

# FY 2017 Budget Plan Overview

Governor Gina M. Raimondo



**EMBARGOED UNTIL**

**7:00 PM February**

**2, 2016**

# Rhode Island is Making Economic Progress

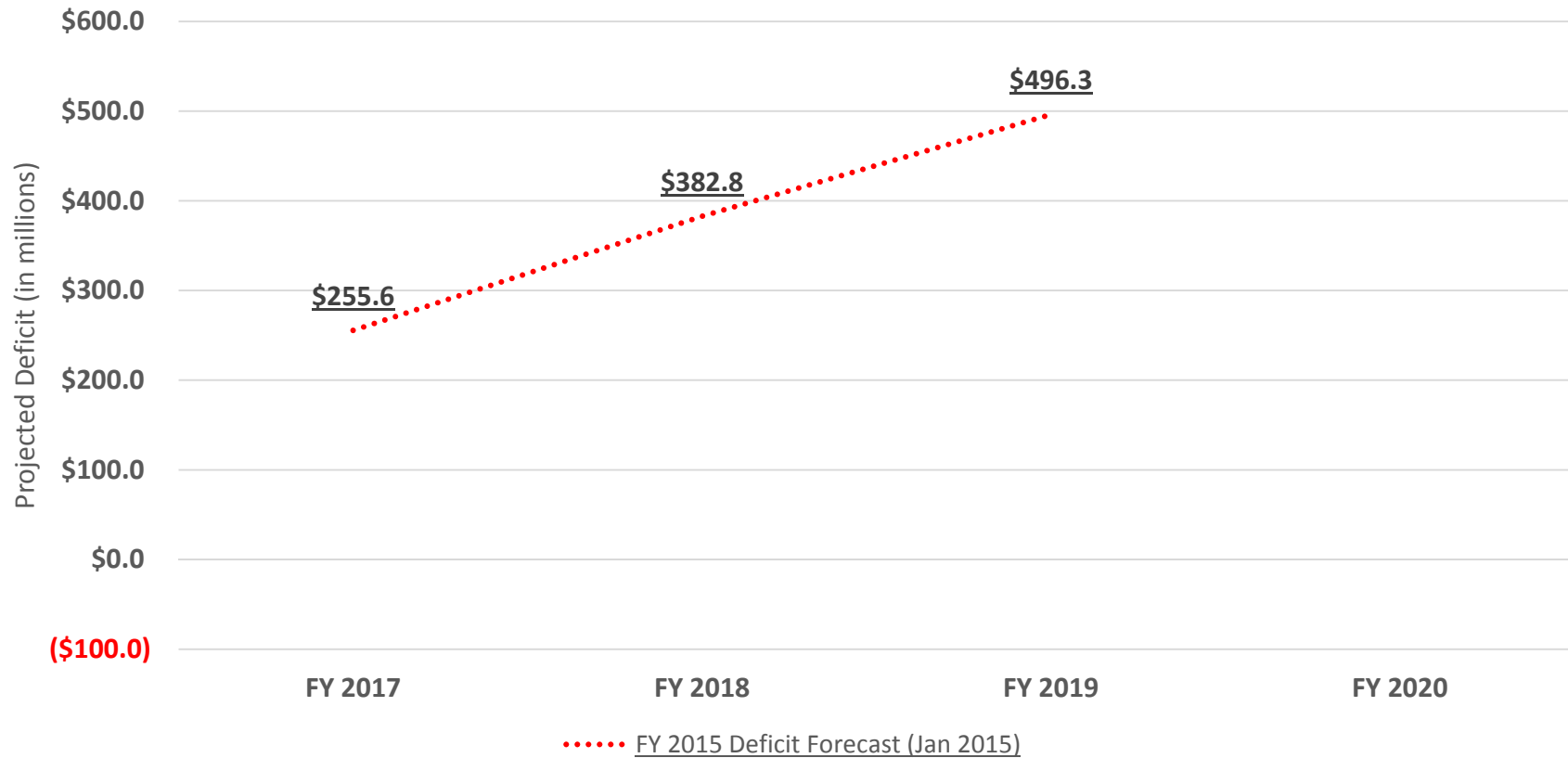


- **5.1% unemployment rate as of December 2015**
  - **Biggest year-over year drop of any state**
- **Over 8,000 jobs created in 2015**
  - **Highest annual job gain total since 2000**
- **FY 2017 deficit of \$49.5 M down 74% from FY 2016 deficit of \$190.4M projected when Governor Raimondo took office**

# Long-Term Deficit Reduction



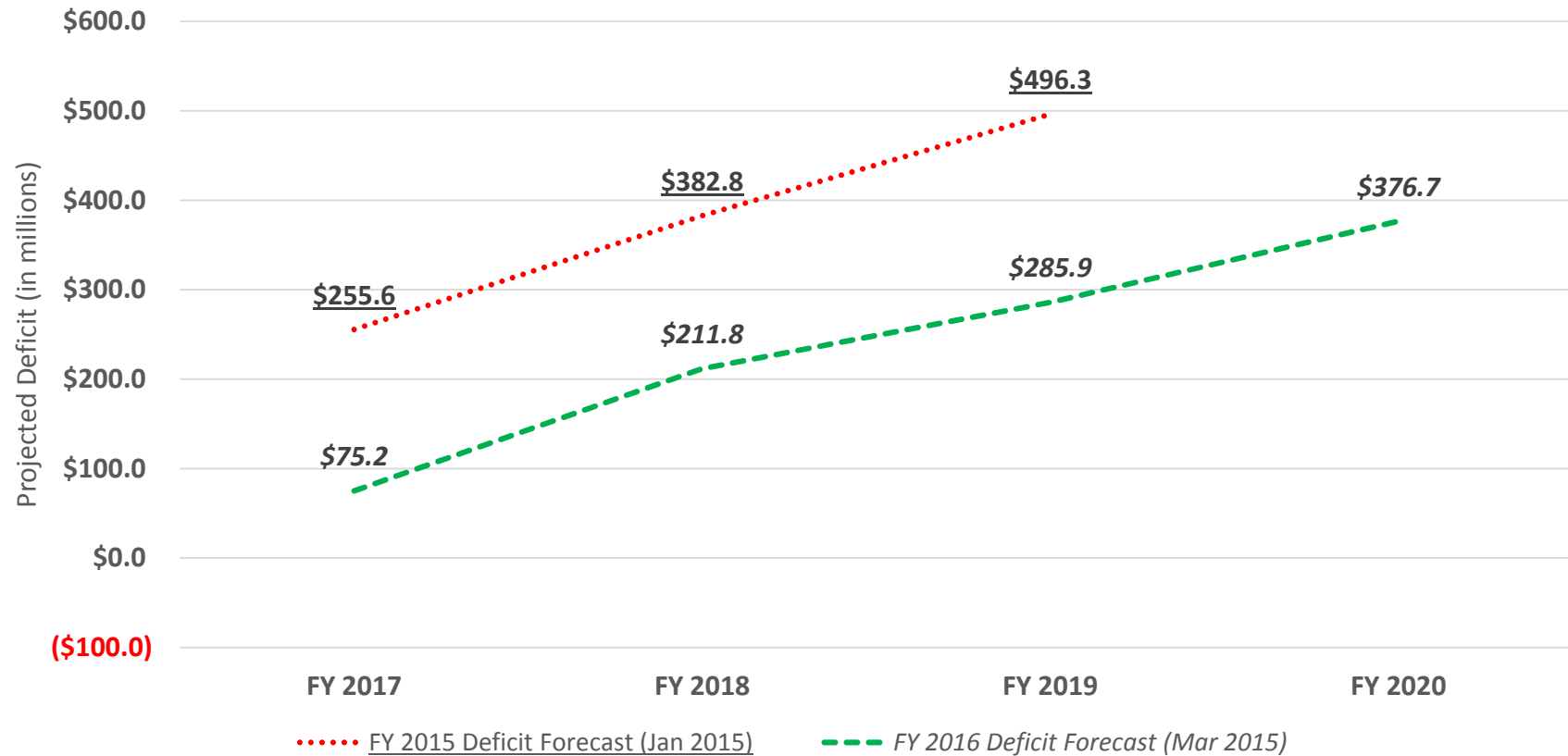
Governor's FY 2017 Budget Reduces Out-Year Deficits



# Long-Term Deficit Reduction



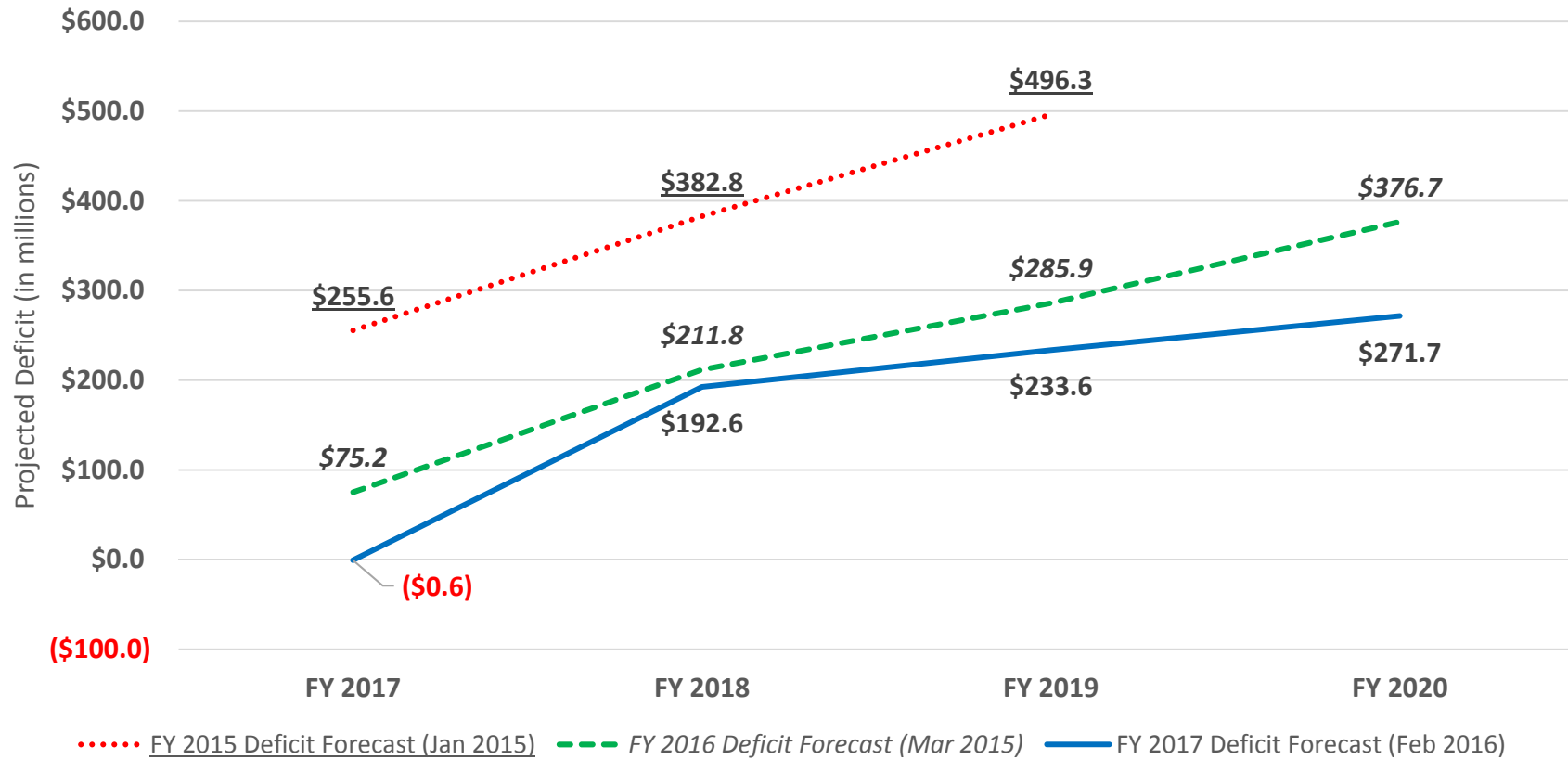
### Governor's FY 2017 Budget Reduces Out-Year Deficits



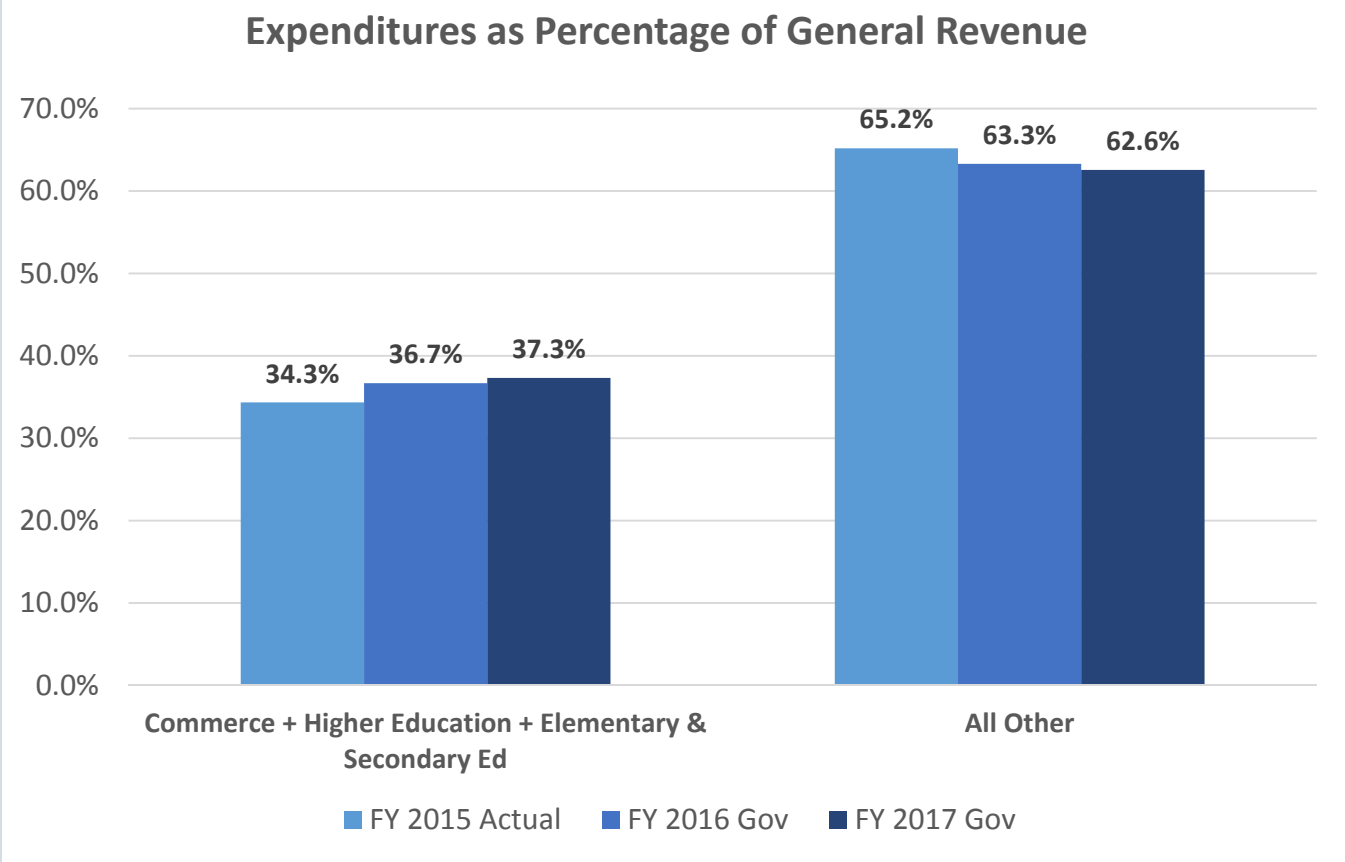
# Long-Term Deficit Reduction



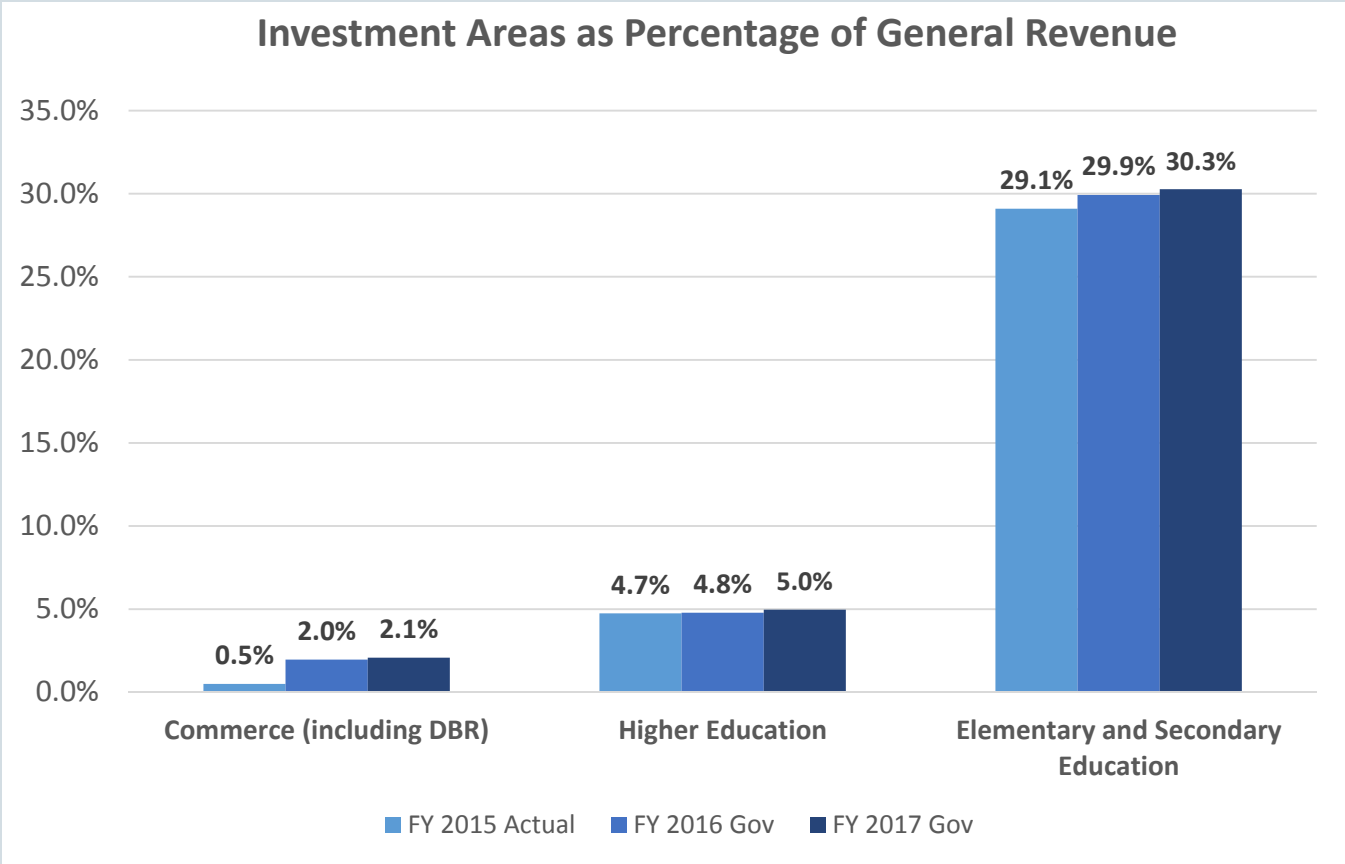
### Governor's FY 2017 Budget Reduces Out-Year Deficits



# Investing in Growth, Controlling Costs



# Investing in Growth, Controlling Costs



# Principles for FY 2017 Budget



- **Skills that Matter**
- **Jobs that Pay**
- **Opportunity for All**



# Key Features of Governor's FY 2017 Budget



- **Invests at record levels in our educational system and workforce**
- **Closes an estimated deficit of \$49.5 million, down from the projected FY 2016 deficit of \$190.4 million**
- **Introduces no broad-based tax increases**
- **Focuses on growing advanced industries**
- **Provides incentives, tax cuts and regulatory improvements to make it easier to do business in RI**

# Key Features of Governor's FY 2017 Budget



- **Protects the health and safety of our residents**
- **Modernizes government practices and provides tools to combat fraud and waste**
- **Makes fiscally responsible, tough decisions to fix the fundamentals of government**
- **Continues to provide predictability for businesses through pension and progressive Medicaid reform**

# Skills That Matter: Strengthen Neighborhood Schools



- **Invest in School Aid** – Fully funds the school aid formula with an additional \$33.4 million
  - Includes Funding Formula Working Group recommendations
    - Adjusts funds to school districts and charter schools to reflect local costs and conditions; includes a Density Aid adjustment for public schools of choice
    - Invests additional funds for students with special needs (\$2.0M); creates an English Language Learners weighting component to the formula (\$2.5M)
  
- **Early Childhood**–
  - \$1.2 million more for early childhood formula categorical program
  - \$1.6 million (DHS and RIDE) to sustain programs from federal Race to the Top Early Learning Challenge Grant

# Skills That Matter: Strengthen Neighborhood Schools



- **Innovation & Empowerment Fund** – \$1.0 million in planning grants
- **Leadership Development** – \$1.75 million for professional development for teachers and principals
- **Expand Computer Science Programs** –\$260,000

# Skills That Matter: Strengthen Neighborhood Schools



- **School Facilities** – \$80.0 million appropriation for construction & renovation, including \$9.1 million for School Building Authority
- **School Modernization Bond** – \$40.0 million general obligation bond to renovate and modernize school facilities especially those focused on immediate health and safety and those investing in STEAM learning spaces
- **School Budget Transparency** – Require each public school to provide its actual budget online

# Skills That Matter: Prepare Students for College or Career



- **P-TECH Program** – \$0.5 million more (total of \$1.4 million) to expand from three to at least five P-TECH schools
- **Prepare RI** – \$1.3 million in funding for free, universal dual and concurrent enrollment, allowing eligible students to earn college credits
- **SAT/PSAT** – \$500,000 to make tests free for all sophomores and juniors in public high school to increase participation

# Skills That Matter: Make College More Affordable



- **Increased Funding to URI, RIC, CCRI** – \$17.0 million more, including \$10.0 million in capital funding, to avoid a tuition increase
- **Joint Nursing Education Center** - \$3.5 million for Base Rent, Tenant Improvement Rent and equipment.
- **RI Promise Scholarships** – Continued funding of \$10.0 million for last-dollar scholarships

# Skills That Matter: Keep Talent in RI



- **Wavemaker Fellowship** – Increase to \$5.0 million to expand loan forgiveness program
- **Ocean State Grad Grant** – Continues funding through RI Housing to provide recent college graduates with up to \$7,000 in down payment assistance on a first home



# Skills That Matter: Workforce Development



- **White House's TechHire** - \$2.0 million to provide access to coding boot camps and online courses for rapid training. Goal is to train and place 2,000 Rhode Islanders in IT jobs in five years
- **Real Jobs RI** – Reprioritize existing workforce dollars to align training efforts with employer needs

# Jobs That Pay: Foster Innovation



- **Expand Research & Development Tax Credit** – Creates refundable tax credit for businesses committing to R&D in the state and investing in plant, equipment, or personnel
- **Commerce Programs**
  - **Small Business Innovation Research** – \$1.0 million increase in state match for federal Small Business Innovation Research program
  - **Impact Faculty** – Total of \$2.75 million to support hiring faculty with record of commercializing research

# Jobs That Pay: Foster Innovation



- **Industry Competitive Cluster Grants** – \$1.25 million to create incentives for an industry sector to work together to solve problems, exchange ideas, and develop talent
- **Innovation Vouchers** – \$1.5 million to provide grants to businesses to fund R&D assistance from a Rhode Island university, research center, or medical center

# Jobs That Pay: Foster Innovation



## General Obligation Bonds – November 2016 Ballot

<b>Project</b>	<b>Investment</b>	<b>Jobs Created (approx.)</b>
<b>Higher Education</b>	<b>\$45.5 million</b>	500 + construction and other jobs
<b>Recreation, Green Spaces &amp; Healthy Communities</b>	<b>\$35.0 million</b>	200+ construction jobs
<b>Quonset Port</b>	<b>\$70.0 million</b>	700+ construction jobs
<b>Housing Opportunity</b>	<b>\$40.0 million</b>	1,700+ construction jobs
<b>School Construction</b>	<b>\$40.0 million</b>	250+ construction jobs
<b>Veterans Home</b>	<i>Updating existing debt authority</i>	

# Jobs That Pay: Make It Easier To Do Business



- **No Broad-Based Tax Changes**
- **Reduce Unemployment Insurance Taxes** – Expected annual savings of \$30.0 million to employers
- **Combat TDI Fraud** – Improve the claims review process and enhance information sharing across state government benefit programs. Requires claims to be filed within 90 days of illness or injury.

# Jobs That Pay: Make It Easier To Do Business



- **Rebuild Rhode Island Tax Credit** – \$20.6 million to support high-return real estate development projects that encourage construction and job creation
- **First Wave Closing Funds** – \$5.0 million to provide last-dollar financing for priority projects
- **Building & Fire Code Permitting** – \$250,000 to expedite fire and building permit review processes for priority projects

# Jobs That Pay: Make It Easier To Do Business



- **Modernize State Regulations** – \$700,000 to create an online, user-friendly, searchable state code of regulations
- **Expand E-permitting** – \$500,000 to increase number of participating communities from 10 to 25
- **Air Service Development** – \$1.5 million to develop new air service routes for T.F. Green

# Jobs That Pay: Modernize Infrastructure



- **School Building Authority** – \$9.1 million in FY 2017; \$40.0 million general obligation bond
- **RhodeWorks** – invest in our neglected infrastructure
- **Other Infrastructure** –
  - **Stormwater Upgrades** – \$3.0 million (in Healthy Communities bond)
  - **Brownfield Remediation** – \$5.0 million (in Healthy Communities bond)
  - **Energy Efficiency** – extend Renewable Energy Fund surcharge to 2022 to support renewable energy projects



# Jobs That Pay: Modernize Infrastructure



- **Housing Opportunity Fund** – \$1.0 million general revenue funding and \$40 million general obligation bond to finance the production and preservation of housing for young workers, seniors, and other residents
- **Main Street RI Streetscape Improvements** – \$1.0 million to upgrade streetscapes in local business districts and attract businesses and customers

# Opportunities For All: Money in People's Pockets



- **Minimum Wage Increase to \$10.10/hour**
- **Earned Income Tax Credit** – Increase from 12.5 percent to 15.0 percent
- **Home Care & Developmental Disability Services Wages** – Increase health home worker wages by approximately 7.0 percent to expand home-based services; raise for private sector developmentally disabled services workers by approximately 4.0 percent

# Opportunities For All: Keep People Safe & Healthy



- **Assist Senior Citizens** –
  - \$600,000 increase in grant funding to senior centers in all communities
  - \$550,000 in continued funding for Meals on Wheels
- **Combat Lead Poisoning** – \$187,000 for prevention and case management efforts
- **Combat Opioid Overdoses** – Supports recommendations of Overdose & Prevention Task Force
  - \$2.5 million to Corrections for medication-assisted treatment programs
  - \$740,000 to Health & Human Services (with \$760,000 Medicaid match) for expanded access to naloxone, Prescription Monitoring Program and peer recovery coaches

# Opportunities For All: Keep People Safe & Healthy



- **Cybersecurity** – \$800,000 for priority IT infrastructure upgrades, executive branch training, and a cybersecurity director
- **Criminal Justice Reform**
  - \$1.3 million for Justice Reinvestment working group recommendations , including risk assessments and more effective probation supervision
  - \$500,000 for Pay-for-Success project to reduce recidivism
- **Climate Change & Environmental Enforcement** –
  - \$100,000 for URI Coastal Resiliency Center
  - Extend Renewable Energy Fund surcharge; broaden net metering law
  - Increase enforcement staffing at Department of Environmental Management

# Municipal Fiscal Health



- **Fully Fund PILOT** – Additional \$1.9 million fully funds Payment in Lieu of Taxes (PILOT) for first time since FY 2008
- **Municipal Transparency Portal** – \$200,000 for an online website for collection and dissemination of municipal fiscal data and reports
- **Reform Property Revaluation Schedule** – Extends property tax revaluation schedule cycle from nine years to fifteen years; municipalities will conduct updates every five years, instead of three, promoting efficiencies
- **Neighborhood Schools**– Continued commitment to school funding formula and building renovation

# Providing Value, Improving Care



- **Reinventing Medicaid** – Continues FY 2016 efforts to support value-based approach to payments. Saves \$39.0 million in FY 2017, including \$20.3 million from Unified Health Infrastructure Program
- **Child Welfare** – Bring placement services in-house and increase foster care subsidy to decrease costly residential placements
- **Developmental Disability Services** – Save \$10.8 million by moving clients to less restrictive settings; reinvests \$7.0 million for service providers to develop home- and community-based programs
- **Eleanor Slater Hospital** – Management improvements and efficiencies and consolidation of services to yield \$4.1 million in savings

# Effective & Efficient Government



- **Electronic Time & Attendance**– Replacing paper-based process with web-based system for scheduling and reporting. Expected to save \$350,000 for Corrections, a pilot agency, from replacement of other system.
- **Online Voter Registration & Voting System Upgrades** – \$130,000 for online registration and \$1.3 million new funding to replace voting equipment.
- **Medical Marijuana Regulation & Enforcement** – Creates plant tagging system and fee to improve oversight and enforcement. Seeks greater fee parity between compassion centers and caregivers, and yields \$8.4 million net general revenue and restricted receipt funding.

# Effective & Efficient Government



- **Fraud Detection System** – Coordinated interdepartmental effort to detect and prevent fraud; IT Investment of \$1.5 million expected to gain \$5.0 million in savings/revenue
- **Utility Savings** – \$2.6 million through natural gas commodity pricing



# Deficit Reduction



- **Improved Enforcement** –
  - **Internal Revenue Code Audit** – Identify companies that have used intercompany transactions to avoid taxes. Expected to raise \$6.7 million
  - **Nexus Program** – Identify out-of-state companies that do business in Rhode Island & collect appropriate taxes; expected to raise \$1.0 million
- **Cigarette Tax** – Raise cigarette tax by 25 cents, from \$3.75 to \$4.00 per pack, increasing revenues to by \$7.1 million while improving the health of Rhode Islanders

	Price per Pack now	New Price per Pack
MA	\$10.18	\$10.18
RI	\$9.49	\$9.78

# FY 2016 Revised Budget Plan



**Address increased current year  
costs with the goal of controlling  
long-term growth**

# Overview – FY 2016 Revised Budget



## FY 2016 Highlights

## Summary

- Governor Raimondo's revised FY 2016 general revenue spending plan is \$24.5 million more than enacted.
- Caseload estimates up by \$14.8 million.
- UHIP Project expenses up by \$10.0 million
- Reappropriations of \$6.9 million
- Net offsetting reductions of \$7.2 million
- Projected FY 2016 surplus of \$81.2 million.

	Enacted	Governor	Change
Opening	\$118.6	\$168.0	\$49.5
Re-appropriation	\$0.0	\$6.9	\$6.9
Revenues	\$3,543.8	\$3,596.2	\$52.4
Rainy Day	(\$109.9)	(\$112.9)	(\$3.1)
Expenditures	(\$3,552.0)	(\$3,576.5)	(\$24.5)
Closing Surplus	\$0.5	\$81.7	\$81.2

(in millions)

# FY 2017 Budget Plan



**Building a new economy with skills  
that matter for jobs that pay**

# Overview – FY 2017 Budget Plan



## FY 2017 Budget Statement

## General Revenues

- Projected Opening Surplus of \$81.7 million is \$86.4 million less than what is built into the FY 2016 Revised Budget.
- FY 2017 General Revenue expenditures are projected to increase by \$100.3 million, or 2.8% over FY 2016 revised spending.
- Resolves a projected \$49.5 million deficit.

	FY 2016 Revised	FY 2017 Governor	Change
Opening	\$168.0	\$81.7	(\$86.4)
Reappropriations	\$6.9	\$0.0	(\$6.9)
Revenues	\$3,596.2	\$3,709.3	\$113.1
Rainy Day	(\$112.9)	(\$113.7)	\$0.8
Expenditures	(\$3,576.5)	(\$3,676.8)	\$100.3
Closing	\$81.7	\$0.5	(\$81.2)

(in millions)

# How is the deficit resolved? – FY 2016



<b>FY 2016 Revised Budget</b>	<b>(in millions)</b>
Enacted Surplus	\$0.5
FY 2015 Additional Closing Surplus (w/ reappropriations)	56.4
November Revenue Estimating Conference Changes	52.4
Governor's Proposed Revenue Changes	.005
Rainy Day Fund Transfer	(3.1)
Additional Available Resources	\$106.2
Expenditure Changes	
Caseload Estimating Conference	\$14.9
UHIP	\$10.0
DCYF, BHDDH, Corrections	\$10.1
Agency Savings (personnel, operating, other – inc. reappropriations)	(\$10.5)
Projected Closing Balance	\$81.7

# How is the deficit resolved? – FY 2017



<b>FY 2017 Governor's Recommended Budget</b>	<b>(in millions \$)</b>
Current Services Projected Deficit	<b>(\$198.6)</b>
November Revenue Estimating Conference	72.1
FY 2016 Carry Forward	81.7
Less Transfer to Rainy Day Fund	<b>(4.6)</b>
Revised Projected Deficit	<b>(\$49.5)</b>

# How is the deficit resolved? – FY 2017



<b>FY 2017 Governor's Recommended Budget</b>	<b>(in millions \$)</b>
<b>Net Tax and Fee Changes</b>	<b>19.9</b>
Reform Regulation of State's Medical Marijuana Program	9.8
Increase Cigarette Tax by \$0.25 per pack	7.1
Integrated IT Fraud Detection Program	5.0
Enforce Collection of Insurance Retaliatory Tax Rates	1.1
Other Net Revenue Changes	1.7
Increase Earned Income Tax Credit to 15% of Federal EITC	(2.7)
Delay Motor Vehicle Plate Reissuance	(2.0)



# How is the deficit resolved? – FY 2017



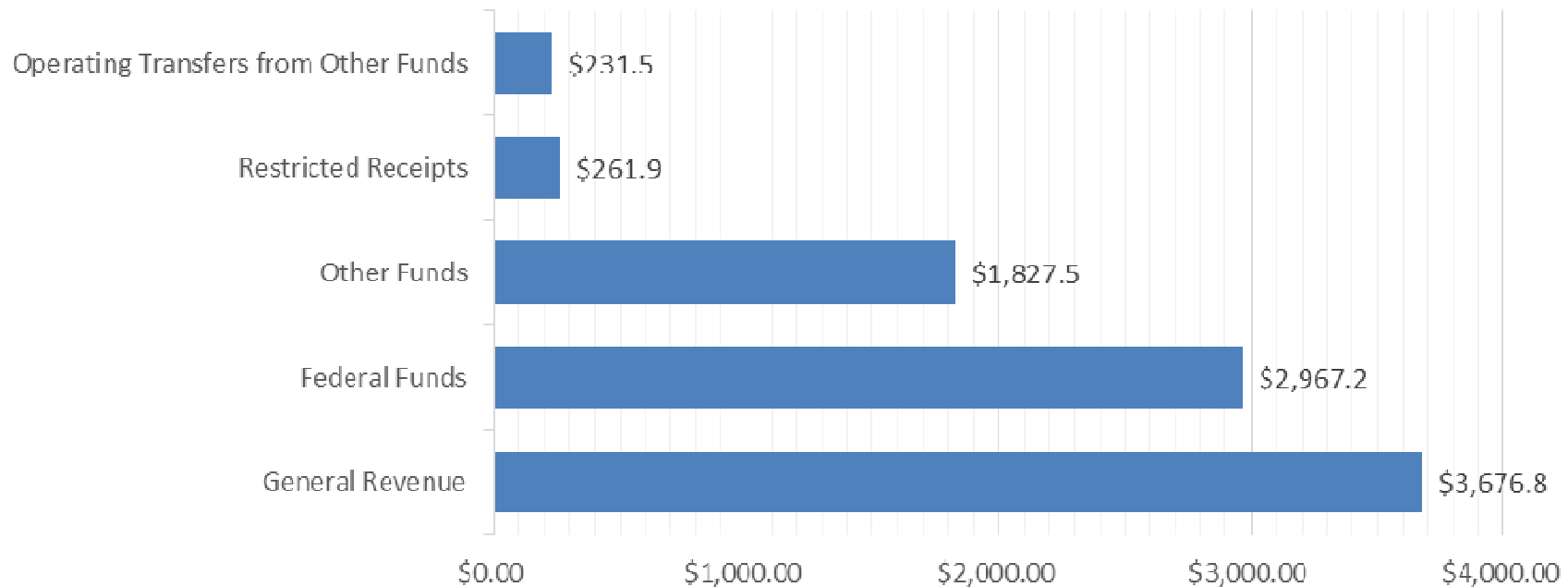
<b>FY 2017 Governor's Recommended Budget</b>	<b>(in millions \$)</b>
<b>Expenditure Reductions</b>	<b>(\$4.2)</b>
Debt Service Savings (Refinancing/38 Studios Settlement)	(26.0)
General Government	11.6
Commerce	27.3
Health and Human Services (w/ CEC Changes)	(42.0)
Education	16.0
Public Safety & Environment	8.9
<b>Transfers and Other Operational Changes</b>	<b>\$27.4</b>
Net Transfers with Quasi's & Other Accounts	16.2
Taxation Audit Projects and Enhanced Enforcement	11.1
Less Transfer to Rainy Day	(1.4)
<b>Projected Ending Balance</b>	<b>\$0.5</b>

# Overview – FY 2017 Budget Plan



## Where Does it Come From?

### FY 2017 Recommended All Funds Expenditures by Source (Dollars in millions)



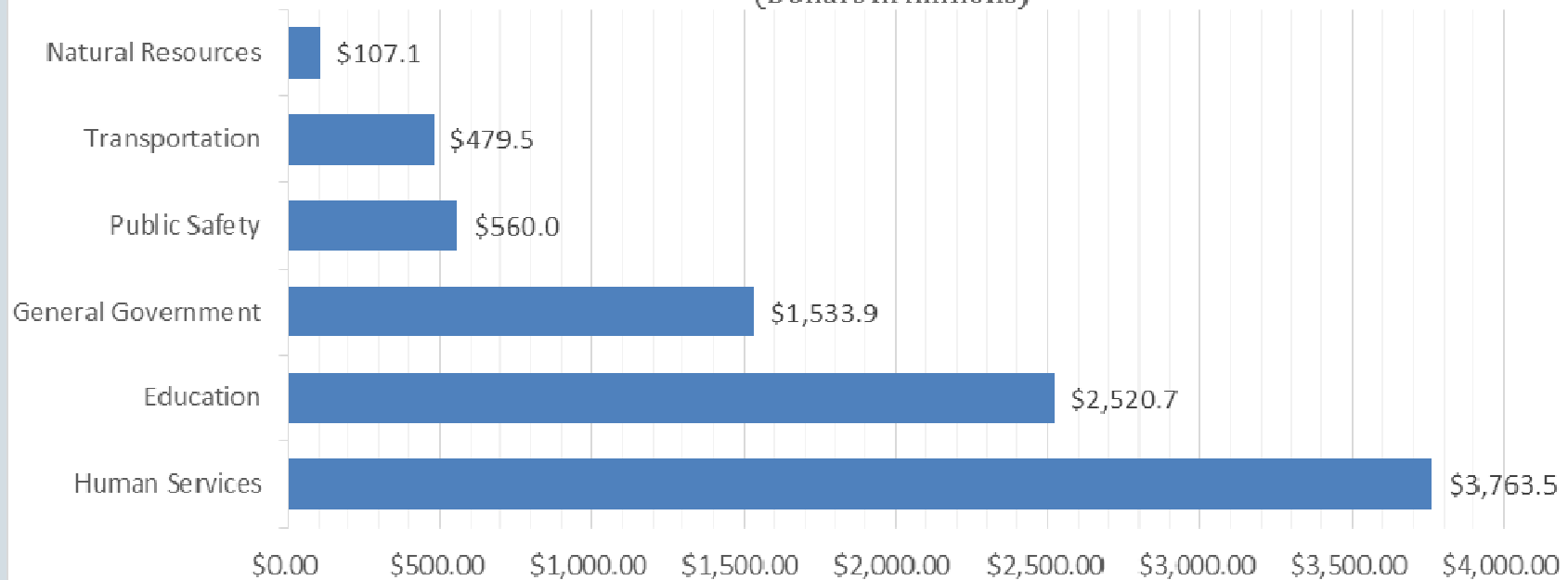
# Overview – FY 2017 Budget Plan



## Where Does it Go?

### FY 2017 Recommended All Funds Expenditures by Function

(Dollars in millions)



# FY 2017 Budget Plan Overview

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