Department of Administration

Staff Presentation to the House Finance Committee
April 28, 2015

Department of Administration

- Overhead - Centralized/Statewide Functions:
  - Capital Projects and Property Management
  - Debt
  - Facilities Management
  - Human Resources
  - Information Technology
  - Legal Services
  - Purchasing
Department of Administration

- **Overhead:**
  - Accounts and Control
  - Bureau of Audits
  - Central Management
  - Office of Management and Budget

- **Other programs:**
  - Office of Energy Resources
  - Office of Library and Information Services
  - Statewide Planning
  - Personnel Appeal Board
  - Construction Permitting, Approval and Licensing
  - HealthSource RI
  - Office of Diversity, Equity & Opportunity
## FY 2016 Recommendation

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<th>15 Enacted</th>
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<td>$339.1</td>
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*Includes Human Resources, Facilities, Info. Technology, Purchasing, Capital Projects and Legal Services

## FY 2016 Recommendation

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<tr>
<th></th>
<th>Gen. Rev.</th>
<th>Fed. Funds</th>
<th>RR</th>
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<td>($16.5)</td>
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<td>($104.9)</td>
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(In millions)
**Recommendation by Source**

- General Revenues: 51.3%
- Federal Funds: 12.8%
- Restricted Receipts: 8.8%
- Other: 27.1%

**Recommendation by Category**

- Debt Service: 43.9%
- Contracted Serv.: 19.3%
- Operating: 7.9%
- Assit. & Grants: 4.5%
- Local Aid: 3.4%
- Capital: 12.1%
- Salaries & Benefits: 16.3%
Target Issues

- Budget Office provided a general revenue target of $273.6 million
  - Includes current service adjustments totaling $11.6 million
    - $4.0 million for debt service
  - 7.5 percent reduction or $6.8 million adjusted for certain exclusions
- Department’s constrained request met target from implementation of several initiatives

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<tr>
<th>(In millions)</th>
<th>Department</th>
<th>Governor</th>
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<td>(0.3)</td>
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<td><strong>Total Changes</strong></td>
<td><strong>($7.2)</strong></td>
<td><strong>($1.7)</strong></td>
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**Target Issues**

- Department included two revenue proposals in FY 2016
  - Energy efficiency rebates from National Grid - $1.6 million
    - Funds came in FY 2015
    - Governor's revised budget assumes $1.3 million
  - Building Permits-State Properties fee increase $0.6 million
    - Current fee of 0.5% of total project cost to 1.0%
    - No statutory change is required

**FY 2015 Governor Revised**

- FY 2015 revised recommendation is $18.5 million less general revenues than enacted
- Major general revenue changes:
  - $1.6 million reappropriated
  - $3.4 million to distribute statewide savings
  - $25.0 million in debt service savings
  - $2.0 million more for utility and building maintenance costs
FY 2016 Recommended

- Governor’s FY 2016 recommendation is $94.9 million less general revenues than enacted
- Major general revenue changes:
  - $70.1 million debt service savings
    - $64.5 million from restructuring
  - $22.0 million in statewide personnel savings
  - $3.3 million other statewide savings

Staffing Recommendation

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<th>Programs</th>
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<td>Transfer to Ex. Office of Commerce</td>
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**Total Changes**  
$(94.9)  $(86.7)

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## Statewide Savings

- FY 2015 enacted budget includes $8.3 million in undistributed medical benefit savings in DOA for later distribution
- Recommendation reflects distribution in both years
- FY 2015 revised reflects additional savings
Statewide Savings

- FY 2016 Governor recommends $25.3 million in new savings initiatives
  - $22.0 million from personnel reform
  - Article 22
    - Hearing held April 16
  - Administration has indicated its plans to negotiate with labor to achieve savings in addition to any savings changes derived from changes included in the article

- Operational savings - $2.0 million
  - Purchasing and Audits will review recent state commodity and deliverable based contracts to ensure that the state has achieved all attainable savings
  - Will also obtain outside services to identify the savings
Statewide Savings

- Energy Procurement - $1.0 million
  - Office of Energy will establish a competitive procurement program for the state's electricity supply
  - Expects additional savings may be attained through energy efficiency efforts

- Telephone and printing savings - $0.2 million
  - Eliminates unused lines
  - Legal notice posting requirement - $0.1 million savings
    - Article 27
    - Governor requested article be rescinded
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**Commerce**

- Executive Office of Commerce
  - Pursuant to 2013-H 6063, Substitute B, on or about Feb. 1, 2015
  - Powers to operate functions from the Department of Business Regulation
    - Recommendation maintains stand-alone agency
  - Other functions from Department of Administration
**Commerce**

- Recommendation reflects transfer of funding and functions to Executive Office of Commerce
  - Commerce Corporation
  - Appropriations for several programs: Airport Impact Aid, I-195 Commission & others
  - RI Television and Film Office
  - Housing and Community Development

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**Department of Administration**

(In millions) | FY 2016 Gov. Rec
---|---
**Change to Enacted** | Gen. Rev. | All Funds
Statewide Savings | ($22.1) | ($17.3)
Transfer to Ex. Office of Commerce | (9.6) | (24.4)
**Library Aid** | 0.3 | 0.3
Energy Resources | - | 4.9
HealthSource RI | - | 7.5
Debt Service | (70.1) | (70.2)
All Other | 6.6 | 12.5

**Total Changes** | ($94.9) | ($86.7)
Library Aid

- Governor recommends $8.8 million for library aid
  - Level funds total at FY 2015 amount
  - Law provides 25% reimbursement of second prior year expenditures
    - $1.1 million less than current law
    - Ratable reduction to appropriation
  - Distribution reflects updated data

Library Construction Aid

- $2.7 million for library construction aid
  - $0.3 million more than enacted
  - Based on updated cost and construction schedules for approved projects
  - State reimburses libraries up to ½ of total cost on an installment basis up to 20 yrs.
    - 3-year moratorium on acceptance of applications ended July 1, 2014
    - As of December, has not received any
### Library & Information Services

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**Recommendation is $0.3 million less than requested**

- Assumes $143K from turnover savings
- Recommends $0.1 million less than requested for interlibrary loan delivery
  - Delivery of books, audio/visual materials and other resources
  - Shared between and among more than 180 public libraries
### Department of Administration

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### Office of Energy Resources

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Regional Greenhouse Gas Initiative

- A cooperative effort by Northeastern and Mid-Atlantic states to reduce carbon dioxide emissions
- Fund is supported by receipts from the sale of emission allowances
  - 26 auctions through Dec. 2014
  - $35.7 million in revenues, deposited as restricted receipts

Regional Greenhouse Gas Initiative

- Proceeds are to be used to invest in projects that reduce long-term energy demands and costs
- End of FY 2014, fund balance was $15.9 million
  - Delay in grant projects disbursement
- Article 24 – RI Infrastructure Bank
  - Assumes use of $3.0 million
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### HealthSource RI

- HealthSource received $152.6 million in federal funds to date
  - Affordable Care Act requires exchanges be self-sustaining
- Governor’s Article 28 – Hearing April 29
  - Establishes a health reform assessment
    - Support operations of HealthSource
    - Assessment is on all premiums sold inside/outside of exchange
    - Small group and individual markets
### HealthSource RI

**Table:**

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<td>9.0</td>
<td>16.0</td>
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*Reflects the transfer of 6.0 positions from Office of the Governor

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### HealthSource RI

- **Health Reform Assessment funds** - $6.2 million in FY 2016
  - UHIP costs - $2.3 million
  - Contact center - $0.8 million
  - Audit/legal costs - $0.7 million
  - Technical assistance cost - $0.4 million
  - Staffing and operating costs - $2.0 million

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<td>2017</td>
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<td>$5.6</td>
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Salaries & Benefits 7.6%
Contracted Services 90.4%
Operating 2.0%

Recommendation by Category

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<td>Technology Services</td>
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In coordination with OHHS
System to implement ACA
Eventually one system to apply for medical and cash assistance benefits
  - Opportunity to build a new system with federal match
  - Replace decades old systems that did not "talk" to each other

HealthSource is responsible for $101.6 million of the project costs
  - Spent $43.4 million through FY 2014

UHIP Plan
  - FY 2015 total costs of $88.1 million
    - HealthSource is responsible for $34.1 million
  - FY 2016 total costs of $56.8 million
    - HealthSource is responsible for $18.0 million
HealthSource RI

- Executive Order 11-09
  - Prohibits use of gen. rev. for the Exchange
- FY 2015 revised recommendation
  - Changes in costs allocated between OHHS and HealthSource for shared components (UHIP)
  - It appears HealthSource needs non-federal sources for FY 2015 operations
    - No specific detail provided

HealthSource RI

- Projected FY 2017 budget of $11.2 million
  - $2.4 million for salaries and benefits
  - $8.3 million for contracted Services
    - UHIP maintenance - $4.2 million
    - Contact center - $1.6 million
    - Outreach and enrollment efforts - $1.5 million
    - Audit and legal costs - $0.6 million
  - $0.5 million for operations - rent, printing, etc.
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<td>-</td>
<td>($19.3)</td>
<td>$19.2</td>
<td>($70.2)</td>
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</tbody>
</table>

- Dept. of Administration’s budget includes most debt service costs
- Excludes all for higher education and some DOT
Debt Service

Convention Center
- When Authority runs an operating deficit, state is responsible for covering shortfall
  - Manages & operates Convention Center, Dunkin’ Donuts Center & Vet. Aud.
  - Governor recommends $23.0 million for debt service in FY 2016
  - Recommends $21.0 million in FY 2015
    - Savings of $2.0 million in the current year
Debt – Transportation

Department of Transportation

- Recommends $47.9 million
  - Consistent with the current service estimate and the enacted budget
    - Includes $19.3 million from the Highway Maintenance Fund
    - $1.9 million from federal funds and
    - $26.8 million from gasoline tax proceeds

Public Transit Authority

- Recommends $1.7 million from general revenues for RIPTA debt service in lieu of Authority sources
  - Initially, state support was for two years (FY 2013 and FY 2014)
  - FY 2016 reflects 4th year payment
  - Help reduce the Authority operation shortfalls
2008 Assembly adopted legislation to significantly modify the program
- Placed a moratorium on new projects
- Required upfront processing fees, reducing overall effective credit from 27.75% to 22.0% and
- Authorized borrowing to cash out all credits

Recommends $21.4 million in FY 2015
- Savings of $10.3 million to reflect a delay in issuance based on project completion and available funds in the Trust Fund
Recommends $31.3 million in FY 2016
- $0.3 million less than enacted
- Outyear debt: $31.5M in FY 2017 to $31.6M in FY 2018
Debt – I-195

- 2011 Assembly’s debt authorization stipulated proceeds from sale of land parcels would be used for debt
  - Legislation assumed up to $42 million of rev. bonds would be issued by EDC/CC to purchase land from DOT
  - $0.5 million in FY 2015 and FY 2016 general revenues for debt service on $38.4 million
  - Interest only payments through FY 2018

Department of Administration

<table>
<thead>
<tr>
<th>(In millions)</th>
<th>FY 2016 Gov. Rec</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change to Enacted</td>
<td>Gen. Rev.</td>
</tr>
<tr>
<td>Statewide Savings</td>
<td>($22.1)</td>
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<tr>
<td>Transfer to Ex. Office of Commerce</td>
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<tr>
<td>Library Aid</td>
<td>0.3</td>
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<tr>
<td>Energy Resources</td>
<td>-</td>
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<tr>
<td>HealthSource RI</td>
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<tr>
<td>Debt Service</td>
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<td><strong>All Other</strong></td>
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### Department of Administration

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<td>Salary &amp; Benefit Adj.</td>
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<tr>
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<tr>
<td>Personnel Reform Study</td>
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</tr>
<tr>
<td>E-Permitting</td>
<td>(0.3)</td>
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<tr>
<td>Lean Process Initiative</td>
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<tr>
<td>Capital Projects</td>
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<tr>
<td>Other Adjustments</td>
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<tr>
<td><strong>Total Changes</strong></td>
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</table>

### Information Technology

#### Division of Information Technology
- **Executive Order 04-06**
  - To improve efficiency, effectiveness and security of computer operations & management under the control of a Chief Information Officer
  - Responsible for oversight, coordination and development of all computer resources within the Executive Branch
Information Technology

- Services provided:
  - Desk Support
  - Network Support
  - Telecommunications
  - Central Mail

<table>
<thead>
<tr>
<th></th>
<th>Gen. Rev.</th>
<th>Fed. Funds</th>
<th>RR</th>
<th>Other</th>
<th>Total</th>
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<tbody>
<tr>
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<td><strong>16 Change</strong></td>
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<td><strong>$4.4</strong></td>
<td><strong>($0.9)</strong></td>
<td><strong>$4.4</strong></td>
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</tbody>
</table>
Information Technology

- $23.0 million in FY 2015 & $24.1 million in FY 2016 & staffing of 190.5 in both yrs.
  - FY 2015 is $0.1 million less than enacted
    - Statewide medical benefit savings
  - FY 2016 rec. is $1.0 million more than enacted
    - $0.8 million current service adjustments including COLA
    - $0.2 million less turnover savings

Internal Service Fund

- Often called rotary accounts
- Established to finance & account for operations of certain overhead programs
- Provide services to other state agencies on a charge for services basis
- Leg. in Article 1 to allow DOA to establish an internal service fund for IT service
  - Would be reflected in FY 2016 rev. budget
Information Technology

- Internal Service Fund
- Governor Carcieri's proposed this as part of FY 2007 budget
- Assembly did not concur
  - Lack transparency of direct appropriations
  - Difficulty to exercise same level of scrutiny as direct appropriations

Electronic Local Permitting

- 2012 Assembly provided $300K for purchase or lease and operation of web-accessible
  - Plan review management and inspection software system
  - Create standardized system available to State Building Code Commission & muni.
  - Staff from Building Code investigate other similar systems
Electronic Local Permitting

- Delays occur
  - Vendor selection
  - Finalizing contract
- Gov. reappropriated $0.5 million from FY 2014 to FY 2015
  - Department’s corrective action plan assumes use of IT Funds in lieu of gen. rev.
  - Governor concurs
- Department hopes to have phase I completed by the fall of 2015

Technology Investment Fund

- Info. Technology & Investment Fund
  - Created by 2011 Assembly for acquiring IT improvements
    - Hardware
    - Software
    - Maintenance
  - Designed to create pool of resources for projects instead of borrowing
Technology Investment Fund

- 2011 Assembly dedicated land sale revenue to fund
- 2012 Assembly transferred $9.0 million
- 2014 Assembly
  - Transferred no less than $10.0 million from tobacco refinancing
  - 10% of $1 surcharge on wireless & land lines to Fund
    - Effective, July 1, 2015

Technology Investment Fund

- 2014 Assembly authorized the Tobacco Settlement Financing Corporation to raise additional funds
  - Not less than $20.0 million through refunding of bonds
    - $5.0 million each to General Fund and Municipal Road & Bridge Revolving Fund
    - Remaining would go into Info. Tech. Fund
  - Final yield: $36.3 million, $16.3 million more than minimum
Technology Investment Fund

<table>
<thead>
<tr>
<th>Tobacco Proceeds</th>
<th>Current Law</th>
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<td>Total</td>
<td>$36.3</td>
<td>$36.3</td>
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*In millions*

Office of Regulatory Reform

- Created by 2010 Assembly
  - Aims to improve the state’s business climate
  - Helps businesses to navigate through state and municipal permitting & regulatory affairs

- 2012 Assembly transferred the Office from EDC/Commerce Corp.
Office of Regulatory Reform

- 2012 legislation requires agencies to periodically evaluate all existing regs. for adverse impact on small businesses
  - 25% each yr. - beginning in 2012 for a total of 4 yrs.
  - Governor requested regulatory agencies to speed up process
- Office tasked with assisting & coordinating the agency review process

Office of Regulatory Reform

Occupational Licensing
- Proposal in Article 20 to repeal some licensing (DBR, Health, ELSEC & DEM)
- Governor recommends $0.4 million in FY 2016 to support 4.0 positions
  - FY 2016 recommendation transfers ombudsman’s position to DBR
  - FY 2015 enacted budget had 6 positions
    - One position transferred elsewhere
## Human Resources

<table>
<thead>
<tr>
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<th>Gen. Rev. (In millions)</th>
<th>Fed. Funds</th>
<th>RR</th>
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<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>($0.2)</td>
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</table>

### Personnel Reform Study
- Current system was designed and implemented more than 50 yrs. ago
  - Few amendments have been made to it since
  - Has over 1,000 position classifications
- In 2012, Administration hired Segal to conduct a comprehensive personnel study
- Completed in Jan. 2013
Human Resources

- Study found that
  - Current structure, organization and staffing of HR division is not sufficient to support the state’s need
  - Recruiting process is highly paper based
    - Filling a position can take up to 6 months from the time it is requested
  - Provided a total of 16 recommendations
    - Restructure HR - will be implementing
    - Online application system - implemented
    - Update position classifications - study in process

Redesign state’s classification & compensation system

- Recommends $1.0 million, $0.5 million in both years
  - Estimated project cost $0.8 million
- Goals:
  - Increase flexibility within the classification and compensation systems
  - Increase the state’s ability to attract and maintain workforce
Human Resources

- Recommends $9.9 million for salaries and benefits
  - FY 2015 is $0.3 million less than enacted
    - Turnover and statewide medical benefit savings
  - Recommends staffing of 100.5 positions in FY 2015 and 102.5 positions in FY 2016
  - As of pay period ending April 18, 86.5 positions filled
    - 15 vacancies

FY 2016 recommendation shifts $1.0 million of gen. rev. expenditures to internal service funds
- Expenditures will now be reflected in working rates for medical benefit costs
- Employees responsible for 15-25% and state responsible for 85-75%
  - $0.8 million from salaries and benefits for 7.0 positions
  - Health benefit analyses - $0.1 million
  - Worksite Wellness Program - $0.1 million
Health Information Exchange

- Electronic network
  - Provides medical professionals access to patients' health information
  - State pays $1 per member per month fee for state employees
    - Enacted budget included funding of $225k
  - Contract ends December 31, 2014
- Governor does not recommend funding in FY 2016 - state employees
- State participates for its Medicaid enrollees

Off. of Diversity, Equity & Opportunity

- May 2013 Gov. Chafee Ex. Order
  - Dept. review all divisions and offices that are charged with facilitating equal opportunity employment
  - Make recommendations to improve collaboration
- Created in FY 2015 from transfers of:
  - Minority Business Enterprise from Div. of Purchasing
  - Outreach & Diversity Office from Human Resources
Off. of Diversity, Equity & Opportunity

- Enacted budget includes staffing of 7.0 positions and funding of $0.9 million

- Governor recommends $1.2 million for FY 2016 and 9.0 positions
  - $0.3 million more than enacted
  - 2.0 more positions
    - Program services officer
    - Administrative support staff

Office of Management & Budget

- Lean Processes Grant Program
  - Recommends $0.1 million from general revenues in FY 2016
  - Administered by Office of Management and Budget
  - Agencies will submit applications
  - Agencies will be able to use these funds to conduct lean government processes
Facilities Management

<table>
<thead>
<tr>
<th>(In millions)</th>
<th>Gen. Rev.</th>
<th>Fed. Funds</th>
<th>RR</th>
<th>Other</th>
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<td>($0.1)</td>
<td>$0.6</td>
<td>$2.4</td>
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<td>$1.4</td>
<td>$0.1</td>
<td>($0.1)</td>
<td>$0.6</td>
<td>$2.0</td>
</tr>
</tbody>
</table>

Facilities Management

- Responsible for 140 state buildings
- Funding in division supports building operations, maintenance, and repairs for state properties, including the Pastore Campus
- Recommends expenditures of $38.1 million in FY 2015 and $37.8 million in FY 2016
- Utility costs account for more than 50%
Facilities Management

- Recommends $2.4 million more in FY 2015 and $2.0 million more in FY 2016 than enacted
  - Primarily for utilities
    - Reflects two rate increases
  - Additional expenditures for:
    - Building maintenance
    - Janitorial services
  - Recommendations include $0.1 million each year for snow removal

Capital Consolidation

- Recommendation consolidates construction property & asset management functions into DOA
  - Staff from BHDDH, DEM and DOT
  - Prevent delays in capital project management
  - Provide greater oversight of capital assets and projects
Capital Projects

- Recommends total project costs of $375.2 million
- $121.8 million will be used from FY 2016-FY 2020
- Total 39 projects
  - Pastore Campus - 10
  - Other State Facilities - 21
  - Other projects - 8

<table>
<thead>
<tr>
<th></th>
<th>5 Yr. Total</th>
<th>Project Total</th>
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<tbody>
<tr>
<td>Pastore Center</td>
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<tr>
<td>Other State Facilities</td>
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By Sources

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<th>Source</th>
<th>5 Yr. Total</th>
<th>Project Total</th>
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<tr>
<td>Cert. of Participation</td>
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<td><strong>Total</strong></td>
<td><strong>$121.8</strong></td>
<td><strong>$375.2</strong></td>
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</tbody>
</table>
Capital Projects

Pastore Campus Projects
- $46.5 million will be used from FY 2016 - FY 2020
- Projects include:
  - Roof replacement
  - Window replacement
  - Utilities upgrade
  - Parking improvements
  - Buildings demolition

Virks Building Renovations
- $14.0 million from Capital Plan funds
- Interior renovations, including HVAC and roof replacement
- Once renovated, building could accommodate 200 to 225 employees
- Office of Health and Human Services staff
  - Billing Medicaid - recover half through lease
**Capital Projects**

**Other State Facilities Projects**
- $48.8 million will be used from FY 2016 – FY 2020
- Projects include:
  - State House Renovations
  - Cranston Street Armory
  - Ladd Center Buildings Demolition
  - Convention Center Facility Renovations
  - Big River Management Area

**State House Energy Management Improvement**
- DOA requested $48.1 million to renovate HVAC throughout the State House
- Recommends $0.4 million from RI Capital plan funds for architectural and engineering services
- Based on the outcome of design work, a decision will be made as to how the project will be funded
Capital Projects

Accessibility Facilities Renovations
- Provide accessibility to state buildings
- Previously under purview of Governor's Commission on Disabilities
- Transferred to Dept. of Administration
  - DOA - oversight of project
  - Commission - will continue to be responsible for project prioritization

Capital Projects

Cranston Street Armory
- Plan is to stabilize exterior of the building and board up all windows above the ground level
- Recommends $2.0 million in FY 2015 and FY 2016
  - FY 2015 - $0.2 million for a feasibility study to determine a use plan for the facility
Capital Projects

McCoy Stadium Repairs
- $150K in current year to perform a building study
  - Develop a long term asset management plan for the facility
- $750K will be used in FY 2016 & FY 2017

Capital Projects

All Other Projects
- $26.5 million will be used from FY 2016 – FY 2020
- Projects include:
  - Affordable Housing
  - Environmental compliance
  - Bristol County Water Treatment Facilities
Department of Administration

Staff Presentation to the House Finance Committee
April 28, 2015