



**State of Rhode Island and Providence Plantations**  
State House, Room 224  
Providence, Rhode Island 02903  
401-222-2080

**Lincoln D. Chafee**  
Governor

January 16, 2013

To the Honorable, the General Assembly:

The Fiscal Year 2014 budget I recommend to you today was crafted to increase Rhode Island's economic competitiveness and maximize employment in our state.

When Rhode Islanders are working, our other challenges become more manageable. The confidence to create jobs comes from a climate of certainty, stability, and predictability. This budget works to achieve this goal by adhering to a philosophy of fiscal discipline and responsibility. It also contains strategic investments in education, infrastructure, and workforce development and supports and strengthens our cities and towns.

The FY 2014 budget is submitted to you on January 16, 2013 – on time, and the earliest in over twenty years. This demonstrates my Administration's commitment to sending a clear message to taxpayers and businesses within our borders and beyond that we are serious about the fiscal discipline necessary to maintain a pro-economic development and pro-growth environment. For the second consecutive year, the state is projected to finish the fiscal year with a surplus. Additionally, in the FY 2013 revised budget, all state departments and agencies are at or below the initial enacted budget by the General Assembly (notwithstanding re-appropriations and expenditures relating to Hurricane Sandy). This is the result of strong management and a climate of accountability in state government, overseen by the able and dedicated members of my Cabinet.

The budget I submit to you contains no tax or fee increases of any kind, and it will substantially improve Rhode Island's economic climate by reducing the corporate tax rate from 9.0 percent to 7.0 percent over the next three years. This budget also continues to capitalize on Rhode Island's assets by investing in our tourism efforts and the ongoing work of the I-195 Redevelopment Commission.

Throughout my career in public service, I have been committed to quality public education. There is no more important investment we can make than in the potential of our students. That is why, in my first two years as Governor, we have invested over \$88.0 million in public K-12 and higher education in Rhode Island. That commitment continues with this budget, which fully funds the K-12 funding formula with an additional \$30.3 million in aid and includes an additional \$6.0 million for higher education. My goal and expectation is that the leadership of our three state institutions of higher education will couple this funding with savings and efficiencies to ensure no tuition increase this year

To the Honorable, the General Assembly  
January 16, 2013  
Page Two

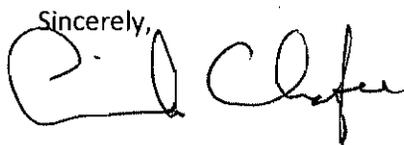
at the Community College of Rhode Island, Rhode Island College, or the University of Rhode Island. Rising tuitions prevent hardworking and qualified Rhode Island students from attaining a quality education and improving their future prospects – as well as our economy. We must keep tuition rates affordable and allow our students to attend and graduate from college without being burdened with crushing debt.

Because education and training does not end at the gates of our educational institutions, my proposed budget includes \$3.0 million to create new workforce development initiatives. It also provides an enhanced child-care subsidy using Temporary Assistance for Needy Families (TANF) block grants coupled with a subsidized job training program to empower low-income Rhode Islanders to get back to work.

Investments to repair and upgrade Rhode Island's ailing infrastructure will produce benefits in both the long- and short-term, boosting our economic competitiveness while getting Rhode Island construction workers back on the job. I am pleased to note that my Administration has taken historic steps in reforming how we finance our transportation system here in Rhode Island. For the first time in recent memory, we are not borrowing to receive our state match for federal support to maintain our highways. This means that our valuable resources can be put toward important repair and improvement projects, rather than debt service. Building on these reforms, this budget includes a number of strategic infrastructure investments, including advancing \$11.0 million in Rhode Island Capital Plan (RICAP) funds to get key projects underway as soon as possible. I also recommend modifying the Historic Structures Tax Credit program by providing access to abandoned tax credits in order to entice new construction in our distressed communities and urban centers.

Finally, as I have often said, our state as a whole cannot be successful without improving and maintaining the financial health of our cities and towns. In addition to the \$30.3 million in new local education funding, this budget adds \$20 million in additional aid to our cities and towns – with particular attention to distressed communities. This funding will help alleviate the pressure on municipal governments to raise property taxes on already heavily burdened taxpayers. I have also allocated \$10 million in RICAP funds to support a local road and streetscape improvement program in FY 2014.

Over the past several years, we have come together to do good work on behalf of our citizens, operating Rhode Island government more responsibly and effectively and making needed investments in the future of our state. There remain many challenges ahead, but with those challenges come tremendous opportunities. I look forward to joining with you once again to seize those opportunities. The budget I respectfully submit to you today is an important step toward a stronger and more prosperous Rhode Island.

Sincerely,  


Lincoln D. Chafee  
Governor of the State of Rhode Island and Providence Plantations