



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

Lincoln D. Chafee
Governor

January 15, 2014

To the Honorable General Assembly:

The FY 2015 budget was developed to make sure Rhode Island is a great place to raise a family, to find good jobs and to grow a business. By nearly every measure, Rhode Island is steadily moving forward. Our economy is picking up steam and households are on better footing than they were three years ago. This is good news, but we must keep this momentum going.

I want to first thank Rhode Island voters for the privilege of serving as Governor, and I pledge that I will continue to work hard for you throughout the remainder of my term. For the past three years, my administration has emphasized fiscal discipline across departments and agencies so that you, the taxpayer, may have confidence that your dollars are being spent efficiently and wisely. We have embarked on improving diversity, enhancing customer service, setting high expectations through performance metrics and reforming the State's regulatory environment to make it easier to do business in our State.

I am pleased to present the FY 2015 Budget on January 15, 2014 – on time for the second year in a row. As in previous years, my administration has emphasized controlling costs, and this budget successfully addresses a projected \$150 million deficit. For the third year in a row, we finished the year with a healthy surplus, primarily driven by spending less than the enacted budget. We are projecting to finish FY 2014 with another strong surplus of \$68.9 million. I am particularly proud that every year I have served as Governor, the State has ended with a healthy surplus.

I am confident that if we continue to invest in education, including workforce development, and our infrastructure, we will ensure that Rhode Island has the strong foundation necessary for students to become skilled employees, for startups to grow into flourishing businesses and for the State to be competitive in the region. A strong economy requires a commitment to quality public education, and as all of my budgets have done, I have continued to fully fund the school aid formula. In fact, since FY 2011, Rhode Island has invested an additional \$108.2 million in our elementary and secondary education system, and my FY 2015 Budget adds another \$37.9 million in school support. I have also led the charge to keep higher education affordable for hard working families. For a second year in a row, my budget freezes tuition at all three public higher education institutions. We also have to stop neglecting our higher education facilities, and that is why I have made significant capital investments at our higher education institutions.

To The Honorable, the General Assembly
January 15, 2014
Page Two

Throughout my career as a public servant, I have been an unwavering supporter of protecting environmental assets and working to promote our beautiful state. My efforts continue by including a \$75.0 million bond referendum to fund brownfield remediation, land and open space acquisition, as well as provide additional resources to the cities and towns to improve water and wastewater systems.

I have also led the way to moving the State off of the habit of borrowing to meet federal matching requirements for the highway program. My budgets have continued to shift debt service away from the gas tax to free up funds for transportation projects. My FY 2015 Budget dedicates much of these funds to a new statewide bridge renovation program to bring these bridges back to safe and good condition. Beginning in FY 2015, my plan is to invest nearly \$80.0 million over the next five years to begin addressing the needs of our 834 bridges across the state.

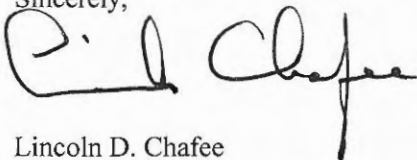
The General Assembly recently enacted legislation that exempted art from the sales tax statewide. This is an exciting step in growing Rhode Island's Creative and Cultural Economy. To build on this effort, I am calling on Rhode Islanders to make a \$35.0 million commitment through a bond referendum to renovate and improve our valuable arts and historic facilities. To ensure we are cultivating our artists, I have also included an additional \$1.0 million in general revenue for the arts.

I believe there is a real opportunity to fundamentally change the State's tax climate. The U.S. Congress is close to taking action on the Marketplace Fairness Act. While Rhode Island law dictates the State sales tax would be reduced from 7.0 to 6.5 percent, there are more effective ways to increase competitiveness. I recommend reducing the corporate tax to 6.0 percent and eliminating the sales tax on non-manufacturers' electricity and gas.

My Budget includes \$12.5 million to repay the State's moral obligation bonds as they relate to the Job Creation Guaranty Program administered by the Rhode Island Commerce Corporation. I raised concerns about this program well before 38 Studios failed to meet its obligations. While the cost to taxpayers is distasteful and all is being done to reduce the size of the burden on Rhode Islanders through litigation, repayment of these bonds is not just a moral obligation but in Rhode Island's financial interest. I implore the General Assembly to protect the interests of Rhode Islanders and make good on this debt. Refusing to pay this debt does not punish 38 Studios – it punishes taxpayers.

I look forward to working with the General Assembly, municipal leaders and others as we deliberate my FY 2015 Budget. I am confident this Budget helps us become more competitive. It invests in getting people back to work, ensures our schools are properly funded, and makes sure our investments last for generations to come.

Sincerely,

A handwritten signature in black ink, appearing to read "Lincoln D. Chafee". The signature is fluid and cursive, with a large initial "L" and "C".

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