revenues, thereby eliminating the need to bill any agency for storage.

Internal Service Fund: Central Mail

Description:

The Central Mail unit provides for inter-agency mail delivery and processing of United States mail for most state agencies.

Purpose:

Aggregation of mail functions constitutes a major source of cost savings and cost avoidance for government operations statewide. Costs are allocated to agencies via a billing system that applies the internal and external costs to agency budgets.

Efficacy:

This Internal Service Fund is used to allocate the cost of mail processing to various agencies. The current rationale for utilizing this methodology is to gain greater efficiency from the central management of mail processing services.

Internal Service Fund Accounts

Internal Service Fund: Telecommunications/Centrex

Description:

The Telecommunications Internal Service Fund supports all voice and data communications infrastructure throughout state government, as well as the public information operators. Voice services include planning, procurement, provision, installation and maintenance of all voice telephone devices, lines and extensions, billing and vendor liaison. Data services include planning, procurement, provision, installation, addressing, routing and maintenance of all WAN data lines and data connections, access to the Internet, security and filtering, billing, and vendor liaison throughout state government.

Purpose:

This Internal Service Fund, as with the Central Utilities Fund, processes all payments for voice communication services to the providers of these services (primarily Verizon). Agencies are then billed monthly for their usage, as well as an overhead charge allocated based upon the number of phone lines in each agency.

Efficacy:

This Internal Service Fund is used to allocate the cost of telephone services to the various agencies. The current rationale for utilizing this methodology is to gain efficiencies from central management of direct and indirect telecom costs. Without the existence of this fund, each agency would be responsible for receiving and paying invoices for telecommunication services provided to their agency.

Internal Service Fund: Assessed Fringe Benefit

Description:

The Assessed Fringe Benefit Internal Service Fund makes payments for various employee fringe benefits. The fund generates revenue by assessing a charge against the amount of salaries and wages paid to state employees.

Purpose:

The assessment charged by this fund pays for the following employee fringe benefits: services provided by the Donley Center; services of the Workers' Compensation Court and the Division of Workers' Compensation administrative costs related to workers' compensation activities; payments to Workers' Compensation providers; Workers' Compensation benefit payments to employees; Unemployment Compensation payments; and payments to employees for unused leave upon termination from state service.

Efficacy:

This fund was established in part to eliminate the fluctuations in agency budgets that result from workers' compensation claims, unemployment claims, and termination costs. The use of the statewide assessment also meets federal cost allocation requirements.

Internal Service Fund Accounts

Department of Corrections

Internal Service Fund: Correctional Industries

Description:

Correctional Industries are the work programs in correctional facilities that provide real world work experience to inmates, teaching them transferable job skills and work ethic to help them prepare for post-release reentry and employment.

Purpose:

Correctional Industries employees 218 inmates who manufacture various products or provide services to state agencies, cities and towns and non-profit organizations. This is the only self-funded reentry support program in corrections - no appropriated funds are required for its operation since it relies on revolving funds from the income generated by the sale of products and services produced through the program.

Efficacy:

Because Correctional Industries' customer base not only includes state agencies, but also municipal and non-profit agencies, it is virtually impossible to have any mechanism other than an Internal Services Fund to allow for the continuation of this program.

Internal Service Fund: Corrections Warehouse / Central Distribution Center

Description:

The Central Distribution Center is responsible for the central purchase of food staples, janitorial items, and other supplies for warehousing and distribution/sale to state agencies and state school districts. The unit also administers the U.S. Department of Agriculture food distribution program.

Purpose:

This Internal Service Fund was created in order to provide for the most cost-effective procurement and delivery of goods to other state programs. The Fund also utilizes inmates working under the supervision of warehouse staff in order to increase the capacity to serve various customers and to provide work training experience for inmates.

Efficacy:

The current rationale for this Internal Service Fund is to improve efficiency by providing a centralized mechanism for the purchase and distribution of goods.

Internal Service Fund Accounts

Secretary of State

Internal Service Fund: Record Center

Description:

The State Records Center stores and manages the nonpermanent records of state agencies and funds the Public Records Administration office. This program, a central storage facility for inactive state government records, serves all state agencies.

Purpose:

This Internal Service Fund ensures that state agencies pay only for actual records stored and services received. Most states and the federal government operate their programs through the same or similar means. A Master Price Agreement with Capital Records Management (CRMC) governs overall records storage costs and services. Although CRMC transports and stores the records, state agencies' service requests are channeled through the Public Records Administration office. On a monthly basis, CRMC provides the PRA with a master invoice for all charges to the state, and also individual agency accounts.

Efficacy:

The State Records Center could receive a direct appropriation of funds to cover the entire cost of record storage and other services for all agencies instead of each agency being allotted their own requested amount, but this method would not be as efficient as the current rotary account. A rotary account ensures that agencies pay for actual records stored and services received. A direct appropriation would be an estimate that would have to be revised at the end of the fiscal year.

Department of Public Safety

Internal Service Fund: Capitol Police Rotary

Description:

The Capital Police Rotary account is for reimbursements from other departments within the state that the Capitol Police provides service for.

Purpose:

To supply security services to the Department of Human Services; Department of Children Youth & Families; Division of Motor Vehicles; Operator Control on the Pastore Complex; and the Department of Transportation. Their mission is to protect property and ensure the safety of the employees with those buildings as well as protecting the public that enter these facilities daily to conduct business.

Efficacy:

This Internal Service Fund is used for the personnel funding for 8.0 capitol police officers.