
Section III

Agency Analyses

Department of Administration

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Program				
Central Management	\$ 1,475,743	\$ 1,449,293	\$ 1,960,324	\$ 1,326,065
Accounts & Control	3,806,968	3,540,113	3,751,998	3,751,998
Budgeting	2,007,066	1,917,923	2,219,064	2,015,159
Purchasing	2,554,715	2,298,105	2,750,346	2,780,346
Auditing	1,436,515	1,248,753	1,376,922	1,376,922
Human Resources	11,146,821	10,722,336	11,510,839	11,510,839
Personnel Appeal Board	80,803	80,147	73,560	73,560
General	118,014,074	118,313,899	42,180,397	43,157,098
Debt Service	191,268,497	191,916,345	199,608,551	200,904,497
Legal Services	1,693,282	1,778,377	1,825,486	1,825,486
Facilities Management	36,851,760	36,571,291	36,406,328	36,456,953
Capital Projects and Prop. Mgt.	3,776,092	3,702,536	3,922,079	3,922,079
Information Technology	27,590,025	27,252,377	30,679,954	30,379,954
Library Programs	2,273,201	2,531,162	2,223,311	2,223,311
Planning	17,921,395	21,226,994	21,001,636	21,679,192
Undistributed Savings	(8,178,357)	-	-	(3,000,000)
Energy Resources	69,240,003	96,651,823	53,551,892	53,551,892
Sheriffs	16,341,206	15,884,988	-	-
Total	\$ 499,299,809	\$ 537,086,462	\$ 415,042,687	\$ 413,935,351
Expenditures by Category				
Salaries and Benefits	\$ 70,895,702	\$ 76,166,493	\$ 67,898,646	\$ 64,174,915
Contracted Services	5,448,177	5,158,014	4,959,246	5,173,630
Subtotal	\$ 76,343,879	\$ 81,324,507	\$ 72,857,892	\$ 69,348,545
Other State Operations	34,423,085	35,905,617	32,298,058	32,712,222
Aid to Local Units of Government	61,188,736	60,978,736	11,595,170	11,595,170
Assistance, Grants, and Benefits	85,988,827	117,953,814	73,362,080	73,266,161
Capital	22,658,143	23,210,861	20,444,722	21,232,542
Capital Debt Service	191,023,652	190,039,440	199,408,551	200,704,497
Operating Transfers	27,673,487	27,673,487	5,076,214	5,076,214
Total	\$ 499,299,809	\$ 537,086,462	\$ 415,042,687	\$ 413,935,351
Sources of Funds				
General Revenue	\$ 324,063,375	\$ 334,437,010	\$ 250,047,213	\$ 246,446,221
Federal Aid	79,572,545	107,645,920	69,057,151	69,084,207
Restricted Receipts	17,140,339	25,689,655	19,898,084	20,059,071
Other	78,523,550	69,313,877	76,040,239	78,345,852
Total	\$ 499,299,809	\$ 537,086,462	\$ 415,042,687	\$ 413,935,351
FTE Authorization	871.6	871.6	693.6	694.6

Summary. The Department of Administration submitted an unconstrained budget for FY 2012 totaling \$490.6 million from all sources of funds. This is \$8.7 million less than enacted, of which

\$8.2 million is due to the allocation of pension savings, the removal of \$22.0 million to payback funds borrowed from the rainy day fund and new undistributed savings of \$8.2 million from the implementation of two initiatives. Adjusted for these, the request is \$13.3 million more from all funds, including \$27.6 million more general revenues, of which \$16.0 million is for debt service requirements. Consistent with the FY 2011 revised request and the enacted budget, the Department requested staffing authorization of 871.6 full-time positions. The Department also submitted a constrained budget that totals \$310.9 million and includes \$20.2 million less from general revenues than the unconstrained request.

The Governor recommended total expenditures of \$415.0 million, of which \$250.0 million is from general revenues. This is \$68.3 million less than enacted, including the allocation of \$8.2 million for pension savings, exclusion of the \$22.0 million repayment. The budget reflects the transfer of some of the appropriation for the state aid programs to the Department of Revenue. These include the distressed communities' relief fund; motor vehicles excise tax and the payment in lieu of taxes program. State aid for library operations and library construction will remain in the Department of Administration. It also includes the transfer of the Sheriffs program to the Department of Public Safety.

Accounting for these adjustments, the recommendation is \$5.2 million less than enacted largely due to the removal of stimulus funds for energy related projects. He recommended staffing of 693.6 positions, 178.0 positions less than requested, of which 180.0 relate to the Sheriffs transfer.

The Assembly provided total expenditures of \$413.9 million, including \$246.4 million from general revenues. This is \$1.1 million less than the recommendation, primarily for the inclusion of \$3.0 million in undistributed savings and the removal of Rhode Island Capital Plan funds for the Rhode Island Financial Accounting Network System. The Assembly also merged the State Water Resources Board into the Division of Statewide Planning. It authorized staffing of 694.6 positions.

Target Issues. The Budget Office provided the Department with a general revenue target of \$325.0 million. The amount includes current service adjustments of \$16.8 million and a 15.0 percent target reduction adjusted for certain exclusions of \$15.9 million. The constrained request is \$14.1 million less than the target level based on a subsequent revision for debt service for historic tax credit projects. The proposals to achieve the reductions are noted among the items described below where appropriate.

FY 2012 Budget	Budget Office	Department of Administration	Difference
FY 2011 Enacted	\$ 324,063,375	\$ 324,063,375	\$ -
Current Service Adjustments	16,777,999	11,298,770	(5,479,229)
New Initiatives	-	(4,233,622)	(4,233,622)
Change to FY 2011 Enacted	\$ 16,777,999	\$ 7,065,148	\$ (9,712,851)
FY 2012 Current Service/ Unconstrained Request	\$ 340,841,374	\$ 331,128,523	\$ (9,712,851)
Target Reduction/Initiatives	(15,853,972)	(20,220,565)	(4,366,593)
FY 2012 Constrained Target/Request	\$ 324,987,402	\$ 310,907,958	\$ (14,079,444)
Change to FY 2011 Enacted	\$ 924,027	\$ (13,155,417)	\$ (14,079,444)

The Governor's budget is \$74.9 million below the target. The enacted budget is \$78.5 million below the target.

Staffing Authorization. The Department requested staffing authorization of 871.6 full-time positions for FY 2012. This is consistent with the enacted budget and the FY 2011 revised request. The

request includes a number of transfers within department functions, including a current vacancy from Accounts and Control to the Division of Purchasing to administer transportation related procurement and a transfer from the Office of Energy Resources to the Division of Legal Services. The request reflects the elimination of a vacant position from the Division of Information Technology and a new position in the State Budget Office.

The Governor recommended staffing of 693.6 positions in FY 2012, 178.0 positions less than the authorized level, of which 180.0 positions is to reflect the transfer of the Sheriffs to the Department of Public Safety. He also added 2.0 positions in Central Management. He subsequently requested an amendment to shift 2.0 positions from Facilities Management to the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals and to add 2.0 janitor positions to maintain the State House.

The Assembly authorized staffing of 694.6 positions, including 3.0 positions from the merger of the Water Resources Board into the Division of Planning. It concurred with the subsequent request and did not concur with the recommendation to add an executive director and an assistant to the executive director.

Statewide Items

Statewide Adjustments. The Governor's FY 2012 budget includes \$20.7 million in unidentified statewide general revenue savings from applying reductions of 3.0 percent to salaries and benefits in cabinet level departments and 2.0 percent reductions to those costs in certain other agencies. He also included a 1.0 percent reduction to operating costs in those agencies. For the Department of Administration, he assumed savings of \$1.8 million primarily from personnel. The adjustments are in addition to other program changes in his recommended budget and described below. **The Assembly concurred.**

Distributed Pension Savings. The request assumes the distribution of \$8.2 million from all sources, including \$5.7 million from general revenues included in the enacted budget for the state's share of retirement costs for state employees. The 2010 Assembly adopted pension changes, which limit the cost-of-living adjustments to the first \$35,000 of retirement allowance indexed to inflation but capped at 3.0 percent beginning on the third anniversary of the date of retirement or age 65, whichever is later, for state employees, teachers, and judges that were not eligible to retire before June 12, 2010. *The Governor recommended funding as requested. The Assembly concurred.*

Budget Stabilization Fund Transfer. The budget request removes the one-time expenditure of \$22.0 million used to payback the Rhode Island Capital Plan Fund for funds borrowed from the rainy day fund in FY 2009. Rhode Island General Law requires that any amounts used must be replaced in the following year. The 2010 Assembly adopted legislation to delay the repayment to FY 2011.

The Governor proposed legislation to delay the repayment from FY 2011 to FY 2013. The Assembly did not concur with the delay. It provided \$22.0 million for the repayment in FY 2011.

Transition Costs for Elected Officials. The budget request removes the one-time expenditure of \$0.1 million for transition expenses for elected officials. Rhode Island General Law 36-1-2.1 requires that all newly elected general officers, prior to their engagement of office, shall be entitled to space for transition staff and adequate funds from the outgoing general office from the budget of that department for use to hire transition staff, obtain office supplies and equipment. *The Governor recommended funding as requested. The Assembly concurred.*

Statewide Pharmacy Savings. The request projects a statewide savings of \$561,366 from all funds, including \$288,097 from general revenues from the implementation of an initiative that encourages members who are on select non-specialty medications, commonly referred to as Tier 3 to fill their prescriptions through the mail or switch to a lower cost option. Members on selected medications will receive two grace period refills of the higher cost Tier 3 medicine at their retail pharmacy. Members on specialty medications do not have to switch to generic drugs; they are encouraged to order their medications through the mail as well. The Office of Employee Benefits indicates that during this grace period, members on non-specialty medications will receive letters and phone calls to inform them of the program and the low cost alternatives. Additionally, the dispensing pharmacist will inform the member of the low cost alternatives. If the member does not switch to a low cost alternative, he/she will continue to access the original prescription by mail order.

The Governor's budget reflects the savings from both years in the medical benefit rates shown for in FY 2012. The Assembly concurred.

Undistributed Statewide Early Retiree Benefits Savings. The request includes \$7.7 million from all funds, including \$3.9 million from general revenues in undistributed statewide savings as part of the Early Retiree Reinsurance program. The program was established by the Affordable Care Act for which Congress appropriated \$5.0 billion in total funding to provide reimbursement to employment-based health plans for a portion of the cost of health benefits for early retirees between the ages 55 and 64 for their spouses, surviving spouses, and dependents. The program reimburses plans for 80.0 percent of the cost of care provided per enrollee in excess of \$15,000 and \$90,000. The funds will be used to offset premium increases in FY 2012 for active employees.

The Office of Employee Benefits indicated that based on the active state employee share of 71.85 percent of the state's plans cost; rates may be reduced by \$7.7 million for active employees and \$3.0 million will go into the Other Post-Employment Benefits Trust fund for retirees. *The Governor's budget reflects the savings in the medical benefit rates in each agency's budget. The Assembly concurred.*

Statewide Medical Benefits. Subsequent to the Governor's budget submission, it was determined that the estimated health insurance premium will generate more funding than is required. *The Governor requested an amendment to reflect general revenue savings of \$3.0 million from one medical benefit holiday in FY 2012.*

The Assembly concurred and included the savings in the Department of Administration for later distribution.

Local Aid

Distressed Communities Relief Fund. The Department requested the enacted amount of \$10.4 million to level fund the Distressed Communities Relief program in FY 2012. This program was established in 1990 to provide assistance to the communities with the highest property tax burdens relative to the wealth of the taxpayers. The 2005 Assembly increased eligibility for FY 2006 to any community falling into the lowest 20.0 percent for at least three of four indices to be eligible for assistance under the program. The 2009 Assembly enacted legislation to make the program permanently subject to appropriation.

Current law mandates that when a new community qualifies, that community receives 50.0 percent of current law requirements the first year it qualifies. The remaining 50.0 percent is distributed to the other distressed communities proportionately. When a community falls out of the program, it receives

a one-time transition payment of 50.0 percent of the prior year requirement exclusive of any reduction for first year qualification. Preliminary data from the Division of Municipal Finance indicated that for FY 2012, North Providence qualifies for distressed aid and Burrillville no longer qualifies.

*The Governor's budget reflects the transfer of this program to the Department of Revenue. He recommended \$10.4 million to level fund the program at the FY 2011 enacted amount. **The Assembly concurred.***

Motor Vehicles Excise Tax. The Department requested the enacted amount of \$10.0 million for the Motor Vehicles Excise Tax program in FY 2012. The 2010 Assembly enacted legislation mandating a \$500 exemption for which the state will reimburse municipalities an amount subject to appropriation. The legislation allows municipalities to provide an additional exemption; however, that additional exemption will not be subject to reimbursement. The Assembly 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 Assembly restored the authority for fire districts to levy a motor vehicles excise tax. *The Governor's budget reflects the transfer of this program to the Department of Revenue. He recommended \$10.0 million to level fund the program at the FY 2011 enacted amount. **The Assembly concurred.***

Payment in Lieu of Taxes. The Department requested the enacted amount of \$27.6 million to level fund the Payment in Lieu of Taxes program in FY 2012, \$10.8 million less than the current law allowance of 27.0 percent. This program reimburses cities and towns for property taxes that would have been due on real property owned by nonprofit educational institutions, nonprofit hospitals, or any state-owned hospital, veterans' residential facility or correctional facility, which is exempt from taxation by state law. Reimbursement is 27.0 percent of the forgone tax, subject to appropriation. Based on preliminary data from the Division of Municipal Finance, the request for \$27.6 million represents a reimbursement of 19.4 percent of the value.

*The Governor's budget reflects the transfer of this program to the Department of Revenue. He recommended \$27.6 million to level fund the program at the FY 2011 enacted amount. **The Assembly provided an additional \$5.5 million for total funding of \$33.1 million. This represents a reimbursement of 23.4 percent.***

Property Revaluation Reimbursements. The Department requested \$1.1 million to reimburse communities conducting scheduled property revaluations or statistical updates in FY 2012. This is \$0.1 million more than enacted to reflect anticipated expenses. Expenditures fluctuate annually; they were \$1.5 million in FY 2010, \$1.0 million in FY 2009, \$1.1 million in FY 2008 and \$2.2 million in FY 2007. *The Governor's budget reflects the transfer of this program to the Department of Revenue. He recommended \$1.1 million in FY 2012, consistent with the request. **The Assembly concurred.***

Car Rental Surcharge – Warwick. The Department of Administration requested the enacted amount of \$957,497 from restricted receipts to the City of Warwick. The 2002 Assembly enacted legislation to provide the sales and vehicle rental surcharge revenues generated through customer facility charges from rental car companies at T. F. Green Airport. The receipts are deposited into a restricted receipt account for the City of Warwick. *The Governor's budget reflects the transfer of this program to the Department of Revenue. He recommended \$957,497 to level fund the program at the FY 2011 enacted amount. **The Assembly concurred.***

Library Construction Aid. The Department requested \$2.8 million for library construction aid, \$0.3 million more than enacted to reflect current funding requirements for FY 2012 based on updated cost information, interest rates, and construction schedules for approved projects. The state reimburses

libraries up to half the total costs for eligible projects on an installment basis for a period of up to 20 years. The payments do not begin until the state fiscal year following the completion, acceptance, and audit of the project. Reported expenditures in FY 2010 were \$2.7 million. *The Governor recommended funding as requested.* **The Assembly concurred and adopted legislation to set a three-year moratorium on the acceptance of applications for library construction aid projects.**

Library Aid. The Department requested \$10.1 million from general revenues, \$1.3 million more than enacted to fund state support of public libraries at the current law requirement. Rhode Island General Laws require the state to provide financial support to public libraries equal to 25.0 percent of the second prior fiscal year's local expenditures for library services. The Assembly enacted legislation during the 2008 and 2009 sessions to reduce the maintenance of effort requirement for municipalities to provide library services to at least 80.0 percent of the previous year.

The Governor recommended funding at the enacted level, which is \$1.3 million less than current law requirement, which allows for a ratable reduction to the appropriation. His community distributions reflect last year's data and are subject to change upon available data.

The Assembly concurred. Community distributions in FY 2012 reflect updated data and a ratable reduction to the appropriation.

Economic Development Corporation

Economic Development Corporation – Operations. Consistent with the enacted budget, the request includes \$4.6 million from general revenues to support general operations of the Corporation. The state annually awards a general revenue grant to the Corporation.

The Department's constrained budget includes a savings of \$0.6 million by reducing general operations of the Corporation from \$4.6 million to \$4.0 million. The Corporation indicated that a loss of funding would have a major impact on both personnel and program costs. The Department of Administration indicated that the Corporation did not submit a plan to specify what percentage of the reduction would be from staffing or operations. The Corporation noted that any savings from the elimination of personnel would be reduced by unemployment expenses. The Corporation is staffed by 46.0 full-time positions.

The Corporation has not submitted its FY 2011 revised or FY 2012 budgets. Information obtained from the FY 2011 budget indicates that 67.4 percent of the state's appropriation is for salaries and benefits and 32.6 percent is for operation costs. Subsequently, the Corporation indicated that it would lay off seven positions in the areas of Business Development, Communications, Research and Tourism; reduce its program costs by 56.0 percent and reduce operating costs by 16.0 percent if its appropriation is reduced.

The Governor recommended \$4.1 million from general revenues, which is \$0.6 million less than enacted. **The Assembly concurred.**

Community Service Grants. The Department requested the enacted amount of \$1.2 million for all community service grants. There are 19 grants passed through the Economic Development Corporation and 12 grants are administered by the Department of Administration.

The constrained budget reduces funding for all community service grants by 15.0 percent or \$187,271. This includes \$127,878 for grants passed through the Corporation and \$59,393 for grants administered by the Department.

The Governor recommended \$1.2 million to fund all the community service grants at the enacted level. The Assembly reduced all community service grants by ten percent and eliminated the Westerly/Pawcatuck Joint Development Task Force grant for total savings of \$133,563.

Slater Technology Fund. The Department requested the enacted amount of \$2.0 million for the Slater Technology Fund, which is a state-backed venture capital fund that invests in new ventures. The Slater Centers for Excellence was created in 1997; however, the Governor issued an executive order in 2005 to merge all the Centers into the Slater Technology Fund. The request brings funding to date to \$43.2 million. The 2009 Assembly reduced funding for this program from \$3.0 million to \$2.0 million. *The Governor recommended funding as requested. The Assembly concurred.*

Experimental Program to Stimulate Competitive Research (EPSCoR). The Department requested the enacted amount of \$1.5 million for participation in the National Science Foundation's Experimental Program to Stimulate Competitive Research. This is the sixth installment totaling \$9.0 million of state funds necessary to receive federal grant awards of \$3.0 million per year to establish a partnership between state government, higher education and industry to effect lasting improvements in research infrastructure and national research and development competitiveness. Initially, this was a three-year commitment. *The Governor recommended funding as requested. The Assembly concurred.*

Airport Impact Aid. Consistent with the enacted budget, the Department requested \$1.0 million to the Economic Development Corporation so that the Airport Corporation can provide impact aid payments to the seven communities that host the six state airports. The community payments are made proportionally based on the number of total landings and takeoffs. *The Governor recommended funding as requested. The Assembly concurred.*

Energy Programs

Stimulus – Weatherization Assistance Program. The Department requested \$5.0 million from federal stimulus funds for the Weatherization Assistance Program, \$4.5 million less than enacted. This program provides cost effective, energy efficient weatherization improvements. It also provides low-income individuals, particularly elderly, persons with disabilities, families with children, high residential energy users, and households with a high energy burden, with weatherization improvements to lower utility costs. The total amount that the state will receive is estimated to be \$20.1 million; \$3.8 million was spent in FY 2010 and the Department programmed \$11.2 million in FY 2011.

Of the \$5.0 million requested in FY 2012, the Department programmed \$4.5 million for grants, and \$0.5 million for the administration of the program. This includes \$36,995 for operating expenses and \$0.5 million to support 4.5 full-time positions.

The Governor concurred, with the exception of providing \$38,076 less for turnover savings and to reflect adjustments to benefit calculations. The Assembly concurred and adopted legislation to transfer this program to the Department of Human Services, effective July 1, 2012.

Stimulus – State Energy Program. The request includes \$4.5 million from federal stimulus funds for the State Energy Program, \$8.5 million less than enacted. The Federal Stimulus Act requires that the funds be distributed on a formula basis and to take into account population and energy usage. The program provides direct funding to state energy offices and the states use the funds to address their energy priorities and programs to adopt or support energy efficiency and renewable energy programs and strategies. The total amount that the state will receive is estimated to be \$24.0 million; \$0.2 million was spent in FY 2010 and the Department programmed \$19.3 million in FY 2011.

*The Governor concurred, with the exception of providing \$42,836 less for turnover savings and to reflect adjustments to benefit calculations. He also included an additional \$1,781 for operating expenses. **The Assembly concurred.***

Stimulus – All Other Programs. The request includes \$2.5 million from federal stimulus funds, \$2.8 million less than enacted to reflect available funds for the Energy Conservation Block Grants, which can be used for the implementation of specific programs established under the Energy Independence and Security Act of 2007 to reduce energy use and fossil fuel emissions, and for improvements in energy efficiency. The funds will be distributed on an existing formula, which takes into account population and other factors. The Department indicated that the funds will be allotted to all municipalities in three installments. The total amount that the state will receive is estimated to be \$9.6 million; the Department spent \$0.1 million in FY 2010 and programmed \$7.0 million in FY 2011.

*The Governor concurred, with the exception of providing \$4,760 less for turnover savings and to reflect adjustments to benefit calculations. He also included an additional \$1,255 for operating expenses. **The Assembly concurred.***

Low Income Heating Assistance Program. The Department's request includes \$29.6 million from federal funds, \$0.4 million less than enacted for the Low Income Home Energy Assistance Program. The program provides funds to assist Rhode Island's low-income households to meet the increasing cost of home energy and reduce the severity of an energy related crisis. The program currently assists approximately 32,000 low income households and grants range from \$200 to \$900 depending on income level and energy source. The request includes \$29.1 million for grants and \$517,233 for the administration of the program, of which \$465,834 is for salaries and benefits for 4.9 full-time positions and \$51,399 is for operating expenses.

*The Governor recommended total expenditures of \$28.9 million, \$0.8 million less than requested to reflect anticipated grant award. **The Assembly concurred and adopted legislation to transfer this program to the Department of Human Services, effective July 1, 2012.***

Other Energy Resources Programs. The request includes \$11.3 million from all funding sources for all other expenditures for the Office of Energy Resources. This is \$0.1 million less than enacted, including an increase of \$0.3 million from restricted receipts offset by a decrease of \$0.4 million from federal funds. The request includes \$3.2 million for the Demand Management Grant program to make energy grants for weatherization, gas and electric boiler replacements. It includes \$4.2 million from restricted receipts from the sale of emission allowances for the Regional Greenhouse Gas Initiative. The state was allocated just over 2.6 million tons of emission allowances. These allowances can be sold to energy producers in Rhode Island to offset the emissions they produce. The request includes \$3.9 million budgeted for various weatherization grants. The Weatherization Assistance Program provides cost effective, energy efficient weatherization improvements.

*The Governor recommended \$1.6 million more than requested to reflect additional funding for the Weatherization Assistance Program. He recommended staffing of 17.0 full-time equivalent positions, 1.0 less position than requested to reflect a vacant position reallocated to Statewide Planning. **The Assembly concurred and adopted legislation to transfer the Weatherization Assistance Program to the Department of Human Services, effective July 1, 2012.***

Statewide Planning

Stimulus – Homelessness Prevention Fund. The Department requested expenditures of \$0.8 million, \$1.1 million less from stimulus funds for the Homelessness Prevention Fund to reflect the anticipated award from the U.S. Department of Housing and Urban Development. Funds from this program can be used for rental assistance, housing relocation and stabilization services to include housing search, security or utility deposits, utility payments and moving costs. Rhode Island received a total of \$3.0 million for this program; the Department reported FY 2010 expenditures of \$0.7 million and programmed \$1.6 million in FY 2011. The Office of Housing and Community Development subcontracts with local community action agencies, Crossroads and other service providers. To date, the program has served 3,000 persons. *The Governor recommended funding as requested.* **The Assembly concurred.**

Staffing. The Department requested \$3.7 million from all sources to fund salaries and benefits for 34.0 full-time positions in the Division of Statewide Planning. This is \$0.3 million more from all funds than enacted, including an increase of \$0.1 million each from general revenues and other funds and \$33,297 from federal funds. The request is 8.6 percent more for the cost-of-living adjustment and updated benefit rates. Staffing authorization of 34.0 positions is consistent with the enacted budget. The request assumes no turnover savings.

The Governor concurred and provided \$0.1 million more than requested to reflect available funds from the Department of Housing and Urban Development to implement the Disaster Recovery Program. The funds will be used to support a 1.0 full-time position. **The Assembly concurred.**

Planning Grants and Operations. The Department requested \$13.3 million from all funds for all other expenditures relating to Statewide Planning. This is \$0.6 million more federal funds for community development block grants. Annually, the grant award is received from the federal government and prior years remaining funds are carried forward for expenditures; the grants are also adjusted based on available balances of the block grant awards unspent by the Department. Due to the timing of payments, grant funds often overlap fiscal years. This program provides annual grants on a formula basis to entitled cities and towns to develop viable urban communities. The request includes \$3.4 million more from other funds, budgeted for grants for transportation planning related issues. It includes the enacted amount of \$2.1 million from general revenues, of which \$0.7 million is for the state's Lead Hazard Reduction program and \$1.4 million for homeless assistance grants.

The Governor concurred and provided an additional \$3.2 million in federal funds from the Department of Housing and Urban Development for the Disaster Recovery Program. The funds may be used for efforts involving housing, economic development, and infrastructure improvements. **The Assembly concurred.**

State Water Resources Board. The Water Resources Board's unconstrained request includes \$1.9 million from all funds, which is \$0.5 million more than enacted, including \$21,668 more from general revenues and \$442,000 more from Rhode Island Capital Plan funds. The request includes an additional 1.0 position for a total request of 7.0 full-time equivalent positions.

The Board also submitted a constrained request that totals \$1.7 million and includes \$0.2 million less from general revenues than the unconstrained request.

The Governor recommended \$1.4 million, \$0.5 million less than requested including \$0.1 million less from general revenues and \$0.3 million less from Rhode Island Capital Plan funds. He recommended staffing consistent with the enacted level.

The Assembly adopted legislation to merge the State Water Resources Board into the Division of Statewide Planning, effective July 1, 2011. It transferred three of the six positions from the Board to the Department, while maintaining the Water Resources Board Corporate. The Assembly provided \$0.7 million to support staffing and operating expenses and \$0.2 million from Rhode Island Capital Plan funds for the Big River Management Area project.

Target – Lead Hazard Program. The constrained budget reduces funding for the Lead Hazard program from \$650,000 to \$109,602, an 83.1 percent reduction. The program provides loans and grants to income eligible property owners for lead abatement. Annually, the program provides loans and grants to assist 35 to 55 households. Since its inception, the program has assisted in making over 1,500 units lead safe. Rhode Island General Law 42-128-8 empowers the Housing Resource Commission to manage a lead abatement program. Subsequent to the budget submission, the Department indicated that it received a new award from the U.S. Department of Housing and Urban Development totaling \$3.1 million to be used over 3 years. The grant requires a state match of 50.0 percent. *The Governor did not recommend this reduction.* **The Assembly concurred.**

Neighborhood Opportunities Program. The Department's request reflects the elimination of the \$1.5 million from Rhode Island Capital Plan funds for the Neighborhood Opportunities Program. The Housing Resource Commission administers the program, which currently provides operating subsidies for affordable housing projects. In prior years, the funds were used for the development costs of housing units. Total funding to date is \$45.5 million.

The Governor concurred with the request and proposed legislation to require that the Rhode Island Housing and Mortgage Finance Corporation fund the program at that level. **The Assembly concurred.**

Facilities Management

Staffing. The Department requested \$10.4 million from all funds and staffing of 113.5 positions for the Division of Facilities Management. The request is \$0.9 million or 9.0 percent more and staffing authorization is consistent with the enacted budget. Of the \$0.9 million increase, \$0.5 million is for cost-of-living adjustments, and benefit rate changes consistent with FY 2012 planning values. The request assumes \$0.2 million in turnover savings, \$0.1 million less than enacted and \$0.4 million less than the FY 2011 revised request. Consistent with the enacted and FY 2010 reported expenditures, the request includes \$0.3 million for overtime expenses.

The Department's constrained budget proposes the layoff of 47.0 positions consisting of janitors, plumbers, electricians and maintenance technicians for a savings of \$3.9 million from all funds, including \$3.4 million from general revenues. It also includes additional turnover savings of \$0.9 million by holding 14.5 positions vacant for the whole fiscal year.

The Department indicated that the impact of instituting the layoffs and maintaining the additional vacancies would result in additional overtime in order to maintain facilities throughout the state. Additionally, it would have to reduce maintenance staff at the Veteran's Home and obtain services from outside vendors for snow removal and janitorial services. The Division indicated that when it was asked to identify the savings, it held utility costs harmless and maintains its contractual obligation for operation of the Central Power Plant. It should be noted that utility expenses account for more than 54.0 percent of the Division's general revenues enacted budget.

The Governor recommended \$10.2 million from all funds, which further reduces the request by \$192,300, of which \$153,294 is to reflect additional turnover savings and \$39,006 is to reflect adjustments to benefit calculations. He recommended staffing consistent with the request.

*Subsequently, he requested an amendment to shift 2.0 positions and \$0.4 million from Facilities Management to the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals transferring back project oversight of privately operated and state run group homes. He also requested an amendment to add 2.0 janitor positions to maintain the State House. **The Assembly concurred with the subsequent amendment.***

Utility Costs. The Department projected utility expenditures of \$20.0 million from all funds, including \$17.6 million from general revenues at state buildings under its jurisdiction, including the Pastore Campus in FY 2012. The request is \$0.1 million more from all funds, including \$0.3 million from general revenues. The projection is 15.6 percent or \$2.7 million more than FY 2010 reported expenditures and is 1.3 percent more than FY 2011 revised expenses. The request reflects a savings of \$0.4 million from electric and natural gas and an increase of \$0.4 million for sewer. The expenditure projection for natural gas is based upon a two-year fixed pricing option for natural gas implemented in FY 2010. The estimate is based upon the commodity pricing received for the Department's usage estimates for FY 2012. The fixed cost contract expires June 30, 2012. *The Governor recommended funding as requested. **The Assembly concurred.***

Other Operations. The Department requested \$8.0 million or \$0.6 million more from all funds for all other expenditures for the Division of Facilities Management to support building operations, maintenance and repairs for 365 state properties, including the Pastore Campus. This reflects an increase of 7.7 percent from the enacted budget and is \$0.5 million more than FY 2011 revised and FY 2010 reported expenditures. The request includes an additional \$0.2 million for janitorial services. Consistent with the revised request, it includes \$0.3 million for contractual services with Solar Turbines for the maintenance contract of the power plant turbines, which was inadvertently excluded from the enacted budget.

The Department's constrained budget reduces expenditures for janitorial services and waste disposal by \$0.2 million and defers building repairs and maintenance for a savings of \$0.6 million.

The Governor recommended \$6.6 million from all funds, which is \$1.4 million less than requested. This includes \$0.7 million less for building maintenance and waste disposal. The recommendation includes \$2.1 million for this expense, which is \$0.2 million more than FY 2010 reported expenditures.

*The recommendation also includes savings of \$0.7 million from general revenues from the Department of Behavioral Healthcare, Developmental Disabilities and Hospital leveraging more Medicaid that can be used for facility maintenance at the Eleanor Slater Hospital. It appears that the recommendation inadvertently lowered expenditures instead of shifting them to other sources. The Governor subsequently requested an amendment to correct this and included \$0.3 million from general revenues and \$0.4 million from all other sources. **The Assembly provided \$0.4 million from other sources.***

Information Technology

Staffing. The Department requested \$23.3 million from all funds, including \$15.3 million from general revenues and staffing of 191.5 full-time positions for the Division of Information Technology. The Division is responsible for oversight, coordination and development of all computer resources within the Executive Branch. The request includes \$2.6 million more from all sources and 1.0 fewer position than the authorized level. The request includes \$0.4 million in turnover savings, \$0.4 million less than enacted. As of pay period ending November 20, 2010, the Division had 12.9 positions vacant. Accounting for turnover savings, the request is \$2.2 million, or 11.2 percent more than enacted for cost-of-living adjustments and benefit rate changes consistent with FY 2012 planning values.

The Department's constrained budget proposes to lay off five permanent and two seasonal employees and increase turnover savings in the Division of Information Technology for a savings of \$2.1 million, including \$1.5 million from general revenues. The Department indicated that if the savings are instituted, the Division would not be able to provide support and maintenance of the Department of Corrections' INFACTS application, which tracks incarcerated inmates. It would also decrease overnight staff at the state computer center. The positions were selected based on the length of service.

*The Governor recommended \$23.0 million from all funds, including \$15.1 million from general revenues. This is \$2.3 million more than enacted and is \$0.3 million less than requested, of which \$0.2 million is for additional turnover savings and \$0.1 million is to reflect adjustments to benefit calculations. He recommended staffing consistent with the request. **The Assembly concurred.***

RI Financial Accounting Network System. The Department requested \$4.1 million from general revenues, which includes \$1.0 million for operational expenditures to fund contracts for license and maintenance costs for the Rhode Island Financial Accounting Network System and new expenditures of \$3.1 million to begin the implementation of the time and attendance, projects and grants modules. The Department indicated that the implementation of these modules would increase efficiencies across state agencies and provide for improved reporting for reimbursements.

The constrained request reduces expenditures for the implementation of the Rhode Island Financial Accounting Network by \$3.2 million.

*The Governor recommended \$2.4 million more than enacted from all funds, consisting of \$0.1 million less from general revenues and \$2.5 million from Rhode Island Capital Plan funds. Rhode Island Capital Plan funds have been limited to use on physical assets. **The Assembly did not concur with the use of Rhode Island Capital Plan funds for these expenses.***

Other Operations. The Department requested FY 2012 expenditures of \$6.1 million from all funds for the Division of Information Technology. This is \$72,353 or 1.2 percent more than the enacted budget and is \$0.2 million more than the FY 2011 revised request. It includes an additional \$42,219 from general revenues primarily for various software maintenance agreements.

As part of its constrained budget, the Division reduced operating expenditures by \$2.3 million from all funds, including \$2.0 million from general revenues. The request decreases the Division's Technology Initiative Fund from \$1.5 million to \$64,509. The Fund is used for information technology projects that support other state agencies. The Division had planned to increase storage backup capability, create a plan to reduce power consumption and upgrade enterprise cyber security appliances. The request also reduces staff training by \$0.2 million, which the Department indicated would hinder its ability to assist other state agencies' information technology systems.

*The Governor concurred with the unconstrained request and provided an additional \$1.3 million from general revenues for capital purchases and equipment. The Division is in the process of formalizing a plan for use of the funds. **The Assembly did not provide the additional funds; however, it adopted legislation establishing an Information Technology Fund. This Fund will be supported with proceeds from land sales.***

IT Enterprise Operations Center. The request removes the enacted amount of \$3.9 million from Rhode Island Capital Plan funds to reflect the completion of the Information Technology Enterprise Operations Center. In the fall of 2009, the Department purchased an 80,000 square foot building off Jefferson Boulevard. The Department is in the process of renovating the facility and indicated that it will occupy the first floor and offices will be made available for the Treasurer's Office and the State Police. Subsequent to the approved plan, the Department indicated that additional sources would be needed for renovations to the elevator and general construction items for the State Police and the Treasurer's Office. The FY 2011 revised budget request includes \$0.3 million for these expenses.

*The Governor recommended funding as requested. He subsequently requested an amendment to provide \$288,000 from Rhode Island Capital Plan funds to bring the HVAC system up to par and to fix the elevators in the building. **The Assembly concurred.***

Sheriffs

Staffing and Operations. The Department requested expenditures of \$17.4 million from general revenues to fund 180.0 positions and operation costs for the Sheriffs. The request includes \$16.5 million or \$1.0 million more for salaries and benefits, 6.6 percent more than enacted for cost-of-living adjustments and benefit rate changes consistent with FY 2012 planning values. The request assumes \$0.3 million in turnover savings based on a 2.0 percent across the board vacancy, which equates to 3.6 positions. As of pay period ending November 20, 2010, the Division had 174.0 positions filled, which does not take into account the number of individuals on military leave; injured on duty, which occurs while at work and long-term disability, which is due to a medical condition. Accounting for those, 150 positions are actually reporting to work regularly, which excludes those discharging vacation and sick time.

The request also includes \$750,000 for overtime expenses, which is \$50,000 less than enacted. FY 2010 reported expenditures for overtime were \$664,336 and the Department projects \$725,000 for FY 2011. Consistent with the enacted budget, the request includes \$0.9 million for operating expenses, \$33,973 less than enacted. The request includes \$0.3 million for vehicles, \$0.1 million for out-of-state travel expenses pertaining to prisoner extraditions and \$0.3 million for all other expenses.

*The Governor proposed legislation to transfer the Sheriffs program from the Department of Administration to the Department of Public Safety. He included \$17.2 million and staffing of 180.0 positions in the Department of Public Safety. **The Assembly concurred and provided an additional 2.6 full-time positions to assist with the transition and other administrative functions.***

Target – Layoffs and Turnover Savings. As part of its constrained budget, the Department proposed to lay off 30 deputy sheriffs for a savings of \$1.6 million. It also includes \$0.5 million in additional turnover savings, by holding an additional 6.0 positions vacant. It should be noted that the proposed number of layoffs equal that of deputies assigned to courtrooms in Newport and Kent counties. Adjusting for individuals out on long-term disability, injured on duty, and military leave, the Division has on average 133.6 deputies available to staff Newport, Washington, Kent and Providence counties.

The deputies are also required to do extraditions, hospital and cell block detail, prisoner transportation, and evictions. The Division noted that it would need to develop an operational plan to manage these reductions with the involvement of the Judiciary. Without inputs from the Judiciary, it identified three options should the layoffs occur: maintain all courtrooms and decrease staffing from each facility by 25.0 percent; two, close certain courthouses; and three, alternate days of operation between counties, which would allow personnel to be shifted on a day-to-day basis.

*The Governor did not concur with this request. He recommended staffing of 180.0 positions for the Sheriffs in the Department of Public Safety. **The Assembly concurred.***

Sheriffs Firearms and Radios. Consistent with its capital budget, the Department requested \$401,732 from Rhode Island Capital Plan funds for one-time expenditures, including \$125,000 to purchase 180 Glock .40 caliber firearms and other associated accessories for the Sheriffs. The Department indicated that the Sheriffs last purchased firearms in 1994 and since then it has received used firearms from other state agencies. It also includes \$276,732 to purchase 120 800 MHz portable radios. These projects do not appear to meet the definition of a capital expense and use of Rhode Island Capital Plan funds may not be appropriate for these projects. *The Governor did not recommend funding for these projects. **The Assembly concurred.***

Human Resources

Staffing. The Department requested \$11.9 million from all funds for salary and benefit expenditures to fund 116.0 full-time equivalent positions in the Division of Human Resources. This is \$1.0 million or 9.6 percent more than the enacted budget, including \$0.8 million more general revenues, \$0.2 million from federal funds, \$0.1 million from restricted receipts and \$29,779 more other funds. The staffing request is consistent with the authorized level. The Department restored \$0.4 million in turnover savings and included \$0.6 million for cost-of-living adjustments, and benefit rate changes consistent with FY 2012 planning values.

As part of its constrained budget, the Department included an additional \$0.8 million in turnover savings and proposes to lay off 15 positions, consisting of human resource analysts and employee benefits specialists for a savings of \$1.1 million. These positions provide various services pertaining to labor relations, training, workers' compensation, employment verification and process all leave of absence requests. The Department indicated that without these positions, there would be insufficient staff to process payroll in a timely manner. The positions were selected based on the length of service. It should be noted that salary and benefit expenditures account for more than 97.0 percent of the Division's budget.

*The Governor recommended \$11.4 million from all funds, including \$8.9 million from general revenues. This is \$0.6 million more than enacted and is \$0.5 million less than requested, of which \$0.4 million is for additional turnover savings and \$0.1 million is to reflect adjustments to benefit calculations. He recommended staffing consistent with the request. **The Assembly concurred.***

Worksite Wellness Program. Consistent with the revised request, the Department requested expenditures of \$42,000 from general revenues for the worksite wellness program. The 2009 Assembly eliminated funding for the program. In FY 2010, the Department used staff from the Division of Human Resources to implement the program. It indicated that this method did not prove to be reliable. The state employee wellness program was created by Executive Order 05-12 to improve wellness programs for state employees and their families. The request includes \$30,000 for supplies

including pedometers and \$12,000 for brochure materials and mailing. *The Governor recommended funding as requested.* **The Assembly concurred.**

Short and Long Term Disability Review. The Department requested FY 2012 expenditures of \$110,000 from general revenues, \$60,000 more than enacted for contractual services provided by Hewitt Associates, which performs employee health benefit analyses on an as needed basis. The additional funds are requested to review the state's short and term long disability contracts. The FY 2011 revised request includes an additional \$49,000 for this expense. The enacted budget included \$50,000 for the annual medical audit to verify accuracy of claims payments and compliance with the different benefit plans.

The Department's constrained budget reduces expenditures for this by \$40,000. *The Governor recommended \$70,000, consistent with the constrained budget.* **The Assembly concurred.**

Other Operations. The Department requested \$0.2 million from all sources, \$26,660 less than enacted for all other operating expenses for the Division of Human Resources. This includes a general revenue reduction of \$2,882 to reflect anticipated expenditures. The request is \$46,655 more than FY 2010 reported expenses. *The Governor provided \$7,378 more than requested to offset general revenue savings.* **The Assembly concurred.**

Purchasing

Staffing. The Department requested \$2.7 million from all sources to fund salary and benefit costs for 28.0 full-time positions for the Division of Purchasing. This is \$0.2 million or 6.8 percent more than enacted for cost-of-living adjustments, and benefit rate changes consistent with FY 2012 planning values. The request includes \$0.1 million from gasoline tax proceeds to fund a position dedicated to procurement for transportation related projects, effective January 2011. The Department of Administration reallocated a current vacancy from Accounts and Control for this position. Consistent with the enacted budget, the request assumes no turnover savings.

As part of its constrained budget, the Department included \$58,814 in turnover savings and proposed to lay off 3.0 full-time positions, consisting of two buyers and a senior buyer for a savings of \$259,046 from general revenues. The Department indicated that these layoffs would hinder its ability to provide enforcement on procurement of services to state agencies in a timely manner.

The Governor recommended \$2.7 million from all funds, including \$2.4 million from general revenues for staffing of 29.0 full-time positions. This is \$0.2 million more than enacted and is \$45,089 more than requested. The recommendation includes \$0.1 million for a position transferred from Accounts and Control. **The Assembly concurred with the subsequent amendment.**

Purchasing Website. The Department requested new expenditures of \$100,000 from general revenues, including \$50,000 each in FY 2011 and FY 2012 to enhance the website for the Division of Purchasing. The Department indicated that the current server that handles all state bids and provides information to the public has experienced downtime and the technology for it is outdated and is no longer supported. Programmed expenditures for FY 2011 include \$12,000 to upgrade the operating system; \$2,000 for licensing costs; \$5,000 for hardware costs and \$31,000 for website enhancements. The FY 2012 request of \$50,000 is for additional website enhancement costs.

The Governor recommended funding as requested. Subsequently, he requested an amendment to shift \$30,000 from FY 2011 to FY 2012 to reflect a project delay. **The Assembly concurred.**

Other Purchasing Operations. The Department requested \$54,595 from all funds for all other operating expenses for the Division of Purchasing, \$3,325 more than enacted for additional office supplies and postage. *The Governor recommended \$242 less from all funds than requested.* **The Assembly concurred.**

Overhead Functions

Tourism Asset Protection Fund. This initiative was not included in the Department's request. The Governor proposed legislation in Article 14 of 2011-H 5894 to establish the Tourism Asset Protection Fund to be used for tourism related improvements. The Fund is supported by the retention of a 1.0 percent sales tax on the rental of rooms and lodging; with the proposed rollback of the regular sales tax rate, the total sales tax would be unchanged from the current level. The funds will be deposited into a restricted receipt account and use of the funds is at the discretion of the Department of Administration.

The Governor recommended total expenditures of \$2.6 million from the Fund. This includes \$1.7 million in the Department of Environmental Management for the restoration of Fort Adams and \$0.9 million is budgeted in the Department of Administration for capital expenses though its uses are not specified in the capital budget. **The Assembly did not concur and adjusted expenditures accordingly.**

Historic Tax Credit Debt Service. The Department's request includes \$22.6 million from general revenues to fund debt service costs for historic tax credits. This is \$1.2 million less than enacted and \$14.4 million less than the original current service estimate to reflect a delay in issuance. The 2008 Assembly adopted legislation to significantly modify the program. It required upfront processing fees, placed a moratorium on new projects, reduced the overall effective credit from 27.75 percent to 22.00 percent, and authorized borrowing sufficient funds to cash out all credits. *The Governor recommended funding as requested.* **The Assembly concurred.**

Other Debt Service Costs. Excluding debt service costs for the Historic Tax Credit Trust Fund, and those for higher education and a portion of transportation, the Department requests \$187.1 million from all funds for all other debt service expenditures, which reflects an increase of \$17.2 million from general revenues, \$2.2 million from restricted receipts and \$0.5 million from other funds from gasoline tax proceeds for the Rhode Island Public Transit Authority and the Department of Transportation debt service payments. The request includes increases of \$16.9 million for general obligation bonds, consisting of \$4.7 million for outstanding debt and \$12.2 million for new debt based on planned issuance of \$100.0 million for FY 2012. The request includes the enacted amount of \$23.1 million for Convention Center Authority debt service costs. Consistent with the FY 2011 revised budget, the request includes an increase of \$2.3 million from restricted receipts for interest earnings pertaining to short-term borrowing. Interest earnings on borrowed funds are received as restricted receipts and are used to offset the cost of the Tax Anticipation Notes borrowing. The request reflects the removal of \$1.1 million for debt service costs relating to McCoy Stadium, for which the final payment was made in FY 2011.

The Governor recommended \$177.0 million from all funds for all other debt service expenditures. This is \$9.5 million more than enacted, including \$6.0 million from general revenues, \$1.7 million more restricted receipts and \$1.8 million more other funds.

The recommendation is \$10.3 million less than requested. Major changes to the request include \$9.5 million less for general obligation bond debt, \$2.2 million less for energy conservation debt and \$1.4

million more for transportation related debt, including increases of \$0.2 million for the Rhode Island Public Transit Authority and \$1.2 million for the Department of Transportation. Consistent with the FY 2011 revised budget, the recommendation reflects a shift of \$0.5 million from restricted receipts to general revenues due to lower than assumed interest earnings for Tax Anticipation Notes.

He subsequently requested an amendment to decrease general revenue debt service payments by \$0.7 million in both FY 2011 and FY 2012 from the recommended \$3.4 million required payments under the Fidelity Job Rent Credits agreement to reflect actual average filled positions.

The Assembly concurred with the subsequent request and included \$2.0 million for other debt service adjustments.

Contractor's Board Administrative Support. The request includes \$1.4 million in expenditures for the Contractor's Registration Board, which includes a shift of \$0.2 million of general revenue expenditures to restricted receipts for administrative and technical support provided by the State Building Commission to the Contractor's Registration Board. This amount reflects 18.0 percent of the FY 2012 Commission staff salaries and benefit projection. This is in addition to the current assessment of the 10.0 percent indirect surcharge that is deposited into the State General Fund. The Board is responsible for registering all contractors who do residential work and commercial roofers. It also conducts hearings for homeowners who file complaints against contractors. It collects registration fees on a biennial basis and assesses fines. With the additional expenses for administrative and technical support, staff projects that by FY 2013, fund balances will be insufficient to maintain operations. The Department indicated that eventually a fee increase would be necessitated. *The Governor recommended funding as requested.* **The Assembly concurred.**

Other Salary and Benefit Adjustments. Excluding items mentioned above, the Department requested \$16.1 million from all sources to fund current services salary and benefit costs for the remaining 147.6 full-time positions. This is \$1.3 million or 9.0 percent more than enacted, of which \$1.1 million is from general revenues for the following programs: Central Management, Accounts and Control, Budget Office, Legal Services, Auditing, Personnel Appeal Board, Capital Projects and Library and Information Services. The request includes \$0.1 million for a new position in the Budget Office. The request also assumes \$0.1 million in turnover savings, and includes cost-of-living adjustments, step increases and benefit rate changes to reflect FY 2012 planning values consistent with Budget Office instructions.

As part of its constrained budget, the Department increased turnover savings by an additional \$0.2 million and includes \$2.0 million from the layoffs of 22 positions, including two from Central Management, six from Accounts and Control, five from the State Budget Office, three from the Bureau of Audits, four from Legal Services, and two from Capital Projects and Property Management. It appears that 11 of the proposed layoff positions were vacant as of pay period ending November 20, 2010. The Department indicated that if the layoffs are instituted, the Bureau of Audits would have to reduce its scope of audits and there would be a delay in preparing fiscal notes for administrative rules.

The Governor recommended \$16.5 million from all funds, including \$14.5 million from general revenues for staffing of 149.6 full-time positions. This is \$1.7 million more from all sources than enacted and is \$0.3 million more than requested. The recommendation assumes \$0.4 million in turnover savings. He included \$0.3 million for two new positions; an executive director and an executive assistant to the director in Central Management.

The Assembly concurred, with the exception of funding the new positions. It also included savings of \$653,905 from management and budget operations.

All Other Operations. The Department requested \$1.6 million from all funds, including \$0.8 million from general revenues for all other state operations. This is \$0.3 million less from all funds, including \$4,954 less general revenues and \$0.3 million less from federal funds to reflect an anticipated award relating to library services.

The Department's constrained budget proposes \$0.2 million less than the unconstrained request, primarily for staff training, mileage reimbursement and printing costs.

*The Governor recommended \$0.2 million less than requested from all funds including \$13,600 from general revenues, of which \$6,975 is to reflect a 15.0 percent reduction on legal costs. **The Assembly concurred.***

Veterans Memorial Auditorium. Consistent with the approved plan, the request includes \$1.4 million from Rhode Island Capital Plan funds, \$1.1 million less than enacted to renovate the Veterans Memorial Auditorium and office building. The renovations will include roof repairs, upgrading the lighting around the stage area, a new loading dock, and upgrading the HVAC and security systems. In 2007, the Veterans Memorial Auditorium Foundation and the administration discussed concerns about the transfer of the facility from the state to the Foundation. The administration requested that the Rhode Island Convention Center Authority consider operating and managing the facility in lieu of the Foundation. The Convention Center Authority took management of the facility on July 1, 2008; however, the facility is still owned by the state and maintenance must be done to preserve the building. *The Governor recommended funding as requested. **The Assembly concurred.***

Other Capital Projects. The Department requested \$18.0 million from Rhode Island Capital Plan funds for 27 projects. This is \$4.8 million less than enacted, including \$0.2 million for one-time computer related expenses. These projects do not appear to meet the definition of a capital expense and use of Rhode Island Capital Plan funds may not be an appropriate use for this project. It includes \$1.0 million for building demolition at Ladd Center, and \$1.0 million for the Pastore Center Parking project.

The Governor recommended \$0.4 million less than enacted, which further reduced the request by \$5.2 million. He subsequently requested an amendment to provide an additional \$1.3 million, including \$1.0 million to address the structural problem with the Cannon building roof cap and \$0.3 million for the Pastore Fire Code project.

The Assembly concurred with the subsequent request and provided \$2.7 million more than recommended, of which \$1.0 million is for the Pastore Center Building Demolition and \$0.7 million is for the Washington Country Government Center to reflect delays in FY 2011. A detailed analysis of the projects is included in the Capital Budget Section of this publication.

Department of Business Regulation

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Program				
Central Management	\$ 1,024,858	1,060,195	\$ 1,162,041	\$ 1,162,041
Banking Regulation	1,821,156	1,638,045	1,857,238	1,597,238
Securities Regulation	854,862	882,179	1,066,512	1,066,512
Commercial Licensing, Racing & Athletics	1,195,701	1,189,408	1,229,648	1,229,648
Insurance Regulation*	5,582,931	6,017,824	5,321,002	5,321,002
Office of the Health Insurance Commissioner*	-	-	1,870,217	7,212,629
Board of Accountancy	164,031	162,845	170,668	170,668
Boards for Design Professionals	255,891	316,292	247,360	247,360
Total	\$ 10,899,430	\$ 11,266,788	\$ 12,924,686	\$ 18,007,098
Expenditures by Category				
Salaries and Benefits	\$ 9,188,307	8,915,791	\$ 10,188,856	\$ 10,191,878
Contracted Services	866,382	1,471,385	1,863,255	5,319,169
Subtotal	\$ 10,054,689	\$ 10,387,176	\$ 12,052,111	\$ 15,511,047
Other State Operations	751,003	779,874	777,837	1,096,957
Aid to Local Units of Government	-	-	-	-
Assistance, Grant, and Benefits	80,000	80,000	80,000	1,379,356
Capital	13,738	19,738	14,738	19,738
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 10,899,430	\$ 11,266,788	\$ 12,924,686	\$ 18,007,098
Sources of Funds				
General Revenue	\$ 9,156,047	\$ 8,744,355	\$ 9,696,378	\$ 9,436,378
Federal Aid	-	758,454	1,460,861	6,803,273
Restricted Receipts	1,743,383	1,763,979	1,767,447	1,767,447
Other	-	-	-	-
Total	\$ 10,899,430	\$ 11,266,788	\$ 12,924,686	\$ 18,007,098
FTE Authorization	90.0	93.0	93.0	96.0

**The FY 2012 budget creates a separate program for the Office of the Health Insurance Commissioner; previously part of the Insurance Regulation Division.*

Summary. The Department of Business Regulation requested \$12.3 million from all sources for its FY 2012 operations, \$1.4 million more than the FY 2011 enacted budget. The request includes \$0.3 million more from general revenues, \$0.5 million more from new federal grants, and \$0.6 million more from additional restricted receipt proceeds. The Department requested 92.0 full-time equivalent positions for FY 2012, or 2.0 more than the FY 2011 authorized level. The Office submitted a constrained request that totals \$11.1 million and includes \$1.2 million less from general revenues than the unconstrained request.

The Department submitted a constrained request that includes the elimination of 11.0 full-time equivalent positions, and is \$1.2 million less from general revenues and \$15,155 less from restricted receipts. The constrained request is \$48,922 less than the Budget Office's general revenue target of \$8.3 million.

The Governor recommended \$12.9 million from all sources, which is \$2.0 million more than enacted and \$0.6 million more than requested. The Governor's recommendation includes \$0.2 million more from general revenues, \$0.9 million more from new federal grants, and \$0.6 million less from restricted receipt proceeds. Consistent with his FY 2011 revised recommendation, the Governor recommended 93.0 full-time equivalent positions, 3.0 more than authorized and 1.0 more than requested.

The Assembly provided total expenditures of \$18.0 million, which is \$5.1 million more than recommended. It authorized staffing of 96.0 full-time equivalent positions, 3.0 more than recommended.

Target Issues. The Budget Office provided the Department of Business Regulation with a general revenue target of \$8,342,243. The amount includes current service adjustments of \$658,357 and a 15.0 percent target reduction of \$1,472,161.

FY 2012 Budget	Budget Office	DBR	Difference
FY 2011 Enacted	\$ 9,156,047	\$ 9,156,047	\$ -
Current Service Adjustments	658,357	321,390	(336,967)
Change to FY 2011 Enacted	\$ 658,357	\$ 321,390	\$ (336,967)
FY 2012 Current Service/ Unconstrained Request	\$ 9,814,404	\$ 9,477,437	\$ (336,967)
Target Reduction/Initiatives	(1,472,161)	(1,184,116)	288,045
FY 2012 Constrained Target/Request	\$ 8,342,243	\$ 8,293,321	\$ (48,922)
<i>Change to FY 2011 Enacted</i>	\$ (813,804)	\$ (862,726)	\$ (48,922)

The constrained budget submitted by the agency is \$48,922 below the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's budget is \$1.4 million above the target. The enacted budget is \$1.1 million above the target.*

Statewide Adjustments. The Governor's FY 2012 budget includes \$20.7 million in unidentified statewide general revenue savings from applying reductions of 3.0 percent to salaries and benefits in cabinet level departments and 2.0 percent reductions to those costs in certain other agencies. He also included a 1.0 percent reduction to operating costs in those agencies. For the Department of Business Regulation, he assumed savings of \$0.3 million primarily from personnel. The adjustments were in addition to other program changes in his recommended budget and described below. **The Assembly concurred.**

Central Management

Staffing and Operations. The Department requested \$1.2 million from general revenues to fund salaries and benefits for 9.0 full-time equivalent positions and operating expenses in Central Management. Central Management provides support services for the Department in the areas of budgeting, accounting, personnel, legal, and computer services. Salary and benefit costs reflect an increase of \$188,646, of which \$71,436 is to restore the turnover savings the enacted budget included. The Department plans to fill a vacant legal assistant position in July 2011. The remaining increase of \$117,212 or 12.0 percent more than enacted, reflects cost-of-living adjustments, a restructuring of

employee salaries and responsibilities, step increases and updated benefit rates consistent with the FY 2012 planning values. Consistent with the revised request and the enacted budget, the request also includes \$48,318 for state operations.

The Department anticipates the Central Management program will generate \$313,548 in revenues in FY 2012 from fees and licenses.

*The Governor recommended \$1.2 million for the salaries and benefits and operating expenses in Central Management. This is \$0.2 million more than enacted and \$16,576 less than requested to reflect staffing changes in FY 2012. **The Assembly concurred.***

Banking Regulation

Staffing and Operations. The Department requested \$1.9 million from all sources, including \$1.8 million from general revenues to fund salaries and benefits for 15.0 full-time equivalent positions and operating expenses in the Banking Regulation Division. The Banking Regulation Division provides regulatory oversight of state chartered financial institutions, credit unions and licensees. Salary and benefit costs reflect an increase of \$95,219, of which \$88,764 is to restore turnover savings the enacted budget included. The Department planned to fill a vacant senior bank examiner position in January 2011. The remaining increase of \$6,455 reflects cost-of-living adjustments, step increases and updated benefit rates consistent with the FY 2012 planning values. Consistent with the revised request and the enacted budget, the request also includes \$170,019 for state operations, including \$45,519 from general revenues.

The Department anticipates the Banking Regulation Division will generate \$1.7 million in revenues in FY 2012 from fees and licenses.

*The Governor recommended \$1.8 million; this is \$0.1 million more than enacted and \$6,516 less than requested from updated benefit rates. **The Assembly included turnover savings of \$260,000 from general revenues achieved by maintaining 3.0 bank examiner positions vacant for the fiscal year.***

Securities Regulation

Staffing and Operations. The Department requested \$1.1 million from all sources, including \$1.1 million from general revenues to fund salaries and benefits for 10.0 full-time equivalent positions and operating expenses in the Securities Regulation Division. The Securities Regulation Division enforces compliance with state laws and regulations regarding the securities industry, franchises, charities, fundraisers, and time-shares. Salary and benefit costs reflect an increase of \$250,104 of which \$191,720 is to restore turnover savings the enacted budget included. The Department planned to fill two vacant securities examiner positions in January 2011 and a vacant licensing aide position in July 2011. The remaining increase of \$58,384 includes cost-of-living adjustments, step increases and updated benefit rates consistent with the FY 2012 planning values. Consistent with the revised request and the enacted budget, the request also includes \$46,668 for state operations including \$31,668 from general revenues.

The Department anticipates the Division will generate \$14.5 million in revenues in FY 2012 from fees and licenses.

The Governor recommended \$1.1 million, which is \$0.2 million more than enacted and \$6,586 less than requested from updated benefit rates.

*The Governor included Article 20, Section 1 of 2011-H 5894 to increase two fees for the application and/or the renewal of specific professional licenses in the Securities Regulation Division. The article raises the security sales representative licensing fee by \$15 from \$60 to \$75 and the federal covered advisor licensing fee by \$50 from \$250 to \$300. These increases will yield \$1.2 million in additional revenues for FY 2012. **The Assembly concurred.***

Target - Elimination of Securities Regulation Division. As part of its FY 2012 constrained request, the Department proposed the elimination of the Securities Regulation Division. This would eliminate 10.0 full-time equivalent positions and \$1.1 million from the Department's FY 2012 current service request. However, in its request the Department did not include any expenses associated with the unemployment benefits for laying off 10.0 full-time equivalent positions.

The Department noted in its request that the elimination of this Division will create a loss of \$14.5 million in revenues that are currently deposited in the General Fund. *The Governor did not accept this proposal. **The Assembly concurred.***

Board of Accountancy

Staffing and Operations. The Department requested \$177,715, which is \$13,684 more than enacted, and the authorized level of 2.0 full-time equivalent positions. The request includes \$7,428 more for step and longevity increases, a 3.0 percent cost-of-living adjustment and other benefit rate adjustments per Budget Office instructions. Consistent with the revised request and the enacted budget, the request also includes \$19,544 for state operations.

The Board of Accountancy Division provides administrative support to an autonomous board that is responsible for the administration of the licensing of certified public accountants, partnerships, corporations, and sole proprietorships. The Department anticipates the Board of Accountancy Division will generate \$230,000 in revenues in FY 2012 from fees and licenses.

As part of its FY 2012 constrained request, the Department proposed turnover savings of \$94,150 from eliminating the administrative officer position for the entire fiscal year. The administrative officer functions as the primary administrator for the volunteer Commission; however, the Department believes the remaining staff member will be able to complete the work efficiently.

*The Governor recommended \$176,712. This is \$12,681 more than enacted and \$1,003 less than requested from updated benefit rates. He did not recommend eliminating the administrative officer position. **The Assembly concurred.***

Insurance Regulation

Salaries and Benefits. The Department requested \$4.2 million from all sources for salaries and benefits, \$260,991 more than enacted and the authorized level of 37.0 full-time equivalent positions. The request includes \$120,968 more than enacted from all sources, including \$84,676 more from general revenues to restore turnover savings included in the enacted budget. The Department plans to fill a vacant senior rate analyst position in July 2011. The request also includes \$142,425 more than enacted from all sources, including \$179,791 more from general revenues for cost-of-living adjustments, step increases and updated benefit rates consistent with the FY 2012 planning values.

The Insurance Regulation Division conducts financial and market examinations of domestic chartered companies and monitors foreign companies chartered by the state to determine the financial solvency

and market compliance with the state insurance code. This program also contains the Office of the Health Insurance Commissioner, which is responsible for the regulation of health insurers and hospital and medical service corporations.

The Department anticipates the Insurance Regulation program will generate \$9.9 million in revenues in FY 2012 from fees and licenses.

The Governor recommended \$4.0 million from all sources. This is \$0.2 million more than enacted and \$17,953 less than requested, including \$17,207 less from general revenues from updated benefit rates.

The Assembly concurred.

Other Operations. The Department requested \$1.1 million from all sources for all other expenditures. This includes \$136,979 from general revenues, the enacted amount, for other state operations. The Department included \$993,496, which is \$9,188 more than the enacted amount from restricted receipts for additional actuarial expenses reimbursed by insurance companies. *The Governor recommended general revenue funding as requested; however, included \$746 from additional restricted receipts.* **The Assembly concurred.**

Office of the Health Insurance Commissioner

Office of Health Insurance Commissioner – Insurance Assessment. The Department of Business Regulation included the proposal to change the funding for the Office of the Health Insurance Commissioner from general revenues to restricted receipts generated from assessments on regulated plans. The total funding of the Office of the Health Insurance Commissioner would be funded through an assessment placed upon health insurance companies, any licensed third party administrator, and any other person or entity that adjusts, settles claims, pays, or reimburses licensed health care providers for medical services provided to state residents. Governor Carcieri included this proposal in his FY 2011 budget; however, the Assembly did not concur.

The request includes \$0.6 million from restricted receipts, \$35,897 more than the enacted budget. The request includes \$15,897 more for step and longevity increases, a 3.0 percent cost-of-living adjustment and other benefit rate adjustments per Budget Office instructions. Included in the request is \$20,000 more than enacted for the research and analysis of health insurance issues by an intern in the Office of the Health Insurance Commissioner.

The Department's constrained request inadvertently reduces expenses by \$155.

The Governor did not recommend this proposal. His budget shows the Office as a separate program in the Department; previously it was part of the Insurance Regulation Division.

The Governor recommended \$0.5 million from general revenues; this is \$32,100 more than enacted and \$3,797 less than requested from updated benefit rates. **The Assembly concurred.**

Rate Review Grant. The Department requested \$400,000 from new federal Department of Health and Human Services grants for health insurance premium rate review. This request includes \$378,799 and 1.0 full-time equivalent position for a new rate review manager and to fund a principal policy associate position that although authorized, was not funded in the enacted budget. The total cost of the salary and benefits for the rate review manager and the principal policy associate position total \$250,217, whereas the Department requests \$378,799 or \$128,582 more. The new rate review manager position will manage the rate review process for the Health Insurance Commissioner, including routine rate

filings, the annual large and small group rate factor review, and the reporting process to external officials.

The remaining \$21,201 will allow the Office to acquire actuarial services, consultant fees, and a hospital utilization and payment evaluation.

*The Governor recommended \$0.6 million; this is \$0.2 million more than requested to reflect a reduction of a like amount in the Governor's FY 2011 revised recommendation. The recommendation includes \$0.3 million for salaries and benefits and \$0.3 million for the Office to acquire actuarial services, consultant fees, and a hospital utilization and payment evaluation. Subsequent to his budget submission, the Governor requested an amendment to include \$0.3 million from federal sources for 3.0 new full-time positions including a health care analyst, a delivery systems project manager, and an operations manager. **The Assembly concurred.***

Consumer Assistance Program Grant. The Department requested \$119,999 from new federal Consumer Assistance Program grant funds. This request includes \$103,283 and 1.0 full-time equivalent position for a new analyst to assist the Health Insurance Commissioner by reviewing financial statements and rate filings of commercial insurers in Rhode Island. In addition to the new position, the Department requested \$16,716 to purchase office supplies and other miscellaneous operating expenses to support the analyst and the rate review manager positions. *The Governor recommended \$28,313 more than requested made available from statewide personnel savings. **The Assembly concurred.***

Exchange Planning Grant. Subsequent to the Department's request, the Department received notification that it had been awarded a new federal grant to research the benefits of having a state run health insurance exchange as opposed to participating in a federally operated exchange in conjunction with the new federal health care law. *The Governor recommended \$0.7 million for the Department to begin to start the request-for-proposal process to hire an outside consultant to conduct this study. **The Assembly concurred.***

Exchange Establishment One Grant. Subsequent to the Department's request and the Governor's original budget submission, the Department received notification that it had been awarded \$5.2 million from a new federal grant to hire consultants to help design and implement a state health insurance exchange. *The Governor requested an amendment to include the additional funding. **The Assembly utilized \$0.1 million to fund a health policy director position within the Office of the Lieutenant Governor and added \$5.1 million to the Office based upon an agreement made between the Lieutenant Governor and the Office of the Health Insurance Commissioner.***

Commercial Licensing, Racing, and Athletics

Staffing and Operations. The Department requested \$1.3 million from all sources, including \$0.8 million from general revenues to fund salaries and benefits for 11.0 full-time equivalent positions and operating expenses in the Commercial Licensing, Racing, and Athletics Division. The division ensures the proper conduct of licensees in relation to state law and regulations for a variety of activities including, but not limited to: real estate agents, brokers and appraisers, auto body shops, auto wrecking and salvage yards, travel agents, liquor wholesalers, wineries, breweries, upholsters, boxing, wrestling, and kickboxing.

Salary and benefit costs reflect an increase of \$59,301 from all sources, including \$43,349 more from general revenues for cost-of-living adjustments, step increases and updated benefit rate changes

consistent with the FY 2012 planning values. Consistent with the revised request and the enacted budget, the request also includes \$213,388 for state operations, including \$61,694 from general revenues.

The Department anticipates the Commercial Licensing, Racing, and Athletics division will generate \$1.8 million in revenues in FY 2012 from fees and licenses.

*The Governor recommended \$55,937 more than enacted and \$3,364 less than requested from updated benefit rates. **The Assembly concurred.***

Boards for Design Professionals

Staffing and Operations. The Department requested \$255,080 from general revenues to fund salaries and benefits for 2.0 full-time equivalent positions and operating expenses to support the Boards for Design Professionals. The request is \$811 less than enacted which reflects a 3.0 percent cost-of-living adjustment and other benefit rate adjustments per Budget Office instructions, offset by the elimination of an administrative assistant position. Consistent with the revised request and the enacted budget, the request also includes \$64,717 from general revenues for all other state operations.

The Boards for Design Professionals Division provides administrative support to the following independent boards: the Board of Registration for Professional Engineers, the Board of Registration for Professional Land Surveyors, the Board of Examiners of Landscape Architects, and the Board of Examination and Registration for Architects.

The Department anticipates the Boards for Design Professionals Division will generate \$0.5 million in revenues in FY 2012 from fees and licenses.

*The Governor recommended \$2,228 less than enacted and \$1,417 less than requested and restored the administrative assistant position; however, elected to keep it vacant. The Governor's recommendation includes savings achieved from updated benefit rates. **The Assembly concurred.***

Department of Labor and Training

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Program				
Central Management	\$ 1,493,284	\$ 883,169	\$ 856,414	\$ 1,626,414
Workforce Development Services	41,582,765	49,303,198	36,033,528	36,033,528
Workforce Regulation and Safety	2,404,353	2,493,263	2,613,140	2,901,435
Income Support	778,595,118	857,324,622	447,204,819	522,153,651
Injured Workers Services	9,080,322	8,676,808	8,555,089	8,555,089
Labor Relations Board	402,597	371,959	415,133	396,538
Total	\$ 833,558,439	\$ 919,053,019	\$ 495,678,123	\$ 571,666,655
Expenditures by Category				
Salaries and Benefits	\$ 45,661,387	\$ 42,060,832	\$ 41,546,426	\$ 41,858,958
Contracted Services	4,065,573	5,390,783	4,147,298	4,147,298
Subtotal	\$ 49,726,960	\$ 47,451,615	\$ 45,693,724	\$ 46,006,256
Other State Operations	7,231,533	4,919,904	4,975,312	4,975,312
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	761,597,538	840,618,192	416,277,730	491,183,730
Capital	1,409,843	1,945,207	777,594	1,547,594
Capital Debt Service	-	-	-	-
Operating Transfers	13,592,565	24,118,101	27,953,763	27,953,763
Total	\$ 833,558,439	\$ 919,053,019	\$ 495,678,123	\$ 571,666,655
Sources of Funds				
General Revenues	\$ 7,117,031	\$ 6,930,789	\$ 7,262,954	\$ 7,575,486
Federal Funds	181,957,663	221,153,642	49,345,402	99,763,402
Restricted Receipts	17,529,145	18,004,845	17,104,361	17,104,361
Other Funds	626,954,600	672,963,743	421,965,406	447,223,406
Total	\$ 833,558,439	\$ 919,053,019	\$ 495,678,123	\$ 571,666,655
FTE Authorization	519.4	512.2	470.2	470.2

Summary. The Department of Labor and Training requested \$494.8 million from all fund sources, which is \$338.7 million less than enacted. This includes \$2.2 million more from general revenues, \$135.8 million less from federal funds, \$9.5 million less from restricted receipts, and \$214.7 million less from other funds, which include unemployment and temporary disability insurance funds. The request includes 411.0 full-time equivalent positions, which are 108.4 fewer positions than the enacted level and 100.8 fewer than the revised request. The request is \$2.0 million more than the Budget Office's general revenue current services target of \$7.3 million. The Department submitted a constrained request that totals \$6.8 million and includes \$2.5 million less from general revenues than the unconstrained request.

The Governor recommended \$495.7 million from all sources, \$337.9 million less than enacted and \$0.9 million less than requested. This includes \$2.0 million less from general revenues, \$3.2 million more from federal funds, \$0.3 million less from other funds and shifts \$10.0 million from restricted

receipts to other funds for the unemployment insurance interest payment. He recommended 470.2 full-time equivalent positions, 49.2 less than enacted and 59.2 positions more than requested.

He subsequently requested an amendment to increase expenditures by \$75.2 million, including \$74.9 million for unemployment insurance benefits and \$0.3 million from general revenues for salary and benefit expenses that were inadvertently omitted or overstated. **The Assembly concurred with both the funding and staffing levels, with the exception of shifting roof replacement expenditures of \$770,000 from Rhode Island Capital Plan funds from FY 2011 to FY 2012 to account for project delays.**

Target Issues. The Budget Office provided the Office with a general revenue target of \$6.8 million. The amount includes current service adjustments of \$0.2 million and a 15.0 percent target reduction of \$0.5 million, adjusted for certain exclusions.

FY 2012 Budget	Budget Office	Labor and Training	Difference
FY 2011 Enacted	\$ 7,117,031	\$ 7,117,031	\$ -
Current Service Adjustments	189,865	2,191,795	2,001,930
Change to FY 2011 Enacted	\$ 189,865	\$ 2,191,795	\$ 2,001,930
FY 2012 Current Service/ Unconstrained Request	\$ 7,306,896	\$ 9,308,826	\$ 2,001,930
Target Reduction/Initiatives	(478,360)	(2,480,290)	(2,001,930)
FY 2012 Constrained Target/Request	\$ 6,828,536	\$ 6,828,536	\$ -
<i>Change to FY 2011 Enacted</i>	\$ (288,495)	\$ (288,495)	\$ -

The constrained budget submitted by the agency meets the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$0.4 million more than the target.* **The enacted budget is \$0.7 million more than the target.**

Statewide Adjustments. The Governor's FY 2012 budget includes \$20.7 million in unidentified statewide general revenue savings from applying reductions of 3.0 percent to salaries and benefits in cabinet level departments and 2.0 percent reductions to those costs in certain other agencies. He also included a 1.0 percent reduction to operating costs in those agencies. For the Department of Labor and Training, he assumed savings of \$91,246, primarily from personnel. The adjustments are in addition to other program changes in his recommended budget and described below. **The Assembly concurred.**

Staffing. The following table illustrates the full-time equivalent position changes in the FY 2012 request from the FY 2011 enacted budget. It shows each of the changes, which are discussed separately. *The Governor included 59.2 more positions than requested.* **The Assembly concurred.**

Programs	FY 2011 Enacted	Emergency TANF	ARRA	UI	New	Other Changes	FY 2012 Request	Change to Enacted
Central Management	5.0	-	-	-	-	(0.5)	4.5	(0.5)
Workforce Development Services	183.1	(16.0)	(26.0)	-	-	(15.7)	125.4	(57.7)
Workforce Regulation and Safety	31.2	-	-	-	18.0	-	49.2	18.0
Income Support	255.2	-	-	(73.8)	-	4.8	186.2	(69.0)
Injured Worker Services	42.9	-	-	-	-	(0.2)	42.7	(0.2)
Labor Relations Board	2.0	-	-	-	1.0	-	3.0	1.0
Changes to Enacted	519.4	(16.0)	(26.0)	(73.8)	19.0	(11.6)	411.0	(108.4)

Emergency TANF Funding. The Department did not request any federal emergency temporary assistance to needy families' funds, since the program ended on September 30, 2010, and reduced the request by 16.0 full-time equivalent positions. The enacted budget contains 19.0 time-limited positions and \$0.7 million for all expenses within the Department for implementation of the subsidized employment program. The Department indicated that it only filled 16.0 of the 19.0 positions for this program; the remaining 3.0 positions were distributed into the rest of the Department for other activities and are not eliminated in the request. *The Governor recommended funding as requested.* **The Assembly concurred.**

Staffing Reduction - Vacancies. Consistent with the revised request, the Department's request includes \$633,164 less from federal funds by eliminating 7.6 vacant positions within the Workforce Development program. The Department indicated that several people moved from these positions to other positions within the Department. The request also includes the elimination of 4.0 additional vacant positions that have not been explicitly identified, but resulted from shifting staff among divisions; the Department indicates these positions are not funded. *The Governor recommended \$33,325 less from the elimination of 7.2 positions, consistent with his revised recommendation.* **The Assembly concurred.**

Staffing Reduction - Stimulus. The Department requested \$3.2 million less from federal funds by eliminating 26.0 time-limited American Recovery and Reinvestment Act positions; the enacted budget contains \$3.2 million from federal stimulus funds for 45.0 time-limited positions. The Department indicated it will only fill 26.0 of the 45.0 positions and existing staff is also working on stimulus projects. The remaining 19.0 stimulus positions were distributed into the rest of the Department for non-stimulus activities; the Department indicated there are sufficient funds to fill many of these positions, primarily from other federally funded programs. *The Governor recommended funding as requested.* **The Assembly concurred.**

Staffing Reduction - Unemployment Insurance. The Department requested \$6.2 million less from federal funds and unemployment modernization funds by eliminating 73.8 full-time equivalent positions throughout the unemployment insurance program. This includes the reduction of 29.0 positions from 1.0 full-time status to 0.4 full-time status, resulting in 17.4 fewer full-time equivalent positions in addition to the elimination of 56.4 full-time equivalent positions. These 73.8 positions include 11.9 benefit claims specialists and 58.4 employment and training interviewers, 3.0 managers for a full year and 1.0 coordinator position, which will be filled for the first half of FY 2012.

The request reflected the exhaustion of the unemployment modernization funding which is only available in FY 2011, assumed that the unemployment rate will continue to decrease and the call center will be able to maintain acceptable timelines for all of its required duties with lower staffing levels. However, on December 17, 2010, Congress extended the Emergency Unemployment Compensation program, which extended the pre-November 30, 2010 program through January 3, 2012. The Department's request did not reflect this extension, since it occurred after the request was submitted.

Subsequent to the request, the Assembly passed 2011-H 5050 to allow the transfer of \$1.9 million from unemployment modernization funding in the state's benefit payment account to the General Fund to be used for administrative expenses in FY 2011. This offsets administration expenses from federal funds, which can be used in FY 2012.

The Governor recommended \$2.5 million more than requested, including the \$1.9 million made available from the use of the modernization funds in FY 2011 for 51.4 positions and maintains the remaining 22.4 positions, but did not provide funding for them. **The Assembly concurred.**

New Positions - Workforce Regulation and Safety. The request includes \$2.1 million more from general revenues to add 18.0 full-time equivalent positions to the Workforce Regulation and Safety division, for a total of 49.2 positions. This includes \$2.0 million for salaries and benefits and \$0.1 million for computers, furniture and other expenses related to these positions. The division last had 49.0 filled positions in FY 2006. The Department was in the process of filling the 4.0 positions from its FY 2011 revised request and it indicated that these positions are needed to perform the duties of the division; however, the Department had not specified any specific duties and mandates are not currently or will not be completed without the additional positions, except citing general delays and backlogs. The Department requested 5.0 investigators and 4.0 aides for the professional regulation division and 3.0 examiners for the labor standards division, but did not specify the remaining 6.0 positions.

As part of its constrained request, the Department excluded the funding and the positions. *The Governor recommended \$0.5 million from general revenues for 4.2 positions along with related computer and furniture expenses. This is \$1.6 million and 13.8 fewer positions than requested.* **The Assembly concurred.**

New Position - Labor Relations. The request includes \$77,041 more from general revenues for adding 1.0 unspecified support position for the Labor Relations Board. This includes \$74,615 for salaries and benefits and \$2,423 for computers and computer equipment. The Board currently has two support staff members and last had 3.0 filled support staff positions in FY 2005.

As part of its constrained request, the Department excluded the funding and the position. *The Governor's recommendation did not include the authorization or the funding for this position.* **The Assembly concurred.**

All Other Salaries and Benefits. The Department requested \$45.6 million from all sources for all other salary and benefit requirements for the remaining 302.6 full-time equivalent positions. This is \$3.5 million or 8.2 percent more than enacted. This includes increases of \$19,616 from general revenues, \$2.9 million from federal funds, \$0.4 million from restricted receipts, and \$0.1 million from temporary disability insurance funds. The request restores \$0.6 million in turnover savings, including a total of \$0.2 million from federal funds for maintaining 3.0 vacant positions for the second half of FY 2012 within the income support division and includes \$1.6 million more for cost-of-living adjustments and benefit changes consistent with FY 2012 planning values. It also includes a reduction of \$1.2 million for overtime expenses in the income support division and shifts \$0.6 million from general revenues to federal funds, reflecting available funding.

The request appears to add \$1.2 million, including \$0.7 million less from general revenues and \$1.9 million more from federal funds in addition to all of the above mentioned changes, equaling approximately 13.7 additional positions, based on the department-wide average cost per position. Thus it appears the Department is filling the 14.4 positions, the difference between the 22.0 stimulus positions that remain in the request and the 7.6 workforce development positions eliminated, from available federal funds.

As part of its constrained request, the Department requested \$0.2 million less from general revenues by eliminating 3.0 additional full-time equivalent positions within the Workforce Regulation and Safety division, which are currently filled. It also reduced the request by \$71,471 from general revenues for staff support to the Senior Community Service Employment Program. Consistent with its FY 2011 revised request, the Department will seek third party in-kind contributions with the vendor for the general revenue state match portion of the grant.

The Governor recommended \$20,078 more than requested, including \$0.2 million less from general revenues, primarily from additional turnover savings and adjustments to benefit calculations. He did not recommend the elimination of the 3.0 Workforce Regulation and Safety positions included in the constrained request, but did include the Senior Community Service Employment program reduction.

*He subsequently requested an amendment to add a total of \$312,532 from general revenues, including \$288,295 from general revenues for Workforce Regulation and Safety and \$42,832 for Police and Fire Relief personnel for whom the positions were included, but insufficient funding was provided. He also included \$18,595 less for Labor Relations Board personnel, for which retirement benefits were inadvertently included. **The Assembly concurred with the recommendation as amended.***

Police and Fire Relief Fund. The Department requested \$4.1 million from general revenues for the payment of police and fire benefits paid to surviving spouses of deceased police and firefighters and education benefits for spouses and children of deceased or disabled officers and firefighters, as well as the disabled worker. This is \$55,625 more than enacted and consists of \$3,442,000 for pension benefits, which is \$65,773 less than enacted, and \$668,988 for education benefits, which is \$121,398 more than enacted. *The Governor recommended funding as requested. **The Assembly concurred.***

Unemployment Insurance Benefits. The Department requested \$224.8 million from all fund sources for the payment of unemployment insurance benefits, entirely from the Employment Security Trust Fund since stimulus funding is not available in FY 2012. This is \$342.4 million less than the enacted budget, including \$128.0 million less from federal stimulus funds, \$0.3 million less from federal disaster unemployment compensation funds and \$214.1 million less from the Employment Security Trust Fund. The request is based upon the November 30, 2010 expiration of full federal funding for benefits, the fact that increasing numbers of claimants are exhausting their benefits and will continue to do so, and anticipation that the unemployment rate will continue to decrease and more claimants will find employment.

On December 17, 2010, Congress extended the Emergency Unemployment Compensation program, which allows for full federal funding of the four federal benefit tiers and full federal funding of state extended benefits, extending the pre-November 30, 2010 program through January 3, 2012. The Department's request did not reflect this extension, since it occurred after the request was submitted.

The Governor recommended funding as requested and did not adjust for the federal benefit extension. He included Article 4 to make several changes to both taxes and benefit payments from FY 2012 through FY 2015 to increase the solvency of the Trust Fund and repay the state's loans by FY 2015.

*He subsequently requested an amendment to add \$74.9 million for benefits, including \$50.4 million from federal funds and \$24.5 million from the Trust Fund and requested an amendment to Article 4, reducing the amount of taxes employers would pay, but maintained the FY 2015 date for Trust Fund solvency. **The Assembly concurred with the updated benefit payments and the amended Article 4.***

For December 2010, the national unemployment rate was 9.4 percent and Rhode Island had an 11.5 percent seasonally adjusted unemployment rate or 66,042 unemployed residents, down from 12.7 percent or 72,750 unemployed residents in December 2009.

The following table shows the available benefit tiers, the maximum number of weeks of benefits for that tier, the funding source, the effective dates and methods and the expected expiration dates for each tier.

Benefits Program	Maximum Weeks	Funding Source	Effective Date	Effective Method	Expires
Regular Benefits	26	100 percent State	N/A	N/A	N/A
Federal Emergency Unemployment Compensation (EUC)	13	100 percent Federal	07/01/08	Signed into law by President Bush, effective in payments made July 6, 2008 (PL 110-252), extended four times, most recently 12-17-10	1/3/12 phase-out by 6/6/12
Extended Benefits	13	50 percent Federal and 50 percent State	07/06/08	Triggered by 13 week average unemployment rate of 6.5 percent or higher. 100 percent federal funding through 1-3-2012, then back to 50/50	Trigger off
High Extended Benefits	7	50 percent Federal and 50 percent State	11/09/08	Triggered by 3-month average unemployment rate of 8.0 percent or higher. 100 percent federal funding through 1-3-2012, then back to 50/50	Trigger off
Extension of Federal Emergency Unemployment Compensation (EUC2)	20	100 percent Federal	11/21/08	Signed into law by President Bush (PL 110-449), extended four times, most recently 12/17/2010	1/3/12 phase-out by 6/6/12
Extension of Federal Emergency Unemployment Compensation (EUC2)	1	100 percent Federal	11/06/09	Signed into law by President Bush (PL 110-449), extended four times, most recently 12/17/2010	1/3/12 phase-out by 6/6/12
Extension of Federal Emergency Unemployment Compensation (EUC3)	13	100 percent Federal	11/06/09	Signed into law by President Bush (PL 110-449), extended four times, most recently 12/17/2010	1/3/12 phase-out by 6/6/12
Extension of Federal Emergency Unemployment Compensation (EUC4)	6	100 percent Federal	11/06/09	Signed into law by President Bush (PL 110-449), extended four times, most recently 12/17/2010	1/3/12 phase-out by 6/6/12
Total possible weeks of benefits	99				

Unemployment Insurance Administration. The Department requested \$2.2 million from all sources for the administration and operations of the unemployment insurance program, excluding salaries and benefits. The request includes \$1.8 million from federal funds and \$0.5 million from restricted receipts from the Tardy and Interest Fund and is \$0.3 million less than enacted, bringing expenses in line with FY 2010 actual expenditures. The request includes \$0.5 million for legal contracts and expenses, \$0.5 million for printing and postage expenses, \$0.2 million for software maintenance agreements, \$0.2 million for vehicle, building and office equipment maintenance, \$0.2 million for centralized state services, \$0.1 million for stenographic and other temporary services, \$0.2 million for rental and lease costs, \$0.2 million for communications system expenses and \$0.2 million for all other general office and operating expenses, including utilities, insurance, and security services. *The Governor recommended \$33,705 more, including \$31,598 more from federal funds and \$2,107 more from restricted receipts to reflect funding that may become available from statewide personnel savings.*

The Assembly concurred.

Employment Security Fund. The Department requested \$10.0 million from restricted receipts for the payment of the interest the state is estimated to owe in November 2011 on its outstanding federal loans for the payment of unemployment insurance benefits. The state has borrowed approximately \$225.5 million from the federal government for the payment of benefits as of January 2011. This borrowed money was interest-free through January 1, 2011; interest will accrue on the balance of the loans from January 1, 2011 through September 30, 2011, and will be due in November 2011, or FY 2012. The interest for the federal fiscal year beginning October 1, 2011 will be due in FY 2013.

The 2010 Assembly enacted legislation that converted the 0.3 percent surtax that employers will have to pay beginning January 1, 2011 to a 0.3 percent increase in the Job Development Fund assessment to be used solely to pay the principal and interest on the loans. The surtax could only be used to repay the principal, but the assessment increase can be used to repay interest and the principal on the loans. *The Governor included the \$10.0 million interest payment.*

The Assembly concurred.

Trade Readjustment Assistance Programs. The Department's FY 2012 budget request includes \$5.8 million from federal Trade Readjustment Assistance Act funds, \$0.7 million more than enacted to support initiatives that help workers from Rhode Island companies who lost their jobs due to the adverse impact of foreign trade. The request includes \$1.5 million for the distribution of weekly trade readjustment allowances and \$4.3 million for programs oriented to assist qualified workers to obtain competitive levels of education, including contracted providers to instruct and train these workers and out of pocket reimbursement costs while training.

Someone eligible for these benefits must first exhaust all of their unemployment insurance benefits before becoming eligible for this program. Because these other programs take precedence, there have been fewer claims and the request is based upon the November 30, 2010 termination of federal benefit extensions and that there will be an increase in newly-eligible people wanting to obtain training benefits in order to find employment. However, subsequent to the request, Congress extended the federal payment of benefits through January 3, 2012, which may reduce the number of people eligible for this program. *The Governor recommended funding as requested.* **The Assembly concurred.**

Workforce Investment Programs. The request includes \$9.5 million from Workforce Investment Act funds to support initiatives oriented to youth, adults and dislocated workers. This is \$3.3 million less than enacted, including \$1.3 million less from federal stimulus funds and \$2.0 million more from Workforce Investment Act funds. The request is comprised of \$6.3 million or \$0.3 million less than enacted for adults and youth programs and \$3.2 million, or \$3.0 million less than enacted for dislocated workers. *The Governor recommended funding as requested.* **The Assembly concurred.**

Workforce Development Services Operations. The Department requested \$2.0 million from all sources for administration and operations of the workforce development services program, excluding salaries and benefits. This includes \$1.9 million from federal funds, \$0.1 million from restricted receipts and \$45,900 from other funds. Expenditures include \$0.7 million for rental expenses for the satellite offices, \$0.4 million for software maintenance agreements and vehicle, building and office equipment maintenance, \$0.2 million for training and educational services, \$0.1 million for utility expenses, \$0.1 million for centralized state services, \$0.1 million for security services, and \$0.4 million for all other expenditures, including telecommunications, printing and postage expenses and office supplies. The request is \$1.1 million less than enacted, including \$0.3 million less from federal stimulus funds, and represents a 34.2 percent reduction, reducing expenditures to be \$0.2 million less than the amount spent in FY 2010. *The Governor recommended \$62,570 more than requested, including \$53,771 more from federal funds and \$8,799 from restricted receipts to reflect funding that may become available from statewide operating savings.* **The Assembly concurred.**

Human Resource Investment Council. The Department requested \$4.5 million from restricted receipts or \$536,055 more than enacted to support initiatives on the Governor's Workforce Board through the Human Resource Investment Council. The Department anticipated increased revenues through increased employment and adjusted grant expenditures accordingly. The Council receives primary funding from the Job Development Fund, a 0.21 percent assessment of the employer's payroll tax. The total revenue available for FY 2012 is estimated by the Department at \$12.2 million and the Department anticipates expenditures of \$12.0 million in FY 2012. *The Governor recommended funding as requested.* **The Assembly concurred.**

The following table illustrates the Department's estimated expenditures in FY 2012.

Job Development Fund	FY 2012
Adult Education	\$3.5
State Administration	2.8
Employee Training Grants	4.5
Governor's Workforce Board Administration	1.2
Total Estimated Expenditures	\$ 12.0

amounts in millions

Temporary Disability Insurance Benefits. The Department requested \$165.0 million from the Temporary Disability Insurance Fund, consistent with the enacted budget for the payment of temporary disability insurance benefits that protect eligible workers against wage loss resulting from a non-work related illness or injury. The request is based upon the unemployment rate decreasing slightly, thus more people returning to work, and more people potentially eligible for this program, combined with claims numbers and payouts expended thus far in FY 2011. The Department spent \$166.2 million in FY 2007 for benefits, \$171.7 million in FY 2008, \$163.2 million in FY 2009 and \$157.3 million in FY 2010. *The Governor recommended funding as requested.* **The Assembly concurred.**

Temporary Disability Insurance Administration. The Department requested \$0.8 million from the Temporary Disability Insurance Fund, which is \$0.7 million less than enacted, for administration and operations of the temporary disability insurance program, excluding salaries and benefits. Expenses include \$0.4 million for postage and printing, \$0.1 million for rental costs, \$0.1 million for vehicle, building and office equipment maintenance, and \$0.2 million for all general office and operating expenses, including utilities, security services, and office supplies. The request includes \$0.5 million less for centralized state expenses, reflecting an unintentional overestimate in the enacted budget from the Department and \$0.2 million less for maintenance and miscellaneous expenses, bringing them in line with FY 2010 expenditures. *The Governor recommended \$25,165 more than requested to reflect funding that may become available from statewide operating savings.* **The Assembly concurred.**

Senior Community Service Employment. The Department requested \$643,218 from federal funds to support the Senior Community Service Employment Program, which is \$31,238 more than enacted. This is in anticipation of an increase of the federal award in FY 2012 based on the increases in grant awards over the last few years. This program is a United States Department of Labor community service and work based training program for older workers to provide subsidized, part-time community service work based training for low-income persons age 55 or older. The overall goal of the program is to provide participants with the skills and competencies to move from subsidized employment to unsubsidized employment. *The Governor recommended funding as requested.* **The Assembly concurred.**

Workers' Compensation Administration Fund. The Department requested \$2.0 million, or \$650,000 less than enacted, from restricted receipts for claims on the Workers' Compensation Administration Fund, formerly known as the Second Injury Fund. The decrease reflects lower utilization levels and lower payouts per case, consistent with the FY 2010 expenditures and FY 2011 expenditures to date. *The Governor recommended funding as requested.* **The Assembly concurred.**

Workers' Compensation Operations. The Department requested \$2.1 million from restricted receipts, which is \$0.3 million less than enacted, for administrative and operating expenses for the Workers' Compensation program, excluding salaries and benefits. This includes \$1.5 million for doctors, dentists, nurses and other medical services provided at the Donley Rehabilitation Center. Other expenses include \$0.2 million for software maintenance contracts, \$0.1 million for printing and postage, \$0.1 million for insurance needs and \$0.3 million for all other general office and operating

expenses, including utilities, interpreters and translators, and security expenses. The request includes \$0.3 million less for training and educational programs, miscellaneous expenses and all other general office and operating expenses, bringing them more in line with FY 2010 actual expenditures.

As part of its constrained request, the Department reduced expenditures by \$3,035 by eliminating training and educational programs. *The Governor recommended \$18,799 more than requested. He did not include funding for the training and employment programs, consistent with the constrained request and added \$21,834 to reflect funding that may become available from statewide personnel savings. The Assembly concurred.*

Roof Replacement. The Department did not request any funding for the replacement or repair of the roof on three of the buildings at the Center General Complex in anticipation the project will be completed in FY 2011. The enacted budget contains \$1.2 million from all sources for the project for FY 2011, including \$745,056 from Rhode Island Capital Plan funds. However, due to several delays the Department did not anticipate awarding the construction contract until May or June, thus the project would not likely be completed in FY 2011. *The Governor recommended funding as requested. The Assembly shifted \$770,000 from Rhode Island Capital Plan funds from FY 2011 to FY 2012 due to the delays.*

Asset Protection Projects. The Department requested \$208,500 from Rhode Island Capital Plan funds for a series of eight asset protection projects at the Center General Complex, which is \$169,000 and one project less than the FY 2012 through FY 2016 capital budget request, discussed in the Capital Section of this analysis. There is no funding in the enacted budget for these projects. *The Governor recommended funding as requested. The Assembly concurred.*

Information Technology. The Department requested \$2.1 million from all funding sources for information technology expenses department-wide, which is \$0.5 million more than enacted. This includes \$4,460 more from general revenues and \$473,690 more from federal funds for the remnants of the unemployment insurance technology and equipment upgrades, \$56,836 more from temporary disability insurance funds for computer equipment and \$56,602 less from restricted receipts, primarily from one-time Human Resource Investment Council purchases made in FY 2011. *The Governor recommended funding as requested. The Assembly concurred.*

Operating Transfers. The Department's request includes \$18.0 million for expenditures classified as "operating transfers," which is \$4.4 million more than enacted. These are shown for accounting purposes to reflect transfers of funds in and out of the state's general fund, out of the temporary disability insurance and unemployment insurance funds and among state agencies, such as transfers from the Department to the three Rhode Island institutions of higher education. These transfers double count expenditures that appear elsewhere in this budget or in other state agencies. *The Governor recommended funding as requested. The Assembly concurred.*

Transfers to RI Higher Education. The request includes transfers of \$1.3 million from federal funds, \$0.5 million less than enacted to the three Rhode Island institutions of higher education. This includes \$0.7 million less from Trade Readjustment Act funding reflecting lower eligibility and increased use of other grant and training programs not hosted by one of these three schools and \$0.2 million more from Workforce Investment Act funds from anticipated carry forward funds. *The Governor recommended funding as requested. The Assembly concurred.*

Unemployment Benefits Owed to Other States. The Department's request includes \$4.6 million more from the Employment Security Trust Fund for the payment of unemployment insurance benefits to

other states, for total payments of \$14.6 million. This is just the amount that Rhode Island reimburses other states for paying benefits on the state's behalf; there is also a corresponding revenue item in the Rhode Island Office of the General Treasurer for reimbursements from other states, though they are often not equal. The payment of benefits to other states is included in the total benefits paid out, discussed earlier. *The Governor recommended funding as requested. **The Assembly concurred.***

Temporary Disability Insurance Transfers. The request includes \$2.0 million, which is \$0.3 million more than enacted, from temporary disability insurance funds transferred to the Department of Revenue to support the employer tax unit and Department of Administration for debt service. *The Governor recommended funding as requested. **The Assembly concurred.***

Other Operations. The Department requested \$0.4 million, primarily from general revenues for all other operations, which is \$0.1 million less than enacted. The request includes \$0.2 million for the workforce regulation and safety division, \$0.1 million for central management, \$0.1 million for the Labor Relations Board and \$2,659 for the Police and Fire Relief and Trade Adjustment Assistance programs. Expenses include \$0.1 million for postage and printing, \$0.1 million for legal services and \$0.2 million for all other general office expenses, including utilities, security services and vehicle and office equipment maintenance.

As part of its constrained budget request, the Department requested several expenditure reductions totaling \$9,042 from general revenues. This includes general revenue reductions of \$9,040 for legal expenses related to labor relations issues and \$2 for various adjustments in the Police and Fire relief program.

*The Governor recommended \$10,848 less than requested, including \$17,502 less from general revenues. This includes the requested reductions in the constrained request with a further reduction of \$8,460 to legal expenses. He added \$2,399 from restricted receipts to reflect funding that may become available from the reduction to statewide personnel expenses. **The Assembly concurred.***

Department of Revenue

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Program				
Office of Director	\$ 500,231	\$ 592,880	\$ 784,261	\$ 784,261
Office of Revenue Analysis	555,607	416,073	495,910	435,910
Lottery Division	192,140,596	215,006,506	218,537,728	218,537,728
Division of Municipal Finance	1,159,585	2,121,690	2,352,609	1,902,940
Taxation	20,278,893	19,802,805	20,961,088	20,591,488
Registry of Motor Vehicles	21,695,505	22,379,204	18,486,545	18,876,707
State Aid	-	-	74,277,595	55,547,364
Total	\$ 236,330,417	\$ 260,319,158	\$ 335,895,736	\$ 316,676,398
Expenditures by Category				
Salaries and Benefits	\$ 35,942,800	\$ 35,379,133	\$ 38,095,326	\$ 38,021,057
Contracted Services	1,515,859	2,509,851	2,166,281	2,353,053
Subtotal	\$ 37,458,659	\$ 37,888,984	\$ 40,261,607	\$ 40,374,110
Other State Operations	193,432,036	216,394,297	219,516,610	219,549,825
Aid to Local Units of Government	-	-	74,277,595	55,547,364
Assistance, Grants, and Benefits	11,633	56,650	13,650	13,650
Capital	5,191,708	5,721,598	1,551,575	916,750
Capital Debt Service	-	-	-	-
Operating Transfers	236,381	257,629	274,699	274,699
Total	\$ 236,330,417	\$ 260,319,158	\$ 335,895,736	\$ 316,676,398
Sources of Funds				
General Revenue	\$ 35,479,085	\$ 35,941,529	\$ 91,720,012	\$ 92,610,905
Federal Aid	2,289,770	2,615,000	2,636,059	2,636,059
Restricted Receipts	824,191	1,966,459	21,191,727	1,861,496
Other	197,737,371	219,796,170	220,347,938	219,567,938
Total	\$ 236,330,417	\$ 260,319,158	\$ 335,895,736	\$ 316,676,398
FTE Authorization	426.0	426.5	428.5	434.5

Summary. The Department of Revenue submitted an unconstrained budget for FY 2012 totaling \$236.9 million from all sources of funds, which is \$0.6 million more than enacted. This includes an increase of \$3.7 million from general revenues. Consistent with the FY 2011 unconstrained budget, the Department requested FY 2012 staffing of 426.5 full-time positions, 0.5 positions more than the authorized level. The Department also submitted a constrained budget that totals \$230.5 million and is \$5.5 million less from general revenues than the unconstrained request.

The Governor recommended total expenditures of \$335.9 million from all funds, including \$91.7 million from general revenues. This is \$99.6 million more than enacted. The Budget reflects the transfer of some of the appropriations for the state aid program from the Department of Administration to the Department of Revenue. These include the distressed communities' relief fund, motor vehicles

excise tax, payment in lieu of taxes program, and the newly proposed Municipal, Accountability, Stability and Transparency Fund. State aid for library operations and library construction will remain in the Department of Administration. Accounting for these adjustments, the request is \$25.3 million more than enacted to primarily reflect changes in lottery collections. Consistent with the FY 2011 revised budget, the Governor recommended staffing of 428.5 full-time positions.

The Assembly provided total expenditures of \$316.7 million, \$19.2 million less than recommended, primarily from the exclusion of funding for the Municipal Accountability, Stability and Transparency Fund. It provided an additional \$5.5 million for the Payment in Lieu of Taxes Program. The Assembly authorized staffing of 434.5 positions.

Target Issues. The Budget Office provided the Department with a general revenue target of \$31.8 million. The amount includes current service adjustments of \$1.9 million and a 15.0 percent target reduction of \$5.6 million. The constrained budget submitted by the agency is \$1.9 million above the target, which includes expenditures of \$0.9 million for the Central Falls receivership, which was not part of the current service calculation. The Department’s request includes \$1.0 million in revenue enhancement by lowering expenditures from the Lottery Division. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor’s budget is \$60.0 million more than the target. The enacted budget is \$55.2 million more than the target.*

FY 2012 Budget	Budget Office	Department of Revenue	Difference
FY 2011 Enacted	\$ 35,479,085	\$ 35,479,085	\$ -
Current Service Adjustments	1,894,677	3,651,853	1,757,176
Change to FY 2011 Enacted	\$ 1,894,677	\$ 3,651,853	\$ 1,757,176
FY 2012 Current Service/ Unconstrained Request	\$ 37,373,762	\$ 39,130,938	\$ 1,757,176
Target Reduction/Initiatives	(5,606,064)	(5,511,604)	94,460
FY 2012 Constrained Target/Request	\$ 31,767,698	\$ 33,619,334	\$ 1,851,636
<i>Change to FY 2011 Enacted</i>	<i>\$ (3,711,387)</i>	<i>\$ (1,859,751)</i>	<i>\$ 1,851,636</i>

Statewide Adjustments. The Governor’s FY 2012 budget includes \$20.7 million in unidentified statewide general revenue savings from applying reductions of 3.0 percent to salaries and benefits in cabinet level departments and 2.0 percent reductions to those costs in certain other agencies. He also included a 1.0 percent reduction to operating costs in those agencies. For the Department of Revenue, he assumed savings of \$1.0 million primarily from personnel. The adjustments are in addition to other program changes in his recommended budget and described below. **The Assembly concurred.**

Office of the Director

Staffing and Operations. The Department requested \$775,530 from general revenues to fund salaries and benefits for 6.0 full-time positions and operating expenses in the Office of the Director. The Office of the Director is comprised of two units; director of revenue and legal services. The request reflects the transfer of 2.0 positions, one each from the divisions of Taxation and Lottery to the legal services unit within the Office of the Director to centralize legal services.

Salary and benefit costs reflect an increase of \$275,199, of which \$110,000 is to restore turnover savings that the enacted budget included for the director’s position and \$120,911 is for the transfer of the Taxation position. Accounting for these adjustments, the request is \$44,288 or 9.1 percent more than enacted for cost-of-living adjustments, step increases and updated benefit changes consistent with

FY 2012 planning values. Consistent with its revised budget, the request includes an additional \$100 for the Westlaw legal research subscription.

*The Governor recommended \$32,730 more than requested to reflect full funding for the director's position and included adjustments to benefit calculations. He included \$150 in savings from legal services based on a 15.0 percent reduction. **The Assembly concurred.***

Office of Revenue Analysis

Staffing and Operations. The Department requested \$604,163 from general revenues, of which \$534,263 is to fund salaries and benefits for 4.0 full-time positions and operating expenses for the Office of Revenue Analysis. The Office is responsible to analyze, evaluate, and appraise the tax system of the state. The request is \$48,556 more than enacted, of which \$39,206 or 7.3 percent is for salaries and benefits for cost-of-living adjustments and benefit changes to reflect planning values consistent with Budget Office instructions. Consistent with the enacted budget, the request does not assume any turnover savings.

Consistent with the FY 2011 revised request, the request includes an additional \$9,350 for operating expenses, of which \$10,200 is for a software maintenance agreement relating to Regional Economic Models Policy Insight model that will allow the Office to do economic impact analysis of various economic development and tax policy proposals.

As part of its constrained budget, the Department proposed savings of \$92,005, consisting of \$82,005 by maintaining a senior revenue policy analyst position vacant for 15 pay periods. It also reduced expenses for the Corporate Income Tax Simulation Model software maintenance by \$10,000.

*The Governor concurred with the constrained budget request and further reduced expenditures by \$2,560 to reflect adjustments to benefit calculations. **The Assembly concurred and included an additional \$60,000 in turnover savings.***

Division of Municipal Finance

Central Falls Receivership. The 2010 Assembly enacted the "Providing Financial Stability Act" to enable the state to work with cities and towns undergoing financial distress that threatens the fiscal well being, public safety and welfare of cities and towns. Consistent with its FY 2011 revised request, the Department requested expenses of \$0.9 million in FY 2012 for various costs pertaining to the non-judicial receivership for Central Falls. The request includes \$0.5 million in legal fees to be provided by Orson & Brusini and Edwards, Angell, Palmer and Dodge, as the constitutionality of the act is being questioned. The request includes \$0.2 million for a receiver and \$0.2 million for 2.0 full-time positions to assist the state appointed receiver. The positions are in the Office of the Governor and the Department of Administration; however, the individuals are working in Central Falls.

*The Governor recommended \$31,852 more than requested to reflect additional funding for legal services. **The Assembly concurred, with the exception of providing staffing to assist the receiver.***

Municipal Pension Study. The Department's request did not include any funding for a municipal pension study. There are currently 37 local and 110 state administered pension plans, many of which are severely underfunded.

*The Governor provided \$250,000 from general revenues to conduct a municipal pension study in FY 2012. **The Assembly did not concur.***

Staffing and Operations. The Department requested \$1.2 million from general revenues to fund salaries and benefits for 10.0 full-time positions and operating expenses for the Division of Municipal Finance, \$41,954 more than enacted. Salaries and benefits reflect an increase of \$47,421 or 4.5 percent more than enacted for cost-of-living adjustments and benefit changes to reflect planning values consistent with Budget Office instructions. The request does not assume any turnover savings and reflects filling a position at a lower step than the enacted budget. The request includes \$3,604 to reimburse the City of Newport for tolls. It also includes a reduction of \$9,071 for operation expenses based on anticipated expenditures for mileage, staff training and printing cost.

As part of its constrained budget, the Department proposed to layoff two senior real and personal property positions for a saving of \$184,075. This equates to 20.0 percent of the division's staffing. The Department indicated that the impact of the layoffs would result in the delay of the tax equalization study, which will be used in the newly established education funding formula. As of pay period ending November 20, 2010, the division had no vacancies.

*The Governor recommended \$36,612 more than the unconstrained request, which includes \$40,000 for computer software, which will essentially standardize reporting requirements to improve communications with municipalities. Adjusting for this, the recommendation is \$3,388 less than the unconstrained request to reflect turnover savings and adjustments to benefit calculations. **The Assembly concurred and adopted legislation to require the reports.***

State Aid

Payment in Lieu of Taxes. The Department of Administration's request includes the enacted amount of \$27.6 million to level fund the Payment in Lieu of Taxes program in FY 2012, \$10.8 million less than the current law allowance of 27.0 percent of the forgone tax, subject to appropriation. This program reimburses cities and towns for property taxes that would have been due on real property owned by nonprofit educational institutions, nonprofit hospitals, or any state-owned hospital, veterans' residential facility or correctional facility, which is exempt from taxation by state law.

The Governor's budget reflects the transfer of this program to the Department of Revenue. The Governor recommended the enacted amount of \$27.6 million. This is \$10.6 million less than the current law allowance of 27.0 percent and represents a reimbursement of 19.4 percent of the value. Distributions to communities reflect updated data.

The Assembly provided an additional \$5.5 million for total funding of \$33.1 million. This represents a reimbursement of 23.4 percent or 4.0 percent more than the Governor recommended.

Motor Vehicles Excise Tax. The Department of Administration's request includes the enacted amount of \$10.0 million for the Motor Vehicles Excise Tax program in FY 2012. The 2010 Assembly enacted legislation mandating a \$500 exemption for which the state will reimburse municipalities an amount subject to appropriation. The legislation allows municipalities to provide an additional exemption; however, that additional exemption will not be subject to reimbursement. The Assembly 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 Assembly restored the authority for fire districts to levy a motor vehicles excise tax.

*The Governor's budget reflects the transfer of this program to the Department of Revenue. The Governor recommended \$10.0 million, consistent with the enacted budget. **The Assembly concurred.***

Distressed Communities Relief Fund. The Department of Administration's request includes the enacted amount of \$10.4 million to level fund the Distressed Communities Relief program in FY 2012. This program was established in 1990 to provide assistance to the communities with the highest property tax burdens relative to the wealth of the taxpayers. The 2005 Assembly increased eligibility for FY 2006 to any community falling into the lowest 20.0 percent for at least three of four indices to be eligible for assistance under the program. The 2009 Assembly enacted legislation to make the program permanently subject to appropriation.

Current law mandates that when a new community qualifies, that community receives 50.0 percent of current law requirements the first year. The remaining 50.0 percent is distributed to the other distressed communities proportionately. When a community falls out of the program, it receives a one-time transition payment of 50.0 percent of the prior year requirement exclusive of any reduction for first year qualification.

*The Governor's budget reflects the transfer of this program to the Department of Revenue. The Governor recommended the enacted level of \$10.4 million for FY 2012. Communities' aid distribution is based on updated qualifying tax levies. For FY 2012, North Providence qualified for distressed aid and Burrillville no longer qualified. The FY 2011 revised budget includes an additional \$5.2 million for the program; municipalities must meet certain criteria in order to receive the additional funding. **The Assembly provided \$10.4 million to level fund the program in both years.***

Property Revaluation Reimbursements. The Department of Administration's request includes \$1.1 million to reimburse communities conducting scheduled property revaluations or statistical updates in FY 2012. This is \$0.1 million more than enacted to reflect anticipated expenses. Expenditures fluctuate annually; they were \$1.5 million in FY 2010, \$1.0 million in FY 2009, \$1.1 million in FY 2008 and \$2.2 million in FY 2007.

*The Governor's budget reflects the transfer of this program to the Department of Revenue. The Governor recommended total funding as requested. **The Assembly concurred.***

Central Falls Stabilization Payment. The 2010 Assembly enacted the "Providing Financial Stability Act" to enable the state to work with cities and towns undergoing financial distress that threatens the fiscal well being, public safety and welfare of such cities and towns. In July 2010, a temporary state receiver was appointed in Central Falls. Pursuant to section 45-9-7(b)(2) of the general laws, the state receiver has the power to exercise any function or power of any municipal officer or employee, board, authority or commission, whether elected or otherwise relating to or impacting the fiscal stability of the city or town including, without limitation, school and zoning matters. In December 2010, the receiver issued a report detailing the city's structural fiscal problems. It indicated that Central Falls ended FY 2010 with a \$2.4 million deficit with current assets of \$623,000, which can be used to reduce the deficit to \$1.8 million. The report also projected a deficit of \$4.9 million in FY 2012.

*The Governor recommended \$4.9 million in FY 2012 to eliminate the projected deficit. The FY 2011 revised budget also includes \$1.8 million. **The Assembly did not concur.***

Municipal Accountability, Stability and Transparency Fund. The Governor proposed the establishment of the Municipal Accountability, Stability and Transparency Fund to encourage municipalities to address unfunded liabilities for pensions and other post employment benefits.

The 2003 Assembly enacted a one percent additional tax on gross receipts from sale of food and beverages sold in or from eating and drinking establishments effective August 1, 2003. Meals are defined as sold ready for immediate consumption, regardless of when or where consumed. The Governor proposed to double this to 2.0 percent and dedicated half of it to the new initiative. Municipalities must meet set criteria in order to be eligible to receive funding from the Municipal Accountability, Stability and Transparency Fund.

In FY 2012, all municipalities must provide a five-year forecast to the Division of Municipal Finance including options for fully funding annually required post employment benefit liabilities, provide fiscal impact statements for changes in health care plans, submit financial data on time, join the Municipal Uniform Chart of Accounts and fulfill other requirements. By FY 2014, municipalities not in compliance will receive a decrease in the state's contribution towards the employer cost of teacher retirement expenses. Payments to municipalities that are in compliance would be in March of each fiscal year.

*The Governor recommended \$19.3 million in FY 2012 from a 1.0 percent sales tax on meals and beverages with his proposal to rollback the regular sales tax to 6.0 percent, taxpayers would not see a change in the tax paid in meals and beverage. The funds will be distributed based on per capita income and local tax burdens using FY 2009 data from the General Revenue Sharing Program. **The Assembly did not concur.***

Car Rental Surcharge – Warwick. The Department of Administration's request includes the enacted amount of \$957,497 from restricted receipts to the City of Warwick. The 2002 Assembly enacted legislation to provide the sales and vehicle rental surcharge revenues generated through customer facility charges from rental car companies at T. F. Green Airport. The receipts are deposited into a restricted account for the City of Warwick. *The Governor recommended the enacted amount of \$957,497. **The Assembly concurred.***

Lottery Division

Staffing. The Department requested \$5.4 million from other funds to support 53.0 full-time positions within the Lottery Division. The request reflects a transfer of 1.0 position from the Lottery to the legal service unit within the Office of the Director to centralize legal services. The request is \$0.4 million more than the enacted budget for cost-of-living adjustments, step increases and benefit changes to reflect FY 2012 planning values. Consistent with the enacted budget, the request assumes \$0.1 million in turnover savings. The turnover savings is equivalent to 1.3 vacant positions. As of pay period ending November 20, 2010, the Division had 3.0 positions vacant. *The Governor concurred, with the exception of providing \$17,321 less to reflect adjustments to benefit calculations. **The Assembly concurred.***

Operations. Excluding salaries and benefits, the Department requested \$187.3 million for all other expenditures for the Lottery Division, \$149,743 more than enacted based on anticipated expenditures for FY 2012. The request includes new expenditures of \$140,000 to purchase four vans and two vehicles and \$0.2 million more for liability and loss of income insurance. It also includes savings from utilities and advertising based on historical spending patterns. The request includes the enacted amount of \$182.4 million for lottery commission payments.

The Governor recommended \$213.2 million, \$26.0 million more than enacted. This includes \$22.7 million more for lottery commission payments. It also includes \$4.2 million for marketing costs,

consisting of \$3.7 million for Twin River and \$0.5 million for Newport Grand. The Assembly concurred.

Target – Revenue Enhancement. As part of its constrained budget, the Lottery Division was asked to identify \$1.0 million in expenditure savings, which essentially increases general revenue receipts into the general fund in FY 2012 by a like amount. Excluding Keno, the Lottery Commission must make certain transfers to the state general fund from the operation of its traditional games, after prizes, commissions and administrative expenses. Transfers from proceeds are due quarterly, but are made monthly.

The Governor concurred with the expenditure reductions; however, he did not assume the revenue enhancement. The Assembly included the revenues.

Division of Taxation

Staffing. The Department requested \$18.7 million from all sources to fund salary and benefit costs for 198.0 full-time positions. The request reflects the transfer of a position from the Division of Taxation to the legal services unit within the Office of the Director to centralize legal services. The request is \$1.3 million or 7.1 percent more from all sources, including \$1.1 million from general revenues and \$0.3 million from all other sources. The request assumes 2.0 percent or \$0.4 million in turnover savings; the enacted budget includes \$0.3 million. As of pay period ending November 20, 2010, the division had 12 vacancies. The request includes the enacted amount of \$245,000 for overtime expenses and \$312,984 for seasonal employees. Other changes include cost-of-living adjustments, step increases and benefit changes to reflect FY 2012 planning values consistent with Budget Office instructions.

The Governor recommended \$18.3 million from all funds, which further reduced the request by \$0.4 million, of which \$0.1 million is to reflect additional turnover savings and \$0.3 million is to reflect adjustments to benefit calculations. He recommended staffing consistent with the request.

The Assembly concurred and provided \$0.4 million from general revenues to fund 6.0 full-time positions, consisting of 4.0 revenue agents to enhance collections in audit and compliance and 2.0 positions to administer changes made in the sales tax.

Target – Layoffs. As part of its constrained budget, the Department proposed the layoff of 30.0 full-time positions for savings of \$2.2 million from general revenues. This equates to 15.0 percent of the division's staffing. The layoffs include 18 positions from the Tax Compliance Office and 12 positions from the Field Audit Unit. The positions consist of 15 revenue officers, 3 special investigators, 11 revenue agents and one senior revenue agent. The Department indicated that historically, a revenue officer within the Tax Compliance Office collects approximately \$0.5 million in revenue from delinquent and/or non-compliant taxpayers and a revenue agent from the Field Audit generates approximate \$0.6 million in revenue through enforcement programs and audits. The total revenue impact from eliminating the positions could be as much as \$16.8 million. *The Governor did not recommend this proposal. The Assembly concurred.*

Target – Eliminate Seasonal Employees. As part of its constrained budget, the Department eliminated the enacted amount of \$0.3 million from general revenues for seasonal employees. Seasonal employees within the Division of Taxation work from February through late June to process personal and corporate income tax returns. The Department indicated that in calendar year 2009, the division processed 240,000 paper personal and 45,000 corporate income tax returns. The division indicated that it has seen an increase in the number of electronic filings.

The Governor recommended eliminating half of the seasonal positions for savings of \$175,423. The Assembly concurred.

Operations. Consistent with its FY 2011 revised request, the Department requested \$2.4 million from all funds for all other operating expenditures for the Division of Taxation. This is \$8,790 less than the enacted budget and includes a general revenue increase of \$35,115 to reflect anticipated expenditures for printing and postage and out-state travel expenses for audits.

As part of its constrained budget, the Department proposed reductions of \$142,500, compared to the unconstrained budget. These include \$36,000 from mileage reimbursement, \$42,500 for out-of-state travel expenses relating to audits and \$51,000 from printing costs. The constrained request for operating expenses is \$0.2 million more than FY 2010 reported expenditures.

The Governor further reduced the unconstrained general revenue request by \$85,004. This is \$57,496 more than the constrained request to reinstate out-of-state travel expenses relating to audits since he does not concur with the layoffs. He also included \$4 less for legal services based on a 15.0 percent reduction. The Assembly concurred.

Tax Data Warehouse. The request retains the \$0.5 million from Rhode Island Capital Plan funds that the 2010 Assembly provided for the tax data warehouse to allow users to create and run reports, and performs queries to enhance tax collection. Based on the Governor's FY 2011 recommended capital budget, it appears the funds were intended to be for a one-time expense.

The Governor recommended \$655,000 from Rhode Island Capital Plan funds, which includes a shift of \$155,000 from FY 2011 to FY 2012 to reflect anticipated expenditures. The Assembly did not include Rhode Island Capital Plan funds for this project beyond FY 2011.

Corporate Tax Model. The Department's FY 2012 through FY 2016 capital budget includes \$225,000 from Rhode Island Capital Plan funds, of which \$125,000 is for the development of a corporate income tax model and \$100,000 will be used for the system's maintenance. The project would allow for comparing and contrasting impacts of different tax structures; allow the Office of Revenue Analysis to evaluate the differential between taxation of regular income, investment income and capital gains. The system would also demonstrate the impact of changes on distribution of the tax burden. It was included in the Department's FY 2011 capital budget, the Governor and the Assembly did not include funding for it.

The Governor recommended \$125,000 from Rhode Island Capital Plan funds for this project. The project did not appear to meet the definition of a capital expense. The Assembly did not concur.

Registry of Motor Vehicles

Overtime Expenses. The Department's request includes \$715,000 from general revenues for overtime expenses in the Division of Motor Vehicles. This is \$395,000 more than the enacted budget. The Department indicated that the additional overtime expense relates to staff training on the new computer system, which will be done after work hours and on weekends. It should be noted that the division's FY 2011 revised request includes an additional \$120,000 for overtime expenses. FY 2010 reported expenditures for overtime totaled \$0.4 million. *The Governor recommended \$21,450 less than requested. The Assembly provided funding consistent with the enacted budget.*

Other Staffing. The Department requested expenditures of \$12.3 million from general revenues and federal funds to fund salary and benefit costs of 155.5 full-time positions in the Division of Motor Vehicles in FY 2012. The request is \$1.0 million or 8.1 percent more than the enacted budget for cost-of-living adjustments and benefit changes consistent with FY 2012 planning values. The request reflects the conversion of a half position to a full position for a customer service representative. Consistent with the enacted budget, the request includes \$0.2 million in turnover savings, which is equivalent to 2.3 positions vacant. As of pay period ending November 20, 2010, 145.5 of the authorized positions were filled.

The Governor recommended \$12.1 million from all funds, which further reduced the request by \$0.2 million for turnover savings and adjustments to benefit calculations. He recommended staffing consistent with the request. Subsequently, he requested an amendment to provide \$1.3 million from general revenues to fund 25.0 positions; 15.0 to enhance customer service and reduce wait times at the headquarters in Cranston and 10.0 positions would be allocated to two new branch offices.

The Assembly did not concur with the subsequent amendment; however, it provided \$0.3 million from general revenues to fund 2.0 positions and consultant services for the Division to develop a strategic plan to enhance customer service.

Target – Layoffs. As part of its constrained budget, the Department proposed to layoff 22.0 full-time positions from the Registry of Motor Vehicles for a saving of \$2.1 million. The proposal includes the layoffs of 7 branch supervisors and 15 customer service representatives from Middletown, Wakefield, Warren and Woonsocket. The Department indicated that the layoffs of these positions will essentially increase the waiting time at the Registry. *The Governor did not recommend the layoffs. The Assembly concurred.*

Westerly Branch. In addition to the headquarters in Cranston, there are four registry satellite offices. The Division of Motor Vehicles is looking to expand its branch locations into Westerly one day per week and looked into municipality space where no lease would be needed. It is assumed that the space would be available at no cost and utilities would be included. This branch would be fully staffed with three customer service representatives and one supervisor. The Wakefield branch, which is currently open five days, will closed one day a week and staff from Wakefield will cover the Westerly branch for that one day. *The Governor did not include funding for this.*

The Assembly provided \$37,800 from general revenues for operation expenses, including computer workstations and telephone and janitorial services.

Real ID Program. Consistent with its FY 2011 revised request, the Department included federal fund expenditures of \$0.6 million within the Division of Motor Vehicles, \$249,968 more than the enacted budget based on anticipated award for the Division's Real ID program, which requires national standards for the issuance of state driver's licenses and identification cards. The funds will be used to purchase software to enhance imaging. *The Governor recommended funding as requested. The Assembly concurred.*

Registry of Motor Vehicles/Forand Building. The Department's request excludes the \$4.1 million from Rhode Island Capital Plan funds in the enacted budget to reflect the completion of the Forand Building as the new home of the Registry of Motor Vehicles. Construction started in September 2009, and the Division moved in late August 2010. *The Governor recommended funding as requested. The Assembly concurred.*

All Other Operations. The Department requested \$5.6 million from general revenues for all other operating expenses for the Division of Motor Vehicles. This is \$0.1 million less than enacted and consistent with FY 2010 expenditures. As with the revised budget, the request includes new general revenue expenditures of \$90,000 to purchase 20 copiers that will network with the new workstations and provide scanning capabilities. The request includes an additional \$68,655 for license plate printing, additional dues payments related to the International Registration Plan, which is a cooperative agreement among states, the District of Columbia and provinces of Canada providing for payment of license fees based on trucks operated in various jurisdictions. The Division projected savings from fuel, printing and postage.

The Department's constrained budget includes savings of \$0.4 million from the Registry. The savings consist of \$0.2 million from lease payments, which assumes all branch offices will be closed, effective August 1, 2011. Excluding the headquarters in Cranston, the Registry operates in Middletown, Warren and Woonsocket, all of which are on a month-to-month lease. The Warren branch is mandated by Rhode Island General Law to stay open. The constrained request also excludes the \$0.1 million for 20 new copy machines that the Department included in its unconstrained budget, \$35,000 for software maintenance pertaining to the new computer system and \$45,000 for mileage reimbursement due to the closure of the satellite branches.

The Governor further reduced the unconstrained general revenue request by \$56,926; he did not recommend funding for the new copy machines. He provided an additional \$21,105 for security services and reduces legal expenses by \$126 based on a 15.0 percent reduction. His recommendation assumes that all branch offices would remain open.

*Subsequently, he requested an amendment to provide an additional \$0.4 million from general revenues for consultant costs for the new computer system and \$22,500 to adjust the lease cost for the Middletown branch. **The Assembly concurred.***

Legislature

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Program				
General Assembly	\$ 6,766,435	\$ 7,172,362	\$ 6,688,000	\$ 6,688,000
Fiscal Advisory Staff	1,525,113	1,573,979	1,635,480	1,635,480
Legislative Council	4,244,997	4,244,866	4,431,511	4,431,511
Joint Comm. on Legislative Affairs	21,284,871	20,577,135	20,635,464	20,135,464
Office of the Auditor General	5,213,828	4,963,232	5,293,036	5,293,036
Special Legislative Commissions	13,900	13,831	13,761	13,761
Total	\$ 39,049,144	\$ 38,545,405	\$ 38,697,252	\$ 38,197,252
Expenditures by Category				
Salaries and Benefits	\$ 31,985,946	\$ 31,880,891	\$ 32,440,521	\$ 31,940,521
Contracted Services	2,125,300	1,036,451	1,348,400	1,348,400
Subtotal	\$ 34,111,246	\$ 32,917,342	\$ 33,788,921	\$ 33,288,921
Other State Operations	2,387,898	2,500,363	2,351,131	2,351,131
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	2,300,000	2,900,000	2,300,000	2,300,000
Capital	250,000	227,700	257,200	257,200
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 39,049,144	\$ 38,545,405	\$ 38,697,252	\$ 38,197,252
Sources of Funds				
General Revenue	\$ 37,474,136	\$ 36,970,091	\$ 37,048,053	\$ 36,548,053
Federal Aid	-	-	-	-
Restricted Receipts	1,575,008	1,575,314	1,649,199	1,649,199
Other	-	-	-	-
Total	\$ 39,049,144	\$ 38,545,405	\$ 38,697,252	\$ 38,197,252
FTE Authorization	295.9	298.5	298.5	298.5

Summary. The Legislature estimated FY 2012 expenditures of \$40.3 million and 297.8 full-time equivalent positions. This includes \$38.7 million from general revenues and \$1.6 million from restricted receipts and includes funding for statewide salary and benefit adjustments and \$0.9 million from FY 2011 for redistricting costs.

The Governor recommended \$1.6 million less than requested. This includes \$0.7 million in unidentified statewide savings and \$0.8 million less for retiree health benefit costs based on the most recent actuarial study and other statewide benefit rate adjustments.

The Assembly included \$500,000 in general revenue personnel savings and concurred with the remainder of the recommendation.

Office of the Lieutenant Governor

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 906,015	\$ 869,040	\$ 973,042	\$ 1,066,212
Contracted Services	-	500	500	500
Subtotal	\$ 906,015	\$ 869,540	\$ 973,542	\$ 1,066,712
Other State Operations	15,964	25,060	22,710	22,710
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	2,500	3,500	750	750
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 924,479	\$ 898,100	\$ 997,002	\$ 1,090,172
Sources of Funds				
General Revenue	\$ 924,479	\$ 898,100	\$ 997,002	\$ 965,940
Federal Aid	-	-	-	124,232
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 924,479	\$ 898,100	\$ 997,002	\$ 1,090,172
FTE Authorization	8.0	8.0	7.0	8.0

Summary. The Office of the Lieutenant Governor requested expenditures of \$1.0 million from general revenues, which is \$80,096 more than the FY 2011 enacted budget. The Office requests 8.0 full-time equivalent positions, the authorized level.

The Governor recommended \$1.0 million from general revenues, which is \$72,523 more than enacted and \$7,573 less than requested. He included 7.0 full-time equivalent positions, 1.0 fewer than enacted. The Assembly provided \$93,170 more than recommended from all sources, including \$124,232 more from federal funds and \$31,062 less from general revenues and 1.0 more full-time equivalent position.

Target Issues. The Budget Office provided the Office of the Lieutenant Governor with a general revenue target of \$840,186. The amount includes current service adjustments of \$63,975 and a 15.0 percent target reduction of \$148,268. The Office did not submit a constrained request for FY 2012. *The Governor's budget is \$0.2 million above the target. The enacted budget is \$0.1 million above the target.*

FY 2012 Budget	Budget Office	Lieutenant Governor	Difference
FY 2011 Enacted	\$ 924,479	\$ 924,479	\$ -
Current Service Adjustments	63,975	80,096	16,121
Change to FY 2011 Enacted	\$ 63,975	\$ 80,096	\$ 16,121
FY 2012 Current Service/ Unconstrained Request	\$ 988,454	\$ 1,004,575	\$ 16,121
Target Reduction/Initiatives	(148,268)	-	148,268
FY 2012 Constrained Target/Request	\$ 840,186	\$ 1,004,575	\$ 164,389
Change to FY 2011 Enacted	\$ (84,293)	\$ 80,096	\$ 164,389

Salaries and Benefits. The Office requested \$977,965 for salaries and benefits for 8.0 full-time equivalent positions. This includes turnover savings of \$66,087 from keeping a policy analyst position vacant for the entire fiscal year. Adjusting for the turnover savings, the request includes \$107,452 or 10.7 percent more than enacted for salary and benefit changes consistent with the FY 2012 planning values.

*The Governor recommended \$973,042 which is \$67,027 more than enacted. This is \$4,923 less than requested based on updated benefit rates. The Governor recommended 7.0 full-time equivalent positions, 1.0 fewer than authorized and reflects the elimination of a vacant policy analyst position, consistent with his FY 2011 revised recommendation. **The Assembly included additional general revenue turnover savings of \$31,062 based on updated personnel projections.***

Health Policy Director. The Health Policy Director will develop policy options and recommendations for consideration by the Governor, Lieutenant Governor, the General Assembly and the Board of the Health Insurance Exchange. The Director will develop, maintain, and ensure compliance with a checklist of action items, timeliness, and assignments for implementation. *Subsequent to the original submission of his FY 2011 revised budget, the Governor requested an amendment to add \$124,232 from general revenues for 1.0 full-time health policy director to assist in the implementation of the federal health insurance reform. **The Assembly concurred and included the full-time equivalent position; however, utilized federal funding available from grants received by the Office of the Health Insurance Commissioner to fund this position.***

Other State Operations. The Office of the Lieutenant Governor requested \$26,610, which is \$8,146 more for all other operating expenditures. This corrects an error in the enacted budget that included savings for vehicle expenses that did not exist. The request also includes funding for American Sign Language translators for a member of the Emergency Management Services Council and other miscellaneous expenses.

*The Governor recommended \$23,960 from general revenues, which is \$5,496 more than enacted and \$2,650 less than requested for other operating expenditures. The Governor's recommendation includes reducing the Office's request for additional food, postage and office supplies. **The Assembly concurred.***

Office of Secretary of State

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Program				
Administration	\$ 1,943,053	\$ 1,944,766	\$ 2,056,734	\$ 2,056,734
Corporations	2,070,271	2,110,406	1,978,821	1,891,380
State Archives	574,651	570,178	619,333	575,933
Elections	2,013,831	1,810,758	1,345,089	1,432,530
State Library	571,887	573,543	596,876	581,844
Office of Public Information	329,581	331,094	334,439	334,439
Total	\$ 7,503,274	\$ 7,340,745	\$ 6,931,292	\$ 6,872,860
Expenditures by Category				
Salaries and Benefits	\$ 4,939,660	\$ 4,886,866	\$ 5,301,209	\$ 5,213,768
Contracted Services	557,864	482,865	306,125	306,125
Subtotal	\$ 5,497,524	\$ 5,369,731	\$ 5,607,334	\$ 5,519,893
Other State Operations	1,734,348	1,749,612	1,152,556	1,109,156
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	251,302	151,302	151,302	136,270
Capital	20,100	70,100	20,100	107,541
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 7,503,274	\$ 7,340,745	\$ 6,931,292	\$ 6,872,860
Sources of Funds				
General Revenue	\$ 6,908,707	\$ 6,754,217	\$ 6,434,744	\$ 6,376,312
Federal Aid	100,000	127,092	-	-
Restricted Receipts	494,567	459,436	496,548	496,548
Other	-	-	-	-
Total	\$ 7,503,274	\$ 7,340,745	\$ 6,931,292	\$ 6,872,860
FTE Authorization	57.0	57.0	57.0	57.0

Summary. The Secretary of State requested FY 2012 expenditures of \$7.1 million from all sources, which is \$395,768 less than the FY 2011 enacted budget. The request includes \$301,385 less from general revenues, \$100,000 less from federal funds, and \$5,617 more from restricted receipts. The request fully funded 57.0 positions, consistent with the enacted authorization.

The Governor recommended \$6.9 million from all sources, including \$6.4 million from general revenues and \$0.5 million from restricted receipts. This is \$0.2 million less from general revenues than requested and includes the enacted and requested level of 57.0 positions. The Assembly provided \$58,432 less from general revenues than recommended, including \$43,400 less for State Archives lease costs and \$15,032 less from a ten percent reduction to community service grants. The Assembly included 57.0 positions, consistent with the Governor's recommendation.

Target Issues. The Budget Office provided the Office of the Secretary of State with a general revenue target of \$5.9 million. The amount includes current service adjustments of \$63,223 and a 15.0 percent target reduction of \$1,045,789.

FY 2012 Budget	Budget Office	Secretary of State	Difference
FY 2011 Enacted	\$ 6,908,707	\$ 6,908,707	\$ -
Current Service Adjustments	63,223	(301,385)	(364,608)
Change to FY 2011 Enacted	\$ 63,223	\$ (301,385)	\$ (364,608)
FY 2012 Current Service/ Unconstrained Request	\$ 6,971,930	\$ 6,607,322	\$ (364,608)
Target Reduction/Initiatives	(1,045,789)	(25,980)	1,019,809
FY 2012 Constrained Target/Request	\$ 5,926,141	\$ 6,581,342	\$ 655,201
Change to FY 2011 Enacted	\$ (982,566)	\$ (327,365)	\$ 655,201

The constrained budget submitted by the agency is \$655,201 above the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's budget is \$482,623 more than the target.* **The enacted budget is \$450,171 more than the target.**

Statewide Adjustments. The Governor's FY 2012 budget includes \$20.7 million in unidentified statewide general revenue savings from applying reductions of 3.0 percent to salaries and benefits in cabinet level departments and 2.0 percent reductions to those costs in certain other agencies. He also included a 1.0 percent reduction to operating costs in those agencies. For the Office of the Secretary of State, he assumed savings of \$111,345, primarily from personnel. The adjustments are in addition to other program changes in his recommended budget and described below. **The Assembly concurred.**

Referenda Expenses. The request includes no general revenues for expenses relating to ballot referenda, which are a biennial expense for which FY 2012 is an off-year. The enacted budget includes \$155,522 for legal counsel, translators, printing, postage and salary and benefit expenses. *The Governor did not include the funding in FY 2012.* **The Assembly concurred.**

All Other Election Expenses. The Secretary of State and the Board of Elections requested \$4.2 million from general revenues, which is \$0.5 million more than enacted for election expenses, including salaries and benefits. This includes \$0.6 million more from general revenues and \$0.1 million less from federal Help America Vote Act funds. *The Governor recommended \$3.3 million from general revenues and \$50,000 from federal Help America Vote Act funds. This is \$0.8 million less than requested, including \$0.9 million less from general revenues and \$50,000 more from federal funds. He subsequently requested an amendment to increase general revenue funding by \$87,441 for the purchase of two new servers.* **The Assembly shifted funds made available from assumed turnover savings in the Corporations division for the purchase of the servers.**

The enacted budget contains \$100,000 from federal Help America Vote Act funds in the Secretary of State's budget and no funds for the Board. The FY 2012 request includes no federal funding since the fund will be depleted in FY 2011. The fund was essentially depleted in FY 2009, but additional funds have been included in the President's budget during the last few years and additional grants have been awarded, allowing Rhode Island continued access to these funds. Neither agency is certain if additional grant funds will be awarded and prepared the budget as if the grants were not available; however, if a grant is approved, then functions that can be paid from federal funds will be charged accordingly. *The Secretary of State requested shifting \$50,000 from federal Help America Vote Act funds to the Board in its FY 2011 revised request; the Governor recommended shifting the funding to the Board in FY 2012.* **The Assembly included \$50,000 in the budget of the Board and no federal funding for the Office.**

The Secretary of State requested \$1.4 million from general revenues for costs associated with the preparation and execution of regular and special election activities. This is \$0.5 million less than the FY 2011 enacted budget, including \$0.4 million less from general revenues, for which FY 2011 was an on-year in the election cycle. The request includes \$49,607 more for salaries and benefits for a 3.0 percent cost-of-living increase for the 7.0 full-time equivalent positions in the division, longevity and step increases, updated benefit rates and filling one vacant administrative assistant position. *The Governor recommended \$1.3 million from general revenues, which is \$27,358 less than requested. This includes \$416 more for salaries and benefits from adjustments to benefit calculations.* **The Assembly concurred.**

Besides salaries and benefits, the request includes \$734,777 in expenditures, which is \$418,400 less than enacted. This includes \$150,000 for printing, or \$450,000 less than enacted, consisting of \$125,000 for the Presidential primary in March 2012 and \$25,000 for envelopes and other materials for the September 2012 primary and November general election, which the Office will begin preparing for in May 2012. It also includes \$100,000, which is not in the enacted budget for expenses related to redistricting due to the results of the 2010 Census and the enacted funding of \$210,864 for information technology services and \$96,830 for software maintenance agreements. It includes \$82,218 for rental and lease expenses, \$20,000 for computers, servers and related equipment, \$20,000 for advertising, \$10,000 for postage, \$5,000 for legal services, which is \$50,000 less than enacted and \$39,685 for all other operating expenditures.

As part of its constrained request, the Office reduced general revenues by \$12,000 for the replacement of servers, which the Office intends to accomplish over FY 2011 and FY 2012. *The Governor recommended \$27,864 less than requested, including \$12,000 for the replacement of servers and \$15,864 less for information technology system support services consistent with his FY 2011 revised recommendation. He subsequently requested an amendment to increase general revenue funding by \$87,441 for the purchase of two new servers.* **The Assembly shifted funds made available from assumed turnover savings in the Corporations division for the purchase of the servers.**

The Board of Elections requested \$2.8 million from general revenues for costs associated with the preparation and execution of election activities, including salaries and benefits, which is \$981,455 more than enacted. Salary and benefit expenses total \$1.3 million, increasing by \$133,448 from filling the 1.0 vacant chief auditor position, a 3.0 percent cost-of-living increase for all employees, longevity and step increases, and benefit rate changes; however, the request appears to overstate medical benefit costs compared to the Budget Office instructions. It also includes \$50,000 for nursing home seasonal staff and technicians for the Presidential Primary in March 2012, which is \$25,000 less than enacted. *The Governor recommended \$62,521 less than requested reflecting several benefit adjustments, including \$65,100 less for current employees' medical benefits.* **The Assembly reduced general revenue expenditures by \$90,000 to reflect maintaining the chief auditor position vacant for FY 2012.**

Besides staffing, the Board requested \$1.4 million from general revenues for all other election expenses, which is \$0.9 million more than enacted. This includes \$1.2 million for the first year of an eight-year lease-to-purchase agreement. The Board is seeking to replace the optical scan voting machines in time for the November 2012 election since the Board cannot secure a maintenance agreement for the current equipment or replacement parts. The Board's request also includes \$84,000 for printing, \$80,000 for legal expenses, \$57,000 for the maintenance agreement for the Automark voting machines, \$38,512 for the purchase of computers and related equipment, \$6,000 for postage, \$3,000 for clerical help during the March 2012 primary and \$5,170 for all other expenses related to conducting elections. Subsequent to the request, the Board indicated that it will be able to secure a two-year service and maintenance contract with the current contractor for both the optical scan and Automark voting machines, beginning July 1, 2011.

*The Governor recommended \$0.8 million less, including \$850,000 less from general revenues and \$50,000 more from federal funds from the Board entering into a service and maintenance contract instead of a lease-to-own contract. The Secretary of State requested shifting \$50,000 from federal Help America Vote Act funds to the Board in its FY 2011 revised request; the Governor recommended shifting the funding to the Board in FY 2012 for use towards the voting machines maintenance agreement. **The Assembly concurred, including \$50,000 from federal Help America Vote Act funds for the Board.***

State Archives. The Secretary of State requested \$624,209 for the operation of the state archives, which is funded primarily by the Historical Records Trust Fund. This includes \$124,025 from general revenues, which is \$43,941 more than enacted and \$0.5 million from restricted receipts, which is \$5,617 more than enacted.

The Office requested \$0.3 million, \$23,172 more than enacted from restricted receipts for salaries and benefits for 3.4 full-time equivalent positions and included a 3.0 percent cost-of-living increase for all employees and benefit rate adjustments consistent with Budget Office instructions along with retirement benefits for the Office's union employees that was omitted from the FY 2011 request. Besides salaries and benefits, the request includes \$0.3 million, or \$24,936 more for rental and lease costs, reflecting rent and property tax escalators, \$11,164 or \$4,164 more for utilities, \$4,500 more from restricted receipts for the replacement of computers and servers and \$19,865 or \$6,064 less than enacted for all other operating expenditures.

As part of its constrained request, the Office reduced restricted receipts by \$4,500 for the replacement of servers which the Office intends to accomplish over FY 2011 and FY 2012.

*The Governor recommended \$0.6 million, including general revenue funding consistent with the request and \$3,636 less from restricted receipts. He did not include funding for the union employees' retirement expenses or for the replacement of servers and included \$1,241 more for adjustments to benefit calculations and \$1,154 to reflect funding that may become available from statewide personnel and operating savings. **The Assembly reduced general revenue expenditures by \$43,400 reflecting the newly signed lease, which did not include an increase.***

Records Center. The Records Center is an internal service program that does not appear in the Appropriations Act. User agencies pay a portion of their operating costs into this fund for record storage and retrieval. The Center requested expenditures of \$0.9 million, \$56,689 more than enacted for FY 2012. This includes \$0.5 million for 4.75 full-time equivalent positions, which is an increase of 10.1 percent and \$43,378 compared to the enacted budget. This includes the 3.0 percent cost-of-living adjustment, step and longevity increases and benefit rates consistent with Budget Office instructions. The request also includes \$300,000 for records storage and retrieval, \$82,683 for rental of storage and office spaces, \$3,200 for printing and \$5,000 for the replacement of servers, which the Office intends to accomplish over FY 2011 and FY 2012 and \$19,601 for all other operating expenses.

As part of its constrained request, the Office eliminated the server replacement. *The Governor recommended \$15,787 less than requested. He did not include funding to replace the servers and eliminated all contracted services, which include information technology system support and training expenses. He included \$11,559 less for salaries and benefits from adjustments to benefit calculations and added \$1,907 to reflect funding that may become available from statewide personnel savings. **The Assembly concurred.***

Other Salaries and Benefits. The request includes \$4.4 million from general revenues or \$0.4 million more than enacted, for salary and benefit expenses for the 42.8 remaining full-time equivalent

positions, excluding the divisions already mentioned. This includes a 3.0 percent cost-of-living increase for all employees, longevity and step increases, updated benefit rates consistent with Budget Office instructions and filling a vacant administrative assistant position in the Corporations division and a vacant computer programmer position in the Administration division.

The request includes a \$12,105 or 12.0 percent salary increase for the Secretary of State from the enacted salary as provided in Rhode Island General Laws, which state that the salary shall be adjusted at the beginning of each succeeding term (every four years) by the total percentage increase in the Northeast Consumer Price Index for the four previous fiscal years, not to exceed 12.0 percent. After the request was submitted it was determined that the increase will be 9.67 percent, yielding a salary increase of \$9,594 beginning on January 3, 2011. The salary will remain the same throughout the four-year term. The request overestimated the salary increase by \$2,511.

*The Governor recommended \$7,895 less from general revenues, including adjustments to benefit calculations and corrected for the Secretary's salary. **The Assembly reduced expenditures by \$87,441 from maintaining at least one vacancy in the Corporations division and shifted the funds to the Elections division for the purchase of two servers.***

State House Tours. Consistent with its revised request, the Office included \$12,500 for a contract with Johnson and Wales University to coordinate tours of the State House to the public and all the school districts in Rhode Island. Many of the tours accommodate the various educational institutions throughout the state and are at the request of General Assembly members. Students volunteer to lead tours, but the University coordinates the schedules of the students and handles their training. There is no funding in the enacted budget for the tours.

Past expenditures include \$12,004 in FY 2007, \$11,730 in FY 2008, \$12,330 in FY 2009 and \$12,564 in FY 2010. In FY 2009, 2010 and 2011, the Office requested funding for this item, but neither the Governor nor the Assembly recommended the funding. The Office has spent \$5,556 in FY 2011 for this service through December 3, 2010, which represent the first two quarters of the academic calendar. *The Governor did not recommend this funding. **The Assembly concurred.***

Rhode Island Government Owner's Manual. The request did not include any funding to publish the Rhode Island Government Owner's Manual, since it is printed in odd numbered years, per Rhode Island General Law 22-3-12. There is \$15,000 in the FY 2011 enacted budget for printing the manual. *The Governor did not recommend this funding. **The Assembly concurred.***

Quick Start Program for Business. The request did not include the enacted funding of \$250,000 for the creation of the Quick Start program, since the formation of the program is expected to be completed in FY 2011. The Quick Start program is intended to provide for an online master application where applicants can enter their contact and business information just once and the information will be automatically entered on all forms the applicant needs to submit. In addition, those who wish to open a business in Rhode Island will find all of the relevant forms, fees and additional information needed to open a business all in one place. *The Governor did not include this funding. **The Assembly concurred, but provided language in the appropriations act to carry forward any unspent funds specifically for this project into FY 2012, since the Office indicated there had been delays in implementing the program in FY 2011.***

Community Service Grants. The Office requested the enacted funding of \$150,326 for the four community service grants that the Office manages. The grant recipients are the Rhode Island Historical Society, the Museum of Work and Culture, the Newport Historical Society and Newspapers

Published in Rhode Island. *The Governor recommended funding as requested.* **The Assembly reduced community service grants by ten percent, for a reduction of \$15,032.**

Other Operating Expenses. The Office requested \$513,989 from general revenues for all other operating expenditures, which is \$28,232 more than enacted, primarily for the purchase of computer equipment, increased rental costs and postage expenses. The request includes \$250,673 for rental and lease costs, \$71,190 for printing and postage, \$46,575 for communications system expenses, \$39,025 for subscriptions and membership dues, \$29,100 for the purchase of computers, servers and related equipment, \$8,750 for travel expenses, \$6,330 for maintenance and repairs, \$4,900 for legal services, \$2,200 for advertising, \$21,625 for program supplies and \$33,621 for all other operating expenses.

As part of its constrained request, the Office reduced general revenues by \$13,980 for the replacement of computers and servers for the Administration, Corporations, State Library and Public Information divisions, which the Office intends to accomplish over FY 2011 and FY 2012. *The Governor recommended \$13,480 less than requested. He did not include funding for the replacement of servers and added \$500 for information technology support expenses.* **The Assembly concurred.**

Office of the General Treasurer

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Program				
General Treasurer	\$ 2,663,619	\$ 2,767,753	\$ 2,623,476	\$ 2,697,467
Unclaimed Property	15,789,173	16,839,370	15,508,524	15,940,148
Employees' Retirement System	12,121,419	7,308,224	12,121,251	12,122,801
Crime Victim Compensation	2,444,147	2,453,946	2,424,422	2,440,160
Subtotal	\$ 33,018,358	\$ 29,369,293	\$ 32,677,673	\$ 33,200,576
Expenditures by Category				
Salaries and Benefits	\$ 7,670,916	\$ 7,271,511	\$ 8,276,021	\$ 8,276,021
Contracted Services	2,706,401	2,392,896	2,392,496	2,272,496
Subtotal	\$ 10,377,317	\$ 9,664,407	\$ 10,668,517	\$ 10,548,517
Other State Operations	15,917,334	17,109,399	15,285,449	15,747,132
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	2,163,000	2,163,000	2,163,000	2,163,000
Capital	4,560,707	432,487	4,560,707	4,741,927
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 33,018,358	\$ 29,369,293	\$ 32,677,673	\$ 33,200,576
Sources of Funds				
General Revenue	\$ 2,270,649	\$ 2,342,202	\$ 2,240,128	\$ 2,300,852
Federal Aid	1,108,180	1,131,024	1,117,483	1,128,051
Restricted Receipts	29,420,614	25,653,498	29,103,041	29,544,084
Other	218,915	242,569	217,021	227,589
Total	\$ 33,018,358	\$ 29,369,293	\$ 32,677,673	\$ 33,200,576
FTE Authorization	82.0	82.0	82.0	82.0

Summary. The Office requested expenditures of \$32.3 million, which is \$0.7 million less than enacted as part of its unconstrained budget request. This includes \$63,178 less from general revenues. It also requested authorization for 82.0 full-time equivalent positions consistent with the enacted authorization. The Office also submitted a constrained request that totals \$2.1 million and includes \$0.1 million less from general revenues than the unconstrained request.

The Governor recommended \$32.7 million from all funds. This is \$0.3 million less than enacted and \$0.3 million more than requested. General revenues are \$30,521 less than enacted and \$32,657 more than requested. He recommended the enacted level of 82.0 full-time equivalent positions.

The Assembly added \$0.4 million from restricted receipts to reflect the May Revenue Estimating Conference's unclaimed property estimate and added \$0.2 million, including \$60,724 from general revenues for moving expenses and build out costs for the move to 50 Service Avenue in Warwick. It also reduced retirement system legal expenses by \$120,000 based on the Treasury's estimate of projected expenditures.

Target Issues. The Budget Office provided the Office with a general revenue target of \$1.9 million. The amount includes current service adjustments of \$7,530 and a 15.0 percent target reduction of \$341,727.

FY 2012 Budget	Budget Office	Treasurer	Difference
FY 2011 Enacted	\$ 2,270,649	\$ 2,270,649	\$ -
Current Service Adjustments	7,530	(63,178)	(70,708)
Change to FY 2011 Enacted	\$ 7,530	\$ (63,178)	\$ (70,708)
FY 2012 Current Service/ Unconstrained Request	\$ 2,278,179	\$ 2,207,471	\$ (70,708)
Target Reduction/Initiatives	(341,727)	(104,423)	237,304
FY 2012 Constrained Target/Request	\$ 1,936,452	\$ 2,103,048	\$ 166,596
<i>Change to FY 2011 Enacted</i>	\$ (334,197)	\$ (167,601)	\$ 166,596

The constrained budget submitted by the Office is \$0.2 million above the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$303,676 more than the target.* **The enacted budget is \$364,400 more than the target.**

Statewide Adjustments. The Governor's FY 2012 budget includes \$20.7 million in unidentified statewide general revenue savings from applying reductions of 3.0 percent to salaries and benefits in cabinet level departments and 2.0 percent reductions to those costs in certain other agencies. He also included a 1.0 percent reduction to operating costs in those agencies. For the Office of the General Treasurer he assumed savings of \$40,679 primarily from personnel. The adjustments are in addition to other program changes in his recommended budget and described below. **The Assembly concurred.**

Salaries and Benefits. The Office requested \$8.0 million for all salaries and benefits as part of its unconstrained budget request. This is \$0.3 million more than enacted and includes \$61,847 more from general revenues for cost-of-living and step increases as well as adjustments to benefits per Budget Office instructions. It also reflects \$0.1 million in additional turnover savings and 2.5 positions at a lower step. The Office reported that most of the personnel hired by the current Treasurer will be reaching the top step in their position classification in FY 2012 and receiving raises. It should be noted that many of these positions may be replaced by the new administration at the first step which would result in additional savings.

The constrained request is \$0.3 million less than the unconstrained request including \$104,423 less from general revenues and 7.5 fewer positions than authorized. It appears that based on the positions reduction, the savings may be understated by approximately \$0.3 million.

The Governor recommended \$0.3 million more than the unconstrained request including \$34,277 more from general revenues to fully fund the new administration's filled positions and reduced turnover savings. As of the pay period ending February 26, the Office had 74.6 filled positions.

The Governor subsequently requested an amendment to reallocate personnel expenditures in the Office of the General Treasurer across program and source of funds. The Office indicated that the requested personnel reallocation most accurately reflects costs across funding sources based on individual job responsibilities and duties. The amendment is for an additional \$0.2 million from general revenues. **The Assembly did not concur with the reallocation of personnel expenditures but concurred with the remainder of the recommendation.**

Unclaimed Property Transfer to General Fund. The Office requested \$5.9 million for the transfer from unclaimed property to the state, \$0.2 million less than enacted. The November Revenue Estimating Conference adopted an estimate of \$5.2 million, which is \$0.1 million less than the FY 2011 revised estimate and \$0.6 million less than the Office's request. The stock sale estimate was revised at the Conference resulting in a different transfer than requested.

The Governor recommended a transfer of \$5.7 million, which is \$0.5 million more than the November estimate and apparently in error. The Assembly provided an additional \$0.5 million for FY 2012 to reflect the estimate of the May Revenue Estimating Conference.

Unclaimed Property Claims. The Office requested \$8.2 million for payment of unpaid property claims, which is \$0.5 million less than enacted and consistent with the November Revenue Estimating Conference. *The Governor recommended funding as requested. The Assembly provided \$0.2 million less than recommended to reflect the estimate of the May Revenue Estimating Conference.*

Unclaimed Property Change in Liability. The Office requested an increase of \$0.4 million in the amount of revenues set aside for future claims liability. For FY 2012, that amount represents 29.0 percent of net revenues. *The Governor recommended \$0.2 million more than requested, apparently an error assumption discussed above. The Assembly provided \$18,581 for FY 2012 to reflect the estimate of the May Revenue Estimating Conference.*

Unclaimed Property Appraisers. The Office requested \$15,000 from restricted receipts to pay an appraiser to appraise items for sale during the unclaimed property on-line auction each year. The program periodically auctions items from safety deposit boxes on E-Bay. Revenue generated by the on-line auction is deposited as unclaimed property revenue. The FY 2011 revised request includes \$14,400 for this purpose. *The Governor recommended \$14,000, which is \$1,000 less than requested. The Assembly concurred.*

Annualized Lease Savings. The current lease on Fountain Street expires on April 30, 2011 and the operations on Fountain Street including the Retirement System will be moving to 50 Service Avenue in Warwick. The FY 2012 request reflects savings of \$0.5 million including \$0.1 million from general revenues from the move.

Based on construction delays, the move is now scheduled for the beginning of FY 2012. The Governor added \$145,000 for two months of lease expenses, including \$39,000 from general revenues to account for the delay.

The Governor subsequently requested an amendment to add \$0.2 million for build out costs for the offices in Warwick and \$59,916 for moving expenses. Of that, \$60,724 is from general revenues. The Assembly concurred.

Retirement System Computer Upgrades. The FY 2011 enacted and FY 2012 requested budgets include \$4.5 million from retirement fund administration restricted receipts for a new system and new service requirements for the new system. The Office included this funding in its FY 2012 request because it did not believe it would be far enough along in the request for proposal process to expend any of the funding in FY 2011. Based on revised requirements for the new system, the Office is requesting \$139,000 less for information technology support.

The Governor recommended the enacted amount as requested. His FY 2011 revised budget assumes that no funding will be expended until FY 2012. The Assembly concurred.

Retirement System Legal Services. The FY 2011 enacted budget includes \$185,000 from restricted receipts for legal services for the investment division. These services were approximately \$60,000 for FY 2008, \$26,194 for FY 2009 and \$5,775 for FY 2010. Based on anticipated need, the Office requests a decrease of \$139,000 for FY 2012. This is consistent with the FY 2011 revised request.

Consistent with his revised recommendation, the Governor reduced enacted funding by \$335,000. This includes a reduction of \$135,000 for the investment division and \$200,000 for the administrative unit based on prior years' spending. The unit spent \$267,858 for FY 2009 and \$235,492 for FY 2010.

*The Governor subsequently requested a budget amendment to reduce legal expenses by \$120,000 based on the Treasury's estimate of projected expenditures. This would provide \$377,000 for FY 2012. **The Assembly concurred.***

Crime Victim Compensation Claims. The request includes the enacted level of \$2.0 million from restricted receipts and federal sources for crime victim compensation claims. This reflects the Office's estimate for claims activity in the crime victim compensation program. Actual FY 2010 expenditures were \$1.2 million. *The Governor recommended funding as enacted and requested. **The Assembly concurred.***

Other Operating Adjustments. The Office requested \$3.4 million for all other operating expenses, which is \$98,534 more than enacted including \$15,524 more from general revenues. Minor adjustments were made in various office expenditures and contracted services. *The Governor recommended \$40,620 less than requested for miscellaneous operating expenses.*

The Governor subsequently requested an amendment to add \$250,000 from general revenues in the Office of the General Treasurer for legal fees for the Securities and Exchange Commission's review of the state's disclosure of pension obligations in general obligation bond disclosure. The Securities and Exchange Commission opened an investigation into Rhode Island's bond offerings in February 2011.

The Assembly did not provide the additional \$250,000 for legal fees and concurred with the remainder of the recommendation.

Rhode Island Board of Elections

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 1,213,920	\$ 1,081,309	\$ 1,284,847	\$ 1,194,847
Contracted Professional Services	461,002	412,358	439,476	439,476
Subtotal	\$ 1,674,922	\$ 1,493,667	\$ 1,724,323	\$ 1,634,323
Other State Operations	258,049	149,149	203,070	203,070
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	2,000,000	1,655,710	-	-
Capital	25,000	31,000	38,512	38,512
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 3,957,971	\$ 3,329,526	\$ 1,965,905	\$ 1,875,905
Sources of Funds				
General Revenue	\$ 3,957,971	\$ 3,219,832	\$ 1,915,905	\$ 1,825,905
Federal Aid	-	109,694	50,000	50,000
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 3,957,971	\$ 3,329,526	\$ 1,965,905	\$ 1,875,905
FTE Authorization	12.0	11.0	12.0	12.0

Summary. The Rhode Island Board of Elections requested \$2.8 million from general revenues, \$1.1 million less than enacted and full funding for 12.0 full-time equivalent positions, which is consistent with the enacted authorization in its unconstrained request.

The Governor recommended \$2.0 million from all sources, including \$1.9 million from general revenues and \$50,000 from federal funds. This is \$0.9 million less from general revenues than requested. He included 12.0 positions, consistent with the enacted authorization and request. The Assembly concurred, with the exception of providing \$90,000 less general revenues to reflect maintaining one vacant position.

Target Issues. The Budget Office provided the Board of Elections with a general revenue target of \$1.3 million. The amount includes current service adjustments of \$2.4 million, including \$2.1 million for the public financing of campaigns and a 15.0 percent target reduction of \$238,173. The Board's unconstrained request is \$1.5 million more than the general revenue target; the Board of Elections did not submit a constrained budget request. *The Governor's budget is \$0.6 million more than the target. The enacted budget is \$526,620 more than the target.*

FY 2012 Budget	Budget Office	Elections	Difference
FY 2011 Enacted	\$ 3,957,971	\$ 3,957,971	\$ -
Current Service Adjustments	(2,370,153)	(1,128,545)	1,241,608
Change to FY 2011 Enacted	\$ (2,370,153)	\$ (1,128,545)	\$ 1,241,608
FY 2012 Current Service/ Unconstrained Request	\$ 1,587,818	\$ 2,829,426	\$ 1,241,608
Target Reduction/Initiatives	(238,173)	-	238,173
FY 2012 Constrained Target/Request	\$ 1,349,645	\$ 2,829,426	\$ 1,479,781
Change to FY 2011 Enacted	\$ (2,608,326)	\$ (1,128,545)	\$ 1,479,781

Salaries and Benefits. The Board of Elections requested \$1.3 million from general revenues for salaries and benefits to fully-fund 12.0 full-time equivalent positions for FY 2012, \$0.1 million more than enacted, from filling the 1.0 vacant chief auditor position, a 3.0 percent cost-of-living increase for all employees, longevity and step increases, and benefit rate changes; however, the request appears to overstate medical benefit costs compared to the Budget Office instructions. It also includes \$50,000 for technicians and seasonal staff to assist residents at nursing homes with voting for the Presidential Primary in March 2012, which is \$25,000 less than enacted. *The Governor recommended \$62,521 less than requested, including adjustments to benefit calculations, including \$65,100 less for current employees' medical benefits.* **The Assembly reduced general revenue expenditures by \$90,000 to reflect maintaining the chief auditor position vacant for FY 2012.**

Public Financing of Elections. The Board's request did not include funding for the Matching Public Funds campaign finance program since the general election occurred and campaign reports are all due in FY 2011. The enacted budget contains \$2.1 million for the campaign funding and required audits. *The Governor did not include this funding.* **The Assembly concurred.**

Election Expenses. The Board of Elections and the Office of the Secretary of State requested FY 2012 expenditures of \$2.2 million from general revenues for costs associated with the preparation and execution of general election activities, excluding salaries and benefits. Combined, this is \$0.3 million more than the FY 2011 enacted budget, which was an on-year in the two year election cycle. Neither request includes federal funds for costs associated with Help America Vote Act because it is anticipated the fund will be depleted in FY 2011. *The Governor recommended \$1.4 million from all sources, including \$1.3 million from general revenues and \$50,000 from federal Help America Vote Act funds for election expenses, excluding salaries and benefits. This is \$0.8 million less than requested.* **The Assembly concurred.**

The Board of Elections requested \$1.4 million from general revenues for costs associated with the preparation and execution of election activities, excluding salaries and benefits. This is \$877,324 more than enacted. This includes \$1.2 million for the first year of a new eight-year lease-to-purchase agreement that the Board is seeking to replace the optical scan voting machines in time for the November 2012 election since the Board cannot secure a maintenance agreement for the current equipment or replacement parts. The request also includes \$84,000 for printing, \$80,000 for legal expenses, \$57,000 for the maintenance agreement for the Automark voting machines, \$38,512 for the purchase of computers and related equipment, \$6,000 for postage, \$3,000 for clerical help during the March 2012 primary and \$5,170 for all other expenses related to conducting elections.

Subsequent to the request, the Board indicated that it will be able to secure a two-year service and maintenance contract with the current contractor for both the optical scan and AutoMark voting machines, beginning July 1, 2011.

*The Governor recommended \$800,000 less than requested, including \$850,000 less from general revenues and \$50,000 more from federal funds from the Board entering into a service and maintenance contract instead of a lease-to-own contract. The Secretary of State requested shifting \$50,000 from federal Help America Vote Act funds to the Board in its FY 2011 revised request; the Governor recommended shifting the funding to the Board in FY 2012 for use towards the voting machines maintenance agreement. **The Assembly concurred.***

The Office of Secretary of State requested \$734,777 in expenditures from general revenues, which is \$568,400 less than enacted. This includes \$150,000 for printing, or \$450,000 less than enacted, which includes \$125,000 for the Presidential primary in March 2012 and \$25,000 for envelopes and other materials for the September 2012 state and local primary and November general election, which the Office will begin preparing for in May 2012. It also includes \$100,000, which is not in the enacted budget for expenses related to redistricting due to the results of the 2010 Census and the enacted funding of \$210,864 for information technology services and \$96,830 for software maintenance agreements. It includes \$82,218 for rental and lease expenses, \$20,000 for computers, servers and related equipment, \$20,000 for advertising, \$10,000 for postage, \$5,000 for legal services, which is \$50,000 less than enacted and \$39,685 for all other operating expenditures. *The Governor recommended \$27,864 less than requested, including \$12,000 for the replacement of servers and \$15,864 less for information technology system support services consistent with his FY 2011 revised recommendation. He subsequently requested an amendment to increase general revenue funding by \$87,441 for the purchase of two new servers. **The Assembly shifted funds made available from assumed turnover savings elsewhere in the Office for the purchase of the servers.***

It should be noted that the Office's request does not include the \$100,000 that the Board of Elections indicates will be the Office's required portion of the contract for the new voting equipment. *The Governor did not recommend entering into the contract, thus the \$100,000 is not required. **The Assembly concurred.***

Other Operations. The Board of Elections requested \$58,376 from general revenues for all other operations, which is \$29,317 less than enacted. This includes \$10,000 for telecommunication expenses and \$9,000 for office supplies, which combined is \$22,000 less than enacted since FY 2012 is an off-year in the election cycle. The request also includes \$7,500 for the maintenance and repairs of equipment and vehicles, \$3,300 for dues and subscriptions, \$3,200 for travel expenses, \$2,500 for the removal of filing cabinets that contain asbestos, \$2,000 for utilities, and \$20,876 for all other operating expenses, such as security services, janitorial services, property insurance and interpreters and translators. *The Governor recommended \$1,000 less than requested for general office supplies. **The Assembly concurred.***

Rhode Island Ethics Commission

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 1,263,231	\$ 1,243,783	\$ 1,354,646	\$ 1,354,646
Contracted Services	34,500	34,500	34,500	34,500
Subtotal	\$ 1,297,731	\$ 1,278,283	\$ 1,389,146	\$ 1,389,146
Other State Operations	177,635	167,968	163,744	163,744
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	7,293	8,618	7,118	7,118
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 1,482,659	\$ 1,454,869	\$ 1,560,008	\$ 1,560,008
Sources of Funds				
General Revenue	\$ 1,482,659	\$ 1,454,869	\$ 1,560,008	\$ 1,560,008
Federal Aid	-	-	-	-
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 1,482,659	\$ 1,454,869	\$ 1,560,008	\$ 1,560,008
FTE Authorization	12.0	12.0	12.0	12.0

Summary. The Ethics Commission's unconstrained request is for \$1.6 million from general revenues, which is \$82,174 more than enacted. The Commission requested 12.0 full-time equivalent positions, the authorized level. The Ethics Commission also submitted a constrained request that totals \$1,557,333 and includes \$7,500 less than the unconstrained request.

*The Governor recommended \$1.6 million, which is \$77,349 more than enacted for salary and benefit adjustments and operating expenses for FY 2012. The Governor included the authorized amount of full-time equivalent positions. **The Assembly concurred.***

Target Issues. The Budget Office provided the Ethics Commission with a general revenue target of \$1,328,063. The amount includes current service adjustments of \$79,768 and a 15.0 percent target reduction of \$234,364.

	Budget Office	Ethics Commission	Difference
FY 2012 Budget			
FY 2011 Enacted	\$ 1,482,659	\$ 1,482,659	-
Current Service Adjustments	79,768	82,174	2,406
Change to FY 2011 Enacted	\$ 79,768	\$ 82,174	\$ 2,406
FY 2012 Current Service/ Unconstrained Request	\$ 1,562,427	\$ 1,564,833	\$ 2,406
Target Reduction/Initiatives	(234,364)	(7,500)	226,864
FY 2012 Constrained Target/Request	\$ 1,328,063	\$ 1,557,333	\$ 229,270
Change to FY 2011 Enacted	\$ (154,596)	\$ 74,674	\$ 229,270

The constrained budget submitted by the agency is \$229,270 above the target. The proposals to achieve the reductions are noted in the item described below. *The Governor's budget is \$0.2 million above the target.* **The Assembly concurred.**

Staffing and Operations. The Commission's request reflects an increase of \$82,680, or 6.5 percent more than enacted for salary adjustments and benefit changes consistent with the FY 2012 planning values. The request includes \$506 less than enacted for all other state operations. This includes increases for records retrieval, a subscription to the Providence Journal and replacement of a printer offset by reductions for utility expenses and outside printing costs.

As part of its constrained request, the Commission proposed to reduce expenses for staff training, computers, postage, and supplies by \$7,500.

The Governor included \$77,349 more than enacted and \$4,825 less than requested. This includes \$13,326 more than requested for salaries and benefits to accurately reflect the Commission's need, offset by a reduction of \$4,591 to reflect updated benefit rates.

The Governor recommended the reductions included in the constrained request and further reduced operating expenses by \$6,060. **The Assembly concurred.**

Office of the Governor

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 5,190,439	\$ 4,487,515	\$ 4,574,107	\$ 4,574,107
Contracted Services	382,000	51,250	51,250	51,250
Subtotal	\$ 5,572,439	\$ 4,538,765	\$ 4,625,357	\$ 4,625,357
Other State Operations	347,135	314,842	295,522	295,522
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	250,000	250,000	250,000	250,000
Capital	11,000	20,325	11,000	11,000
Capital Debt Service	-	-	-	-
Operating Transfers	70,578	72,055	74,216	74,216
Total	\$ 6,251,152	\$ 5,195,987	\$ 5,256,095	\$ 5,256,095
Sources of Funds				
General Revenue	\$ 4,752,606	\$ 4,343,698	\$ 4,338,521	\$ 4,338,521
Federal Aid	-	132,605	139,898	139,898
Restricted Receipts	1,498,546	719,684	777,676	777,676
Other	-	-	-	-
Total	\$ 6,251,152	\$ 5,195,987	\$ 5,256,095	\$ 5,256,095
FTE Authorization	45.0	45.0	45.0	45.0

Summary. The Office of the Governor requested total expenditures of \$6.2 million from all funds and 45.0 full-time equivalent positions for FY 2012. This is \$22,913 less than enacted and staffing consistent with the authorized level. *The Governor recommended total expenditures of \$5.3 million, including \$4.3 million from general revenues. This is \$1.0 million less than enacted and is \$11,099 less than the FY 2011 revised budget. He recommended staffing consistent with the authorized level.* **The Assembly concurred.**

Target Issues. The Budget Office provided the Office with a general revenue target of \$4.3 million. This amount includes current service adjustments of \$0.3 million and a 15.0 percent target reduction of \$0.8 million. The unconstrained request exceeds the target by \$0.9 million. The constrained budget submitted by the agency is \$0.8 million above the target. The proposals to achieve the reductions are noted among the items described below where appropriate.

	Budget Office	Office of the Governor	Difference
FY 2012 Budget			
FY 2011 Enacted	\$ 4,752,606	\$ 4,752,606	\$ -
Current Service Adjustments	294,710	457,945	163,235
Change to FY 2011 Enacted	\$ 294,710	\$ 457,945	\$ 163,235
FY 2012 Current Service/ Unconstrained Request	\$ 5,047,316	\$ 5,210,551	\$ 163,235
Target Reduction/Initiatives	(757,097)	(139,280)	617,817
FY 2012 Constrained Target/Request	\$ 4,290,219	\$ 5,071,271	\$ 781,052
Change to FY 2011 Enacted	\$ (462,387)	\$ 318,665	\$ 781,052

The Governor's recommendation is \$48,302 more than the target. **The Assembly concurred.**

Statewide Adjustments. The Governor's FY 2012 budget includes \$20.7 million in unidentified statewide general revenue savings from applying reductions of 3.0 percent to salaries and benefits in cabinet level departments and 2.0 percent reductions to those costs in certain other agencies. He also included a 1.0 percent reduction to operating costs in those agencies. For the Office, he assumed savings of \$120,202 primarily from personnel. The adjustments are in addition to other program changes in his recommended budget and described below. **The Assembly concurred.**

Office of Economic Recovery and Reinvestment. The request includes expenditures of \$0.9 million or \$0.6 million less than enacted from restricted receipts to support the Office of Economic Recovery and Reinvestment within the Office of the Governor. The receipts are derived from a 0.5 percent assessment on stimulus funds and are used to cover expenses incurred in the oversight of those projects. The request includes \$0.7 million to fund salaries and benefits for 6.0 full-time positions and four interns. It assumes \$0.1 million in turnover savings and the transfer of \$70,758 to the Economic Development Corporation to fund a position that is providing services to the Office. It also includes \$50,000 for contractual services with KPMG to develop processes and procedures for monitoring and managing the federal stimulus. Consistent with the FY 2011 revised request, the request includes \$27,300 for operating expenses primarily for travel expenses, computers and office supplies.

The Governor further reduced the request by \$0.1 million primarily for additional turnover savings. He assumed full funding for 3.0 positions; however, maintained the authorized staffing level of 6.0 positions. The Assembly concurred.

Contingency Fund. The request includes the enacted amount of \$250,000 from the contingency fund. The funds may be used for expenditures in any state department or agency where funding is insufficient, or where such requirements are due to unforeseen conditions or are non-recurring items of an unusual nature. *The Governor recommended the \$250,000, consistent with the enacted and the revised budgets. The Assembly concurred.*

Governor's Staffing and Operations. The Office requested FY 2012 expenditures totaling \$5.2 million or \$0.6 million more from general revenues and federal stimulus funds to support staffing of 39.0 full-time positions. The request assumes \$0.2 million in turnover savings, \$0.2 million less than the amount included in the enacted budget. Adjusting for the turnover savings, the request is \$0.3 million or 6.2 percent more than enacted for cost-of-living adjustments, step increases and updated benefit rates consistent with FY 2012 planning values.

Consistent with the FY 2011 revised request, the Office requested \$0.3 million from general revenues for all other state operations, \$7,000 less than enacted for general office supplies to reflect anticipated expenditures.

As part of its constrained budget, the Office included additional turnover savings of \$0.1 million.

The Governor recommended \$4.1 million for staffing of 39.0 full-time positions. This is \$0.8 million less than the unconstrained request primarily from additional turnover savings. The recommendation includes the statewide adjustments for retiree health and medical insurance. The Assembly concurred.

Rhode Island Commission for Human Rights

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 1,116,262	\$ 1,138,591	\$ 1,215,932	\$ 1,215,932
Contracted Services	8,400	6,950	6,950	6,950
Subtotal	\$ 1,124,662	\$ 1,145,541	\$ 1,222,882	\$ 1,222,882
Other State Operations	247,005	230,674	232,688	232,688
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	-	-	-	-
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 1,371,667	\$ 1,376,215	\$ 1,455,570	\$ 1,455,570
Sources of Funds				
General Revenue	\$ 1,014,978	\$ 1,211,848	\$ 1,154,038	\$ 1,154,038
Federal Aid	356,689	164,367	301,532	301,532
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 1,371,667	\$ 1,376,215	\$ 1,455,570	\$ 1,455,570
FTE Authorization	14.5	14.5	14.5	14.5

Summary. The Commission requested \$1.5 million, which is \$133,963 more from all sources, including \$189,120 from general revenues, and \$55,157 less from federal aid, including the enacted level of authorized positions; however, to achieve the Budget Office target the Commission reduced general revenue expenditures by \$291,189 and staffing by 4.3 positions. *The Governor recommended \$1.5 million from all sources, \$50,060 less than requested and \$133,963 more than enacted. General revenues are \$50,060 less than requested and \$139,060 more than enacted.* **The Assembly concurred.**

Target Issues. The Budget Office provided the Commission a general revenue target of \$912,909, including current service adjustments of \$59,033 and a 15.0 percent target reduction of \$161,102.

FY 2012 Budget	Budget Office	Human Rights	Difference
FY 2011 Enacted	\$ 1,014,978	\$ 1,014,978	\$ -
Current Service Adjustments	59,033	189,120	130,087
Change to FY 2011 Enacted	\$ 59,033	\$ 189,120	\$ 130,087
FY 2012 Current Service/ Unconstrained Request	\$ 1,074,011	\$ 1,204,098	\$ 130,087
Target Reduction/Initiatives	(161,102)	(291,189)	(130,087)
FY 2012 Constrained Target/Request	\$ 912,909	\$ 912,909	\$ -
<i>Change to FY 2011 Enacted</i>	<i>\$(102,069)</i>	<i>\$(102,069)</i>	<i>\$ -</i>

The constrained budget submitted by the Commission meets the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor recommended \$241,129 more than the target. The Assembly concurred.*

Federal Receipts. The Commission requested \$301,532 from federal sources, which is \$55,157 less than enacted. The FY 2011 federal receipts adjust for previous shortfalls by increasing general revenues. *The Governor recommended funding as requested. The Assembly concurred.*

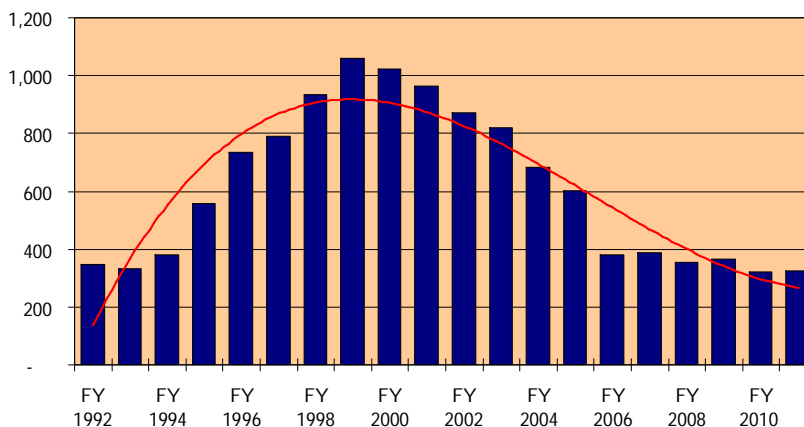
Salaries and Benefits. The Commission requested \$1.3 million from all sources, which is \$151,744 more than enacted. This includes \$130,791 from general revenues for salaries and benefits for the unconstrained budget to adjust for changes to employees' compensations, and benefit costs consistent with updated Budget Office planning values. The increase in general revenues includes \$45,654 to fund the Commission's vacant 0.5 senior compliance officer position.

As part of its constrained budget request, the Commission proposed to eliminate 4.3 positions to save \$287,083. This includes 3.0 filled full-time investigators, the 0.5 vacant investigator, and reducing the 2.0 administrative aides to part time or 1.2 full-time equivalent positions. The Commission indicated that the loss of 3.5 investigative positions would result in a 46.7 percent reduction in federal reimbursements and a growing case backlog. *The Governor reduced requested funding by \$52,074 for the vacant 0.5 senior compliance officer position and included statewide medical benefit rate adjustments. The Assembly concurred.*

Other Operations. The Commission requested \$237,624 for operating expenses and contracted services, \$17,781 less than enacted. This includes \$58,329 more from general revenues and reduces federally funded expenses by \$76,110, consistent with actual experience. As part of the constrained budget request, the Commission proposed to reduce operating expenses, including out-of-state lodging and telecommunication systems to save \$10,338. *The Governor recommended \$2,014 more than requested to reflect federal sources that may become available. The Assembly concurred.*

Caseloads. The impact of past staff reductions and increased intake was that the Commission was unable to clear its cases, resulting in growing backlogs. The backlog entering FY 1999 reached a new high of 1,061 cases. However, two additional federally funded positions allowed the Commission to process an average of 511 cases per year from FY 2000 through FY 2004. In FY 2004, federal funding was exhausted and the positions eliminated. Since then, the annual backlog has come down, but continues to exceed 300 cases, and at the close of FY 2010, 325 cases were forwarded to FY 2011

Cases Forward



Public Utilities Commission

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 5,011,124	\$ 5,025,688	\$ 5,430,597	\$ 5,430,597
Contracted Services	1,718,143	1,717,693	1,717,693	1,717,693
Subtotal	\$ 6,729,267	\$ 6,743,381	\$ 7,148,290	\$ 7,148,290
Other State Operations	947,052	920,741	923,379	923,379
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	337	337	337	337
Capital	50,000	50,561	33,000	33,000
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 7,726,656	\$ 7,715,020	\$ 8,105,006	\$ 8,105,006
Sources of Funds				
General Revenue	\$ -	\$ -	\$ -	\$ -
Federal Aid	296,330	296,330	309,373	309,373
Restricted Receipts	7,430,326	7,418,690	7,795,633	7,795,633
Other Funds	-	-	-	-
Total	\$ 7,726,656	\$ 7,715,020	\$ 8,105,006	\$ 8,105,006
FTE Authorization	46.0	46.00	46.0	46.0

Summary. The Public Utilities Commission requested FY 2012 expenditures of \$8.4 million, which is \$0.7 million more than enacted, including \$702,887 more from restricted receipts, and \$13,165 more from federal funds. Restricted receipts are generated from billing the regulated utilities for the expenses of both the Public Utilities Commission and the Division of Public Utilities and Carriers. The Commission requested 49.0 full-time equivalent positions, which is 3.0 positions more than enacted to reflect the addition of three new legal staff.

The Commission's budget does not include any general revenues and was not subject to a Budget Office spending target. *The Governor recommended \$8.1 million, which is \$0.3 million less than requested and \$0.4 million more than enacted. This includes \$0.4 million less from restricted receipts and \$122 less from federal funds and 3.0 positions less than requested.* **The Assembly concurred.**

New Legal Staff. The Commission requested \$0.3 million from restricted receipts for 3.0 new full-time equivalent legal positions to eliminate the need to utilize the Attorney General's legal and support staff. The Division has used that arrangement for rate cases during the last 25 years providing the resources to the Attorney General from assessments to the regulated utilities, which are estimated at \$0.6 million for FY 2012. The Division projected \$0.3 million in savings from reducing personnel as it will utilize existing staff resources and operation functions to supplement the new staff. This

proposal is not included in the Attorney General's budget. *The Governor did not recommend the funding or the positions.* **The Assembly concurred.**

Gas Pipeline Safety. The Commission requested \$109,394 from federal funds for gas pipeline safety, which is \$7,169 more than enacted. Funds are used to support 1.0 full-time equivalent position with focus on the enforcement of the Dig Safe program. State laws require that anyone who digs must notify the utility companies before starting to avoid accidents. FY 2010 expenditures were \$69,607. *The Governor recommended funding as requested.* **The Assembly concurred.**

Stimulus Electricity Initiative. The Commission requested \$200,101 from federal stimulus funds for electricity related initiatives, which is \$5,996 more than enacted. The Commission will receive a total of \$776,783 for electricity related initiatives authorized in the American Recovery and Reinvestment Act, to be expended prior to October 31, 2013. Funds will be used to support 2.0 full-time equivalent positions, a legal counsel and special projects coordinator that will receive extensive training on behalf of the Commission on various energy initiatives that include technology projects related to improving consumer energy efficiency, electricity-based renewable energy, energy storage, electrical grid modernization and vehicle projects. *The Governor recommended \$122 less to reflect medical benefit adjustments.* **The Assembly concurred.**

All Other Salaries and Benefits. The Commission requested \$5.1 million from all sources for all other salary and benefit expenses for the remaining 43.0 positions. This includes 10.0 full-time positions for the Commission and 33.0 full-time positions for the Division. This is \$416,728 more than enacted and includes a 3.0 percent cost-of-living increase and other benefit rate changes, consistent with the Budget Office planning values. The request assumed no turnover savings, which is consistent with the enacted budget. *The Governor recommended \$7,287 less than requested from restricted receipts to reflect adjustments to benefit rates.* **The Assembly concurred.**

Energy Facilities Siting Board. The Commission requested the enacted level of \$125,000 from restricted receipts for anticipated expenditures of the energy facilities siting board. The Board regulates the issuance of licensure to construct energy facilities. All expenditures related to the investigation are billed back to the applicants. *The Governor recommended funding as requested.* **The Assembly concurred.**

Public Utilities Reserve Account. The Commission requested the enacted level of \$1.1 million for expenses incurred for investigations and hearings related to rate case applications and other filings. Funds are used to purchase materials, contract with external legal counsel, official stenographers, engineers, accountants, economists, other expert witnesses, and for all other necessary expenses. *The Governor recommended funding as requested.* **The Assembly concurred.**

All Other Operations. The Commission requested \$1.4 million from all sources for all other operations. The request is \$61,168 less than enacted primarily from the reduction of various office expenses. The Division's portion of expenses total \$1.1 million. While the request is consistent with the enacted budget, it does not appear that budgeted amounts are consistent with expenditure experience. FY 2010 final expenditures were \$0.8 million and FY 2009 expenditures total \$0.7 million. The most notable discrepancies include \$0.3 million for maintenance expenses, 70.0 percent more than final FY 2010 expenditures and \$0.1 million for legal services, 98.0 percent more than final FY 2010 expenditures. *The Governor recommended \$17,034 more than requested to reflect increases for temporary staff and administrative fees.* **The Assembly concurred.**

Office of Health and Human Services

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 6,602,402	\$ 5,881,006	\$ 16,758,741	\$ 16,758,741
Contracted Services	494,200	1,832,183	-	150,000
Subtotal	\$ 7,096,602	\$ 7,713,189	\$ 16,758,741	\$ 16,908,741
Other State Operations	71,107	14,501	19,939	19,939
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	-	-	-	-
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 7,167,709	\$ 7,727,690	\$ 16,778,680	\$ 16,928,680
Sources of Funds				
General Revenue	\$ 3,420,163	\$ 3,526,817	\$ 9,623,834	\$ 9,773,834
Federal Aid	2,873,533	3,309,016	6,250,134	6,250,134
Restricted Receipts	874,013	891,857	904,712	904,712
Other	-	-	-	-
Total	\$ 7,167,709	\$ 7,727,690	\$ 16,778,680	\$ 16,928,680
FTE Authorization	75.6	77.6	149.0	149.0

Summary. The Office requested \$6.3 million from all sources or \$0.9 million less than enacted, including \$0.4 million more from general revenues and the authorized level of 75.6 full-time equivalent positions. The Office did not submit a constrained budget to meet the Budget Office target. The request is \$675,404 more than the Budget Office target of \$3,106,125. *The Governor added \$10.5 million to the request and 73.4 positions to include the transfer of 80.0 administrative and policy staff from the Department of Human Services' Medicaid program.* **The Assembly added \$150,000 from general revenues to support the Health Care Planning and Accountability Advisory Council.**

Target Issues. The Budget Office provided the Office with a general revenue target of \$3,106,125, including current service adjustments of \$234,102 and a 15.0 percent target reduction of \$548,140.

FY 2012 Budget	Budget Office	OHHS	Difference
FY 2011 Enacted	\$ 3,420,163	\$ 3,420,163	\$ -
Current Service Adjustments	234,102	361,366	127,264
Change to FY 2011 Enacted	\$ 234,102	\$ 361,366	\$ 127,264
FY 2012 Current Service/ Unconstrained Request	\$ 3,654,265	\$ 3,781,529	\$ 127,264
Target Reduction/Initiatives	(548,140)	-	548,140
FY 2012 Constrained Target/Request	\$ 3,106,125	\$ 3,781,529	\$ 675,404
<i>Change to FY 2011 Enacted</i>	<i>\$ (314,038)</i>	<i>\$ 361,366</i>	<i>\$ 675,404</i>

The current services budget submitted by the agency is \$675,404 above the target. *The Governor's recommendation is \$6.5 million above the constrained request.* **The Assembly provided \$0.2 million above the recommendation.**

Federal Poverty Guidelines. The federal poverty guidelines are used for purposes of determining financial eligibility for certain state and federal programs, including several programs in state agencies under the Office of Health and Human Services. The 2011 guidelines are shown in the following table.

Percent of Federal Poverty Level based on Annual Income									
Family Size	100%	150%	175%	180%	185%	200%	225%	235%	250%
1	\$ 10,890	\$16,335	\$19,058	\$19,602	\$20,147	\$21,780	\$ 24,503	\$ 25,592	\$27,225
2	14,710	22,065	25,743	26,478	27,214	29,420	33,098	34,569	36,775
3	18,530	27,795	32,428	33,354	34,281	37,060	41,693	43,546	46,325
4	22,350	33,525	39,113	40,230	41,348	44,700	50,288	52,523	55,875
5	26,170	39,255	45,798	47,106	48,415	52,340	58,883	61,500	65,425
6	29,990	44,985	52,483	53,982	55,482	59,980	67,478	70,477	74,975
7	33,810	50,715	59,168	60,858	62,549	67,620	76,073	79,454	84,525
8	37,630	56,445	65,853	67,734	69,616	75,260	84,668	88,431	94,075

For families with more than 8 members, add \$3,820 for each additional member for the 100 percent calculation.

Medicaid Expenses - National/State Comparison. The following table compares national and state 2008 Medicaid spending. By percentage, Rhode Island's enrollment of children (children enrolled in the state's RItE Care population) is lower than the national average while enrollment of adults (parents enrolled in the RItE Care program) is slightly higher. The percent of total spending for this population is lower than the national average but higher when comparing cost per enrollee. The Medicaid expenses for the populations are in the Department of Human Services' budget.

For disabled individuals, enrollment is higher than the national average as is the percent of expenses compared to total spending and cost per enrollee. Expenses for this population are in the Department of Human Services, Department of Behavioral Healthcare, Developmental Disabilities and Hospitals and the Department of Children, Youth and Families.

Enrollment for the aged population is slightly lower than the national average but higher than the national average percent of total expense and cost per enrollee. Expenses supporting this population are in the Departments of Human Services and Elderly Affairs.

Medicaid Expenses	Enrollees		Percent of Enrollees		Expenses*		Percent of Expenses		Cost Per Enrollee	
	US *	RI	US	RI	US	RI	US	RI	US	RI
Children	23.5	80,052	48.9%	44.4%	\$ 57,100	\$ 228.0	19.4%	13.5%	\$ 2,435	\$ 2,848
Adults	11.1	42,110	23.1%	23.4%	39,700	170.5	13.5%	10.1%	3,586	4,048
Blind/Disabled	8.5	40,360	17.7%	22.4%	126,700	865.0	43.0%	51.4%	14,858	21,433
Aged	5.0	17,795	10.4%	9.9%	70,900	420.8	24.1%	25.0%	14,058	23,647
Total	48.1	180,317	100%	100%	\$294,400	\$ 1,684.3	100%	100%	\$ 6,120	\$ 9,341

** in millions*

Statewide Adjustments. The Governor recommends a three percent statewide reduction, two percent to personnel and one percent to operating costs, in the budgets of cabinet level agencies, elected officials, the Judiciary and Legislature. He also reduces legal fees by 15 percent in certain agencies. For the Office of Health and Human Services, he includes statewide savings of \$297,434 from general revenues. **The Assembly concurred.**

Staffing Medicaid Program. Staffing for the state’s Medicaid program appears in the Department of Human Services’ budget for FY 2012. *The Governor transferred administrative operations of the Medicaid program and its 80.0 positions from the Department of Human Services’ budget. He added \$8.9 million for the positions, including \$4.0 million from general revenues. The eligibility and benefits functions of the Medicaid program remain with the Department of Human Services. The Assembly concurred.*

All Other Staffing. The Office requested the current level of 75.6 authorized positions in its FY 2012 request; however, the FY 2011 enacted budget funds 22.0 of the Office positions through the Department of Human Services’ budget. The FY 2010 budget also funded the staff, but the 22.0 positions were also transferred to the Department of Human Services budget. The positions were not transferred in the Office’s FY 2011 enacted budget, but the disparity persists and the Office’s FY 2012 request does not correct for this.

Excluding the Medicaid positions, the Governor added \$1.6 million more from all sources, \$1.8 million from general revenues for all other staffing changes. He added a deputy secretary position, 3.0 new administrative and legal positions and shifted 10.6 finance, data clerk and accounting positions out, including 5.6 to Department of Health, 3.0 the Department of Children, Youth and Families, 4.0 to the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals, 2.0 to the Department of Elderly Affairs, and 4.0 from the Department of Human Services to accurately reflect the staffing patterns within the departments. The following table shows the staffing changes in the departments under the umbrella of the Office of Health and Human Services. The Assembly concurred.

Department	Positions			
	Medicaid	Admin.	Finance	Legal & Support
Health & Human Services	80.0	4.0	(29.6)	19.0
Behavioral Healthcare, Developmental Disabilities & Hospitals	-	-	5.0	(1.0)
Human Services	(80.0)	-	13.0	(17.0)
Children, Youth & Families	-	-	3.0	-
Health	-	-	5.6	-
Elderly Affairs	-	-	3.0	(1.0)
Total	-	4.0	-	-

All Other Salaries and Benefits. The Office requested \$6.3 million from all funds for salaries and benefits, \$0.3 million less than enacted including \$0.4 million more from general revenues, \$0.8 million less from federal funds and \$44,156 less from restricted receipts. The request accounts for federal funds that are overstated in the enacted budget and other adjustments based on Budget Office planning values to fund 52.6 positions, leaving one vacant. *The Governor recommended funding as requested. The Assembly concurred.*

Health Care Planning and Accountability Advisory Council. The powers of the Health Care Planning and Accountability Advisory Council include but are not limited to: develop and promote studies, advisory opinions and a unified health plan on the state's health care delivery and financing system. The Council has the authority to develop ongoing assessments of state’s health care needs and health care system, including the capacity of health care providers, services, and equipment. Currently, the Council is to be appointed by the secretary of the executive office of health and human

services and the director of the Department of Health. The Department of Health is the principal staffing agency with the council consisting of at least 21 members, including the health insurance commissioner. *The Governor did not include any changes to the council in his recommended budget.*

The Assembly passed Section 2 of Article 15 to instruct the secretary of the Office of Health and Humans Services, along with the health insurance commissioner, replacing the director of the Department of Health, to appoint the Council by September 30, 2011. It replaces the health insurance commissioner with the Director of the Department of Health as a council member and allows for certain designees. The Department of Health remains the staffing agency in coordination with the office of health and human services and the health insurance commissioner. The article provides that an annual report be submitted every July to the Governor and General Assembly on the implementation of the plan that was adopted by the council. The Assembly added \$150,000 to support the council.

Medicaid Health Information Exchange Grant. The state was awarded multi-year funding through the federal Medicaid Health Information Exchange grant, which ends April 2011. The Office's FY 2012 request is \$0.5 million less from federal funds to reflect the grant's expiration. The project is in coordination with the Departments of Human Services and Health to begin building the infrastructure for the health information exchange. The responsibility for the infrastructure's maintenance has been transferred to the Rhode Island Quality Institute. *The Governor recommended funding as requested.*
The Assembly concurred.

All Operating Expenses. The Department's request eliminated the enacted level of \$73,307 from all sources that support the office's operating costs. This includes \$37,890 from general revenues. The Office's request assumes that any operating expenses will be supported by the Department of Human Services. *The Governor recommended \$19,393 from all sources, including \$10,315 from general revenues to support the Office's operations.* **The Assembly concurred.**

Department of Children, Youth and Families

	FY 2011 Enacted	FY 2010 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Program				
Central Management	\$ 6,713,049	\$ 6,200,649	\$ 6,895,122	\$ 6,695,122
Child Welfare	168,813,418	166,463,913	147,980,478	148,560,953
Juvenile Corrections	37,325,472	34,742,991	32,802,323	32,802,323
Children's Behavioral Health	24,546,234	22,107,460	23,065,874	22,745,874
Higher Education Opportunity Grants	200,000	200,000	200,000	200,000
Total	\$ 237,598,173	\$ 229,715,013	\$ 210,943,797	\$ 211,004,272
Expenditures by Category				
Salaries and Benefits	\$ 69,253,826	\$ 65,412,342	\$ 66,109,163	\$ 65,909,163
Contracted Services	4,183,242	3,384,970	3,686,734	3,831,734
Subtotal	\$ 73,437,068	\$ 68,797,312	\$ 69,795,897	\$ 69,740,897
Other State Operations	8,633,633	8,532,854	8,540,692	8,540,692
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	150,902,492	150,799,372	129,388,688	129,804,163
Capital	4,624,980	1,585,475	3,218,520	2,918,520
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 237,598,173	\$ 229,715,013	\$ 210,943,797	\$ 211,004,272
Sources of Funds				
General Revenue	\$ 153,046,095	\$ 152,893,449	\$ 139,413,049	\$ 145,198,983
Federal Aid	77,855,163	72,879,472	62,869,525	59,625,993
Restricted Receipts	2,306,915	2,485,137	5,571,223	3,389,296
Other	4,390,000	1,456,955	3,090,000	2,790,000
Total	\$ 237,598,173	\$ 229,715,013	\$ 210,943,797	\$ 211,004,272
FTE Authorization	691.0	691.0	662.5	662.5

Summary. The Department of Children, Youth and Families' unconstrained request includes \$243.6 million from all sources, including \$168.3 million from general revenues, \$67.0 million from federal funds, \$2.5 million from restricted receipts, \$5.8 million from Rhode Island Capital Plan funds, and 691.0 full-time equivalent positions. The Department continues to move children from more expensive residential placements to community based services. The number of youth in each type of placement is noted among the items described below where appropriate. During FY 2009, there were 10,270 active youth in the Department's care. This was reduced to 9,925 in FY 2010. The Department anticipates this will continue to decline in FY 2011 and FY 2012.

The Department also submitted a constrained request that totals \$159.2 million and is \$9.1 million less from general revenues than the unconstrained request.

The Governor recommended \$210.9 million from all sources, including \$139.4 million from general revenues, \$62.9 million from federal funds, \$5.6 million from restricted receipts, and \$3.1 million from Rhode Island Capital Plan funds. This is \$26.7 million less than enacted, including \$13.3 million less from general revenues, \$15.0 million less from federal funds, \$3.3 million more from restricted receipts, and \$1.3 million less from Rhode Island Capital Plan funds. He recommended 662.5 full-time equivalent positions, 28.5 less than enacted.

The Assembly included \$211.0 million from all sources, which is \$60,475 more than the Governor's recommendation. This includes \$5.8 million more from general revenues, offset by \$3.2 million less from federal funds, \$2.2 million less from restricted receipts, and \$0.3 million less from Rhode Island Capital Plan funds. The Assembly restored general revenues for the education program at the Training School and for overestimated caseload savings.

Target Issues. The Budget Office provided the Department of Children, Youth and Families with a general revenue target of \$143.1 million. The amount includes current service adjustments of \$15.3 million and a 15.0 percent target reduction of \$25.2 million.

FY 2012 Budget	Budget Office	DCYF	Difference
FY 2011 Enacted	\$ 153,046,095	\$ 153,046,095	\$ -
Current Service Adjustments	15,271,116	15,271,120	4
Change to FY 2011 Enacted	\$ 15,271,116	\$ 15,271,120	\$ 4
FY 2012 Current Service/ Unconstrained Request	\$ 168,317,211	\$ 168,317,215	\$ 4
Target Reduction/Initiatives	(25,247,582)	(9,070,952)	16,176,630
FY 2012 Constrained Target/Request	\$ 143,069,629	\$ 159,246,263	\$ 16,176,634
<i>Change to FY 2011 Enacted</i>	<i>\$ (9,976,466)</i>	<i>\$ 6,200,168</i>	<i>\$ 16,176,634</i>

The constrained budget submitted but the Department is \$16.2 million above the target, but \$9.1 million below its unconstrained request. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's budget is \$3.7 million below the target.* **The Assembly included \$2.1 million above the target.**

Stimulus – Enhanced Medicaid. The enacted budget includes statewide general revenue savings of \$215.1 million, including \$7.6 million for the Department of Children, Youth and Families, from the enhanced Medicaid rate included in the American Recovery and Reinvestment Act of 2009. The rate expires June 30, 2011 and the Department's request backfills the loss of federal funds. *The Governor recommended funding as requested.* **The Assembly concurred.**

Statewide Adjustments. The Governor's FY 2012 budget includes \$20.7 million in unidentified statewide general revenue savings from applying reductions of 3.0 percent to salaries and benefits in cabinet level departments and 2.0 percent reductions to those costs in certain other agencies. He also included a 1.0 percent reduction to operating costs in those agencies. For the Department of Children, Youth and Families, he assumed savings of \$1.7 million, primarily from personnel. The adjustments are in addition to other program changes in his recommended budget and described below. **The Assembly concurred.**

Juvenile Justice Programs

The Juvenile Corrections Division provides delinquent youth with rehabilitation services aimed at helping them to lead safe, healthy and productive lives. This division contains two programs, the training school and the probation and parole program. The training school is a highly structured,

secure residential facility where youth are placed by order of the Family Court on a finding of waywardness or delinquency. Rhode Island general laws require that the population at the training school be below 160, including 148 boys and 12 girls. The probation and parole program provides community based services to youth to ensure safety and full compliance with court orders and conditions of probation. These youth are placed on probation by Family Court. As of December 23, 2010, there were 1,016 youth on probation.

The following table shows the population at the training school for the first day of each quarter since FY 2008. The population tends to be at a high in the summer months and decline in the winter months. The Department provides all youth at the training school with the services that it needs for rehabilitation, including substance abuse treatment, counseling, or medical services. During FY 2010, there was an average of 146 filled placements at the training school. Each placement costs an average of \$144,250 per year. The FY 2012 request represents \$164,375 per placement and assumes that all 160 will be filled. *The Governor's FY 2012 recommendation assumed an average cost of approximately \$149,000 per year for 160 placements, including 148 males and 12 females. The Assembly concurred.*

Training School Population				
	Males	Females	Total	Over/Under Cap
Assembly Population Cap*	148	12	160	-
January 1, 2008	146	16	162	2
April 1, 2008	159	13	172	12
July 1, 2008	164	19	183	23
October 1, 2008	142	15	157	(3)
January 1, 2009	146	13	159	(1)
April 1, 2009	156	12	168	8
July 1, 2009	135	24	159	(1)
October 1, 2009	132	14	146	(14)
January 1, 2010	98	10	108	(52)
April 1, 2010	139	14	153	(7)
July 1, 2010	115	21	136	(24)
October 1, 2010	121	18	139	(21)
January 1, 2011	110	14	124	(36)
April 1, 2011	114	13	127	(33)
<i>*Effective March 2009</i>				

Training School - Salaries and Benefits. The Department requested \$19.7 million from all sources for salaries and benefits for staff at the training school, including \$19.5 million from general revenues and \$0.2 million from federal funds. The request is \$1.2 million more than enacted primarily from general revenues. The request includes \$4.0 million for the education program staff and \$15.7 million for all other staff, including juvenile program workers and administrators. Based on FY 2010 expenses, salaries and benefits make up approximately 70.0 percent of the total costs at the training school. The average cost for a placement at the training school is projected to be \$164,375 during FY 2012; staffing expenses account for about \$115,000.

The Department's request includes \$1.8 million in medical benefit and retirement rate adjustments, as well as a 3.0 percent cost-of-living adjustment consistent with Budget Office planning values, offset by turnover savings of \$1.6 million primarily from general revenues. The turnover savings account for approximately 16.0 positions. The enacted budget includes turnover savings of \$1.0 million or approximately 10.0 positions.

The request also includes \$2.7 million primarily from general revenues for overtime expenditures at the training school. This is \$1.0 million more than enacted. The Department indicated that due to staff vacancies the overtime savings included in the enacted budget will not be achieved. The Department spent \$2.6 million for overtime in FY 2010.

*The Governor recommended \$1.6 million less than requested primarily from general revenues. He reduced overtime expenses by \$0.1 million and included savings of \$1.5 million from the consolidation of the girl's training school into the boy's facility. The girls temporarily reside in the Mathias Building; however, the approved capital plan assumes renovating the Adolph Meyer building for this population. The Governor did not recommend the renovations and included a plan for the girls to move into one of the four residential pods in the Youth Development Center. The savings are based on the elimination of 11 Juvenile Program Workers, three teachers, and one cottage manager. **The Assembly concurred.***

Training School - Operations and Services. The Department's request includes \$6.6 million from all sources, including \$4.8 million from general revenues and \$1.8 million from federal funds for all other expenses for adjudicated juveniles at the training school. This includes the cost of food, counseling services, medical expenses, and education expenses. The request is \$1.3 million less than enacted and includes \$0.5 million less from general revenues and \$0.8 million less from federal funds. This is consistent with the Department's FY 2011 revised request and actual FY 2010 expenditures. The Department indicated that the population at the training school continues to decline. As of July 1, 2010, there were 115 males and 21 females at the training school. Based on FY 2010 expenses, services make up approximately 30 percent of the total costs at the training school. The average cost for a placement at the training school is projected to be \$164,375 during FY 2012; services account for about \$50,000.

*The Governor further reduced operating expenses by \$0.2 million to include savings from re-procuring contracts, which provide mental health and substance abuse treatment, youth correctional rehabilitation services, dental and other medical services. **The Assembly concurred.***

Target – Training School Education. As part of its constrained budget, the Department requested to further reduce general revenue expenditures by \$2.1 million to reflect savings from requiring cities and towns to pay for the education of juveniles at the training school, Camp E-Hun-Tee, and Ocean Tides. Based on FY 2012 projections, this proposal would save approximately 8.0 percent of the total costs at the training school or about \$13,000 per placement. Education expenses are primarily salaries and benefits; operating expenses account for approximately \$0.3 million of total expenses. *The Governor recommended funding as requested. It should be noted that the recommended funding formula does not include these students. Inclusion of them in the data substantially decreases the savings. **The Assembly did not concur and restored \$2.1 million from general revenues.***

Probation and Parole - Salaries and Benefits. The Department requested \$4.9 million from general revenues for salaries and benefits for probation and parole staff. The Department's request includes \$0.5 million in medical benefit and retirement rate adjustments, as well as a 3.0 percent cost-of-living adjustment consistent with Budget Office planning values, offset by turnover savings of \$0.5 million primarily from general revenues. The turnover savings account for approximately 5.0 positions. The enacted budget includes turnover savings of \$0.3 million or approximately 3.0 positions. *The Governor further reduced funding by \$166,558 to reflect adjustments to retiree health costs and medical benefit rates. **The Assembly concurred.***

Probation and Parole – Operations and Services. The Department requested \$4.7 million from all sources, including \$4.3 million from general revenues and \$0.4 million from federal funds. This is

\$1.3 million more than enacted from all sources, including \$1.1 million from general revenues and \$0.2 million from federal funds for youth that are released from the training school and require some period of supervision in a community based program. The Department indicated that the cost of treating juveniles in the community is significantly less than keeping them in a residential placement; however, as youth move from the training school to community based settings the cost will increase. These services include day programs, youth diversionary programs, and community-based residential placements. This is consistent with the Department's FY 2011 revised request.

*The Governor further reduced expenses by \$0.6 million to include several savings initiatives. He proposed to establish an electronic monitoring program to keep youth out of the training school and in the community. He also proposed to reduce the contract with Tides Family Services to eliminate duplicated services, such as tracking and youth tutoring. **The Assembly concurred and included Article 17 of 2011-H 5894 Substitute A to allow the Department to establish an electronic monitoring program.***

Placements

Within the Child Welfare and Behavioral Health programs, the Department provides community based services and residential services to dependent, neglected or abused children, or children at risk of abuse and neglect, as well as therapeutic services to seriously emotionally disturbed children. These services include day care, foster care, adoption, emergency shelters, group homes, residential treatment centers, supervised apartment programs, counseling, independent living programs, and services to help youth transition from the Department's care.

Contract and Provider Rate Reductions. Subsequent to its budget submission, the Department determined that it could achieve savings of \$3.9 million from all sources, including \$3.4 million from general revenues from modifying certain contracts and provider rates within the Behavioral Health and Child Welfare programs. This includes eliminating contracts that evaluate the success of programs and initiatives, reducing several contracts including Family Care Community Partnerships and the Nurse-Partnership program, eliminating funding for the after school day treatment program at the Groden Center, reducing its contract with Hasbro Hospital for examinations of youth brought in after protective services removes him or her from the home, consolidating foster care and adoption training, as opposed to including training in each provider's contract, and several other reductions to eliminate services that are duplicated.

It also included a 10.0 percent provider rate reduction to independent living programs for youth over age 18 and reduced all provider rates that are higher than the average compared to similar programs. *The Governor recommended the savings. **The Assembly concurred.***

Assessment of Fees. Subsequent to its budget submission, the Department determined that it could achieve savings of \$0.2 million from general revenues from assessing a fee to the Social Security Administration for processing applications for youth beneficiaries. The fee is up to 10.0 percent of the total monthly benefit a child receives, but not more than \$37 per month. It will be used to offset Department expenses and is in addition to the benefits that the child receives. The Department of Human Services collects a similar fee. Additionally, it proposed to collect revenues of \$110,000 from instituting a \$10 fee for background checks on adults that wish to care for a child. *The Governor recommended the savings. **The Assembly concurred.***

18 to 21 Year Olds. The Department requested \$14.9 million for services provided to youth between the ages of 18 and 21. This is \$0.7 million more than enacted, including \$3.3 million more from

general revenues and \$2.6 million less from federal funds. This increase is consistent with the FY 2011 revised request; however, there is a shift from federal funds to general revenues to reflect the elimination of the enhanced Medicaid match rate. At the end of the first quarter of FY 2011, 225 youth in this population were being served. At the close of FY 2009, the Department was providing services to approximately 276 youth in this age group; 267 youth were being served at the start of FY 2008. *The Governor recommended funding as requested. The Assembly concurred.*

Purchased Placements. The Department requested \$22.4 million from all sources, including \$16.7 million from general revenues and \$5.7 million from federal funds. This is \$4.3 million less than enacted, including \$2.6 million less from general revenues and \$1.7 million less from federal funds. The request is consistent with the FY 2011 revised request; however, there is a shift from federal funds to general revenues for the elimination of the enhanced Medicaid match rate. The number of purchased placements has decreased from an average of 337 in FY 2010 to 308 at the end of the first quarter of FY 2011. Purchased placements include in-state and out-of-state residential placements, as well as specialized foster care.

The Governor recommended \$7.1 million less than enacted from all sources, including \$3.5 million less from general revenues and \$2.8 million less than requested from caseload reductions. The Assembly concurred.

Average Annual Purchased Placements							
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011*
Specialized Foster Care	113	129	167	184	179	127	119
In-State	138	142	136	167	158	140	126
Nearby Out-of-State	74	83	116	113	82	53	46
Out-of-State	28	12	38	36	20	17	17
Total	353	366	457	500	439	337	308

**Average, first quarter of FY 2011*

Foster Care and Adoption. The Department requested \$22.7 million from all sources, including \$16.1 million from general revenues and \$6.6 million from federal funds for foster care and adoption services. This is \$0.5 million less than enacted primarily from federal funds. The Department projected a decline in state only services; however, savings are offset by the loss of stimulus funds. This is consistent with the FY 2011 revised request and with actual FY 2010 expenses. Foster care placements average 1,081 at the end of the first quarter of FY 2011. The average placements for FY 2010 and FY 2009 were 1,077 and 1,160 respectively. *The Governor recommended funding as requested. The Assembly concurred.*

Average Annual Children Foster Care					
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011*
Court Ordered Non-Relative	9	6	4	1	1
Court Ordered Relative	72	54	47	29	21
Non-Relative	561	511	498	433	442
Private Agency	171	159	163	178	162
Relative	682	546	449	436	455
Total	1,495	1,276	1,160	1,077	1,081

**Average, first quarter of FY 2011*

Family Service Regions/Child Protective Services. The Department requested \$1.7 million from general revenues or \$45,886 less than enacted for the four family service regions and for child protective services. The family services units are located in Providence, Bristol, North Kingstown, and Pawtucket. The offices

are located around the state because it allows social workers better access to families in crisis and to the major agency providers whose services supplement and support the Department's efforts to improve family functioning. The goal of these units is to work with families to prevent removing children from their homes. The spending request is consistent with the FY 2011 revised request and with actual FY 2010 expenses. *The Governor recommended funding as requested.* **The Assembly concurred.**

Independent Living Program. The Department requested \$1.3 million from federal funds or \$0.6 million more than enacted for the Independent Living Program. This program provides services to youth ages 16 to 18 that are transitioning from the Department's care. These services include vocational training, work experience, and day-to-day experiences, such as managing financial, medical, housing, transportation, and recreation needs. The additional funds are from an anticipated carry forward balance from FY 2011. It is important to note that this is the same anticipated carry forward balance as FY 2010 and that these funds were used in lieu of general revenues in FY 2010. *The Governor recommended funding as requested.* **The Assembly concurred.**

Other Child Welfare Community Based Services. The Department's current service request includes \$9.2 million from all sources, including \$2.6 million from general revenues, \$4.3 million from federal funds, and \$2.2 million from restricted receipts. This is \$14,088 more than enacted, including \$0.4 million less from general revenues and \$0.2 million more in both federal funds and restricted receipts. General revenue savings are the result of many of the services being duplicated in the Family Care and Community Partnership program, which is included in the Child Welfare residential placements item. The increase in federal funds and restricted receipts are the result of carry forward balances from federal grants. These services are designed to prevent family dysfunction, abuse, neglect, and to preserve children's placements in their own homes and in foster homes. Additionally, community based services are designed to divert adolescents from the juvenile justice system and intensive supervision services. This is consistent with the Department's revised request.

The Governor recommended \$0.1 million more than enacted from all sources, including \$0.3 million less from general revenues. He included a shift of \$135,843 to federal funds to leverage Medicaid available for previously state only services through the Rhode Island Consumer Choice Global Waiver. He also included various adjustments to federal grants. **The Assembly concurred.**

Target – Child Support Transformation. As part of its constrained budget request, the Department requested to change the child support collection process for general revenue savings of \$442,000. It believes that if it becomes an administrative process rather than a judicial process then child support orders would be expedited and collections would increase. Another method that the Department is exploring is to include the child support language in the court order that removes a child from its home. *The Governor recommended funding as requested. Subsequent to his budget submission, the Governor requested an amendment restoring \$0.4 million from general revenues because the Department had erroneously double counted the savings.* **The Assembly concurred with the subsequent amendment and restored the savings.**

Residential Placements. Residential placements include emergency shelters, group homes, residential placements for youth needing intensive services, independent living programs, and diagnostic assessment services. It also includes residential treatment centers that provide services to seriously behaviorally disturbed youth, including 24-hour treatment and care, with programs tailored to individual, group and family therapy, behavior modification, special education and recreational therapy. These services are included in both the Child Welfare and Behavioral Health programs. The Department has indicated that these programs often provide services to the same population of children.

At the end of the first quarter, the Department had an average of 721 placements. During FY 2010, there was an average of 760 placements. During FY 2008 and FY 2009, there was an average of 895 and 825 placements, respectively. Services offered include emergency shelters, group homes, residential treatment centers, supervised apartment programs, therapeutic foster care programs, and independent living programs at over 70 locations.

Child Welfare Residential Placements. The Department's current service request includes \$57.8 million from all sources, including \$37.3 million from general revenues and \$17.4 million from federal funds for child welfare residential placements. This is \$9.8 million more from all sources, including \$11.6 million more from general revenues, offset by \$1.8 million less from federal funds. The enacted budget includes savings from building a network of community based providers that will strengthen supports provided to children and families with the goal of reducing the length of time that children are in out-of-home placements. The Department does not believe it will achieve all of the proposed savings. It is also important to note that the FY 2012 request includes a shift of \$2.8 million from federal funds to general revenues to reflect the elimination of the enhanced Medicaid match rate.

The Governor recommended \$4.1 million less than enacted from all sources, including \$2.6 million less from general revenues. His recommendation reduced the Department's general revenue request by \$13.7 million to reflect additional caseload reductions. The Department plans to implement phase two of the system of care transformation by January 1, 2012. The Governor also included Article 31 of 2011-H 5894, which will amend the Department's standards for child removals to be consistent with the definition of child abuse and neglect as codified in Child Abuse and Prevention Act. He included general revenue savings of \$0.5 million from reduced investigations and fewer children removed from the home.

*Subsequent to his budget submission, the Governor requested an amendment restoring \$3.5 million from general revenues because the Department had overstated the savings. **The Assembly concurred and included Article 17 of 2011-H 5894 Substitute A to align the standards for child removals with the federal government.***

Behavioral Health Residential Placements. The Department's current service request includes \$12.8 million from all sources, including \$7.5 million from general revenues and \$5.3 million from federal funds for behavioral health residential placements. This is \$1.5 million less than enacted primarily from federal funds based on redesigned services. Residential treatment services for seriously behaviorally disturbed youth provide around the clock treatment and care with programs tailored to individual, group and family therapy, behavior modification, special education and recreational therapy. *The Governor recommended funding essentially as requested; however, he included an additional \$0.6 million to reflect funding for the Kids Link hotline that was excluded from the request. This is a 24 hour, seven days a week emergency hotline. The intent of the hotline is to reduce psychiatric hospital admissions. **The Assembly concurred.***

Target - Residential Placement Reductions. As part of its constrained budget, the Department requested reducing residential placements in both the Child Welfare and the Behavioral Health programs by \$8.2 million from all sources, \$5.5 million from general revenues. Effective January 15, 2011, the department will only be approving residential placements for a period of 90 days, with a 30 day extension for just cause. In doing so, the Department will be working closely with providers to ensure that discharge planning and implementation begins on day one with a full discharge plan in place no later than 60 days into the placement. *The Governor recommended this initiative; however, he included savings of \$4.2 million from all sources. This is \$4.0 million less than requested. The difference is offset by the savings initiatives described in the child welfare residential placements item. **The Assembly concurred.***

Average Annual Residential Placements					
Placements	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011*
Diagnostic Assessment Services	3	3	1	0	0
Emergency Shelter	110	111	93	73	70
Group Homes	351	330	321	298	285
High End Residential Treatment	294	274	229	170	153
Independent Living Contracted	116	33	36	27	27
Semi-Independent Living	63	56	55	98	51
Residential Treatment Center	75	89	92	54	99
Total	1,012	896	826	720	685

**Average, first quarter of FY 2011*

Target – Emergency Shelters Closed. As part of its constrained budget, the Department requested to close 3 emergency shelters on January 15, 2011 for savings of \$1.6 million from all sources, \$1.1 million from general revenues. These providers had been notified of the conclusion of the contracts. The youth in these placements would be transitioned into foster care placements. Subsequent to its budget submission, the Department delayed the closing date to February 28, 2011 to allow the Department’s acting director time to meet with the providers and determine if closing the shelters is the best option. *The Governor did not recommend closing any emergency shelters. The Assembly concurred.*

Behavioral Health Community Based Services. The Department requested \$3.9 million from all sources for community based services in the Behavioral Health program. This is \$1.8 million less than enacted, including \$0.9 million from both general revenues and federal funds. This includes funding for Project Hope and Project Reach. Project Hope is an aftercare program that targets youth with emotional disturbances who are returning to their homes and communities from the Rhode Island Training School. Project Reach provides wraparound services through community mental health centers. These programs are eligible for a Medicaid match through the global waiver. Funding for Project Hope has been reduced since FY 2010 because many of the services that the program provides have been duplicated in the Family Care and Community Partnership program, which is included in the Child Welfare residential programs item.

The Governor further reduced the request by \$0.3 million to reflect several contract reductions to community based programs to eliminate duplicated services. He subsequently requested an amendment to shift \$20,000 from federal funds from FY 2012 to FY 2011 for the Olmstead grant, which supports families with children who experience or are at risk for behavioral, emotional, or mental health challenges. The Assembly concurred.

Positive Education Partnerships. The Department requested \$1.7 million or an additional \$0.8 million from federal funds for the Positive Education Partnership grant. This increase represents anticipated funds to be carried forward from FY 2011. It is important to note that the same carry forward balance is requested in the FY 2011 revised request. This grant funds a network of providers that facilitate community-based services and supports that help with the challenges of children and youth with serious mental health needs and their families. *The Governor recommended funding as requested. The Assembly concurred.*

All Other Staffing

Child Welfare – Salaries and Benefits. The Department requested \$40.6 million from all sources for salaries and benefits in the Child Welfare program. This is \$0.4 million more than enacted, including \$2.2 million more from general revenues and \$1.8 million less from federal funds. The Department’s

request includes an additional \$4.1 million from medical benefit and retirement rate adjustments, as well a 3.0 percent cost-of-living adjustment consistent with Budget Office planning values, offset by turnover savings of \$2.3 million and \$1.9 million in savings from hiring a class of social workers at a lower rate. This program has 38.0 vacant positions; the turnover savings account for approximately 14 positions. The enacted budget includes turnover savings of \$1.5 million or approximately 15 positions.

The Governor recommended \$1.9 million less than requested from all sources, including \$1.2 million less from general revenues. This includes \$1.1 million less from the elimination of 15.5 full-time equivalent positions, an additional \$0.5 million from turnover savings, and \$0.3 million from statewide benefit rate adjustments. The Assembly concurred.

Behavioral Health – Salaries and Benefits. The Department requested \$1.8 million from all sources for salaries and benefits in the Behavioral Health program, including \$1.4 million from general revenues and \$0.4 million from federal funds. This is \$0.2 million less than enacted from all sources, including \$132,177 less from general revenues and \$80,374 less from federal funds. The Department's request includes an additional \$0.2 million from medical benefit and retirement rate adjustments, as well as a 3.0 percent cost-of-living adjustment consistent with Budget Office planning values, offset by \$0.2 million from turnover savings and \$0.2 million from filling positions at lower rates. This program has 1.0 vacant position; the turnover savings account for less than 1.0 position. The enacted budget includes turnover savings of \$0.1 million or approximately 1.0 position.

The Governor recommended \$0.2 million more than requested from all sources, including \$0.1 million more from general revenues to reduce turnover savings and include statewide benefit rate adjustments. The Assembly concurred.

Central Management – Salaries and Benefits. The Department requested \$3.5 million from all sources for salaries and benefits in the Central Management program, including \$2.3 million from general revenues and \$1.2 million from federal funds. This is \$60,746 less than enacted, including \$0.1 million more from general revenues and \$0.2 million less from federal funds. The Department's request includes medical benefit and retirement rate adjustments, as well as a 3.0 percent cost-of-living adjustment consistent with Budget Office planning values totaling \$370,001 from all sources and an additional \$101,882 in longevity and step increases, offset by \$532,630 from turnover savings. The turnover savings account for approximately 5.8 positions. The enacted budget includes turnover savings of \$0.2 million or approximately 2.0 positions.

The Governor recommended \$0.7 million more than requested from all sources, including \$0.5 million from general revenues. He restored \$0.3 million from turnover savings and \$0.2 million for 2.0 positions shifted from the Office of Health and Human Services, offset by statewide adjustments. The Assembly included turnover savings of \$0.2 million.

Community Service Grants. The Department requested the enacted level of \$265,247 for 13 community service grants. *The Governor recommended funding as requested. The Assembly included savings of \$26,525 from a ten percent reduction to all community service grants.*

Other Operating Expenses

Accreditation Expenses. The Department requested \$0.4 million from general revenues to begin the process of achieving accreditation from the Council on Accreditation. Legislation was passed by the 2010 Assembly to require the Department to submit an accreditation plan to the governor, the speaker

of the house of representatives, the president of the senate, the chairperson of the house committee on health, education, and welfare, the chairperson of the senate committee on health and human services, the chairpersons of the house and senate finance committees, and the chairpersons of the house and senate judiciary committees no later than July 1, 2012. *The Governor recommended funding as requested.* **The Assembly concurred.**

Capital Projects. The Department requested \$5.8 million from Rhode Island Capital Plan funds for five projects, including a new girl's training school. This is \$1.4 million more than enacted. Additional information is included in the Capital Budget section of this report. *The Governor recommended \$2.7 million less than requested. He did not include the new girl's training school project, and he made various adjustments to other projects based on revised schedules and delays.* **The Assembly further reduced Rhode Island Capital Plan funds by \$0.3 million to reflect revised spending projections.**

Indirect Cost Recovery. Most federal grants allow for recovery of overhead costs, in addition to direct administrative costs, through the application of a negotiated indirect cost rate. The Departments of Health, Elementary and Secondary Education and Environmental Management take advantage of this allowance to lower state general revenue costs. The Department's request includes the enacted savings of \$0.3 million from assuming an indirect cost recovery rate of not less than 5.0 percent and shifts the grant funded expenditures from federal to restricted sources consistent with current practice for accounting for indirect cost recovery resources. These savings were also included in FY 2010; however, the Department did not achieve them. *The Governor recommended funding as requested.* **The Assembly concurred.**

All Other Operating. The Department requested \$9.5 million from all sources, including \$7.3 million from general revenues and \$2.3 million from federal funds, for operating expenses not previously noted. This is \$1.0 million less than enacted from all sources, including \$0.2 million from general revenues and \$0.8 million from federal funds. The adjustment is the result of revised spending projections based on actual experiences for the past two years for financial services, maintenance and repairs of the Department's buildings and equipment, training of social workers at Rhode Island College, rental and lease costs of Department buildings, and various other operating expenses. *The Governor further reduced general revenues by \$22,712 to reflect a 15.0 percent reduction to legal expenses. He subsequently requested an amendment to add \$165,000 from federal funds for the Nurse-Family Partnership program, which will support the Family Care Community Partnership initiative.* **The Assembly concurred.**

Department of Elderly Affairs

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 2,530,924	\$ 2,835,670	\$ 3,025,158	\$ -
Contracted Services	184,121	186,486	45,300	-
Subtotal	\$ 2,715,045	\$ 3,022,156	\$ 3,070,458	\$ -
Other State Operations	738,809	751,472	748,216	-
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	23,160,239	28,715,990	23,568,971	-
Capital	98,503	98,503	98,503	-
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 26,712,596	\$ 32,588,121	\$ 27,486,148	\$ -
Sources of Funds				
General Revenue	10,100,599	\$ 9,700,012	\$ 9,319,591	\$ -
Federal Aid	15,936,066	21,743,018	17,769,466	-
Restricted Receipts	675,931	1,145,091	397,091	-
Other	-	-	-	-
Total	\$ 26,712,596	\$ 32,588,121	\$ 27,486,148	\$ -
FTE Authorization	31.0	31.0	32.0	-

Summary. The Department of Elderly Affairs' unconstrained request includes \$29.1 million from all sources, including \$12.0 million from general revenues, \$16.4 million from federal funds, \$0.7 million from restricted receipts, and 31.0 full-time equivalent positions. The Department also submitted a constrained request that totals \$10.2 million and is \$1.8 million less than the unconstrained request.

The Governor recommended \$27.5 million from all sources, \$0.8 million more than enacted, including \$0.8 million less from general revenues, \$1.8 million more from federal funds, and \$0.3 million less from restricted receipts. He recommended 32.0 full-time equivalent positions, 1.0 more than enacted.

The Assembly included Article 9 of 2011-H 5984 Substitute A which merged the Department of Elderly Affairs with the Department of Human Services. It shifted 30.0 positions and included savings of \$0.1 million from general revenues within the newly created Division of Elderly Affairs.

Target Issues. The Budget Office provided the Department of Elderly Affairs with a general revenue target of \$10.2 million. The amount includes current service adjustments of \$1.9 million and a 15.0 percent target reduction of \$1.8 million.

The constrained budget submitted by the agency is \$238 below the target. The proposals to achieve the reductions are noted among the items described where appropriate. *The Governor's recommendation is \$0.9 million more than the target. The enacted budget is \$0.6 million more than the target.*

FY 2012 Budget	Budget Office	Elderly Affairs	Difference
FY 2011 Enacted	\$ 10,100,599	\$ 10,100,599	\$ -
Current Service Adjustments	1,940,063	1,939,694	(369)
Change to FY 2011 Enacted	\$ 1,940,063	\$ 1,939,694	\$ (369)
FY 2012 Current Service/ Unconstrained Request	\$ 12,040,662	\$ 12,040,293	\$ (369)
Target Reduction/Initiatives	(1,806,099)	(1,805,968)	131
FY 2012 Constrained Target/Request	\$ 10,234,563	\$ 10,234,325	\$ (238)
<i>Change to FY 2011 Enacted</i>	\$ 133,964	\$ 133,726	\$ (238)

Stimulus – Enhanced Medicaid. The enacted budget includes statewide general revenue savings of \$215.1 million, including \$0.8 million for the Department of Elderly Affairs, from the enhanced Medicaid rate included in the American Recovery and Reinvestment Act of 2009. The rate expires June 30, 2011 and the Department’s request backfills the loss of federal funds. *The Governor recommended funding as requested.* **The Assembly concurred.**

Statewide Adjustments. The Governor’s FY 2012 budget includes \$20.7 million in unidentified statewide general revenue savings from applying reductions of 3.0 percent to salaries and benefits in cabinet level departments and 2.0 percent reductions to those costs in certain other agencies. He also includes a 1.0 percent reduction to operating costs in those agencies. For the Department of Elderly Affairs, he assumed savings of \$20,478 primarily from personnel. The adjustments are in addition to other program changes in his recommended budget and described below. **The Assembly concurred.**

Salaries and Benefits. *The Department’s current service request includes \$2.7 million from all sources, including \$1.4 million from general revenues for all salaries and benefits for 31.0 full-time equivalent positions. This is \$0.5 million more than enacted, including \$0.3 million more from general revenues. The Department indicated that there are 2.0 employees that are on the Office of Health and Human Services’ employee roster that are paid from Elderly Affairs and 2.0 employees in the reverse. The request includes funding for the additional 2.0 positions, and \$0.1 million for a 3.0 percent cost-of-living increase and adjustments to medical benefits and retirement rates consistent with Budget Office planning values.*

The Department’s constrained request includes a personnel realignment to correct the employee rosters to truly reflect where the employees are paid from. The Department will be able to leverage federal funds for its employees and save \$0.3 million from general revenues. Neither the request nor the enacted budget includes any turnover savings.

The Governor shifted \$0.3 million from general revenues to federal funds available through Title III of the Older Americans Act. He shifted 1.0 associate director to the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals and 1.0 health program evaluator to the Office of Health and Human Services. He also shifted 3.0 positions from the Office of Health and Human Services to Elderly Affairs. **The Assembly reduced general revenues by \$88,048 to reflect savings from the merge with the Department of Human Services. It also eliminated 2.0 vacant positions.**

Pharmaceutical Assistance to the Elderly. The Department’s current service request includes \$1.4 million from general revenues and \$0.3 million from restricted receipts for the pharmaceutical assistance program for FY 2012. This includes an additional \$90,177 to reflect drug inflation consistent with Budget Office planning values and \$12,000 to reflect anticipated claims activities.

The Rhode Island Pharmaceutical Assistance to the Elderly program pays 60 percent of the drug costs for individuals in the lowest income category. The state also pays 30 percent and 15 percent for the second lowest and highest income categories, respectively. The eligibility categories include individuals age 65 or older who meet the income category limits and individuals between the ages of 55 and 64 receiving Social Security Disability Insurance.

The Department's constrained request excludes the additional \$12,000 from general revenues for claims activities, which is consistent with the amount spent in FY 2010.

The Governor included Article 27 of 2011-H 5894 to eliminate the Pharmaceutical Assistance to the Elderly program and create the Supplemental Prescription Assistance Program, to assist individuals who will be adversely impacted by the elimination of the program. Federal reform will eliminate the Medicare Part D "donut hole" and the need for supplemental coverage by 2020. The Budget includes \$0.3 million for the new program, \$1.7 million less than enacted, including \$1.4 million less from general revenues.

The Assembly did not concur and restored \$0.4 million from general revenues and \$0.2 million from drug rebates to fully fund the program. It included Article 23 of 2011-H 5894 Substitute A, as amended to allow all current participants in the program to continue to receive services in addition to their Medicare Part D benefits while they are in the donut hole.

Home Care Services. The Department's current service request includes \$2.7 million from all sources, including \$1.3 million from general revenues for the home care services program. This is \$0.2 million more than enacted to reflect a 10.2 percent increase in program utilization. The Department is projecting that it will pay for 161,598 hours of service in FY 2012, which is 15,024 hours more than paid for in FY 2010 and 7,695 more than its estimate for FY 2011.

The co-payment rate schedule for home care services is based on the program recipient's income level. Level 1 covers those earning less than 125 percent of federal poverty or less than \$13,612 for individuals and \$18,388 for couples per year. Level 2 covers individuals and couples earning less than 200 percent of federal poverty or less than \$21,780 and \$29,420 per year. The home care rate is \$4.50 per hour for income level 1 and \$7.50 per hour for income level 2. This program serves low-income elders who pay a portion of the hourly cost of home care services, including bathing, dressing, household chores, and ambulatory needs.

The Department's constrained request includes \$22,000 less from general revenues. It did not have a plan in place to meet this reduction, such as instituting a waiting list or increasing co-payments. *The Governor recommended \$0.2 million more than enacted from all sources, including \$0.1 million from both general revenues and federal funds. He also shifted general revenues to federal funds to correct the Medicaid match rate. The Assembly concurred.*

Adult Day Care Services. The Department's current service request includes \$2.3 million from all sources, \$1.2 million from general revenues and \$1.1 million from federal funds for the adult day care services program. This is \$0.3 million more than enacted to reflect an 8.0 percent increase in program utilization. The Department is projecting that it will pay for 41,107 days of service in FY 2012, which is 3,101 days more than paid for in FY 2010 and 1,644 more than its estimate for FY 2011.

The co-payment rate schedule for adult day care services is based on the program recipient's income level. Level 1 covers those earning less than 125 percent of federal poverty or less than \$13,612 for individuals and \$18,388 for couples per year. Level 2 covers individuals and couples earning less than

200 percent of federal poverty or less than \$21,780 and \$29,420 per year. The adult day care rate schedule is \$7.00 per day for income level 1 and \$11.50 per day for income level 2. This program serves low-income elders who pay a portion of their day care services.

The Department's constrained request is \$0.1 million less from general revenues, but the Department indicated it did not have a plan in place to meet the reduction. *The Governor recommended \$142,799 more than enacted, including \$33,457 more from general revenues. He also shifted general revenues to federal funds to correct the Medicaid match rate.* **The Assembly concurred.**

Home and Community Care Medicaid Waiver Services. The Department's current service request includes \$8.4 million from all sources, including \$4.1 million from general revenues for the provision of subsidized home and community care to low income elders through the home and community based waiver program. This is \$110,034 more than enacted, including \$1.0 million more from general revenues to reflect the elimination of stimulus funding and an increase in home and community care services. This program funds eligible individuals who have been accepted into the assisted living waiver home and community care program, do not have a bed in a facility but continue to require nursing home level of care. The Department indicated that the program has grown by 10.4 percent since FY 2009 as a result of the Global Waiver, specifically the initiative to move individuals from long term care facilities to assisted living facilities.

The Governor recommended \$0.7 million more than enacted from all sources, including \$1.1 million more from general revenues, offset by \$0.4 million less from federal funds. Excluding the loss of Medicaid funding, the Governor added \$0.3 million from general revenues and \$0.4 million from federal funds for increased services. **The Assembly concurred.**

Case Management Services. The Department's current service request includes \$1.4 million from all sources, including \$0.7 million from general revenues for elder case management. This is \$0.2 million more than enacted to reflect a projected increase in the program. These services were previously funded only from state funds; however, the Department is now able to leverage Medicaid through the Rhode Island Consumer Choice Global Waiver. Case Management programs assist older Rhode Islanders who wish remain at home as long as possible.

The Department's constrained request includes \$113,000 less from general revenues than the unconstrained request; however, it does not have a plan in place to meet this reduction, such as instituting a waiting list. It is worth noting that the Department spent \$465,895 from all sources on this expense in FY 2010. It has moved to a fee-for-service billing method and considerably reduced the cost of the program. FY 2009 expenditures totaled \$295,305.

The Governor recommended \$55,802 less than enacted, including \$18,253 more from general revenues and \$74,055 less from federal funds. He also shifted federal funds to general revenues to correct the Medicaid match rate. **The Assembly concurred.**

Ombudsman. The Department's current service request includes the enacted amount of \$86,750 from general revenues for Ombudsman services. As part of its constrained request, the Department requested to eliminate the program. An Ombudsman serves as an advocate, mediator, and problem-solver for elders receiving services from licensed home health care agencies and/or hospice services. He/she also investigates complaints of abuse or inadequate or poor services in the areas of care which seniors or their families have not been able to resolve with the provider agency. If funding for this program is eliminated, the function will have to be performed by an advocacy group. *The Governor recommended the enacted level of funding.* **The Assembly concurred.**

After Hours Emergency Response. The Department's current service request includes the enacted amount of \$0.2 million from general revenues for the After Hours Emergency Response program, which provides protective services to vulnerable elders 24 hours a day, seven days a week. *The Governor recommended funding as requested; however, he shifted \$0.2 million from general revenues to federal funds available through Title III of the Older Americans Act.* **The Assembly concurred.**

Title III B Older Americans Act Grants. The Department's request includes \$2.0 million or \$523,650 more than enacted for the Older Americans Act Title III Part B grants due to anticipated carry forward funds from FY 2011. These federal grants are used to support a variety of services and programs for seniors. Other services include case management, legal assistance, outreach, and community senior activities. It is important to note that the Department has consistently carried forward a large balance and is able to utilize these funds for otherwise general revenue funded expenses, such as salaries of staff members who provide direct services to elders.

The Governor included an additional \$1.2 million from federal funds. The Department is currently spending its federal fiscal year 2010 grant award and will be eligible to begin spending its federal fiscal year 2012 grant award on October 1, 2011. The federal fiscal year 2011 grant award will be drawn down in increments of \$1.2 million over the next five fiscal years. **The Assembly concurred.**

Home Delivered Meals – Meals on Wheels. The Department's current service request includes \$0.8 million from federal funds, which is \$53,429 less than included in the FY 2011 enacted budget for home delivered meals through the Rhode Island Meals on Wheels program because of the elimination of stimulus funds and revised spending projections. Meals on Wheels receives funding for home delivered services meals as well as for the congregate meal sites and senior nutrition programs. The Department's current request includes the enacted level of \$201,400 from general revenues from a community service grant; however, the general revenue funding is not considered a federal match.

As part of its constrained request, the Department requested that all community service grants be eliminated, thereby reducing state funding for the Meals on Wheels program by \$0.2 million. *The Governor recommended funding consistent with the unconstrained request.* **The Assembly concurred; however, it reduced community service grants by ten percent.**

Nutrition Services. The Department's request includes \$2.3 million from federal funds for congregate meal sites. The request is \$0.3 million more than enacted because of an anticipated carry forward balance from FY 2011. This funding provides for meal reimbursements to senior nutrition programs, funds for home delivered meals for seniors 60 or older and funds for over 75 congregate meals sites for seniors 60 or older through the Older Americans Act of 1965. *The Governor recommended funding as requested.* **The Assembly concurred.**

Medicare Outreach and Enrollment Assistance Grants. The Department's request includes \$155,708 from federal funds or \$7,163 more than enacted for Medicare Outreach and Enrollment Assistance grants. These grants are available through the Medicare Improvements for Patients and Providers Act. The purpose of these grants is to provide targeted outreach to clients who may be eligible for the Medicare Savings Program and the "Extra Help" program and who are not yet enrolled. The Medicare Outreach grant is for \$65,771 and the Medicare Enrollment Assistance grant is for \$89,937. These programs are for people with limited income and resources that pay some or all of Medicare's premiums. The programs help pay monthly premiums, annual deductibles, and prescription co-payments related to a Medicare prescription drug plan. *The Governor recommended funding as requested.* **The Assembly concurred.**

Aging and Disability Resource Center. The Department's request includes \$368,841 from federal funds to extend and expand its Aging and Disability Resource Center. This Center is locally known as the Point. The Point's goal is to provide information about and referral to a statewide network of programs for seniors, adults with disabilities, and caregivers. These are new federal grants that will improve knowledge of the problems and needs of the elderly, help ensure adequately trained personnel in the field of aging, and demonstrate better ways of improving the quality of life for the elderly. The request is \$0.2 million more than the enacted budget to reflect an additional grant that has recently been awarded. *The Governor recommended funding as requested.* **The Assembly concurred.**

Indirect Cost Recovery. Most federal grants allow for recovery of overhead costs, in addition to direct administrative costs, through the application of a negotiated indirect cost rate. The Departments of Health, Elementary and Secondary Education and Environmental Management take advantage of this allowance to lower state general revenue costs. The Department requested the enacted savings of \$0.4 million from assuming an indirect cost recovery rate of not less than 5.0 percent and shifted the grant funded expenditures from federal to restricted sources consistent with current practice for accounting for indirect cost recovery resources. These savings were also included in FY 2010; however, the Department did not achieve them. *The Governor recommended funding as requested.* **The Assembly concurred.**

Housing Security Grant. The Department's request includes \$0.1 million from general revenues or \$10,537 more than enacted for the elderly housing security grant. As part of its constrained request, the Department requested to eliminate this grant. This grant is used to ensure the health, safety, and welfare of older individuals in public or private housing. It is important to note that actual FY 2010 expenses total \$5,919. *The Governor recommended eliminating general revenues for this grant and using federal funds available through the Older Americans Act.* **The Assembly concurred.**

Community Service Grants. The Department's current service request includes the enacted amount of \$1.1 million from general revenues for community service grants to 59 agencies; it's constrained request eliminates all community service grants. *The Governor included \$1.1 million from general revenues for community service grants.* **The Assembly included savings of \$108,555 from a ten percent reduction to community service grants.**

Other Program Grants. The Department's request includes \$1.8 million from federal funds for other grant awards, which is \$151,641 more than enacted. The FY 2012 request includes slight adjustments to the disease prevention grant, the family caregiver support grant, the senior Medicare patrol project, as well as various other federal grants. These adjustments are based on revisions to projected expenses and anticipated carry forward balances from FY 2011. *The Governor recommended funding as requested.* **The Assembly concurred.**

Other State Operations. The Department's request is \$489,751 from all sources for operating expenses, which is \$5,729 more than enacted. This includes adjustments primarily related to mileage reimbursements for case workers traveling to elders within the state. It is worth noting that the Department spent \$255,901 on these expenses in FY 2010. *The Governor recommended \$11,784 more than enacted from federal funds to reflect additional mileage reimbursements.* **The Assembly reduced general revenues by \$11,952 to reflect savings from the merger with the Department of Human Services.**

Department of Health

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Program				
Central Management	\$ 13,434,583	\$ 17,437,779	\$ 15,949,335	\$ 15,056,685
Comm. & Family Health & Equity	67,797,136	82,177,927	99,484,393	58,188,401
Environmental & Health Services Reg.	16,507,916	18,080,457	17,400,511	18,265,695
Health Laboratories	8,237,036	8,405,646	7,948,040	7,800,817
Infectious Disease and Epidemiology	4,420,840	4,642,105	4,923,566	5,120,369
Public Health Information	3,480,415	4,205,521	3,511,731	3,511,731
State Medical Examiner	2,268,882	2,313,004	2,250,120	2,250,120
Total	\$ 116,146,808	\$ 137,262,439	\$ 151,467,696	\$ 110,193,818
Expenditures by Category				
Salaries and Benefits	\$ 40,831,392	\$ 43,500,729	\$ 46,047,556	\$ 41,200,567
Contracted Services	14,711,083	18,299,329	15,092,798	14,083,594
Subtotal	\$ 55,542,475	\$ 61,800,058	\$ 61,140,354	\$ 55,284,161
Other State Operations	34,103,102	42,046,255	41,244,693	38,091,531
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	25,257,976	31,752,851	48,060,368	15,638,002
Capital	1,243,255	1,663,275	1,022,281	1,180,124
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 116,146,808	\$ 137,262,439	\$ 151,467,696	\$ 110,193,818
Sources of Funds				
General Revenue	\$ 27,624,903	\$ 27,988,683	\$ 26,748,244	\$ 24,248,025
Federal Aid	63,259,111	83,287,872	97,985,313	59,124,539
Restricted Receipts	25,082,953	25,869,684	26,670,739	26,757,854
Other	179,841	116,200	63,400	63,400
Total	\$ 116,146,808	\$ 137,262,439	\$ 151,467,696	\$ 110,193,818
FTE Authorization	410.7	468.7	473.3	426.3

Summary. The Department of Health's unconstrained request included \$157.8 million or \$41.7 million more than the enacted budget. The request includes increases of \$5.3 million from general revenues, \$35.2 million from federal funds and \$1.3 million from restricted receipts offset by \$0.1 million less from other funds. The Department requested 483.1 full-time equivalent positions, 72.4 more than enacted. The Department did not submit a general revenue constrained request; however, it did include a reduction of \$32,320 from federal funds in its constrained request, apparently in error.

The Governor recommended total funding of \$151.5 million, \$6.4 million less than requested and \$35.3 million more than enacted and 62.6 new positions. This is \$6.2 million less from general revenues. He

included an initiative to provide only the required state match for federal funds and reduced general revenues by \$1.4 million to adjust for the excess funding above that requirement. He also included an initiative to reduce the scope of autopsies in the Medical Examiner's Office and assumed general revenue savings of \$0.2 million. He also included \$0.5 million less from federal funds and \$0.3 million more from restricted receipts than requested, and the enacted level of other funds.

The Assembly included \$110.2 million from all sources, which is \$41.3 million less than the Governor's recommendation. This includes \$2.5 million less from general revenues, \$38.9 million less from federal funds offset by \$0.1 million from restricted receipts and the recommended level of other funds. Excluding transfers, the Assembly authorized 17.0 new positions.

Target Issues. The Budget Office provided the Department of Health with a general revenue target of \$24,773,955. The amount includes current service adjustments of \$1.5 million and a 15.0 percent target reduction of \$4.4 million.

FY 2012 Budget	Budget Office	Health	Difference
FY 2011 Enacted	\$ 27,624,903	\$ 27,624,903	\$ -
Current Service Adjustments	1,520,927	5,282,993	3,762,066
Change to FY 2011 Enacted	\$ 1,520,927	\$ 5,282,993	\$ 3,762,066
FY 2012 Current Service/ Unconstrained Request	\$ 29,145,830	\$ 32,907,896	\$ 3,762,066
Target Reduction/Initiatives	(4,371,875)	-	4,371,875
FY 2012 Constrained Target/Request	\$ 24,773,955	\$ 32,907,896	\$ 8,133,941
Change to FY 2011 Enacted	\$ (2,850,948)	\$ 5,282,993	\$ 8,133,941

The Department of Health did not submit a constrained budget. *The Governor's budget is \$2.0 million above the target. The enacted budget is \$525,930 below the target.*

Staffing. The Department requested 483.1 full-time equivalent positions, 72.4 more than enacted. The 2010 Assembly reduced positions by 5.0, which was equivalent to 10.0 percent of the vacancies. The request included the restoration of the 5.0 positions.

The following table shows the progression of full-time equivalent position totals by program from the enacted budget to the request. A more detailed analysis of Department staffing costs and changes is included in the individual program sections that follow. It is important to note that the chart below reflects the staffing patterns assumed at the time of the budget submission; however, it does not accurately reflect current staffing because of the Department's practice of shifting staff frequently depending on the needs of the individual programs.

Programs	FY 2011 Enacted	FY 2012 Request	Chg. To Enacted	FY 2012 Gov. Rec.	Chg. To Enacted	Chg. To Request	FY 2012 Enacted	Chg. To Enacted	Chg. To Gov.
Central Management	47.2	59.6	12.4	62.1	14.9	2.5	51.8	4.6	(10.3)
Community Family Health & Equity	123.0	148.5	25.5	148.0	25.0	(0.5)	117.0	(6.0)	(31.0)
Environmental & Health Services Reg.	120.9	142.3	21.4	137.4	16.5	(4.9)	137.9	17.0	0.5
Health Laboratories	61.5	64.6	3.1	62.1	0.6	(2.5)	61.5	-	(0.6)
Infectious Disease & Epidemiology	24.1	25.5	1.4	24.0	(0.1)	(1.5)	24.1	-	0.1
Public Health Information	22.6	26.2	3.6	23.1	0.5	(3.1)	22.6	-	(0.5)
State Medical Examiner	16.4	16.5	0.1	16.6	0.2	0.2	16.4	-	(0.2)
Vacancy Reductions	(5.0)	-	5.0	-	5.0	-	(5.0)	-	(5.0)
Total	410.7	483.1	72.4	473.3	62.6	(9.8)	426.3	15.6	(47.0)

The Governor recommended 473.3 full-time equivalent positions, 62.6 more than enacted and 9.8 less than requested. He included the transfer of 12.0 positions from the Department of Human Services to

the Department of Health for the Women, Infants and Children nutrition program. He added 17.0 new administrator positions, 1.0 engineer, 13.4 specialists, 5.0 evaluators, 3.4 analysts, 5.1 epidemiologists, 2.1 scientists and 3.6 administrative support positions.

The Assembly included the positions transferred from the Office of Health and Human Services and 14.0 new full-time recommended positions. It also added 3.0 additional food inspector positions, transferred 4.0 full-time HIV/AIDS program staff to the Department of Human Services and maintained the Women, Infants and Children nutrition program in the Department of Human Services. This reflects 47.0 positions less than recommended.

Statewide Adjustments. The Governor's FY 2012 budget includes \$20.7 million in unidentified statewide general revenue savings from applying reductions of 3.0 percent to salaries and benefits in cabinet level departments and 2.0 percent reductions to those costs in certain other agencies. He also included a 1.0 percent reduction to operating costs in those agencies. For the Department of Health, he assumed savings of \$0.6 million primarily from personnel. The adjustments are in addition to other program changes in his recommended budget and described below. **The Assembly concurred.**

Central Management

New Staff. The Department requested \$0.3 million from all sources for 12.4 new full-time equivalent staff for Central Management, including \$0.3 million from general revenues. The Department indicated that it has a significant increase in federal grants and these positions would primarily be funded from indirect cost recovery resources generated from the new federal grants. It is unclear if the Department has yet received the federal grant awards that it intends to use to support these positions.

The new positions include managers, analysts, business officers, epidemiologists and other support staff. The Department indicated that the new staff are necessary to address the administrative and core departmental functions required to meet the standards dictated by federal grants received; however, other than the position titles, no further details regarding responsibilities is included in the Department's request. The request for additional staff is consistent with the FY 2011 revised request.

*The Governor recommended funding essentially as requested for 13.0 new positions. Positions include 5.0 administrators, 1.0 analyst, 1.0 epidemiologist, 2.0 scientists and a clerk consistent with the FY 2011 recommendation in addition to 2.0 more officer positions and a specialist position transferred from the Office of Health and Human Services. **The Assembly included the transferred positions; however, did not include the new recommended positions or funding.***

All Other Salaries and Benefits. The Department requested \$4.5 million from all sources for all other salaries and benefits for the remaining 47.2 full-time equivalent positions in Central Management. The request is \$0.4 million more than enacted from all sources for medical benefits and retirement rate changes, as well as a 3.0 percent cost-of-living increase consistent with Budget Office planning values and \$26,444 to reduce turnover savings. *The Governor recommended \$0.3 million more from all sources to reflect adjustments to benefit rates offset by additional turnover savings. **The Assembly concurred.***

Bioterrorism. The Department requested \$5.3 million from federal funds for bioterrorism preparedness. This is \$1.0 million more than enacted to reflect new and adjusted grant awards used to augment hospitals and healthcare entities to plan for, respond to and recover from mass casualty events. It also provides for grants to cities and towns for enhanced emergency response preparedness. *The Governor recommended \$9,881 more than requested to reflect adjusted grant awards. **The Assembly concurred.***

Pandemic Flu. The Department requested \$2.4 million from federal funds for pandemic flu responses, including H1N1 activities. This is \$0.1 million more than enacted and reflects new grant awards, including increases available for city and town preparedness. *The Governor recommended funding as requested.* **The Assembly concurred.**

Community Service Grants. The Department requested the enacted level of \$583,718 from general revenues for community service grants. *The Governor concurred.* **The Assembly included savings of \$58,372 from a ten percent reduction to all community service grants.**

All Other Operations. The Department requested \$1.6 million from all sources, \$80,057 less than enacted for all other Central Management operations. This includes \$67,400 less from general revenues and \$12,657 less from restricted receipts. This reflects reductions for staff training, administrative fees and legal expenses offset by a similar increase for temporary staff that was previously supported in other Department programs. *The Governor recommended \$11,103 more than requested from all sources to reflect available indirect cost recovery resources offset by \$300 less from general revenues representing a 15.0 percent reduction to legal expenses. He subsequently requested an amendment to his FY 2011 revised budget to add \$0.2 million from newly available federal funds for affordability standards and public health infrastructure grants.* **The Assembly concurred and added \$0.1 million from federal funds in both years based on Department spending projections.**

Community, Family Health, and Equity

New Staff. The Department requested \$1.4 million from all sources for 25.5 new full-time equivalent staff in the Community, Family Health, and Equity program. Of the new positions, 12.0 are administrative and managerial in nature, while the remaining 13.5 consist of liaisons, specialists, scientists and technicians that will work more directly with external programs that provide direct services to the community. The Department indicated that the new staff are necessary to utilize the new federal funds awarded and to fill vacancies that are deemed critical positions in order to meet the mission of the program; however, other than the position titles, no further details regarding responsibilities is included in the Department's request. The request for additional staff is consistent with the FY 2011 revised request.

The Governor recommended \$1.5 million from all sources for 18.0 new full-time positions, 7.5 positions less than requested. New positions include 6.0 specialists, 5.0 administrators, 2.0 analysts, 2.0 liaison workers, 1.0 epidemiologist, 1.0 nutritionist and 1.0 clerk. This also includes \$0.9 million for the shift of 12.0 positions for the Women, Infants and Children nutrition program back from the Department of Human Services. **The Assembly did not include the positions or funding.**

All Other Salaries and Benefits. Excluding new staff and all HIV/AIDS treatment programs, the Department requested \$10.7 million from all sources for all other salaries and benefits for the remaining 111.0 full-time equivalent positions in the Community, Family Health, and Equity program. The request is \$0.6 million more than enacted from all sources including \$0.1 million more from general revenues. This reflects \$0.6 million from all sources for medical benefits and retirement rate changes, as well as a 3.0 percent cost-of-living adjustment consistent with Budget Office planning values, step and longevity increases and \$58,965 to reduce turnover savings. *The Governor recommended \$0.8 million more from all sources. This reflects benefit rate adjustments consistent with planning values and additional turnover savings.* **The Assembly concurred.**

HIV/AIDS Drugs and Supportive Services. The Department requested \$10.8 million from all sources including \$2.5 million from general revenues for HIV/AIDS drugs and related supportive

services. This is \$1.9 million more than enacted, including \$1.2 million more from general revenues. The enacted budget includes funds to support the program based on estimates that were provided by the Department in May 2010. In September 2010, the Department provided new projections that reflected a \$3.5 million program deficit in FY 2011. The Department indicated that the May estimates did not include anticipated caseload and drug cost increases.

As part of its cost containment strategies, the Department implemented a waiting list for services on October 15, 2010, and subsequently eliminated the waiting list for the HIV drug program on December 1, 2010. Upon further discussions and data collection, the Department reported that the current year deficit would require \$1.2 million more from general revenues assuming the Department leverages Medicaid for previously state-only services as allowed under the Global Medicaid waiver. It also assumed other measures suggested by the Department will be implemented. For example, employing a new federal program related to coordination of Medicare prescription benefits (TrOOP), revise the medication formulary, buying commercial insurance for the AIDS Drug Assistance Program clients, decreasing eligibility from 400 percent to 200 percent of the federal poverty level and reorganizing the manner in which drug rebates are used to maximize funds.

Supportive services include community based case management to those affected by AIDS or HIV for monitoring, education, support and referral services as needed. Other reported expenses include medications to all active patients, clinical services which include dental services, drug adherence, screening and testing, mental health services, nutrition assistance, outpatient and ambulatory health services, health insurance premiums and cost-sharing assistance. The state also provided individuals with home health care, hospice care, community-based health services, substance abuse outpatient care, and medical case management, including treatment adherence services and support services which include case management, social services and emergency assistance for housing and basic needs.

[Staff Note: The Department of Health's FY 2012 budget request for the HIV/AIDS program is equal to the amount requested for the current year and does not include any growth estimates for caseload and drug costs despite its representation regarding the program's growth. Consistent with the FY 2011 revised request, the FY 2012 request does not appear to include the cost containment measures that the Department indicated it would institute.]

*The Governor recommended \$10.8 million, including \$2.6 million from general revenues. This is \$1.3 million more than enacted from general revenues and \$73,722 more than requested to reflect increased drug and caseload costs. **The Assembly included Section 8 of Article 9 of 2011-H 5894, Substitute A, as amended to shift the HIV/AIDS direct services programs and \$10.8 million from all sources including \$2.6 million from general revenues to the Department of Human Services.***

HIV/AIDS Prevention. The Department requested \$1.1 million from federal funds for HIV/AIDS prevention. This is \$0.2 million less than enacted. This reflects a reduction to the actual grant award, training expenses and other various office expenses. Services include early detection, which encompasses screening, testing and partner notification, of persons who are HIV positive, referral to treatment and care services, prevention for persons living with HIV and viral hepatitis and prevention for high-risk individuals. It also included community capacity building activities, and harm reduction activities such as the needle exchange program. *The Governor recommended \$4,312 more than requested to reflect adjusted grant awards. **The Assembly included Section 8 of Article 9 of 2011-H 5894, Substitute A, as amended to shift the HIV/AIDS direct services programs and \$1.1 million from federal funds to the Department of Human Services.***

HIV/AIDS Monitoring. The Department requested \$73,649 from federal funds, \$20,462 less than enacted. This reflects an increase in the grant award offset by reductions to information technology

services and other various office expenses. Expenses include the monitoring of incidence, prevalence of HIV/AIDS, HIV/AIDS mortality among people of all ages, behaviors related to HIV testing, risks and exposures to HIV infection, access to care, and monitoring and investigating perinatal HIV exposure in infants. *The Governor recommended \$214 more than requested to reflect adjusted grant awards. The Assembly concurred.*

HIV Staff. The Department requested \$1.4 million from federal funds for 12.0 full-time equivalent positions that work in the three HIV/AIDS programs. This is \$0.3 million more than enacted. This reflects \$0.1 million for medical benefit and retirement rate changes, as well as a 3.0 percent cost-of-living adjustment consistent with Budget Office planning values and step and longevity increases. *The Governor recommended \$7,828 less to reflect available resources from adjusted grant awards. The Assembly included Section 8 of Article 9 of 2011-H 5894, Substitute A, as amended to transfer the HIV/AIDS direct services programs, including 4.0 full time-equivalent staff and \$1.2 million from federal funds to the Department of Human Services.*

Infant and Early Childhood Home Visit. The Department requested \$0.4 million from federal funds for a new initiative beginning in FY 2011 that focuses on promoting good health habits primarily for low income pregnant women, mothers, infants, and children, children with special health care needs and families. It also includes provisions for providing health services for maternal and child health populations who do not have access to adequate health care. *The Governor recommended funding as requested. The Assembly concurred.*

Women, Infant and Children Administration and Benefits. The 2010 Assembly passed legislation included in Article 7 of 2010-H 7397, Substitute A, as amended that transferred the Women, Infants and Children administration and benefits program from the Department of Health to the Department of Human Services effective October 2010. The Department's enacted budget includes \$6.3 million to reflect the program's operations during the first quarter of the fiscal year with 12.1 positions and the balance of the funds in the Department of Human Service's budget. It was later determined by the United States Department of Agriculture that the program must remain within the Department of Health in order to meet certain guidelines. The Department's FY 2011 revised request included full annual funding for the Women, Infants and Children administration and benefits program of \$25.2 million from federal funds. *The Governor recommended \$2,929 more than requested and included Sections 2 and 3 of Article 9 of 2011-H 5894 to reverse the previous shift. The Assembly did not concur and retained the program in the Department of Human Services.*

Women's Cancer Screening. The Department requested \$1.9 million from all sources, including \$1.8 million from federal funds and \$0.1 million from general revenues. This is \$32,848 less than enacted, including \$40,000 less from general revenues for women's cancer screening. It appears that the request does not include a Medicaid match of \$117,053 from general revenues for the services provided under the Global Medicaid Waiver. In March 2010, the Department had exhausted all funds for the breast and cervical cancer early detection screening portion of the program and had suspended these services for the remainder of the fiscal year. Subsequently, the Department of Health received \$110,000 from anonymous donations planned for use as Medicaid match to cover up to \$0.2 million more in expenses. While these funds were not able to be leveraged in that way, FY 2010 final general revenues for this program exceeded the final appropriation, which included the donated funds, by \$9,681.

The Governor recommended \$0.1 million less than requested from all sources, including \$716 less from general revenues. He included a minor reduction to medical testing supplies and based on updated information assumed that fewer services than what was included in the Department's initial request will be eligible to be matched by Medicaid. The Assembly concurred.

Tobacco Prevention. The Department requested \$1.7 million from all sources for tobacco prevention activities. This is \$0.6 million less than enacted, including \$101,394 less from general revenues, the elimination of \$6,100 from restricted receipts and \$523,350 less from federal funds. The Department assumed use of all funds in the current year. This reflects the reduction of stimulus funds that were added in FY 2011 and are used to address the promotion of cessation among adults and young people who use tobacco quit lines and supports the City of Providence's Substance Abuse Task Force that focuses on prevention initiatives. The decrease in general revenues reflects the elimination of advertising. *The Governor recommended funding as requested.* **The Assembly further reduced general revenue expenditures by \$0.4 million.**

Autism. The Department requested \$0.3 million from newly available federal funds for a new autism initiative that will focus on training teachers, physicians and other community providers on early detection, education and intervention activities. The Department will contract for this training. Funds will also be used to support family to family health information centers that assist families with children with disabilities or special health care needs to make informed choices about health care in order to promote good treatment decisions, cost effectiveness, and improved health outcomes for such families. *The Governor recommended funding as requested.* **The Assembly concurred.**

RI Launch. The Department requested \$1.1 million from federal funds for the RI Launch program, which is \$0.3 million more than enacted. The increase reflects a year of available funding. The Department expects to expend all available funding in FY 2012. The Department contracts with Bradley Hospital to provide training to community providers including primary care physicians on identifying mental health issues in children. It also allows for assessments, education, training referral and evaluations to children that are exhibiting behavior or mental health issues. *The Governor recommended funding as requested.* **The Assembly concurred.**

Immunizations. The Department requested expenditures of \$27.1 million from all sources for immunization expenses, which is \$9.6 million more than enacted. The increase reflects the directive from the Budget Office to include the value of the free vaccine received from the federal government so that there is an accurate accounting of all government services received in Rhode Island. In FY 2009, the Auditor General's office made a journal entry at the close of the year to account for the value of the vaccine. In FY 2010, the Department made quarterly adjustments for the value through an administrative process. The Department of Health is the purchasing entity; however, serum stock is then disbursed to community health providers to provide vaccines to prevent and control vaccine-preventable diseases in Rhode Island by maximizing the number of residents who are fully immunized. *The Governor recommended funding as requested.* **The Assembly concurred.**

Maternal and Child Health. The Department requested \$2.4 million from all sources for children and families supportive services. This is \$736,864 more than enacted including \$1,912 more from general revenues. The federal increase reflects the actual federal grant award total and the general revenue increase supports the cost of supplying necessary medications to prevent complications during future pregnancies when blood types between pregnant women and babies are incompatible. Federal funds are used to implement the planning, promoting, coordinating, evaluating and providing health care options for populations who do not have access to adequate health care. This includes pregnant women, mothers, infants, children, families and children with special health care needs. *The Governor recommended funding as requested.* **The Assembly concurred.**

Obesity and Nutrition. The Department requested \$1.3 million from federal funds for obesity and nutrition related activities. This is \$0.4 million less than enacted to reflect the current year of

available funds. Funds support statewide efforts to promote environmental and policy changes, which support physical activity and healthy eating habits to prevent obesity. *The Governor recommended funding as requested.* **The Assembly concurred.**

Family Planning. The Department requested \$1.3 million from federal funds, \$0.2 million less than enacted to reflect available funds for family planning. Funds are used to provide family planning services to low income individuals and are provided through contracts with 12 community based agencies. *The Governor recommended \$0.3 million more than requested for increased training expenses.* **The Assembly concurred.**

Preventive Block Grant. The Department requested \$0.3 million from federal funds, \$0.2 million less than enacted, to reflect available funds for the preventative block grant. The Department utilizes funds to support community based health prevention programs and included in the Healthy People 2010 national initiative to promote healthy lifestyles through exercise and nutrition and to increase community awareness. *The Governor recommended funding as requested.* **The Assembly concurred.**

Newborn Screening. The Department requested \$1.7 million or \$0.1 million less than enacted from all sources for newborn hearing and screening activities. The Department indicated that births have declined which impacts the number of tests performed offset by a small increase of \$38,634 from federal funds to reflect the actual grant award. *The Governor recommended funding as requested.* **The Assembly concurred.**

Lead Poisoning Prevention. The Department requested \$0.8 million from all sources for lead prevention activities. This is \$0.2 million less than enacted to reflect a decrease in federal grant awards. Funds are used to focus on educating professionals and the general public on the dangers of lead poisoning by meeting with the Housing Resources Commission, educating landlords and enhancing screening activities. *The Governor recommended \$1,856 more than requested from all sources for adjusted grant awards, including \$2,622 more from general revenues for increased administrative processing fees.* **The Assembly concurred.**

Oral Disease. The Department requested \$0.7 million from federal funds for oral disease health and prevention. This is \$0.1 million more than enacted to reflect increased grant awards. The program provides support to community programs and contracts with community resources to provide education and evaluation of dental hygiene to school aged children. *The Governor recommended funding as requested.* **The Assembly concurred.**

Children with Special Needs. The Department's FY 2012 request eliminated \$0.3 million from federal funds for children with special needs activities as funding was not reissued. The Department had contracted with local visiting nurse associations to provide medically based nursing with focuses on therapy skills and home care services. *The Governor recommended funding as requested.* **The Assembly concurred.**

All Other Operations. The Department requested \$6.3 million from all sources for all other Community, Family Health and Equity program operations. The request is \$503,977 less than enacted, including \$85,696 less from general revenues. The change reflects an increase in grant awards, administrative fees and other general administrative expenses offset by reductions to staff training, information technology services, advertising and other various office expenses. *The Governor recommended \$24,430 more than requested from all sources, including \$4,555 less from general revenues. This reflects increases for various office expenses offset by the elimination of a family health grant.* **The Assembly concurred.**

Environmental and Health Services Regulation

New Staff. The Department requested \$3.3 million from all sources including \$1.0 million from general revenues for 21.4 new full-time equivalent staff for the Environmental and Health Services Regulation program. Of the new positions, 4.0 are administrative and managerial, while the remaining 17.4 consist of licensing aids, technicians, inspectors and nursing evaluators that will work more directly with external programs that provide direct care and services to the community.

The Department indicated that the new staff are necessary to utilize the new federal funds awarded and to fill vacancies that are deemed critical positions in order to meet the mission of the program; however, other than the position titles, no further details regarding responsibilities is included in the Department request. The request for additional staff is consistent with the FY 2011 revised request. The request also includes \$0.3 million less from all sources primarily for reductions for temporary staff and \$0.2 million more from all sources primarily for travel, supplies, advertising and other various office expenses resulting from the addition of new full-time positions.

*The Governor recommended \$1.5 million from all sources to fund 17.0 new full-time positions. Positions include 5.0 evaluators, 1.0 analyst, 2.0 specialists, 4.0 administrators, 1.0 social worker, 2.0 food inspectors, and 2.0 licensing aides. He also reduced temporary staff and various operating expenses by \$0.6 million from all sources. **The Assembly concurred only with the new inspector and licensing aid positions and funding and 3.0 additional full-time food inspectors to enhance food inspection activities.***

All Other Salaries and Benefits. The Department requested \$8.5 million from all sources for all other salaries and benefits for the remaining 120.9 full-time equivalent positions in the Environmental and Health Services Regulation program. The request is \$1.0 million more than enacted from all sources including \$0.7 million more from general revenues. This reflects \$0.5 million more from all sources for medical benefits and retirement rate changes, as well as a 3.0 percent cost-of-living adjustment consistent with Budget Office planning values, step and longevity increases and \$0.2 million to reduce turnover savings.

*The Governor recommended \$2.5 million less from all sources, including \$1.4 million less from general revenues for the remaining 120.4 full-time equivalent positions. This includes \$0.4 million from adjustments to medical benefit rates consistent with planning values offset by \$0.7 million from additional turnover. **The Assembly concurred.***

Health Services Council. The enacted budget includes \$262,515 for Health Services Council activities that primarily focus on certificate of need requests that require evaluation of the Council in order to prevent unnecessary duplication of expensive medical services and equipment. The Department requested \$397,515 from all sources, which includes the addition of \$135,000 for legal expenses not included in the enacted budget. Funding supports the initial licensure, certificate of need program and changes in effective control program as well as 2.0 full-time equivalent staff. *The Governor included Article 29 of 2011-H 5894 to eliminate the Health Services Council and \$397,515 from all sources. Compared to the enacted, savings would be \$262,515 from all funds, including \$245,515 from general revenues. Revenues from these actions are also reduced by \$371,320.*

The Assembly did not concur and restored the funding to support the Health Services Council. It also included Article 15 of 2011-H 5894, Substitute A, as amended, which requires the appointment of the health care planning and accountability advisory council by September 1, 2011. The Council, of which the Director of the Department of Health is a member, will address the state's overall health care systems needs including the purchase of health care equipment.

All Other Operations. Excluding all other changes, the Department requested \$731,397 for all other Environmental and Health Services Regulation operations. This is \$248,595 less than enacted from all sources including \$67,473 less from general revenues. This primarily reflects reductions for software licenses for the Health Professionals Regulation program.

The Governor further reduced operations by \$0.2 million from all sources, including \$0.5 million less from general revenues. This primarily reflects reductions for various computer expenses including software maintenance contracts. The Governor subsequently requested an amendment to add \$440,000 from newly available federal funds from electronic patient reporting grants and \$70,726 from additional federal funds for staff support for the prescription drug monitoring program in FY 2011.

The Assembly concurred with the prescription drug monitoring program funding and added \$50,000 from federal funds to FY 2011 and \$390,000 from federal funds to FY 2012 for electronic patient reporting based on Department spending projections.

Health Laboratory

Staffing. The Department requested \$6.7 million from all sources for salary and benefit expenses for 64.6 full-time equivalent positions for the Health Laboratory. This is \$0.8 million more than enacted, including \$0.7 million more from general revenues. The request includes 3.1 new positions, an administrator, scientist and a technician and other than the position titles, no further details regarding responsibilities is included in the Department's request. The request for additional staff is consistent with the FY 2011 revised request. The remaining changes include \$0.2 million more from all sources for medical benefits and retirement rate changes, as well as a 3.0 percent cost-of-living adjustment consistent with Budget Office planning values, step and longevity increases and \$0.2 million to reduce turnover savings.

*The Governor recommended \$1.1 million more than enacted from all sources, including \$0.7 million more from general revenues to reflect benefit rate adjustments consistent with planning values offset by additional turnover savings. He recommended 62.1 full-time equivalent positions, 2.5 less than requested. **The Assembly did not concur with the new positions or funding.***

State Crime Lab. The Department eliminated the enacted level of \$775,000 from general revenues for the State Crime Lab. The Department indicated that it has an agreement from the University of Rhode Island to include the Crime Lab in the University's budget; however, the Crime Lab is not included in the University of Rhode Island's FY 2012 request. The FY 2011 enacted budget includes \$100,000 more from general revenues than FY 2010. It also includes \$100,000 in the Department of Administration's budget to conduct a feasibility study on integrating all state lab functions that was to be completed and submitted by December 1, 2010. The request for proposal was issued and no applications were received. *The Governor recommended funding as requested and included Section 4 of Article 9 of 2011-H 5894 to shift the funding from the Department of Health's budget to the University of Rhode Island. **The Assembly concurred with shifting the funds to the University's budget.***

Lab Capacity for Infectious Disease. The Department requested \$0.3 million from federal stimulus funds to develop and implement a new electronic reporting and tracking database that meets federal requirements for documenting all immunizations provided so that information can be easily shared between health care providers. This is also included in the Department's FY 2011 revised request. *The Governor recommended funding as requested. The Assembly concurred.*

All Other Operations. The Department requested revised expenditures of \$2.2 million from all sources for all other Health Laboratory operations. This is \$0.2 million more than enacted, including \$0.1 million more from general revenues. The changes reflect increases for administrative fees, unbudgeted temporary staff expenses and outsourcing of lab specimens for specialized DNA cases. The Department of Health lab has experienced an increase in the need for specialized testing and does not have the necessary equipment to perform these specialized tests as well as staff specialists to interpret the test results. *The Governor recommended the requested level of general revenues and \$3,723 more than requested from federal funds to reflect adjusted grant awards. The Assembly concurred.*

Infectious Disease and Epidemiology

Staffing. The Department requested \$2.7 million from all sources for salary and benefit expenses for 25.5 full-time equivalent positions for Infectious Disease and Epidemiology. This is \$0.3 million more than enacted from all sources for 1.4 new positions. New positions include epidemiologists and a disease specialist and other than position titles, no further details regarding responsibilities is included in the Department's request. The request for additional staff is consistent with the FY 2011 revised request. The remaining change includes \$0.1 million more from all sources for medical benefits and retirement rate changes, as well as a 3.0 percent cost-of-living adjustment consistent with Budget Office planning values, step and longevity increases and \$49,596 to reduce turnover savings.

The Governor recommended 24.0 full-time equivalent positions, 0.1 position less than enacted and 1.5 positions less than requested. He included \$0.3 million more than enacted from all sources to reflect benefit rate adjustments offset by additional turnover savings. The Assembly concurred.

Disease Surveillance. The Department requested \$0.8 million from federal funds for disease surveillance activities. This is \$0.3 million more than enacted to reflect an increased grant award. Funds are used for training staff on the national electronic disease surveillance system which is used to collect data, trending and tracking the West Nile Virus in Rhode Island and for a new federal requirement to provide all data electronically via the national electronic disease surveillance system. *The Governor recommended \$39,883 more than requested to reflect adjusted grant awards. The Assembly concurred.*

All Other Operations. The Department requested \$1.7 million from all sources, \$0.2 million more than enacted for all other Infectious Disease and Epidemiology operations. This includes \$93,684 more from general revenues and \$96,576 more from federal funds. This reflects additional expenses for staff training, doctor services and \$89,293 of new federal funds that will be used to teach hospitals how to use a new computer program that tracks infections that patients receive while hospitalized.

The Governor reduced operations by \$56,996 from all funds including \$60,000 less from general revenues to reflect reduced doctor and dentist expenses. The Governor subsequently requested an amendment to his FY 2011 budget to add \$0.3 million from newly available federal funds for epidemiology and lab capacity activities. The Assembly added \$0.1 million to FY 2011 and \$0.2 million to FY 2012 based on Department spending projections and concurred with the remainder of the recommendation.

Public Health Information

Staffing. The Department requested \$2.5 million from all sources for salary and benefit expenses for 26.2 full-time equivalent positions for the Public Health Information program. This is \$0.6 million more than enacted and includes 3.6 new positions. New positions include an analyst, specialists and a clerk and other than the position titles, no further details regarding responsibilities is included in the Department's request. The request for additional staffing is consistent with the FY 2011 revised request. The remaining changes include \$0.1 million more from all sources for medical benefits and retirement rate changes, as well as a 3.0 percent cost-of-living adjustment consistent with Budget Office planning values, step and longevity increases and \$38,942 to reduce turnover savings.

The Governor recommended 23.1 full-time equivalent positions, 0.5 positions more than enacted and 3.1 positions less than requested. He recommended funding essentially as requested which includes benefit rate adjustments and additional turnover savings. The Assembly concurred.

All Other Operations. The Department requested \$1.6 million from all sources, which is \$8,797 less than enacted for all other Public Health Information program operations. This includes \$16,120 less from general revenues. This reflects reductions for staff training and other general office supplies. *The Governor recommended the requested level of general revenues and \$8,514 more from all sources to reflect an increase for staff training. The Assembly concurred.*

Medical Examiner's Office

Staffing. The Department requested \$2.3 million from all sources for salary and benefit expenses for 16.5 full-time equivalent positions for the Medical Examiner's Office. This is \$0.5 million more than enacted, primarily from general revenues. The Office is adding an executive assistant position and other than the position title, no further details regarding responsibilities is included in the Department's request. The request for additional staff is consistent with the FY 2011 revised request. The remaining changes include \$0.1 million more from all sources for medical benefits and retirement rate changes, as well as a 3.0 percent cost-of-living adjustment consistent with Budget Office planning values, step and longevity increases and \$57,637 to reduce turnover savings. *The Governor recommended \$0.2 million more than enacted primarily from general revenues to reflect benefit rate adjustments. He also included an initiative to reduce the scope of autopsies performed for general revenue savings of \$0.2 million. The Assembly concurred.*

Contract Medical Examiners. The Department requested \$0.4 million from all sources, \$0.2 million more than enacted for contract medical examiner expenses. This includes \$0.2 million more from general revenues. The Department continues to be unsuccessful in filling two vacant medical examiner positions resulting in the need to utilize contract staff to address the workload. The enacted budget includes funds for the 2.0 full-time positions resulting in insufficient funds for temporary medical examiner expenses. It should be noted that the Department does not appear to assume offsetting savings from general revenues from the unfilled positions. *The Governor recommended funding as requested. The Assembly concurred.*

All Other Operations. The Department requested \$0.3 million from all sources or \$26,110 more than enacted for all other Medical Examiner's Office operations. This includes \$6,670 more from general revenues primarily for various office expenses. *The Governor added \$355 more from federal funds available from statewide operating savings. The Assembly concurred.*

Department of Human Services

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Program				
Central Management	\$ 14,884,479	\$ 15,979,449	\$ 11,817,073	\$ 11,547,906
Child Support Enforcement	9,244,629	9,453,985	8,355,622	8,355,622
Individual and Family Support	143,162,863	114,012,714	87,766,179	127,885,859
Veterans' Affairs	27,611,621	30,752,602	-	28,216,627
Health Care Quality, Financing and Purchasing	66,133,758	71,024,470	59,173,561	59,373,254
Medical Benefits	1,637,408,400	1,616,607,909	1,662,585,016	1,662,194,277
Supplemental Security Income	19,310,887	20,813,171	18,912,600	18,000,600
Family Independence Program	87,516,116	88,027,957	89,375,452	86,140,550
State Funded Programs	280,032,797	274,747,724	302,007,582	301,710,437
Elderly Affairs	-	-	-	27,826,593
Total	\$2,285,305,550	\$2,241,419,981	\$2,239,993,085	\$2,331,251,725
Expenditures by Category				
Salaries and Benefits	\$ 85,881,969	\$ 87,635,889	\$ 58,712,605	\$ 86,210,973
Contracted Services	52,039,292	57,764,650	49,588,324	52,194,114
Subtotal	\$ 137,921,261	\$ 145,400,539	\$ 108,300,929	\$ 138,405,087
Other State Operations	19,786,267	18,006,812	14,335,068	21,742,409
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	2,120,136,335	2,067,304,251	2,111,023,076	2,162,421,043
Capital	2,056,950	4,907,718	468,918	2,856,170
Capital Debt Service	-	-	-	-
Operating Transfers	5,404,737	5,800,661	5,865,094	5,827,016
Total	\$2,285,305,550	\$2,241,419,981	\$2,239,993,085	\$2,331,251,725
Sources of Funds				
General Revenue	\$ 715,328,654	\$ 741,295,264	\$ 864,108,853	\$ 893,131,302
Federal Aid	1,556,245,695	1,484,547,658	1,359,554,881	1,419,613,547
Restricted Receipts	9,446,201	10,587,200	11,873,994	14,089,597
Other	4,285,000	4,989,859	4,455,357	4,417,279
Total	\$2,285,305,550	\$2,241,419,981	\$2,239,993,085	\$2,331,251,725
FTE Authorization	963.6	1,000.2	674.0	984.2

Summary. The Department of Human Services requested \$2,312.6 million or \$27.3 million more than enacted, including \$200.1 million more from general revenues, \$172.9 million less from federal funds, \$44,250 less from restricted receipts, and \$75,000 more from Rhode Island Capital Plan funds. The Department also requested 1,081.2 full-time-equivalent positions, 117.6 more than enacted. The

request is \$5.9 million less than the Budget Office's general revenue current services target of \$921.3 million. The Department also submitted a constrained request that totals \$897.7 million and includes \$17.7 million less from general revenues than the unconstrained request.

The Governor recommended \$2,240.0 million, \$72.6 million less than requested and provides 674.0 full-time equivalent positions, which is 407.2 fewer positions than requested and 289.6 fewer than enacted. His budget includes the creation of the Department of Veterans' Affairs, which causes a reduction of \$31.2 million in expenses from all sources and 229.2 fewer positions.

He subsequently requested an amendment to add \$1.6 million from all sources, including \$250,000 from general revenues for four adjustments; each is discussed separately where appropriate.

The Assembly provided \$2,331.3 million, including \$893.1 million from general revenues and 984.2 positions. This is \$90.3 million and 310.2 positions more than the Governor's recommendation, including \$29.0 million more from general revenues. The Assembly shifted funding and personnel for Veterans' Affairs, Elderly Affairs, the Women, Infants and Children nutrition program, and the HIV/AIDS program to the Department of Human Services for an additional \$95.6 million from all sources and 309.2 positions. The Assembly included updated expenditures from the May Caseload Estimating Conference and made further adjustments, discussed separately.

Target Issues. The Budget Office provided the Department with a general revenue target of \$783.1 million. The amount includes current service adjustments of \$206.0 million and a 15.0 percent target reduction of \$138.2 million.

FY 2012 Budget	Budget Office	Human Services	Difference
FY 2011 Enacted	\$ 715,328,654	\$ 715,328,654	\$ -
Current Service Adjustments	205,972,483	200,082,770	(5,889,713)
<i>Change to FY 2011 Enacted</i>	<i>\$ 205,972,483</i>	<i>\$ 200,082,770</i>	<i>\$ (5,889,713)</i>
FY 2012 Current Service/ Unconstrained Request	\$ 921,301,137	\$ 915,411,424	\$ (5,889,713)
Target Reduction/Initiatives	(138,195,171)	(17,704,536)	120,490,635
FY 2012 Constrained Target/Request	\$ 783,105,966	\$ 897,706,888	\$ 114,600,922
<i>Change to FY 2011 Enacted</i>	<i>\$ 67,777,312</i>	<i>\$ 182,378,234</i>	<i>\$ 114,600,922</i>

The constrained budget submitted by the agency is \$114.6 million above that. The Department subsequently submitted updated information for its savings proposals that reduces the general revenue savings estimate by \$4.2 million. The proposals to achieve the reductions are noted among the items described where appropriate. *The Governor's recommendation is \$81.0 million more than the target. The enacted budget is \$110.0 million more than the target.*

Statewide Adjustments. The Governor's FY 2012 budget includes \$20.7 million in unidentified statewide general revenue savings from applying reductions of 3.0 percent to salaries and benefits in cabinet level departments and 2.0 percent reductions to those costs in certain other agencies. He also includes a 1.0 percent reduction to operating costs in those agencies. For the Department of Human Services, he assumed savings of \$697,821, primarily from personnel. For the Division of Elderly Affairs, he assumed savings of \$20,478 primarily from personnel. The adjustments are in addition to other program changes in his recommended budget and described below. **The Assembly concurred.**

New Positions. The Department's unconstrained request includes the authority for 91.0 new full-time equivalent positions department-wide and the funding request assumes that approximately 10 percent of

the positions will be filled. The Department's constrained request excludes the authorization and funding for these positions. The positions are discussed separately in the relevant sections. *The Governor's recommendation did not include the authorization or the funding for these positions.* **The Assembly concurred.**

Staffing. Excluding the new positions, the Department requested 990.2 full-time equivalent positions in FY 2012, which is 26.6 more than enacted. This includes the addition of 22.0 supplemental nutrition assistance positions through September 30, 2011, 10.0 disabilities determination unit positions, 4.0 supplemental security income program positions, 2.0 positions in central management and 5.0 new positions for the Division of Veterans' Affairs. The request also includes reductions of 12.0 women, infant and children's nutrition positions transferred to the Department of Health, 4.0 emergency temporary assistance to needy families positions and 0.4 positions for the Division of Veterans' Affairs.

The FY 2011 enacted budget funds 22.0 of the Office of Health and Human Services' positions through the Department of Human Services' budget. The FY 2010 budget funded the staff in the Office's budget, but the 22.0 positions were transferred to the Department of Human Services' budget. The positions were not transferred in the Department's FY 2011 enacted budget, but the disparity persists and the Department's FY 2012 request does not correct for this.

The Governor included 674.0 positions, transferred 229.2 to the new Department of Veterans' Affairs and transferred 84.0 from the Department of Human Services including 80.0 from the Medicaid program to the Office of Health and Human Services. He included Section 2 of Article 9 of 2011-H 5894 to reverse the transfer of the Women, Infants and Children nutrition program to the Department of Human Services, shifting it back to the Department of Health.

The Assembly provided 984.2 positions, 310.2 positions more than the recommendation. The Assembly concurred with the transfer of 84.0 positions to the Office of Health and Human Services and transfers 264.2 Veterans' Affairs positions and 12.0 Women, Infants and Children nutrition program positions back to the Department of Human Services, in addition to 30.0 positions from the Department of Elderly Affairs. The Assembly also provided 6.0 positions for the Rhode Island Works program, 1.0 position for implementing stricter transportation standards and eliminated 7.0 vacant positions.

Stimulus - Enhanced Medicaid. The enacted budget includes general revenue savings of \$215.1 million from the enhanced Medicaid rate included in the American Recovery and Reinvestment Act of 2009. Of the total savings, \$107.6 million, including \$83.0 million in the Department of Human Services' budget and \$0.8 million for the Department of Elderly Affairs, is based on the assumption that the same rate would be extended six months until June 30, 2011. The federal government authorized the extension but at a lower rate. On July 1, 2011, the state will be reimbursed for medical services at its regular Medicaid rate. The Departments' requests backfill the loss of federal funds.

The current service adjustments provided by the Budget Office include \$165.2 million in additional general revenues to adjust for the lower Medicaid match in the Department of Human Services' budget and \$1.1 million in the Department of Elderly Affairs. *The Governor's recommendation adjusts for the rate change.* **The Assembly concurred.**

Medicaid Expenses - State/National Comparison. The following compares national and state 2008 Medicaid spending. By percentage, Rhode Island's enrollment of children (the state's RIte Care population) is lower than the national average while enrollment of parents is slightly higher. The percent of total spending for this population is lower than the national average, but higher when

comparing cost per enrollee. The Medicaid expenses for these populations are in the Department of Human Services' budget.

For disabled individuals, enrollment is higher than the national average as is the percent of expenses compared to total spending and cost per enrollee. Expenses for this population are in the Department of Human Services, Department of Behavioral Healthcare, Developmental Disabilities and Hospitals and the Department of Children, Youth and Families.

Enrollment and expenses for the aged population is slightly lower than the national average when comparing enrollment, but higher than the national average when comparing percent of enrollment to total enrollment and higher than the national average for cost per enrollee. Expenses supporting this population are in the Departments of Human Services and Elderly Affairs.

Medicaid Expenses	Enrollees		Percent of Enrollees		Expenses*		Percent of Expenses		Cost Per Enrollee	
	US *	RI	US	RI	US	RI	US	RI	US	RI
Children	23.5	80,052	48.9%	44.4%	\$ 57,100	\$ 228.0	19.4%	13.5%	\$2,435	\$2,848
Adults	11.1	42,110	23.1%	23.4%	39,700	170.5	13.5%	10.1%	3,586	4,048
Blind/Disabled	8.5	40,360	17.7%	22.4%	126,700	865.0	43.0%	51.4%	14,858	21,433
Aged	5.0	17,795	10.4%	9.9%	70,900	420.8	24.1%	25.0%	14,058	23,647
Total	48.1	180,317	100%	100%	\$294,400	\$1,684.3	100%	100%	\$6,120	\$9,341

**in millions*

Federal Poverty Guidelines. The federal poverty guidelines are used for purposes of determining financial eligibility for certain state and federal programs, including several programs in state agencies under the Office of Health and Human Services. The 2011 guidelines are as follows.

Percent of Federal Poverty Level based on Annual Income								
Family Size	100%	133%	150%	175%	180%	185%	200%	250%
1	\$ 10,890	\$ 14,484	\$ 16,335	\$ 19,058	\$ 19,602	\$ 20,147	\$ 21,780	\$ 27,225
2	14,710	19,564	22,065	25,743	26,478	27,214	29,420	36,775
3	18,530	24,645	27,795	32,428	33,354	34,281	37,060	46,325
4	22,350	29,726	33,525	39,113	40,230	41,348	44,700	55,875
5	26,170	34,806	39,255	45,798	47,106	48,415	52,340	65,425
6	29,990	39,887	44,985	52,483	53,982	55,482	59,980	74,975
7	33,810	44,967	50,715	59,168	60,858	62,549	67,620	84,525
8	37,630	50,048	56,445	65,853	67,734	69,616	75,260	94,075

For families with more than 8 members, add \$3,820 for each additional member for the 100 percent calculation.

Emergency Temporary Assistance to Needy Families Funds. The state was eligible to receive up to \$47.5 million in new federal temporary assistance to needy families contingency funds to implement a new subsidized employment program through September 30, 2010. The FY 2011 enacted budget includes \$37.0 million in the Departments of Human Services, Labor and Training, and Revenue for employment and other eligible activities, including \$35.2 million in the Department of Human Services for the disbursement of subsidized wages to participating employers, other short term activities and 4.0 time-limited positions. The Department's FY 2012 request did not include these funds. *The Governor's recommendation is consistent with the request.* **The Assembly concurred.**

Medical Assistance

The Caseload Estimating Conference met on November 8, 2010 and based on current law, set the FY 2012 medical assistance expenditures at \$1,668.1 million including \$806.0 million from general revenues, which is \$56.0 million more than enacted from all funds and \$191.6 million more from general revenues. A total of \$165.2 million of this relates to the enhanced Medicaid rate that sunsets on June 30, 2011, after which states will be reimbursed at their regular Medicaid rate.

The Department also submitted a constrained budget request, which reduced medical assistance expenditures by \$25.9 million from all sources, including \$16.3 million from general revenues. Each initiative is discussed in the relevant sections. The Department subsequently submitted updated information for its savings proposals that added back \$6.4 million of the original savings to the medical assistance programs, including \$3.6 million from general revenues.

The Governor recommended \$1,641.7 million, including \$785.6 million from general revenues and \$26.4 million less than the Department's request and the caseload estimate. He recommended a number of changes to the state's Medicaid program; the changes are discussed separately.

The Assembly provided \$1,641.4 million from all sources, including \$786.0 million from general revenues. This is \$0.3 million less from all sources than recommended, including \$12.7 million more for changes made at the May Caseload Estimating Conference offset by reductions of \$13.0 million from a number of initiatives, each discussed separately.

The following table itemizes medical assistance expenditures in FY 2009 and FY 2010, as enacted by the 2011 Assembly, adopted by the caseload estimators and recommended by the Governor. Each category is discussed separately.

Medical Assistance	FY 2009 Spent	FY 2010 Spent	FY 2011 Final	FY 2012 Gov. Rec.	FY 2012 May CEC	FY 2012 Enacted
Hospitals						
Regular Payments	\$ 126.8	\$ 120.9	\$ 128.2	\$ 92.6	\$ 100.4	\$ 113.5
DSH Payments	105.6	121.7	122.2	129.8	129.8	126.9
Total	\$ 232.4	\$ 242.6	\$ 250.4	\$ 222.4	\$ 230.2	\$ 240.4
Long Term Care						
Nursing and Hospice Care	\$ 286.6	\$ 334.7	\$ 335.0	\$ 330.5	\$ 347.5	\$ 341.2
Home and Community Care	37.9	60.3	70.2	78.6	75.0	74.1
Total	\$ 324.5	\$ 395.0	\$ 405.2	\$ 409.1	\$ 422.5	\$ 415.3
Managed Care						
Rite Care	\$ 414.3	\$ 443.9	\$ 506.3	\$ 549.8	\$ 539.4	\$ 538.0
Rite Share	12.9	17.3	13.2	22.3	14.3	14.0
Fee For Service	72.5	85.4	74.6	82.2	75.3	68.3
Total	\$ 499.7	\$ 546.5	\$ 594.0	\$ 654.3	\$ 629.0	\$ 620.3
Rhody Health	\$ 100.9	\$ 155.6	\$ 179.9	\$ 186.2	\$ 192.0	\$ 191.2
Pharmacy	\$ 14.6	\$ 12.9	\$ 3.8	\$ 11.3	\$ 9.7	\$ 9.7
Pharmacy Part D Clawback	\$ 41.6	\$ 26.4	\$ 36.5	\$ 46.5	\$ 46.4	\$ 46.4
Other Medical Services	\$ 149.1	\$ 108.8	\$ 121.6	\$ 112.0	\$ 124.6	\$ 118.0
Federal Funds	\$ 800.9	\$ 922.7	\$ 946.2	\$ 845.0	\$ 847.8	\$ 844.3
General Revenues	557.5	558.7	638.2	785.6	799.6	786.0
Restricted Receipts	4.4	6.3	6.9	11.1	6.9	11.1
	\$ 1,362.8	\$ 1,487.7	\$ 1,591.3	\$ 1,641.7	\$ 1,654.4	\$ 1,641.4

**Expenditures in millions*

Hospitals

The November Caseload Estimating Conference estimate included hospital expenses totaling \$222.4 million, \$105.2 million from general revenues. It includes \$92.6 million for direct medical services and \$129.8 million for uncompensated care payments to community hospitals. The Department's current services request is consistent with the caseload estimate, which is \$26.4 million less than enacted. However, the Department included savings of \$2.8 million from all funds, \$1.3 million from general revenues from two initiatives in the constrained request; each initiative is discussed separately. The Department subsequently submitted updated information for its savings proposals that added back \$1.6 million of the original savings, \$0.8 million from general revenues.

*The Governor recommended \$222.4 million, including \$105.2 million from general revenues, consistent with the Department's request and the caseload estimate. He did not recommend the proposals included in the Department's constrained request. **The Assembly provided \$240.4 million, \$10.2 million more than the May caseload estimate and \$18.0 million more than the recommendation.***

Hospitals. The November Caseload Estimating Conference estimate included FY 2012 expenditures at \$92.6 million, of which \$44.1 million is from general revenues for the state's community hospitals. The expenditures included in the estimate are \$31.4 million less than enacted, including \$5.7 million less from general revenues. The estimate did not include the \$18.1 million upper payment limit reimbursement or the \$8.4 million state only payment to acute care hospitals since there is no current law for the state to make those payments in FY 2012. The Department's request reflects the conference estimate, which also excluded these payments.

Excluding these payments, expenditures for hospitals are \$5.3 million less from all sources, including \$9.2 million more from general revenues, reflecting the updated Medicaid rate. The estimate restored \$0.1 million of the savings based on testimony from the Department that the savings related to limiting emergency room visits could not be achieved. The Department's request reflects the conference estimate. *The Governor recommended \$92.6 million, including \$44.1 million from general revenues, consistent with the caseload estimate and the Department's request. He included Article 18 to set the limit for uncompensated care payments to community hospitals in FY 2013 and Article 19 to set the hospital licensing fee in FY 2012 to be consistent with the FY 2011 rate.*

The Assembly provided \$113.5 million, \$13.1 million more than the May caseload estimate and \$20.9 million more than the recommendation. The Assembly included Article 18 of 2011-H 5894, Substitute A, as amended which provided \$0.5 million to both Westerly and South County hospitals for state only acute care payments and Article 19 of the same bill to establish the hospital licensing fee for FY 2012. It also included Article 15 of the same bill to end the hospitals' year end settlement reports for payments for outpatient and inpatient services, beginning in FY 2010 and FY 2011 respectively.

Hospital Reimbursement Rates. The Department implemented a rate reduction to the new inpatient reimbursement system utilizing the diagnostic related group model on July 1, 2010 and the enacted budget assumes savings of \$8.2 million from this rate reduction. Payments are to be made to hospitals based on diagnoses, procedures and patient age. The caseload estimate assumed these savings and the Department's request is consistent with the estimate.

The 2011 Assembly established an independent study commission to address the issues of concern and priorities in the community hospital system as they relate to the Medicaid program. The Commission

did not submit the required report to the chairpersons of the House and Senate finance committees by December 31, 2010.

*The Governor's recommendation is consistent with the caseload estimate. He included Article 33 of 2011-H 5894 to limit the increase in the rates paid to the hospitals for services through the managed care plans to the Centers for Medicare and Medicaid Services' prospective payment index rates. He also assumed savings of \$5.6 million from capping the increase in the outpatient rates by the outpatient prospective payment system market basket index, beginning January 1, 2012. This proposal is discussed in the managed care section of this analysis. **The Assembly included Article 15 of 2011-H 5894, Substitute A, as amended to make this change.***

Emergency Room Visits. The enacted budget includes savings of \$0.5 million, \$0.2 million from general revenues from monitoring and verifying that the emergency room reimbursements for elderly and disabled clients reflect the patient's treatment and condition and higher payments are not being made for less serious diagnoses. The reimbursements are based on the diagnosis for individuals whose medical conditions do not require hospitalization. The rates are determined based on the severity of patient need ranging from minor medical conditions to life-threatening conditions. The estimate restored \$0.1 million of the savings based on testimony from the Department that they could not be achieved. The Department's request is consistent with the caseload estimate. *The Governor recommended funding consistent with the Department's request and the caseload estimate. **The Assembly concurred.***

Hospital License Fee. The 2010 Assembly included Section 9 of Article 9 of 2010-H 7397, Substitute A, as amended, which set the FY 2011 licensing fee at 5.465 percent of net patient services revenue for the fiscal year ending on or after January 1, 2009 and included revenues totaling \$141.8 million.

The Governor included Article 19 of 2011-H 5894, which extended the hospital licensing fee in FY 2012 consistent with the enacted rate. The licensing fee appears annually in the Appropriations Act.

FY 2012 Hospital License Fee	FY 2011 Enacted	FY 2012 Gov. Rec.	FY 2012 Enacted	Change to Gov. Rec.
Revenues				
<i>Base Year</i>	2009	2009	2010	
<i>Tax Rate</i>	5.465%	5.465%	5.430%	
Community Hospital License Fee	\$ 135,813,463	\$ 135,813,463	\$ 137,965,229	\$ 2,151,766
Slater License Fee	6,003,081	6,003,081	6,026,665	23,584
Total	\$ 141,816,544	\$ 141,816,544	\$ 143,991,894	\$ 2,175,350

The Assembly included Section 11 of Article 19 in 2011-H 5894, Substitute A, as amended to include the FY 2012 hospital licensing fee at 5.43 percent of hospitals' net patient services revenue for the hospital fiscal year ending on or after January 1, 2010. It also updated the due date for filing returns and making the payment. The total revenue collected from the hospitals will be \$144.0 million including \$138.0 million from the community hospitals and \$6.0 million from Eleanor Slater Hospital at the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals.

Target - High Cost Case Review. The FY 2011 enacted budget assumes savings of \$2.0 million from all sources from monitoring higher cost populations and providing appropriate care. As part of the Department's constrained request, it includes additional savings of \$1.0 million from all funds, \$0.5 million from general revenues from an additional high cost case review initiative. There are three

components to the initiative, developing a behavioral health network and reducing out-of-state acute care hospital stays along with a re-evaluation of Katie Beckett clients, which is discussed separately.

The initiative includes developing an alternative behavioral health network from the existing Connect Care Choice to integrate behavioral health and primary care and efforts to reduce the use of out-of-state hospitals for acute care or rehabilitation treatments. There are no specific savings attached to each aspect of the initiative, but the Department assumes that combined all three, including the Katie Beckett piece, will achieve \$1.0 million in savings in FY 2012, beginning July 1, 2011.

The Department indicated that this initiative is different from previous high cost case review initiatives in the focus of the cases; the Department had not specifically focused on these services in the previous high cost case review initiatives. However, most of the aspects of the initiative are not funded in the hospital program, but in managed care and other medical services, yet the request included the entire savings amount as a savings in the hospital program. *The Governor did not recommend this initiative and did not include the savings in his budget. The Assembly concurred.*

Target - High Cost Case Review – Katie Beckett. The state provides home and community care services to children under 19 through the Katie Beckett Medicaid provision. Children eligible for the Katie Beckett option have special health care needs requiring an institutional level of care who receive home and community care services, to remain at home.

As part of its constrained request, the Department proposed to include intensive re-evaluation of current Katie Beckett option members for clinical re-determination and identifying opportunities to transition members to other less expensive programs and services. The Department included savings of \$1.0 million from all funds, \$0.5 million from general revenues from an additional high cost case review initiative. There were three components to the initiative; developing a behavioral health network and reducing out-of-state acute care hospital stays, discussed above and a re-evaluation of Katie Beckett clients. There are no specific savings attached to each aspect of the initiative, but the Department assumed that combined all three aspects would achieve \$1.0 million in savings in FY 2012, beginning July 1, 2011. *The Governor did not recommend this initiative. The Assembly concurred.*

Target - Integration of Medicare and Medicaid. As part of the Department's constrained request, it included savings of \$3.5 million from all funds, \$1.7 million from general revenues from an initiative to integrate Medicare and Medicaid into one pool of funding by April 1, 2012. Of the \$3.5 million in total estimated savings, \$1.8 million will be in both hospital costs and other medical services costs, including \$0.8 million from general revenues in each program.

The proposal is to enter into a savings agreement with the Centers for Medicare and Medicaid in order for the state to recover a portion of the savings that would occur when the state provides services covered under Medicare to clients eligible for both Medicare and Medicaid, called dual eligibles. A separate waiver from the Centers for Medicare and Medicaid may be required unless additional flexibility is determined when additional guidance is issued relating to the Affordable Care Act. Modifications to current departmental rules and regulations will also be needed.

Subsequently, the Department submitted revised information, which reduced the savings by \$3.3 million to \$0.2 million from all funds, \$0.1 million from general revenues for both aspects of the initiative for the final quarter of FY 2012. Revised savings total \$166,465, including \$79,350 from general revenues from both the hospital and other medical services programs. *The Governor did not recommend this initiative.*

The Assembly included Section 3 of Article 16 in 2011-H 5894, Substitute A to direct the Department of Human Services to enter into a contract by July 1, 2012 to manage the long term care and acute care benefits of Medicaid eligible individuals and those eligible for both Medicare and Medicaid, also called dual eligibles. The Budget includes no savings from this initiative.

Disproportionate Share Payments to Hospitals. The Caseload Estimating Conference added \$5.0 million for a total of \$129.8 million from all sources for the disproportionate share payments for uncompensated care costs to the hospitals. This includes \$61.1 million from general revenues and \$68.7 million from federal funds. Funding is provided to Eleanor Slater Hospital and the state's community hospitals through the Department of Human Services. The Department's request reflects the conference estimate.

Uncompensated care costs are defined as costs incurred by a hospital attributable to charity care and bad debt for which the patient has no health insurance or third-party liability coverage. The costs are then subtracted from any payments received for medical care and attributable to Medicaid clients and Medicaid reimbursements.

Hospitals provide two forms of charitable care: free care for patients up to 200 percent of poverty and care for patients on a sliding scale between 200 and 300 percent of poverty. Bad debt is considered to be unpaid medical expenses for a person above 300 percent of poverty who has no insurance and cannot afford to pay their medical bill.

The Governor recommended \$129.8 million, including \$61.1 million from general revenues for the uncompensated care payment, which is consistent with the caseload estimate. He also included Article 18 of 2011-H 5894 to provide an FY 2013 payment not to exceed \$125.4 million. The Assembly included Article 18 of 2011-H 5894, Substitute A, as amended, which provided an FY 2013 payment not to exceed \$129.8 million and also reduced the amount paid to Eleanor Slater Hospital by \$2.9 million to reflect qualifying costs.

FY 2011 Uncompensated Care	FY 2011 Enacted	FY 2012 Gov. Rec.	FY 2012 Enacted	Change to Gov. Rec.	Change to Enacted
Community Hospitals					
State	\$ 55,387,985	\$ 58,971,393	\$ 58,937,600	\$ (33,793)	\$ 3,549,615
Federal	62,383,618	66,341,869	66,375,662	33,793	3,992,044
Subtotal	\$ 117,771,603	\$ 125,313,262	\$ 125,313,262	\$ -	\$ 7,541,659
Eleanor Slater Hospital					
State	\$ 3,358,043	\$ 2,096,362	\$ 738,333	\$ (1,358,029)	\$ (2,619,710)
Federal	3,667,517	2,358,374	810,508	(1,547,866)	(2,857,009)
Subtotal	\$ 7,025,560	\$ 4,454,736	\$ 1,548,841	\$ (2,905,895)	\$ (5,476,719)
Upper Payment Limit					
State	\$ 6,467,559	\$ -	\$ 5,772,717	\$ 5,772,717	\$ (694,842)
Federal	11,593,202	-	6,337,030	6,337,030	(5,256,172)
Subtotal	\$ 18,060,761	\$ -	\$ 12,109,747	\$ 12,109,747	\$ (5,951,014)
Unqualified Expenses					
State*	\$ 8,400,000	\$ -	\$ 1,000,000	\$ 1,000,000	\$ (7,400,000)
Federal	-	-	-	-	-
Subtotal	\$ 8,400,000	\$ -	\$ 1,000,000	\$ 1,000,000	\$ (7,400,000)
Total	\$ 151,257,924	\$ 129,767,998	\$ 139,971,850	\$ 10,203,852	\$ (11,286,074)

**Shifted payment made to the four community hospitals from FY 2010 to FY 2011.*

Upper Payment Limit Reimbursements. The Assembly adopted Article 15 of 2010-H 7397,

Substitute A, as amended to make the upper payment limit reimbursements to the state's community hospitals totaling \$18.1 million from all sources, including \$6.5 million from general revenues in FY 2011. Since there is no current law to make that payment in FY 2012, the caseload conference did not include an estimate for the payment.

The reimbursement provides adjustments to increase reimbursements to community hospitals by paying a rate that is equal to what Medicare would pay for the same services. Under current federal regulations, states have great flexibility in setting the Medicaid rates that they pay to nursing homes, hospitals, and other providers. These regulations establish that states may pay facilities a total amount up to the level that Medicare would pay for the same services, group facilities together in calculating this upper payment limit, and pay some facilities more than others. This has allowed states to recognize that some public facilities have higher operating costs due to patient populations that are sicker and more likely to have no health care coverage at all.

*The Governor's budget did not include the enacted level of \$18.1 million from general revenues to reimburse the community hospitals for the outpatient upper payment limit in FY 2012. **The Assembly included language in Article 18 of 2011-H 5894, Substitute A, as amended that included an outpatient upper payment limit reimbursement to the community hospitals of \$12.1 million, including \$5.8 million from general revenues.***

State Only Acute Care Payments. The Caseload Conference estimate included \$8.4 million for state only payments to be made for additional acute care costs in FY 2011. Of this amount, \$3.65 million was paid by September 1, 2010, state fiscal year 2011 to replace a payment that had originally been enacted for FY 2010. The remaining \$4.75 million is for the state only payment in FY 2011, which will be distributed as follows: \$1,778,843 to Kent Hospital, \$1,131,929 to Miriam Hospital, \$642,340 to St. Joseph's Hospital, \$438,482 to South County Hospital, \$297,806 to Westerly Hospital, \$133,672 to Newport Hospital, \$170,964 to Butler Hospital, and \$155,963 to Bradley Hospital of Rhode Island. Since there is no current law to make the payment in FY 2012, the caseload conference does not include the payment. The Department's request is consistent with the caseload estimate. *The Governor's budget is consistent with the caseload estimate, which did not include this payment. **The Assembly included Article 18 of 2011-H 5894, Substitute A, as amended and provided \$1.0 million from general revenues, \$500,000 each for Westerly Hospital and South County Hospital.***

Long Term Care

Long Term Care. The Caseload Estimating Conference estimate included long term care expenses at \$422.3 million, of which \$201.3 million is from general revenues. This includes \$343.3 million for nursing facilities and hospice care and \$79.0 million for home and community care. This is \$30.6 million more than included in the enacted budget. The request is consistent with the caseload estimate; however, the Department submitted a constrained request, which reduced expenditures by \$1.2 million from all funds by establishing nursing home reimbursement rates based upon licensed bed capacity. This initiative is discussed separately.

*The Governor recommended \$330.5 million for nursing facilities and \$78.6 million for home and community care and included several proposals related to the global waiver as well as other program changes. Each is discussed separately. **The Assembly provided \$415.3 million, \$7.2 million less than the May caseload estimate and \$6.2 million more than the recommendation, including \$341.2 million for nursing and hospice care and \$74.1 million for home and community care.***

Nursing Facilities and Hospice Care. The Caseload Estimating Conference estimate included FY 2012 expenditures of \$343.3 million, of which \$163.7 million is from general revenues for the state's 84 nursing facilities, \$9.4 million more than enacted, including \$44.1 million more from general revenues reflecting the updated Medicaid rate. The estimate restored unachieved savings of \$12.3 million from all sources, \$4.4 million from general revenues for two initiatives that will not be implemented, each is discussed separately. The Department's request reflects the conference estimate; however, the Department included savings of \$1.2 million from all sources in its constrained request from an initiative to establish nursing home reimbursement rates on licensed bed capacity, which is discussed separately.

The Governor recommended \$330.5 million, including \$157.6 million from general revenues, which is \$12.8 million less than requested from a proposal to reduce nursing home reimbursement rates, discussed separately. The Assembly included \$341.2 million from all funds, \$6.3 million less than the May caseload estimate for the savings from eliminating the annual cost-of-living adjustment to the nursing facilities. The Assembly did not concur with the Governor's proposed rate reduction and restored the funding.

Nursing Home Rate Reduction. Currently, the state's 84 nursing facilities are reimbursed through four separate cost centers included in the Rhode Island General Laws. The centers are as follows: the direct labor cost center; other operating expenses; pass through items; and the fair rental value system.

The Governor recommended \$12.8 million less from all sources, including \$6.1 million from general revenues from implementing a rate reduction of 5.0 percent to the nursing home reimbursement rate for the final nine months of FY 2012, reducing anticipated revenues by \$0.7 million from the 5.5 percent tax applied to nursing home revenues, and replacing the current principles of reimbursement with a methodology to pay a base rate to each nursing home, continuing to recognize patient acuity and the minimum occupancy requirements. He included Article 16 of 2011-H 5894 to make these changes.

The Assembly concurred with replacing the principles of reimbursement and included Article 14 of 2011-H 5894, Substitute A, as amended to modify the methodology and requires the Office of Health and Human Services to submit a report to the House and Senate Finance Committee Chairs on the new methodology by November 1, 2011. It did not concur with the rate reduction and restored \$12.8 million in expenditures and \$0.7 million in anticipated tax revenues.

Nursing Facilities Adjustment. Under current law, the nursing home facilities are to receive their annual cost-of-living adjustment based on the national nursing home index in October 2011. This is estimated to be \$6.3 million for FY 2012. *The Governor included this adjustment. The Assembly did not include the adjustment and reduced expenditures by \$6.3 million, including \$3.0 million from general revenues and also reduced the anticipated revenues by \$0.3 million from the 5.5 percent tax applied to nursing home revenues.*

Unachieved Savings - Managed Care for Long Term Care Residents. The enacted budget assumes savings of \$12.0 million in nursing home costs from allowing the state to enter into a managed care contract to provide medical benefits for long term care residents through a capitated payment. Currently, residents in long term care settings, such as nursing facilities, intermediate care facilities and hospitals receive medical benefits through Medicare and may also be eligible for Medicaid. Medicare is the primary payer for hospital, physician and pharmacy benefits. The state pays for additional medical benefits not covered by Medicare through the fee-for-service reimbursement system. The savings were restored at the November Caseload Estimating Conference based on testimony from

the Department that they could not be achieved. The Department's request is consistent with the caseload estimate. *The Governor recommended funding consistent with the caseload estimate.*

The Assembly included Section 3 of Article 16 in 2011-H 5894, Substitute A, as amended to direct the Department of Human Services to enter into a contract by July 1, 2012 to manage the long term care and acute care benefits of Medicaid eligible individuals and those eligible for both Medicare and Medicaid, also called dual eligibles. There are no savings included in the budget from this initiative.

Hospice Cost Reduction. The enacted budget includes savings of \$0.4 million from all funds, \$0.1 million from general revenues from an initiative to develop a prior authorization processes for hospice services, decreasing the amount paid for hospice services provided in a nursing home setting and reviewing national standards for a patient's placement in hospice care. The November Caseload Estimating Conference restored \$0.3 million of the savings based on testimony from the Department that they could not be achieved. The Department's request is consistent with the caseload estimate. *The Governor recommended funding consistent with the caseload estimate.* **The Assembly concurred.**

Target - Nursing Home Rates for Out of Service Beds. Nursing homes are reimbursed through the four cost centers contained in the principles of reimbursement. The facilities are required to meet the statewide minimum occupancy rate based on the number of licensed beds that are filled, calculated by the state's Department of Health, in order to be fully reimbursed for the Medicaid days. If a facility is not able to meet the minimum occupancy rate, the Medicaid bed day reimbursement is reduced. A facility may petition to the Department of Health to have some of its beds taken out of service at which time these beds would not be part of the minimum occupancy rate calculation. Because the beds are empty, a facility would not receive reimbursement under all the cost centers; however, the Department of Human Services does pay a daily rate to the 23 for-profit homes that have the 403 beds that are out of service. Currently, there are no non-profit nursing homes being reimbursed for out of service beds.

The Department proposed to eliminate the out of service bed provision for savings of \$1.2 million in FY 2012; however, savings may be higher because the out of service beds would now become part of the overall calculation to establish the minimum occupancy rate. There may be an increase in the number of facilities that do not meet the minimum occupancy rate and would realize a reduction in the daily reimbursement for the Medicaid reimbursed nursing home bed days. *The Governor did not recommend this initiative and his budget did not include the savings.* **The Assembly concurred.**

Home and Community Care. The November Caseload Estimating Conference estimate included \$79.0 million for home and community care expenses, including \$37.7 million from general revenues in the FY 2012 estimate. This includes \$8.3 million more from all funds, \$12.3 million from general revenues. The estimate restored \$0.7 million from all funds, including \$0.3 million from general revenues, based on testimony from the Department that the savings related to the selective contracting for assisted living services initiative could not be achieved. The Department's request reflects the conference estimate.

The caseload estimate did not add any funds to home and community care services in FY 2012 for the long term care financing reform because the state experienced an increase in nursing home days when comparing FY 2010 to FY 2009. The intent of the reform is to add funds to the services when there is a decrease in days.

The Governor recommended \$78.6 million, including \$37.5 million from general revenues. This is \$0.4 million less than the request, including \$0.2 million less from general revenues from an initiative

to use selective contracting for the provision of home health services. He also included savings of \$2.5 million from shifting general revenue expenses to a new money follows the person federal grant in the other services program, though the savings will occur in the home and community care program. Each is discussed separately.

The Assembly included \$74.1 million, \$0.9 million less than the May caseload estimate from assuming efficiencies and cost savings in the personal choices option and using selective contracting for home health services; each is discussed separately.

Selective Contracting - Assisted Living Services. The enacted budget assumes savings of \$0.7 million from using selective contracting agreements for supportive services for those in an assisted living care setting as a component of the rebalancing objectives in the global waiver. The savings were restored at the November Caseload Estimating Conference based on testimony from the Department that it cannot make this change while the state transitions to making the state supplemental security income payment and the savings could not be achieved. The Department's request is consistent with the caseload estimate. It should be noted that this proposal was also part of the FY 2009 and FY 2010 enacted budgets and funding was restored at the following November 2008 and 2009 caseload conferences. *The Governor recommended funding consistent with the caseload estimate. The Assembly concurred.*

Personal Choices Option. The Department provides home and community care services through the personal choices option under the global waiver and gives a monthly stipend to eligible individuals so they can hire who they chose to help with daily activities allowing them to remain in their own home. The Department contract with Tri-Town Community Action, PARI and Ocean State Community Resource to assist the program recipients with fiscal oversight and assessment and monitoring activities. Each agency is reimbursed per client for the oversight activities that it provides.

The Assembly assumed savings of \$0.4 million, including \$0.2 million from general revenues from assuming the Department can find efficiencies in the operation of the program and reduce costs to reflect cost per client spending levels consistent with other home and community based programs.

Home Health Services. Currently, the state provides personal care attendants and homemaker services for patients who would otherwise need an institutional level of care because of their difficulty in performing activities of daily living.

The Governor recommended \$0.4 million less from all sources, including \$0.2 million from general revenues from using selective contracting for the provision of home health services, beginning the final quarter of FY 2012. He assumed a 3.0 percent rate reduction, selectively contracting with fewer home care agencies to offer greater volume in exchange for lower rates, requiring providers to be Medicare certified to avoid costs that would be Medicare eligible, and restructuring the rates and authorization standards to achieve the savings. The Governor included Article 16 of 2011-H 5894 to allow the Department to make these changes. The Assembly concurred.

Money Follows the Person. The state was awarded a new federal Money Follows the Person Rebalancing Demonstration grant, which is designed to provide assistance to the state in balancing its long term care system by allowing the state to avoid having Medicaid eligible individuals remain in long term facilities by using community based services instead. Rhode Island was awarded \$24.6 million through FY 2016 and the FY 2012 award is \$2.5 million. Under this program, certain administrative costs are matched with 100 percent federal funds and specified home and community based services will receive a 76.0 percent federal match. *The Governor recommended shifting \$2.5 million from general revenue expenditures to the*

*federal grant and included the savings in the other medical services program, though the savings will occur in the home and community care program. **The Assembly concurred.***

Managed Care

The Caseload Estimating Conference estimate included managed care expenses of \$660.0 million, which is \$38.0 million more than enacted. This includes \$308.7 million from general revenues and \$351.3 million from federal funds and includes RIte Care expenses at \$549.8 million, RIte Share at \$22.3 million and fee-for-service expenses at \$87.9 million; a discussion of each follows. The Department's request reflects the conference estimate; however, the Department's constrained request further reduced expenditures by \$8.7 million from all sources, including \$5.1 million from general revenues through eight initiatives. The Department subsequently submitted updated information for its savings proposals that added back \$2.3 million of the original savings, \$1.6 million from general revenues. Each initiative is discussed separately.

The Governor recommended \$654.3 million, including \$305.5 million from general revenues. This is \$5.7 million less than the caseload estimate from proposals to shift general revenue early intervention expenses to available federal funds, limit hospital rate increases for managed care patients and include a pain management benefit for Medicaid beneficiaries with high utilization of hospitals and pharmaceuticals.

The Assembly provided \$620.3 million, \$8.7 million less than the May caseload estimate. The Assembly concurred with the Governor's changes and assumed additional savings from three others, each is discussed separately. The Assembly also included Section 2 of Article 23 of 2011-H, Substitute A, as amended mandating that any medical benefit claim first be submitted to commercial insurers, Medicare and/or a Medicaid managed care plan before a state agency pays the claim. It also included Section 3 of Article 16 in the same bill requiring a review of managed care plans with a report to be submitted to the Assembly no later than January 1, 2012.

RIte Care. The Caseload Estimating Conference estimated RIte Care expenditures at \$549.8 million including \$256.2 million from general revenues. This is \$37.8 million more than enacted, including \$70.0 million more from general revenues based on increased caseload, updated cost projections and adjusting for the updated Medicaid rate. The Department's request reflects the conference estimate.

Currently, children up to age 19 are eligible for RIte Care if their household income is at or below 250 percent of poverty. For a family of three, the income would be at or below \$46,325 a year. Parents are included in the coverage if the household income is at or below 175 percent or \$32,428 annually for a family of three. Coverage is also provided to children with special health care needs. The average numbers of enrollees in RIte Care in FY 2011 through December 2010 is 119,726. *The Governor recommended funding consistent with the caseload estimate. **The Assembly provided \$538.0 million, \$1.4 million less than the May caseload estimate from savings associated from increasing RIte Care co-shares to five percent of family income, discussed separately.***

RIte Care Co-Share Increases. Currently, families with income from 150 percent to 250 percent of federal poverty pay a monthly cost sharing requirement of \$61, \$77 or \$92, depending on the family's income, for receipt of RIte Care services. There are no co-payments for families with income up to 150 percent of federal poverty. Rhode Island General Law 40-8.4-4 allows for cost sharing that does not exceed five percent of annual income for families with income in excess of 133 percent of federal poverty, and that no cost sharing is required for pregnant women and children under one year of age. The current levels are approximately 3.4 percent of annual income.

The Assembly included language in Article 16 to increase the existing monthly cost sharing requirement to the families between 150 and 250 percent of federal poverty to five percent of family income, effective October 1, 2011. The Assembly included savings of \$1.4 million, including \$0.7 million from general revenues.

The following table includes the current co-payments which are in effect through September 30, 2011, the increased rates, which are five percent of the lowest income level in each bracket and begin October 1, 2011, and the increase in the monthly co-payment.

RIte Care Co-Pays			
Poverty Level	Ending 9-30-11	Starting 10-1-11	Increase
up to 150	\$ -	\$ -	\$ -
150 up to 185	61	91	30
185 up to 200	77	113	36
200 up to 250	92	122	30

State Only Costs. The Department's request is consistent with the caseload estimate, which includes \$1.2 million from general revenues, \$18,166 more than enacted for state only expenses for medical benefits provided to certain managed care populations, including legal permanent residents who have not met the five-year residency requirement necessary to be eligible for Medicaid and pregnant women with income up to 350 percent of poverty, which totals \$51,485 for a family of two. The enacted budget assumes savings of \$0.6 million from general revenues and assumes the ability to leverage Medicaid for some of the expenses for these legal permanent residents and assumes that the Department will review its current caseload and update the eligibility status of these individuals to determine which recipients have reached the five-year time limit and whose medical expenses can be matched by Medicaid. *The Governor recommended funding consistent with the caseload estimate.*
The Assembly provided \$0.9 million, consistent with the May caseload estimate.

RIte Share. The Caseload Estimating Conference estimate included RIte Share expenditures of \$22.3 million, including \$10.6 million from general revenues. This is \$4.9 million more than enacted, including \$2.8 million more from general revenues, adjusting for the updated Medicaid rate. The Department's request reflects the conference estimate.

The RIte Share program allows families who are eligible for medical assistance to remain in their employer based health insurance plan. The state pays the health care premiums and co-payments of RIte Share eligible recipients if the coverage is similar to the cost and services offered through RIte Care. The state also pays co-pays and deductibles for prescriptions and doctor's visits when the charges exceed the amount that the employer's insurance will pay.

The Department mandates enrollment in RIte Share as a condition of medical assistance eligibility if a parent has access to an approved comparable employer based health insurance plan. Mandated enrollment is not an eligibility requirement if medical assistance coverage applies only to an individual younger than 19 years of age. The average number of enrollees in RIte Share in FY 2011 through December 2010 is 11,550. *The Governor recommended funding consistent with the caseload estimate.*
The Assembly provided \$14.0 million, \$0.3 million less than the May caseload estimate from no longer making the state's payment of RIte Share client co-pays and deductibles for prescriptions and doctor's visits, beginning October 1, 2011.

Fee-Based Managed Care. The Caseload Estimating Conference estimate included FY 2011 fee-

based managed care expenditures of \$87.9 million from all sources, of which \$41.9 million is general revenues. The estimate is \$4.6 million less than enacted from all sources, including \$11.2 million more from general revenues to adjust for the updated Medicaid rate. Fee-based managed care provides additional services to those in the contracted managed care system.

The Governor recommended \$5.7 million less than the caseload estimate from shifting general revenue early intervention expenses to available federal funds, limit hospital rate increases for managed care recipients and include a pain management benefit for Medicaid beneficiaries with high utilization of hospitals and pharmaceuticals. Each proposal is discussed separately.

The Assembly provided \$68.3 million, \$7.0 million less than the May caseload estimate from including the Governor's proposals for alternative rehabilitative services and hospital outpatient rates in managed care. It also included language in Article 15 of 2011-H 5894, Substitute A, as amended directing the Office of Health and Human Services to undertake a review of services provided through the Medicaid managed care plans to determine if the plans meet the goals of increased efficiency, reduced cost, curtailment of high cost services, and promote the utilization of primary care services and assumed savings of \$1.3 million from all sources.

Target - Early Intervention Funds. The state is eligible to receive a \$3.2 million two-year federal grant to provide early intervention services and can also leverage Medicaid funds for early intervention expenses that were previously state only. The Department requested virtually no funding for the grant for FY 2011 nor did it request the funding in its FY 2012 request. However, it did request the funding in its constrained budget and shifted \$1.1 million of expenditures funded from Medicaid and \$1.0 million from general revenues to the grant, which uses full federal funding.

The Department subsequently submitted revised information that reduced the general revenue savings to \$0.5 million and also submitted a lower revised savings estimate for FY 2011, though it later indicated that the savings will not be achieved in FY 2011. *The Governor recommended shifting \$0.5 million from general revenues to the federal grant. The Assembly concurred.*

Target - Hospital Outpatient Rates in Managed Care. The enacted budget includes a provision in Article 20 of 2010-H 7397, Substitute A, as amended that states that from January 1, 2011 through December 31, 2011, the Medicaid managed care outpatient payment rates between each hospital and each plan shall not exceed 100 percent of the rate in effect June 30, 2010. The Article also includes payment limits for inpatient services for the period January 1, 2011 through December 31, 2012.

As part of its constrained request, the Department proposed to achieve savings of \$5.6 million from all sources, including \$2.7 million from general revenues by capping the increase in outpatient rates paid to hospitals by not more than the Centers for Medicare and Medicaid Services outpatient prospective payment system index, beginning January 1, 2012.

The Governor's recommendation assumed savings of \$5.6 million from implementation of this proposal in FY 2012 and he included Articles 16 and 33 of 2011-H 5894 to make the required changes to cap the hospital rate increases. The Assembly concurred and included the required language in Articles 15 and 16 of 2011-H 5894, Substitute A, as amended for the change.

Target - Alternative Rehabilitative Services. Currently, the Department provides coverage for physical therapy and rehabilitation services for managed care recipients, including RIte Care members. As part of its constrained request, the Department proposed expanding coverage for chiropractic care, therapeutic massage and acupuncture for RIte Care, Rhody Health and Connect Care Choice members

with a high number of emergency room visits to reduce that utilization. The request assumes total savings of \$1.8 million from all funds, \$0.9 million from general revenues from the proposal, including all three programs, of which \$1.2 million is in the RIte Care program, including \$0.6 million from general revenues. This requires a category II change under the conditions of the Medicaid global waiver and the Department indicated an implementation date of January 1, 2012.

Subsequently, the Department submitted revised savings estimates, which reduced the total savings by \$1.5 million to \$0.3 million from all funds, including \$0.2 million from general revenues, of which \$0.2 million, including \$0.1 million from general revenues, is for the RIte Care program.

*The Governor included savings of \$0.1 million, including \$49,098 from general revenues from allowing the use of pain management specialists or centers to reduce the client's utilization of pharmaceuticals and hospital visits. He also added injections, nutrition counseling, behavioral health and care management services to the list of services covered and included. He included Article 16 of 2011-H 5894 to make these changes for the final three months of FY 2012. There were no savings from this initiative included in the Rhody Health or other medical services programs in the Governor's budget. **The Assembly concurred and included Article 16 of 2011-H 5894, Substitute A, as amended to make this change.***

Target - Substance Abuse Treatment for RIte Care Members. Under the current managed care plans, substance abuse treatment services are provided on a fee-for-service basis for RIte Care clients who suffer from or are at risk of substance abuse disorders. As part of its constrained request, the Department proposed an initiative to include these screenings, brief intervention and referral to treatment services within the managed care plans and assumed savings of \$1.1 million from all funds, including \$0.5 million from general revenues. The proposal requires a category I change under the conditions of the Medicaid global waiver and assumes an implementation date of January 1, 2012, though the program could start July 1, 2011. Savings would be achieved through averted emergency room visits and reduced inpatient stays by adults and averted neonatal intensive care services.

Subsequent to the request, the Department submitted revised information which reduced the estimated savings by \$0.6 million to \$0.5 million from all funds, including \$0.2 million from general revenues for the final six months of FY 2012. *The Governor did not recommend this initiative. **The Assembly concurred.***

Target - RIte Smiles Expansion. The Department provides dental coverage to all children and adolescents enrolled in Medicaid, covering orthodontic and dental services. Children under age 11 are eligible for the RIte Smiles managed care program and children and adolescents ages 11 through 20 receive services through the fee-for-service program. As part of its constrained request, the Department proposed to achieve savings of \$0.3 million from all sources by expanding the RIte Smiles program to cover children and adolescents who are 11 years to 20 years, up to their 21st birthday. The Department proposed expanding coverage to children 11 through 13 in FY 2012, children 14 through 17 in FY 2013 and adolescents 18 through 20 in FY 2014.

The savings would be achieved through a reduction in the number of high cost procedures over time as a result of children having greater access to preventative dental services. This initiative requires a category II change under the conditions of the Medicaid global waiver and the Department indicated a July 1, 2011 start date to enroll children ages 11 through 13. Subsequent to the request, the Department submitted revised information which reduced the estimated savings by \$234,000 to total savings of \$66,000 from all funds, \$28,601 from general revenues. *The Governor did not recommend this initiative. **The Assembly concurred.***

Target - Dentists Billing for Tobacco Cessation Counseling. The Department assumed savings of \$0.2 million in its constrained request from a proposal to provide coverage for tobacco cessation counseling to Medicaid clients when provided by a dentist who is a certified tobacco cessation counselor. This initiative would require coordination with the Department of Health to create an appropriate qualification for dentists as tobacco cessation counselors, which is not included in the estimated costs. Anticipated short term savings are from asthma related cost avoidance and savings are expected in the future for reductions in oral cancer related treatment costs.

Subsequent to the request, the Department submitted revised information which reduced the estimated savings by \$140,000 to \$60,000 from all sources, \$28,601 from general revenues and also transferred the initiative to the other medical services program; however, it did not include any costs related to the Department of Health certification program. *The Governor did not recommend this initiative. The Assembly concurred.*

Target - Root Canal Coverage for Adults. Currently, root canals on back teeth are not covered for Medicaid eligible adults. The alternative to a root canal is to remove or extract the tooth and replace it with either a removable appliance, such as a partial plate or dentures which are covered by Medicaid or a fixed appliance, such as a bridge or crown, which are not covered by Medicaid.

As part of its constrained request, the Department proposed to achieve savings of \$0.3 million from all sources, \$0.1 million from general revenues by providing coverage for root canals for adults. This initiative would provide coverage for the root canal only; the subsequent bridge or crown would remain the responsibility of the patient. The Department anticipated out year savings from a reduction in more costly procedures. This initiative requires a category II change under the conditions of the Medicaid global waiver.

Subsequent to the request, the Department submitted revised information which reduced the estimated savings by \$185,000 to \$115,000 from all sources, including \$54,818 from general revenues and also transferred the initiative to the other medical services program. *The Governor did not recommend this initiative. The Assembly concurred.*

Rhody Health

Rhody Health. The Caseload Estimating Conference estimate included expenditures of \$187.1 million from all sources, including \$89.2 million from general revenues for the program for FY 2012. This is \$6.5 million more than enacted, including \$24.5 million more from general revenues, due in part to the expiration of \$20.4 million from federal stimulus funds included in the enacted budget. The estimators included \$1.1 million to reflect additional costs from caseload growth and \$3.0 million for a Medicaid cost inflator and included \$10.0 million for drug rebates, consistent with the enacted budget.

The Department's request reflects the conference estimate; however, the Department also submitted a constrained request which reduced expenditures by \$1.4 million from three proposals, each discussed separately. They include savings of \$0.7 million from general revenues by including residential substance abuse as an in-plan benefit, providing coverage for alternative rehabilitative services, such as chiropractic care, therapeutic massage and acupuncture services in-plan and reducing the mileage paid for non-emergency medical transportation from \$1.75 per mile to \$0.51 per mile. The Department subsequently submitted updated information for its savings proposals that adds back \$0.3 million of the original savings, \$0.1 million from general revenues.

The Department indicated that there were 11,919 individuals enrolled on average each month in FY 2010. In April 2008, the Department began enrolling a portion of the elderly and disabled population into Rhody Health, a managed care plan that replaces the fee-for-service system. Clients who are not enrolled in Rhody Health include those individuals who are also eligible for Medicare. This includes a significant portion of the adults with developmental disabilities population who are dependent children of Medicare recipients. Their medical costs will continue to be paid through a fee-for-service reimbursement system, which is shown in the other medical services section of the analysis.

The Governor recommended funding of \$186.2 million, including \$88.8 million from general revenues. This is \$0.9 million less than the Department's request and caseload estimate from a proposal to reduce non-emergency transportation reimbursement rates, discussed separately.

The Assembly provided \$191.2 million, \$0.8 million less than the May caseload estimate for assumed savings from the Department adhering to stricter standards for non-emergency transportation services. The Assembly also included Section 2 of Article 23 of 2011-H, Substitute A, as amended mandating that any medical benefit claim first be submitted to commercial insurers, Medicare and/or a Medicaid managed care plan before a state agency pays the claim, but assumed no savings from this initiative.

Target - Residential Substance Abuse. Rhody Health members currently receive residential substance abuse services as an out-of-plan benefit. In addition to the lack of capacity at residential facilities, Medicaid will only pay for admittances into facilities with less than 16 beds. The Department of Behavioral Healthcare, Developmental Disabilities and Hospitals has oversight and contracting responsibility for the substance abuse providers and treatment services that are paid from its budget.

As part of its constrained request, the Department proposed to achieve savings of \$0.4 million from all sources, including \$0.2 million from general revenues from including residential substance abuse treatment as an in-plan benefit for Rhody Health participants. This initiative requires a category I change under the conditions of the Medicaid global waiver in addition to contract changes and assumes a start date of July 1, 2011.

Subsequent to the request, the Department provided updated information, which reduced the estimated savings by \$25,000 from all sources, for total savings of \$375,000, \$178,753 from general revenues. The request also includes \$25,000 in administrative expenses for an actuary to develop and provide certification of the rates, which was not included in the original savings estimate. *The Governor did not recommend this initiative. The Assembly concurred.*

Target - Alternative Rehabilitative Services. Currently, the Department provides coverage for physical therapy and rehabilitation services for managed care recipients, including Rhody Health members. As part of its constrained request, the Department proposed expanding coverage for chiropractic care, therapeutic massage and acupuncture for Rite Care, Rhody Health and Connect Care Choice members with a high number of emergency room visits to reduce that utilization. The request assumes total savings of \$1.8 million from all sources, \$0.9 million from general revenues from the proposal, including all three programs, of which \$0.3 million is in the Rhody Health program, including \$0.2 million from general revenues. This requires a category II change under the conditions of the Medicaid global waiver and the Department indicates an implementation date of January 1, 2012.

Subsequently, the Department submitted revised savings estimates, which reduced the total savings by \$1.5 million from all sources to \$0.3 million from all sources, \$0.2 million from general revenues, of which \$62,244 from all funds, \$29,670 from general revenues is for the Rhody Health program.

The Governor included savings of \$0.1 million from allowing the use of pain management specialists or centers to reduce the client's utilization of pharmaceuticals and hospital visits; however, the recommendation includes the savings solely in the managed care program. He also added injections, nutrition counseling, behavioral health and care management services to the list of services covered. He included Article 16 of 2011-H 5894 to make these changes for the final three months of FY 2012. The Assembly concurred and included Article 16 of 2011-H 5894, Substitute A, as amended to make this change.

Target - Non-Emergency Medical Transportation. Currently the state reimburses wheelchair van providers \$25.65 per one-way trip in addition to \$1.75 per mile for non-emergency medical transportation to Medicaid recipients, including Rhody Health clients, who have no other form of transportation available to them. The Department's constrained request includes a proposal to reduce the mileage reimbursement rate to non-emergency wheelchair van providers from \$1.75 per mile to \$0.51 per mile, consistent with the Internal Revenue Service's 2011 business miles reimbursement rate for passenger vehicles.

The Department assumed a January 1, 2011 start date and total savings of \$3.4 million from all sources. This includes \$0.7 million from all sources, of which \$0.3 million is from general revenues for the Rhody Health program and the remaining \$2.7 million in savings in the other medical services section of this analysis. The Department subsequently submitted updated information, which increased the savings by \$1.1 million from all sources by reducing the current reimbursement of \$25.65 per trip plus \$1.75 per mile for non-wheelchair van transportation to a flat rate of \$22.00 per trip and providing the \$0.51 mileage reimbursement for out-of-state trips only. The Department confirmed that both rate reductions began February 1, 2011.

The Governor included savings of \$0.9 million from all sources, including \$0.4 million from general revenues for the Rhody Health program from this initiative. He also included savings of \$3.6 million in the other medical services program. The Assembly concurred and further reduced expenditures by \$3.1 million, including \$0.8 million from all sources and \$0.4 million from general revenues in the Rhody Health program from the Department adhering to stricter standards in providing non-emergency transportation services.

Pharmacy

The Caseload Estimating Conference estimate included pharmacy expenses of \$57.8 million; this is \$11.4 million more than enacted. This includes direct pharmacy costs and the state's estimated Medicare Part D clawback payment. The Department's request reflects the caseload estimate. Pharmacy costs also include psychotropic medicines for the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals' Medicaid eligible behavioral health clients.

The Governor provided \$57.8 million, including \$51.9 million from general revenues for pharmacy costs, consistent with the caseload estimate. The Assembly provided \$56.1 million from all sources, consistent with the May caseload estimate.

Pharmacy. The Caseload Estimating Conference estimate included FY 2012 pharmacy expenditures of \$11.3 million, of which \$5.4 million is from general revenues. The request is \$0.2 million less than enacted, including \$1.3 million more from general revenues, reflecting the adjustment in the Medicaid rate and restores \$250,000 from all sources for the state maximum allowable cost program, discussed separately.

Elderly and disabled individuals who are not enrolled in Rhody Health receive this fee-for-service pharmacy benefit. The Department's request reflects the conference estimate, which adds \$0.5 million for a Medicaid inflator. Those individuals not enrolled in Rhody Health will continue to receive their drug benefits through the fee-for-service pharmacy program. The caseload estimate separated the actual pharmacy costs for fee-for-service clients and the state's payment for the Medicare Part D clawback, discussed below. *The Governor recommended funding consistent with the caseload estimate.* **The Assembly included \$9.7 million, consistent with the May caseload estimate.**

State Maximum Allowable Cost Program. The enacted budget assumes savings of \$1.0 million from establishing a state maximum allowable cost program for generic drugs dispensed to Medicaid beneficiaries receiving prescription drugs through the fee-for-service system. Savings of \$250,000 from all sources, including \$89,525 from general revenues were restored at the November Caseload Conference based on testimony from the Department that the savings related to this proposal could not be achieved. The Department's request is consistent with the adopted estimate. *The Governor recommended funding consistent with the caseload estimate.* **The Assembly concurred.**

Medicare Drug Benefit - Part D Clawback. The Caseload Estimating Conference estimate included the state payment for the Medicare Part D clawback provision at \$46.5 million, \$11.3 million more than enacted. The plan provides coverage with a series of deductibles and co-payments based on the recipient's income level. For individuals enrolled in Medicaid as well as Medicare, commonly referred to as dual eligibles, the state paid a portion of their drug costs matched by the federal participation rate. The state no longer directly pays for the drug costs; however, the state does pay a portion of the savings to the federal government, or a clawback, which has been calculated based on a nationwide formula. The dual eligibles do not pay any annual deductible, but pay a \$1 co-payment for generic drugs or \$3 co-payment for brand names.

The enacted budget assumes savings of \$11.0 million from the state's ability to realize general revenue savings from applying the enhanced Medicaid rate to drug expenses. The enhanced rate will expire on June 30, 2011 and the state will be reimbursed at the regular rate, resulting in the restoration of \$11.0 million in FY 2012 in addition to any increased pharmacy costs. The Department's request reflects the conference estimate. *The Governor recommended funding consistent with the caseload estimate.* **The Assembly provided \$46.4 million, consistent with the May caseload estimate.**

Other Medical Services

The Caseload Estimating Conference estimate includes costs for other medical services, which include Part B Medicare premium payments for the dually eligible population and additional payments to dentists, physicians and other practitioners. Similar to the pharmacy payments, a portion of the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals' adults with developmental disabilities and behavioral health clients are eligible for other medical services.

Other Medical Services. The Caseload Estimating Conference estimate included expenditures for other medical services at \$118.5 million, which includes \$49.7 million from general revenues. The estimate is \$4.3 million less than the enacted budget, including \$12.6 million more from general revenues. The conference estimate adjusted for the updated Medicaid rate and decreases the caseload for those who cannot enroll in the managed care plans. The conference restored \$2.5 million from all sources to backfill unachieved savings for the program monitoring through the Division of Motor Vehicles and the estate recoveries initiatives, discussed separately.

The Department's request reflects the conference estimate; however, the Department submitted a constrained request which further reduced expenditures by \$11.8 million from all sources, including \$8.6 million from general revenues through eight initiatives. The Department subsequently submitted updated information for its savings proposals that added back \$2.1 million of the original savings, including \$1.0 million from general revenues, and also transferred two initiatives from the managed care program for additional savings of \$175,000 from all sources, including \$83,419 from general revenues for this program. Each initiative is discussed separately.

The Governor recommended expenditures of \$112.0 million, including \$39.2 million from general revenues. This is \$6.5 million less than the conference estimate and the Department's request. The proposed changes are described further below. He subsequently requested an amendment to add \$1.3 million from federal funds for the health homes initiative that were inadvertently omitted.

The Assembly provided \$118.0 million, \$6.6 million less than the May caseload estimate, including reductions of \$7.8 million from two transportation initiatives and added \$1.3 million in federal funds consistent with the Governor's amendment.

Unachieved Savings - Division of Motor Vehicles Monitoring. The enacted budget assumes savings of \$1.8 million from all sources, including \$0.4 million in the medical benefits program from verifying an individual's residential information with the data available through the Division of Motor Vehicles. The Department monitors program eligibility through its front end detection unit for medical benefits and cash assistance programs. An eligibility requirement for all assistance programs is Rhode Island residency. The FY 2011 savings were restored at the November Caseload Estimating Conference based on testimony from the Department that they could not be achieved because of delays at the Division of Motor Vehicles. The FY 2012 estimate includes savings of \$0.8 million from all sources for both medical and cash assistance from this initiative.

As part of the constrained request, the Department proposed savings of \$1.8 million from all sources, including \$0.4 million from general revenues for both medical and cash assistance from this initiative, which double counts the savings and is more than the savings included in the estimate. Subsequently, the Department submitted revised information, rescinding the request. *The Governor recommended funding consistent with the caseload estimate.* **The Assembly concurred.**

Connect Care Choice. Currently, the Department provides coverage to adults who have medical assistance through the Connect Care Choice program. Eligible adults must be 21 years or older, have Medicaid coverage, but not Medicare, and must live in the community, at home, in an assisted living facility or in a group home. Client's cases are reviewed more frequently than in other programs, but it is not uncommon that a client becomes Medicare eligible after enrollment and the Department does not immediately notice this eligibility change. When a client's case is reviewed and the client is determined eligible for Medicare, then they are dis-enrolled from the Connect Care Choice Program and enrolled in a fee-for-service program.

The Governor's budget assumes savings of \$67,200 from all funds, including \$32,033 from general revenues from dis-enrolling clients who are eligible for both Medicare and Medicaid, often called dual eligibles, from the Connect Care Choice program beginning April 1, 2011. There are 400 dual eligibles currently enrolled in the Connect Care Choice program. This will not likely affect the clients, but will eliminate the monthly case management payment made to the primary care providers and the per person per month payment for nurse care managers. It is not clear why this is an initiative; it is common practice of the Department to dis-enroll those deemed dual eligibles, but there appears to be a significant lag in executing this. **The Assembly concurred.**

Children's Health Account. Currently, every insurance provider that delivers certain services to children with special health care needs receives an assessment equivalent to the amount paid by the Department of Human Services for those services, not to exceed \$6,000 per service per child per year. The payments for these assessments are paid from and collected in the children's health account. The Department currently assesses program expenses in three categories; comprehensive, evaluation, diagnosis, assessment, referral and re-evaluation services; home health services; and child and adolescent intensive treatment services and each category has a number of specific components within it. The 2010 Assembly changed the maximum per service per child per year assessment from \$5,000 to \$6,000, effective July 1, 2010.

The Department's constrained request includes generating an additional \$2.8 million in restricted receipts, offsetting general revenue expenditures, by changing how assessments on insurers are determined, by charging for each specific service within each of the three categories.

*The Governor's budget includes general revenue savings of \$4.2 million from adopting the proposal in the Department's constrained request and increasing the assessment ceiling from \$6,000 to \$7,500 per child per service, and he included Article 11 of 2011-H 5894 to achieve these changes. **The Assembly concurred and included the changes in Article 11 of 2011-H 5894, Substitute A, as amended.***

Health Homes Phase I – CEDARR. The Affordable Care Act provides for states to receive 90 percent federal match for two years for a set of home and community services defined in the Act as a "health home," including those provided to disabled children. These services include comprehensive case management, care coordination, health promotion, transitional care from an inpatient setting to other settings, individual and family support, referral to community and social services and the use of health information technology to link services.

*The Governor included general revenue savings of \$1.3 million from providing these home and community based treatment services through a new health home model with the federal government paying 90.0 percent of the costs of Medicaid covered services. His recommendation inadvertently omitted the corresponding federal fund increase, but he subsequently requested an amendment to add the federal funds for the health homes initiative. **The Assembly included the federal funds.***

Non-Emergency Transportation. Currently the state reimburses wheelchair van providers \$25.65 per one-way trip in addition to \$1.75 per mile for non-emergency medical transportation to Medicaid recipients who have no other form of transportation available to them. The Department's constrained request includes a proposal to reduce the mileage reimbursement rate for non-emergency wheelchair van providers from \$1.75 per mile to \$0.51 per mile, consistent with the Internal Revenue Service's 2011 business miles reimbursement rate for passenger vehicles.

The Department assumed a January 1, 2011 start date and total savings of \$3.4 million from all sources. This includes \$2.7 million from all sources, of which \$1.3 million is from general revenues for the other medical services program and the remaining \$0.7 million in savings is for the Rhody Health program discussed in that section of this analysis. The Department subsequently submitted updated information which increased the savings by \$1.1 million from all funds by reducing the current reimbursement of \$25.65 one way plus \$1.75 per mile for non-wheelchair van transportation to a flat rate of \$22.00 per trip and providing the \$0.51 mileage reimbursement for out-of-state trips only. The Department confirmed that both rate reductions began February 1, 2011.

The Governor included savings of \$3.6 million from all sources, including \$1.7 million from general revenues for the other medical services program from this initiative. He also included savings of \$0.9 million in the Rhody Health program.

The Assembly concurred and further reduced expenditures by \$7.3 million, including \$3.5 million from general revenues. This includes savings of \$6.5 million for the other medical services program and \$0.8 million in the Rhody Health program. The Assembly included \$3.1 million less from the Department adhering to stricter standards in providing non-emergency transportation services and \$4.2 million less from the Department no longer having to provide transportation services to those adults with developmental disabilities who receive services through Department of Behavioral Healthcare, Developmental Disabilities and Hospitals. Transportation expenses for those clients will be included in new rates implemented through Project Sustainability.

Target - Medical Benefits Verification for Veterans. As part of the constrained request, the Department proposed to achieve savings of \$1.5 million from all funds, including \$0.7 million from general revenues from using an electronic data match program to identify any third party payers to pay for medical benefits provided to veterans that would produce savings to the Medicaid program.

Rhode Island currently receives quarterly information from the federal Veterans Administration public assistance reporting information system which includes information about the income of Rhode Island's veterans; however, it does not include any medical assistance information. The savings estimate assumes minimal costs for any software or contract upgrades to a system that can track disability pensions or medical insurance. *The Governor recommended this initiative and included the savings in the budget. The Assembly concurred.*

Medicaid Recovery Estate Liens. The enacted budget includes savings of \$2.8 million from all sources, \$1.3 million from general revenues from the Department's increased ability to conduct estate recoveries under current law with the addition of 3.0 full-time equivalent positions. The caseload estimate restored \$2.1 million, including \$0.8 million from general revenues, consistent with the testimony from the Department that delays in hiring the additional staff reduced the achievable savings.

The Governor's FY 2011 recommendation included a proposal to strengthen the state's ability to recover estate liens, including placing a lifetime lien on the assets of certain individuals only under very specific circumstances and expanding the state's recovery ability upon the death of an individual and included administrative and legal services to conduct the collections. The 2010 Assembly did not concur with the Governor's proposal; it provided the authorization and funding for 3.0 positions to increase recoveries under current law.

As part of its constrained request, the Department proposed additional savings of \$4.9 million from all sources, \$2.3 million from general revenues in FY 2012 from proposing the same changes as the Governor's FY 2011 recommendation in addition to proposing to assess interest, at a rate of 12.0 percent per year, on estate claims still outstanding nine months after the date of death. This proposal has a start date of July 1, 2011 and requires legislative changes.

The Governor recommended funding consistent with the caseload estimate and did not include the estate recovery changes proposed in the Department's constrained request. The Assembly concurred.

Target - Alternative Rehabilitative Services. Currently, the Department provides coverage for physical therapy and rehabilitation services for managed care recipients, including Connect Care Choice members. As part of its constrained request, the Department proposed expanding coverage for

chiropractic care, therapeutic massage and acupuncture for RIte Care, Rhody Health and Connect Care Choice members with a high number of emergency room visits to reduce that utilization. The request assumes total savings of \$1.8 million from all sources, including \$0.9 million from general revenues from the proposal, including all three programs, of which \$0.3 million is in the Connect Care Choice program, including \$0.1 million from general revenues. This requires a category II change under the conditions of the Medicaid global waiver and the Department indicates an implementation date of January 1, 2012.

Subsequently, the Department submitted revised savings estimates, which reduced the total savings by \$1.5 million to \$0.3 million from all sources, \$0.2 million from general revenues, of which \$45,864, including \$21,862 from general revenues, is for the Connect Care Choice population.

The Governor included savings of \$0.1 million from allowing the use of pain management specialists or centers to reduce the client's utilization of pharmaceuticals and hospital visits; however, the recommendation includes the savings solely in the managed care program. He also added injections, nutrition counseling, behavioral health and care management services to the list of services covered. He included Article 16 of 2011-H 5894 to make these changes for the final three months of FY 2012.

The Assembly concurred and included Article 16 of 2011-H 5894, Substitute A, as amended to make this change.

Target - Medicaid Provider Application Fee. All Medicaid providers paid by the state are currently enrolled in a provider network payment system and register with the state at no charge; providers must be registered with the state to receive state payment for services provided. As part of its constrained request, the Department proposed a new \$50 application fee for initial enrollment and re-enrollment every five years for all Medicaid providers when they enroll in the new electronic provider network payment system and includes general revenue savings of \$375,000. This assumed that 10,000 providers will enroll from March 2011 through June 2012; one quarter will enroll in FY 2011 for general revenue savings of \$125,000 and three quarters will enroll in FY 2012 for savings of \$375,000.

This initiative requires a category II change under the conditions of the Medicaid global waiver. The Department's request includes this fee as a reduction to expenditures. The Department subsequently indicated that it intends to regard the fee as revenue. *The Governor did not recommend this initiative.*
The Assembly concurred.

Target - Integration of Medicare and Medicaid. As part of the Department's constrained request, it included savings of \$3.5 million from all funds, \$1.7 million from general revenues from an initiative to integrate Medicare and Medicaid into one pool of funding by April 1, 2012. Of the \$3.5 million in total estimated savings, \$1.75 million will be in both hospital costs and other medical services costs, including \$0.8 million from general revenues in each program.

The proposal is to enter into a savings agreement with the Centers for Medicare and Medicaid Services in order for the state to recover a portion of the savings that would occur when the state provides services covered under Medicare to clients eligible for both Medicare and Medicaid, called dual eligibles. A separate waiver from the Centers for Medicare and Medicaid Services may be required, unless additional flexibility is determined when guidance is issued relating to the Affordable Care Act. Modifications to current departmental rules and regulations will also be needed.

Subsequently, the Department submitted revised information which reduced the savings by \$3.3 million to \$0.2 million from all sources, \$0.1 million from general revenues for both aspects of the initiative for the

final quarter of FY 2012. Revised savings total \$166,465, \$79,350 from general revenues from both the hospital and other medical services programs. *The Governor did not recommend this initiative.*

The Assembly included Section 3 of Article 16 in 2011-H 5894, Substitute A, as amended to direct the Department of Human Services to enter into a contract by July 1, 2012 to manage the long term care and acute care benefits of Medicaid eligible individuals and those eligible for both Medicare and Medicaid, also called dual eligibles. There are no savings included in the budget from this initiative.

Medical Assistance Administration

Rlte Care Administration - Staffing. The Department requested \$1.1 million from all funds for salaries and benefits for 14.0 full-time equivalent positions. This includes \$0.6 million from both general revenues and federal funds, and is \$25,200 more than enacted from all sources and includes 2.0 new positions, consistent with the revised request. The request assumes the one vacant position will remain vacant in FY 2012. The request includes a 3.0 percent cost-of-living adjustment, step increases and updated benefit rates consistent with FY 2012 planning values. Salary and benefit expenses are funded 50.0 percent from federal funds and 50.0 percent from general revenues.

As part of its constrained request, the Department requested an additional \$60,700 for salary and benefit expenses, including \$30,350 from both general revenues and federal funds for filling the one vacant position. *The Governor provided no funding and recommended transferring the 14.0 positions and staffing expenses to the Office of Health and Human Services.* **The Assembly concurred.**

Rlte Care Administration – All Other Operations. *The Department requested \$5.0 million from all sources for Rlte Care administration expenditures, which is \$158,496 more than enacted. The Department assigns both full-time equivalent positions and administrative consultants to the Rlte Care program, specifically through Allied Computer Services, who perform such functions as research, negotiations for existing contracts, data processing and program implementation. The request includes \$4.9 million for these consultants, which is \$182,305 more than enacted, representing a 3.8 percent increase from the enacted level.*

The operating expenses include \$10,800 for printing, which is \$12,839 less than enacted. This also includes \$4,800 for rental and lease costs, \$3,282 for maintenance and repairs of office equipment, \$2,700 for computer equipment and supplies, \$2,476 for postal services and \$9,150 for all other miscellaneous operating expenses, which is \$10,970 less than enacted. *The Governor recommended funding as requested.* **The Assembly concurred.**

Rlte Share Administration. The Department requested \$1.7 million, which is \$58,893 more than enacted from all sources for Rlte Share administration expenditures. The request includes \$1.6 million, which is a four percent increase for contracted Rlte Share administrative costs, specifically with Allied Computer Services. Other operating expenses include \$65,630 for postal services, \$2,814 for printing, \$2,438 for maintenance contracts and \$5,876 for all other expenses. *The Governor recommended funding as requested.* **The Assembly concurred.**

Early Intervention Administrative Operations. The Department requested \$2.9 million from all funds, including \$0.5 million from general revenues for operating expenses for the Early Intervention program, excluding salaries and benefits. The request is \$0.6 million more than enacted from all sources, including \$18,397 more from general revenues. The request includes \$2.2 million from the federal grant the state receives annually for children who are not Medicaid eligible, including \$0.5

million carried forward from the FY 2011 grant and \$0.6 million for administrative costs for Medicaid eligible children.

The request includes \$2.7 million for contracts the state has with 13 providers; this is \$392,846 more than enacted and reflects carry forward funds the Department anticipates having since it has stimulus funds that will be used prior to these funds. The request also includes \$96,000 more for new computers, equipment, and desks, \$60,094 for office and program supplies, \$28,750 for printing and \$9,969 for all other operating expenses. *The Governor recommended funding as requested.* **The Assembly concurred.**

Disability Determination Unit – New Positions. The Department requested \$1.3 million from federal funds and authorization for 10.0 new full-time equivalent positions for the disability determination unit, including 9.0 rehabilitation counselors and 1.0 administrator. The request includes a full year of funding for all positions. The federal Social Security Administration requested that the state hire additional staff to address the backlog of claims that are resulting from increasing numbers of applications for supplemental security insurance and disability benefits. *The Governor recommended \$18,764 less than requested for adjustments to benefit calculations.* **The Assembly concurred.**

Office of Rehabilitative Services – New Positions. The Department's unconstrained request includes the authority for 91.0 new full-time equivalent positions department-wide and the funding request assumes that approximately 10 percent of the positions will be filled. For the Office of Rehabilitative Services, the Department requested authorization for 8.0 new full-time equivalent positions, including 3.0 counselors and 5.0 support positions. The request assumes that approximately 0.8 full-time equivalent positions will be filled and includes \$54,192 for the positions, \$17,883 from general revenues.

As part of its constrained request, the Department excluded the authorization and funding for these 8.0 positions. *The Governor's recommendation did not include the authorization or the funding for these positions.* **The Assembly concurred.**

Office of Rehabilitative Services – All Other Staffing. The Department requested \$12.0 million for personnel costs for 142.1 full-time equivalent positions, which is \$0.3 million more than enacted including \$34,807 more from general revenues. This includes \$1.9 million from general revenues and \$10.1 million from federal funds. This includes a 3.0 percent cost-of-living adjustment, step increases and updated benefit rates consistent with FY 2012 planning values.

As part of its constrained budget, the Department requested an additional \$0.1 million, primarily from general revenues for filling one vacant position, in lieu of the 8.0 new positions included in the unconstrained request.

The Governor recommended \$29,080 less than the unconstrained request, including \$7,571 less from general revenues. He included funding the vacant position included in the constrained request, adjustments to benefit calculations and shifted part of a position and funding to the Office of Health and Human Services. **The Assembly concurred.**

Office of Rehabilitative Services - Other Operations. The Department requested \$19.1 million, \$0.5 million less than enacted to support operations in the Office of Rehabilitative Services. This includes \$2.6 million from general revenues, \$0.2 million more than enacted and \$16.5 million from federal funds, \$0.7 million less than enacted. The request includes \$8.3 million for rehabilitation services and \$1.6 million for education and training programs, primarily in the vocational rehabilitation program in

addition to \$2.2 million, primarily from federal funds to provide medical services to individuals applying for disability, \$0.3 million less than enacted and \$0.3 million for contracted temporary clerical services in the disabilities determination unit to assist with processing applications.

It also includes \$1.0 million for rental and lease costs, which is \$0.1 million less than enacted in addition to the enacted level of \$0.8 million for home modification, personal care services and social services for the blind. The request contains \$0.2 million for medical supplies for the vocational rehabilitation unit, \$0.2 million for interpreters and translators, \$0.5 million for building and general maintenance and plumbing repairs, and \$0.3 million for travel and transportation expenses, primarily related to the transport of clients. It also includes expenditures of \$0.6 million for centralized state services, \$0.7 million for miscellaneous fees and audit expenses, \$0.6 million for all other operating expenses and \$0.2 million less from the termination of federal stimulus funds for vocational rehabilitation.

*The Governor added \$40,273 to reflect federal funds that may become available from statewide personnel savings. **The Assembly concurred.***

Medical Services Operations - New Positions. The Department's unconstrained request includes the authority for 91.0 new full-time equivalent positions department-wide and the funding request assumes that approximately 10 percent of the positions will be filled. For medical services operations, the request includes 6.0 new full-time equivalent positions, including 1.0 eligibility technician, 2.0 supervising eligibility technicians, 1.0 medical case specialist and 2.0 social case workers. The request assumes that approximately 0.6 full-time equivalent positions will be filled and includes \$52,084 for the positions, \$26,043 from general revenues.

As part of its constrained request, the Department excluded the authorization and funding for these 6.0 positions. *The Governor's recommendation did not include the authorization or the funding for these positions. **The Assembly concurred.***

Medical Services Operations – Other Staffing. The Department requested \$22.0 million from all sources for salaries and benefits for medical services operations. This includes \$10.3 million from general revenues and \$11.7 million from federal funds and is \$2.4 million more than enacted for 237.1 full-time equivalent positions. The request includes a 3.0 percent cost-of-living adjustment, step increases and updated benefit rates consistent with FY 2012 planning values. The request also reflects shifting funds for one position from the RIte Care administration program.

As part of its constrained budget, the Department requested \$60,700 less from all sources for salaries and benefits, including \$30,350 less from general revenues to reflect shifting funds for two positions to the RIte Care administration program.

*The Governor recommended \$8.4 million less than requested, including \$3.7 million from general revenues. This includes \$7.3 million, of which \$3.6 million is from general revenues from shifting 66.0 positions to the Office of Health and Human Services. Besides this transfer, his budget is \$1.1 million less from all sources, including \$0.1 million from general revenues, reflecting adjustments to benefit calculations and other staffing adjustments. **The Assembly concurred.***

Medical Services Operations – Other Operations. The Department requested \$33.8 million from all sources, or \$1.6 million more than enacted for expenditures related to the operations of the medical benefits program. This includes \$8.6 million from general revenues, or \$0.8 million more than enacted and \$29.7 million from federal funds, \$0.8 million more than enacted and \$60,000 from restricted receipts, consistent

with the enacted budget. The request includes \$17.1 million for administrative services provided by HP Enterprise to maintain and operate the state's Medicaid billing system, referred to as MMIS, and to pay the Medicaid claims, \$1.5 million more than enacted; the state pays \$0.27 per claim. It also includes \$9.2 million, \$1.4 million less than enacted for administrative services to operate and maintain the state's Medicaid billing system. The request shifted \$1.2 million from all sources for several grants from FY 2011 to FY 2012, consistent with the revised request.

The request includes \$5.9 million for the InRhodes eligibility system contract for processing applications for medical and cash assistance benefits, of which \$1.5 million is for medical assistance, \$0.1 million more than enacted, reflecting regular contractual increases. It includes \$50,000 from a new Money Follows the Person grant, designed to provide assistance to balance the long term care system and help Medicaid enrollees transition from institutions to the community. It also includes \$50,000 from a new federal grant that allows the Department to work in conjunction with the Office of the Attorney General to conduct criminal background checks on health care workers from out-of-state; the current process only allows for verification of a Rhode Island record. The request did not include any funding for the emergency room diversion grant, reflecting the exhaustion of the funds; the enacted budget contains \$1.2 million from federal funds.

*The Governor recommended \$2.0 million less than requested, including \$0.2 million from general revenues from funding that was requested with a 90.0 percent federal match for unspecified Affordable Care Act related services included in the request for potential expenses related to federal health care reform. He subsequently requested an amendment to increase federal funding from the Money Follows the Person grant by \$149,693, carrying forward funds that will not likely be spent in FY 2011. **The Assembly concurred.***

Office of Health and Human Services Audit. The Department's request includes a proposal that utilizes a private company to conduct an audit of all of the Departments under the umbrella of the Office of Health and Human Services. The contracted firm would help the state recover overpayments, correct improper billings and improve collections. The savings estimate for all of the human services agencies is \$41.4 million from all funds and \$14.9 million from general revenues; the savings estimate for the Department of Human Services is \$23.7 million from all funds, including \$10.7 million from general revenues. This initiative has a start date of July 1, 2011. The proposal was included as part of the request; however, the savings are not reflected in the constrained budget request. *The Governor did not include the audit or the savings in his recommendation. **The Assembly concurred.***

Cash Assistance Programs

The Caseload Estimating Conference estimate included \$111.5 million from all sources, including \$31.9 million from general revenues for cash assistance programs, including Rhode Island Works, child care, state only supplemental security income program payments and general public assistance bridge program benefits. The Department's request is consistent with the caseload estimate; however, the Department also included a constrained budget request, which reduced cash assistance expenditures by \$1.3 million from all sources, including \$0.2 million from general revenues. The Department subsequently submitted updated information for its savings proposals that added back \$1.4 million of the original savings to the cash assistance programs, including \$0.2 million from general revenues. Each initiative is discussed in the relevant sections.

*The Governor recommended \$111.5 million from all funds, including \$31.9 million from general revenues, which is consistent with the caseload estimate and the Department's request. **The Assembly included \$107.3 million from all sources, including \$30.0 million from general revenues. This is***

\$4.2 million less than the recommendation and \$1.0 million less than the May caseload estimate from a reduction to the state's supplemental security income payment to individuals in assisted living facilities, discussed separately.

The following table itemizes cash assistance expenditures as enacted by the 2011 Assembly, adopted by the caseload estimators, and recommended by the Governor along with comparable data for FY 2010. Each category is discussed separately.

Cash Assistance	FY 2010 Spent	FY 2011 Final	FY 2012 Nov. CEC	FY 2012 Gov. Rec.	FY 2012 May CEC	FY 2012 Enacted
Rhode Island Works						
Persons	18,197	15,800	16,100	16,100	15,000	15,000
Monthly Cost per Person	\$ 184.97	\$ 187.56	\$ 186.50	\$ 186.50	\$ 189.00	\$ 189.00
General Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Funds	43.8	39.0	39.5	39.5	37.2	37.2
Total Costs*	\$ 43.8	\$ 39.0	\$ 39.5	\$ 39.5	\$ 37.2	\$ 37.2
Child Care						
Subsidies	6,499	6,925	6,978	6,978	6,900	6,900
Annual Cost per Subsidy	\$ 7,120	\$ 7,085	\$ 7,150	\$ 7,150	\$ 7,090	\$ 7,090
General Revenue	\$ 7.1	\$ 9.3	\$ 10.6	\$ 10.6	\$ 9.7	\$ 9.7
Federal Funds	39.7	39.8	39.3	39.3	39.3	39.3
Total Costs*	\$ 46.8	\$ 49.1	\$ 49.9	\$ 49.9	\$ 48.9	\$ 48.9
SSI						
Persons	32,050	32,960	33,400	33,400	33,495	33,495
Monthly Cost per Person	\$ 47.37	\$ 47.06	\$ 47.00	\$ 47.00	\$ 47.00	\$ 44.60
Total Costs/General Revenue*	\$ 22.2	\$ 20.8	\$ 18.9	\$ 18.9	\$ 19.0	\$ 18.0
SSI Transition/Bridge						
Persons	538	598	580	580	606	606
Monthly Cost per Person	\$ 119.89	\$ 107.78	\$ 120.50	\$ 120.50	\$ 114.76	\$ 114.76
General Revenues	\$ 1.9	\$ 2.1	\$ 2.3	\$ 2.3	\$ 2.3	\$ 2.3
Federal Funds	0.9	0.8	0.9	0.9	0.9	0.9
Total Costs*	\$ 2.8	\$ 3.0	\$ 3.3	\$ 3.3	\$ 3.2	\$ 3.2
General Revenue	31.3	32.2	31.9	31.9	30.9	30.0
Federal Funds	84.3	79.6	79.6	79.6	77.4	77.4
Total Cash Assistance*	\$ 115.6	\$ 111.8	\$ 111.5	\$ 111.5	\$ 108.3	\$ 107.3

*Expenditures in millions

Maintenance of Effort Requirement. The state is required to spend \$60.4 million from general revenues as part of its maintenance of effort requirement for the \$95.0 million temporary assistance to needy families' block grant. The state can report any spending for its maintenance of effort requirement as long as it meets one of the four temporary assistance to needy families purposes: assisting needy families so that children can be cared for in their own homes; reducing the dependency of needy parents by promoting job preparation, work and marriage; preventing out-of-wedlock pregnancies; and encouraging the formation and maintenance of two-parent families. The state uses the circuit breaker program, earned income tax credit, administrative expenses through the Department of Human Services, and services provided through the Departments of Children, Youth and Families and Labor and Training. The Department's request assumes that the requirement will be met. *The Governor's budget assumes the state meets its maintenance of effort requirement for the block grant funding. The Assembly assumed the state met its maintenance of effort requirement.*

Unachieved Savings - Division of Motor Vehicles Monitoring. The enacted budget assumes savings of \$1.8 million from all sources, including \$1.3 million in the cash assistance program from verifying an individual's residential information with the data available through the Division of Motor Vehicles. The Department monitors program eligibility through its front end detection unit for medical benefits and cash assistance programs. One eligibility requirement for all assistance programs is Rhode Island residency. The FY 2011 savings were restored at the November Caseload Estimating Conference based on testimony from the Department that the savings related to this proposal could not be achieved due to delays at the Division of Motor Vehicles. This includes \$0.4 million in Rhode Island Works and \$0.9 million for child care.

As part of the constrained request, the Department proposed to achieve savings of \$1.8 million from all funds, \$0.4 million from general revenues from both medical and cash assistance programs from this initiative, which double counts the savings and is more than the savings included in the FY 2012 estimate. Subsequently, the Department removed this initiative and the corresponding savings. *The Governor recommended funding consistent with the conference estimate and did not include the additional savings. The Assembly concurred.*

Rhode Island Works. The Caseload Estimating Conference estimate included program expenditures of \$39.5 million entirely from federal funds. The estimate decreased the monthly caseload estimate by 975 cases to a level of 16,100. The cost per case is estimated to decrease by \$1.50 to a \$186.50 monthly cost per person. The estimated program expenditures are \$2.3 million less than the enacted budget, including \$2.5 million from the reduced caseload and cost per case, \$0.2 million less for transportation expenses, partially offset by the restoration of \$0.4 million for the savings initiative through the Division of Motor Vehicles, which will not be achieved. The Department's request reflects the conference estimate. *The Governor recommended funding consistent with the caseload estimate. The Assembly provided \$37.2 million from federal funds for cash assistance expenses, consistent with the May caseload estimate, which reduced the average number of people from 16,100 to 15,000 and increased the average monthly cost per person from \$186.50 to \$189.00.*

Child Care. The Caseload Estimating Conference estimate included caseload child care expenditures of \$49.9 million, of which \$10.6 million is from general revenues. This is \$4.1 million more than enacted, including \$1.9 million more from general revenues, reflecting 498 more child care subsidies for a monthly level of 6,978 and decreased the annual cost by \$50 to \$7,150 for FY 2012. This also accounts for \$0.6 million from stimulus funds for subsidized child care that is available in FY 2011, which is not available in FY 2012, requiring general revenues instead in addition to the restoration of \$0.9 million for the savings initiative through the Division of Motor Vehicles, which will not be achieved. The Department's request reflects the conference estimate.

A family is eligible for child care assistance either through the family independence program (if they qualify for the program they are automatically eligible for assistance) or if they qualify as low income, which is at or below 180 percent of federal poverty. *The Governor recommended funding consistent with the caseload estimate. The Assembly provided \$48.9 million from all sources, including \$9.7 million from general revenues, consistent with the May caseload estimate, which reduced the average number of subsidies from 6,978 to 6,900 and reduced the annual cost per subsidy from \$7,150 to \$7,090.*

Supplemental Security Income. The Caseload Estimating Conference estimate included FY 2012 direct supplemental security income expenditures at \$18.8 million from general revenues, or \$0.5 million more than enacted. The caseload increased by 750 persons to a monthly level of 33,400. Estimators also decreased the monthly cost per person by \$0.09 to \$47.00. The estimate restored \$0.2

million from all sources for the unachieved initiative from a new benefit category for individuals living in state licensed residential care settings, discussed below. The Department's request reflects the conference estimate. *The Governor recommended funding consistent with the caseload estimate.*

The Assembly included \$18.0 million for payments to an average of 33,495 people at a monthly cost per person of \$44.60, which is \$1.0 million less than the May caseload estimate. The Assembly reduced the payment for residents in assisted living facilities from \$538 to the state's federally required minimum payment of \$332, effective October 1, 2011 for savings of \$1.0 million from general revenues, and included Article 23 of 2011-H 5894, Substitute A, as amended to make the change.

The following table includes the separate categories and monthly payments prior to and subsequent to the October 1, 2011 change.

Social Security Income Payments, Through 9-30-2011			
Category	State	Federal	Total
Individual Living Alone	\$ 39.92	\$ 674.00	\$ 713.92
Couple Living Alone	79.38	1,011.00	1,090.38
Individual Living with Others	51.92	449.34	501.26
Couple Living with Others	97.30	674.00	771.30
Resident in State Licensed Supportive Residential Care	300.00	674.00	974.00
Resident in Assisted Living	538.00	674.00	1,212.00
Supplement	20.00	30.00	50.00
Social Security Income Payments, Beginning 10-1-2011			
Category	State	Federal	Total
Individual Living Alone	\$ 39.92	\$ 674.00	\$ 713.92
Couple Living Alone	79.38	1,011.00	1,090.38
Individual Living with Others	51.92	449.34	501.26
Couple Living with Others	97.30	674.00	771.30
Resident in State Licensed Supportive Residential Care	300.00	674.00	974.00
Resident in Assisted Living	332.00	674.00	1,006.00
Supplement	20.00	30.00	50.00

Supplemental Security Income Residential Payment. The enacted budget assumes general revenue savings of \$0.2 million from a new category for individuals living in state licensed supportive residential care settings, passed in the FY 2010 Appropriations Act. The individuals will receive a state payment of \$300, which is \$238 less than the current state payment if they remain in a licensed assisted living facility. The payment is made to the individuals receiving their monthly expenses in the residential care facilities; the federal payment will remain the same. This proposal is consistent with the Medicaid global waiver and anticipates that the licensed residential care settings will become Medicaid eligible sites. The sites will be able to leverage Medicaid for any medical services provided, which is anticipated to offset any loss in the monthly income payment.

The FY 2011 savings were restored at the November Caseload Estimating Conference based on testimony from the Department that the federal Social Security Administration will not allow the state to implement this payment change while the state transitions to making the state supplemental security payment and that savings included in the enacted budget would not be achieved in either FY 2011 or

FY 2012. The Department's revised request is consistent with the estimate. *The Governor recommended funding consistent with the caseload estimate.* **The Assembly concurred.**

Supplemental Security Income Transaction Fees. The state chooses to supplement the federal program and it transfers funds to the federal government so the recipient receives one check. The state pays transaction fees for the service, which would total \$4.2 million for all of FY 2011 for all categories of recipients. The 2010 Assembly included Article 3 of 2010-H 7397, Substitute A, as amended to have the state make its portion of the payment directly to the clients instead of paying a transaction fee to the federal government for the payment and included savings of \$3.2 million from general revenues. This was to take effect September 1, 2010.

The Department later indicated that this could not occur until January 1, 2011 for most groups of recipients and the caseload estimators restored \$0.9 million from general revenues for the delay. The caseload estimate included \$75,000 for the payment of transaction fees in FY 2012. The Department's request is consistent with the caseload estimate. *The Governor recommended funding consistent with the caseload estimate.* **The Assembly provided \$73,500 for transaction fees, which is \$1,500 less than the recommendation and consistent with the May caseload estimate.**

Supplemental Security Income Transition/Bridge Program. The Caseload Estimating Conference estimated expenditures for the supplemental security income transition/bridge program at \$3.3 million, including \$2.3 million from general revenues. This is \$0.3 million more than enacted from all sources, including \$0.1 million more from general revenues. The estimate included \$0.8 million for payments, \$1.8 million for medical expenses and \$0.6 million for burials. The estimate increased the projected number of persons by 30 for a level of 580 and increases the monthly cost per person from \$119.00 to \$120.50. These increases were offset by a reduction of \$40,000 for burial costs. The Department's request reflects the November conference estimate. This program is designed for individuals who maintain an active application for the supplemental security income program. *The Governor recommended funding consistent with the caseload estimate.* **The Assembly provided \$3.2 million, including \$2.3 million from general revenues, which is \$87,145 less than the recommendation and consistent with the May caseload estimate.**

Hardship Payments. The Department requested \$58,000 less than enacted from general revenues for hardship contingency payments. The enacted budget includes \$478,000 from general revenues that the director of the Department may provide for these payments for FY 2011. *The Governor recommended funding as requested and included Article 17 of 2011-H 5894 to provide for the payments.* **The Assembly did not include the article, but did provide \$210,000 from general revenues and language in Article 1 of 2011-H 5894, Substitute A, as amended for the payments in FY 2012.**

Cash Assistance Administration

Rhode Island Works Program Administration – New Positions. The Department's unconstrained request includes the authority for 91.0 new full-time equivalent positions department-wide and the funding request assumes that approximately 10 percent of the positions will be filled. For the Rhode Island Works program, the request includes 16.9 new full-time equivalent positions. The request assumes that approximately 1.7 positions will be filled and includes \$0.5 million from general revenues for the positions.

As part of its constrained request, the Department excluded the authorization and funding for these 16.9 positions. *The Governor's recommendation did not include the authorization or the funding for these positions.* **The Assembly concurred.**

Rhode Island Works Program Administration – All Other Staffing. The Department requested \$11.2 million for salary and benefit expenses for Rhode Island Works administration. This includes \$4.0 million from general revenues and \$7.2 million from federal funds. This is \$0.5 million less than enacted, including \$0.6 million less from general revenues and \$0.1 million more from federal funds for 100.6 full-time equivalent positions and includes a 3.0 percent cost-of-living adjustment, step increases and benefit rates consistent with FY 2012 planning values in addition to shifting the cost of several eligibility technicians to other programs, including child care. *The Governor recommended \$0.5 million less than requested, including \$0.4 million less from general revenues, reflecting adjusted benefit calculations and shifting positions and funding for them to the Office of Health and Human Services.* **The Assembly concurred and also included \$0.4 million from federal temporary assistance to needy families block grant funds for 6.0 new positions to provide intensive case management services to program participants to access job training services and address obstacles to participation in allowable work activities.**

Rhode Island Works Grants. The Department requested grant expenditures of \$5.9 million from all sources for training and work activities for program recipients, this is \$59,816 more than enacted. This includes \$0.7 million from general revenues and \$5.2 million from federal funds.

The request includes \$5.3 million for work and support programs for program recipients and includes the enacted level of \$0.6 million for the New Opportunity Homes grant, which provides housing for pregnant and parenting women up to 18½ years of age. There are two houses in the state providing residential services for 10 to 12 women and their children.

The Governor recommended shifting expenses of \$0.7 million from general revenues to the federal temporary assistance to needy families block grant. **The Assembly concurred.**

Rhode Island Works Program Administration – Other Operations. The Department requested \$5.5 million for Rhode Island Works program administration expenses, which is \$0.1 million less than enacted. This includes \$1.6 million from general revenues, \$0.1 million less than enacted and \$3.9 million from federal funds, \$0.1 million less than enacted.

Other operating expenses include \$1.4 million for the contract reduction for the InRhodes eligibility system, \$0.3 million less than enacted, \$1.4 million for the rental costs for the satellite offices, \$0.2 million for communication expenses, \$0.6 million for postal and printing expenses, \$0.1 million for maintenance and repairs, \$0.1 million for computer equipment and system upgrades, and \$0.7 million for other office expenses. This also includes \$0.1 million for the monthly fee to charge the electronic benefit cards for the Rhode Island Works recipients.

The request also includes \$1.0 million for contracted services including \$0.6 million for contracts with Rhode Island institutions of higher education for food nutrition education and outreach, Rhode Island Works employment training and departmental staff training, \$0.2 million for interpreters and translators and \$0.2 million for security services at the satellite offices.

The Governor recommended \$36,016 more than requested. This includes shifting expenses of \$0.9 million from general revenues to the federal temporary assistance to needy families block grant and adding \$36,016 from federal funds to reflect additional funding that may become available from statewide personnel savings. **The Assembly concurred.**

Child Care Administration – New Positions. The Department's unconstrained request includes the authority for 91.0 new full-time equivalent positions department-wide and the funding request assumes

that approximately 10 percent of the positions will be filled. For the child care program, the request includes 1.3 new full-time equivalent positions, assumes that approximately 0.1 positions will be filled and includes \$0.1 million from all funds for the positions.

As part of its constrained request, the Department excluded the authorization and funding for these 1.3 positions. *The Governor's recommendation did not include the authorization or the funding for these positions.* **The Assembly concurred.**

Child Care Administration – All Other Staffing. The Department requested \$1.6 million from all funds for salary and benefit expenses for child care administration for 13.5 full-time equivalent positions. The request includes \$0.8 million from general revenues, and \$0.8 million from federal funds, and is \$0.3 million more than enacted, including \$0.1 million less from general revenues. The request provides for a 3.0 percent cost-of-living adjustment, step increases and updated benefit rates consistent with FY 2012 planning values and maintains the turnover savings for 2.0 vacant positions that are funded in the enacted budget. *The Governor recommended \$9,899 less, including \$4,494 less from general revenues, reflecting adjusted benefit calculations.* **The Assembly concurred.**

Child Care Administration – Other Operations. The Department requested \$2.4 million for child care administration expenditures, which is \$48,787 more than enacted and contains \$0.2 million from general revenues and \$2.2 million from federal funds. The request includes \$0.6 million for the InRhodes contract, \$0.1 million more than enacted, and \$0.1 million for other contracted management consultants. The request also includes \$0.1 million for all other administrative expenses, which is \$53,454 less than enacted. Grant expenditures of \$1.7 million are consistent with the enacted budget and include: supporting the licensing function of Department of Children, Youth and Families; resource and referral services to families; developing early learning standards; professional development and training programs; on-site technical assistance to family and center based child care centers, and a statewide quality rating and improvement system for providers. *The Governor recommended \$5,405 more from federal funds than requested, reflecting additional federal funds that may become available from statewide personnel savings.* **The Assembly concurred.**

Supplemental Security Income Program Administration. The Department requested \$692,638 from general revenues for staffing and operational expenditures related to administering the state supplemental security income program for individuals whose income is too high to meet the eligibility criteria for the federal supplemental security income program. This includes \$369,138 for 4.0 positions and \$323,500 for programming expenses into the InRhodes system, banking, mailing and other operating expenditures. The 4.0 positions include 2.0 social case workers, 1.0 caseworker supervisor and 1.0 public health nurse. The request assumes four months of vacancy for the nurse position and the rest of the positions will be filled for the full year. *The Governor recommended \$1,835 less from general revenues to reflect updated benefit rates for the 4.0 positions.* **The Assembly concurred.**

Veterans' Affairs

Department of Veterans' Affairs. The 2010 Assembly included Section 8 of Article 7 of 2010-H 7397, Substitute A, as amended to delay the creation of the new Department of Veterans' Affairs until July 1, 2011 and delayed the required transition recommendations until October 31, 2010. The Department of Human Services was to provide recommendations for implementation to the chairs of the House and Senate Finance Committees regarding how to transition the Division into its own Department. As of January 7, 2011, the House and Senate Finance Committees have not received the recommendations. The Division of Veterans' Affairs remained in the Department of Human Services' FY 2012 budget request.

The Governor recommended the creation of the Department of Veterans' Affairs, effective July 1, 2011. There is also a separate analysis for the new Department in this publication. There is no funding for the Division of Veterans' Affairs in the Department of Human Services' budget in FY 2012; the Governor's recommendation shifted the expenditures to the new Department.

The Assembly included Article 9 of 2011-H 5894, Substitute A, as amended which maintained the Division of Veterans' Affairs in the Department of Human Services. The Assembly included \$28.2 million from all funds and 264.2 positions for the Division.

New Department of Veterans' Affairs Staffing. The Department requested \$0.5 million from all funds, \$0.4 million from general revenues for 5.0 new positions for the Department of Veterans' Affairs, including 1.0 director and 4.0 benefit claims specialists. The request assumes that these positions will be filled in September since upon the creation of the Department, a director will need to be appointed and staff interviewed and hired. *The Governor included \$471,855 from general revenues and authorization for these five positions for the full year, which is \$36,899 less than requested.* **The Assembly included Article 9 of 2011-H 5894, Substitute A, as amended which added the director of Veterans' Affairs to the unclassified service and included \$0.1 million from general revenues for the position. The Assembly did not include the 4.0 benefit claims specialists.**

Veterans' Affairs – New Positions. The Department's unconstrained request includes the authority for 91.0 new full-time equivalent positions department-wide and the funding request assumes that approximately 10 percent of the positions will be filled. For the Division of Veterans' Affairs, the request includes 24.0 new full-time equivalent positions, including 15.0 nurses, 6.0 institutional attendants, 1.0 chief of family health systems, 1.0 typist and 1.0 cook's helper. The request assumes that approximately 2.4 full-time equivalent positions will be filled and includes \$0.4 million from general revenues for the positions.

As part of its constrained request, the Department excluded authorization and funding for these 24.0 positions. *The Governor did not include the authorization or the funding for these positions in his recommendation, consistent with the constrained request.* **The Assembly concurred.**

Veterans' Affairs – All Other Staffing. The Department requests \$22.9 million from all funds for salaries and benefits for 228.8 positions, including \$16.3 million from general revenues and \$6.5 million from federal funds. The request is \$1.6 million more than enacted, including \$0.8 million from general revenues and reduces the authorization by 0.4 full-time equivalent positions to more accurately reflect the hours worked by several staff members. The request provides for a 3.0 percent cost-of-living adjustment, step increases and benefit rates consistent with FY 2012 planning values and includes shifting general revenue expenditures to available federal funds.

The Governor recommended \$21.7 million, including \$15.2 million from general revenues for all other salary and benefit expenses, after adjusting for \$0.5 million in statewide personnel savings. This is \$1.2 million less than requested, primarily from general revenues from several changes. He included authorization for 35.0 new positions in the final four months of FY 2012 and provided \$679,880 from general revenues for the positions. He also included savings of \$1.0 million from reduced overtime expenses from limiting the Veterans' Home census in FY 2012 to the current census of 190, closing two wings for FY 2012 and consolidating the current staff over the remaining five wings. The Governor recommended 263.2 full-time equivalent positions, including the transfer of 229.2 included in the enacted budget of the Department of Human Services, the addition of the 35.0 positions and the elimination of the associate director position.

The Assembly included \$21.6 million from all sources, including \$15.1 million from general revenues for the remaining 263.2 positions, essentially consistent with the recommendation.

Veterans' Affairs – Medical and Operational Expenses. The Department requested \$5.9 million from all sources for operating expenses at the Veterans' Home, including \$5.0 million from general revenues, \$26,536 from federal funds and \$0.8 million from restricted receipts. The request is \$0.6 million more than enacted, including \$0.7 million more from general revenues.

The request includes \$1.6 million for contracts for doctors, dentists and nurses, \$0.5 million for pharmaceuticals and \$60,000 for laboratory testing, all from general revenues and includes \$0.8 million for medical services, of which \$0.5 million is from general revenues, combined this is \$0.7 million more than enacted. The Division has increased its reliance on contracted services to perform duties that full-time positions can do, while maintaining vacancies in the Veterans' Affairs Division. The Division has not requested sufficient staff to reduce the dependence on contracted nurses, though there is turnover savings in the enacted budget and the revised request, contributing to increases in overtime.

The request contains \$0.9 million for food and food service contracts, \$0.5 million from general revenues for janitorial contracts and supplies, \$0.4 million for maintenance and repairs of the building and equipment, \$0.3 million for laundry services, \$0.1 million for internal service and utility expenses, \$0.1 million for information technology expenditures and \$0.6 million for all other expenses related to operations at the Veterans' Home. It also includes \$20,000 from federal funds for a new homeless veterans transition assistance grant.

*The Governor recommended \$4.6 million from all sources, including \$3.8 million from general revenues. This is \$1.3 million less than requested, primarily from general revenues. This includes \$1.1 million less from general revenues from reduced nursing pool expenses from consolidating from seven wings to five in FY 2012, \$0.2 million less for reduced doctor and dentist expenses, pharmaceuticals, and other medical services and supplies based on year to date expenses and maintaining the current census through FY 2012. He also included \$1,050 less from general revenues from a 15.0 percent reduction to legal expenses. **The Assembly concurred.***

Veterans' Home Maintenance Fee. Currently, residents at the Rhode Island Veterans' Home are allowed to keep the first \$150 of income as a personal allowance in addition to 50.0 percent of any income received from wounds or the receipt of a Purple Heart award. The resident can also keep sufficient funds to cover costs needed for the support of a spouse, minor child or blind or permanently disabled child. A maintenance fee of 80.0 percent is assessed on the resident's remaining income. An amount equal to 20.0 percent of this assessment is deposited into a restricted receipt account for use towards the cost of care and maintenance at the Home and 80.0 percent is deposited into the State's General Fund as departmental revenues.

*The Governor recommended increasing the fee on the veterans' remaining income from 80.0 percent to 100 percent for additional revenues of \$982,810 in FY 2012, including \$786,248 from general revenues and \$196,562 from restricted receipts. The veteran would still retain the first \$150 of income per month, plus any disregards. He included Article 28 of 2011-H 5894 to make the change. This increase is intended to help finance the additional staffing that is required in the final four months of FY 2012 to increase the total census from 190 currently to 245 in FY 2013. **The Assembly did not concur with the assessment increase and reduced anticipated revenues accordingly.***

Veterans' Cemetery. The Department requested \$785,000 from all funds, including \$0.7 million from federal funds and \$85,000 from restricted receipts for capital costs at the Veterans' Cemetery.

The Department requested \$0.7 million more federal funds from a new grant from the National Cemetery Administration to improve the areas around the Memorial Circle and World War II Memorial at the Veterans' Cemetery in Exeter. The grant award totals \$2.1 million to be spread equally over three years. Projects include re-grading the area to eliminate settlements, ensuring that all rows and aisles are clearly marked, and planting and establishing suitable grass cover for the reduction of weeds and greater overall appearance. The request also includes the enacted level of \$85,000 from restricted receipts for the purchase of four lawn mowers and two utility vehicles for maintenance services at the Veterans' Cemetery through the Memorial Fund. *The Governor recommended funding as requested in the budget of the new Department.* **The Assembly concurred, including the funding in the Division.**

Veterans' Home Capital Projects. The Department requested \$1.4 million from all sources, including \$749,250 from federal funds and \$615,750 from restricted receipts for capital projects at the Veterans' Home. This is \$244,000 less than enacted and includes \$225,750 less from federal funds and \$18,250 less from restricted receipts from fewer projects planned in FY 2012. All projects are described in the Capital Budget Section of this publication. *The Governor recommended funding as requested in the budget of the new Department.* **The Assembly concurred, including the funding in the Division.**

Division of Elderly Affairs

The Assembly included Article 9 of 2011-H 5984, Substitute A, which merged the Department of Elderly Affairs with the Department of Human Services. The Assembly shifted 30.0 positions and included savings of \$0.1 million from general revenues within the newly created Division of Elderly Affairs.

Salaries and Benefits. The Department's current service request includes \$2.7 million from all sources, including \$1.4 million from general revenues for all salaries and benefits for 31.0 full-time equivalent positions. This is \$0.5 million more than enacted, including \$0.3 million more from general revenues. The Department indicated that there are 2.0 employees that are on the Office of Health and Human Services' employee roster that are paid from Elderly Affairs and 2.0 employees in the reverse. The request includes funding for the additional 2.0 positions, and \$0.1 million for a 3.0 percent cost-of-living increase and adjustments to medical benefits and retirement rates consistent with Budget Office planning values.

The Department's constrained request includes a personnel realignment to correct the employee rosters to truly reflect where the employees are paid from. The Department will be able to leverage federal funds for its employees and save \$0.3 million from general revenues. Neither the request nor the enacted budget includes any turnover savings.

The Governor shifted \$0.3 million from general revenues to federal funds available through Title III of the Older Americans Act. He shifted 1.0 associate director to the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals and 1.0 health program evaluator to the Office of Health and Human Services. He also shifted 3.0 positions from the Office of Health and Human Services to Elderly Affairs. **The Assembly reduced general revenues by \$88,048 to reflect savings from the merge with the Department of Human Services. It also eliminated 2.0 vacant positions.**

Pharmaceutical Assistance to the Elderly. The Department's current service request includes \$1.4 million from general revenues and \$0.3 million from restricted receipts for the pharmaceutical assistance program for FY 2012. This includes an additional \$90,177 to reflect drug inflation consistent with Budget Office planning values and \$12,000 to reflect anticipated claims activities.

The Rhode Island Pharmaceutical Assistance to the Elderly program pays 60 percent of the drug costs for individuals in the lowest income category. The state also pays 30 percent and 15 percent for the second lowest and highest income categories, respectively. The eligibility categories include individuals age 65 or older who meet the income category limits and individuals between the ages of 55 and 64 receiving Social Security Disability Insurance.

The Department's constrained request excludes the additional \$12,000 from general revenues for claims activities, which is consistent with the amount spent in FY 2010.

The Governor included Article 27 of 2011-H 5894 to eliminate the Pharmaceutical Assistance to the Elderly program and create the Supplemental Prescription Assistance Program, to assist individuals who will be adversely impacted by the elimination of the program. Federal reform will eliminate the Medicare Part D "donut hole" and the need for supplemental coverage by 2020. The Budget includes \$0.3 million for the new program, \$1.7 million less than enacted, including \$1.4 million less from general revenues.

The Assembly did not concur and restored \$0.4 million from general revenues and \$0.2 million from drug rebates to fully fund the program. It included Article 23 of 2011-H 5894 Substitute A, as amended to allow all current participants in the program to continue to receive services in addition to their Medicare Part D benefits while they are in the donut hole.

Home Care Services. The Department's current service request includes \$2.7 million from all sources, including \$1.3 million from general revenues for the home care services program. This is \$0.2 million more than enacted to reflect a 10.2 percent increase in program utilization. The Department is projecting that it will pay for 161,598 hours of service in FY 2012, which is 15,024 hours more than paid for in FY 2010 and 7,695 more than its estimate for FY 2011.

The co-payment rate schedule for home care services is based on the program recipient's income level. Level 1 covers those earning less than 125 percent of federal poverty or less than \$13,612 for individuals and \$18,388 for couples per year. Level 2 covers individuals and couples earning less than 200 percent of federal poverty or less than \$21,780 and \$29,420 per year. The home care rate is \$4.50 per hour for income level 1 and \$7.50 per hour for income level 2. This program serves low-income elders who pay a portion of the hourly cost of home care services, including bathing, dressing, household chores, and ambulatory needs.

The Department's constrained request includes \$22,000 less from general revenues. It did not have a plan in place to meet this reduction, such as instituting a waiting list or increasing co-payments. *The Governor recommended \$0.2 million more than enacted from all sources, including \$0.1 million from both general revenues and federal funds. He also shifted general revenues to federal funds to correct the Medicaid match rate. The Assembly concurred.*

Adult Day Care Services. The Department's current service request includes \$2.3 million from all sources, \$1.2 million from general revenues and \$1.1 million from federal funds for the adult day care services program. This is \$0.3 million more than enacted to reflect an 8.0 percent increase in program utilization. The Department is projecting that it will pay for 41,107 days of service in FY 2012, which is 3,101 days more than paid for in FY 2010 and 1,644 more than its estimate for FY 2011.

The co-payment rate schedule for adult day care services is based on the program recipient's income level. Level 1 covers those earning less than 125 percent of federal poverty or less than \$13,612 for individuals and \$18,388 for couples per year. Level 2 covers individuals and couples earning less than

200 percent of federal poverty or less than \$21,780 and \$29,420 per year. The adult day care rate schedule is \$7.00 per day for income level 1 and \$11.50 per day for income level 2. This program serves low-income elders who pay a portion of their day care services.

The Department's constrained request is \$0.1 million less from general revenues, but the Department indicated it did not have a plan in place to meet the reduction. *The Governor recommended \$142,799 more than enacted, including \$33,457 more from general revenues. He also shifted general revenues to federal funds to correct the Medicaid match rate.* **The Assembly concurred.**

Home and Community Care Medicaid Waiver Services. The Department's current service request includes \$8.4 million from all sources, including \$4.1 million from general revenues for the provision of subsidized home and community care to low income elders through the home and community based waiver program. This is \$110,034 more than enacted, including \$1.0 million more from general revenues to reflect the elimination of stimulus funding and an increase in home and community care services. This program funds eligible individuals who have been accepted into the assisted living waiver home and community care program, do not have a bed in a facility but continue to require nursing home level of care. The Department indicated that the program has grown by 10.4 percent since FY 2009 as a result of the Global Waiver, specifically the initiative to move individuals from long term care facilities to assisted living facilities.

The Governor recommended \$0.7 million more than enacted from all sources, including \$1.1 million more from general revenues, offset by \$0.4 million less from federal funds. Excluding the loss of Medicaid funding, the Governor added \$0.3 million from general revenues and \$0.4 million from federal funds for increased services. **The Assembly concurred.**

Case Management Services. The Department's current service request includes \$1.4 million from all sources, including \$0.7 million from general revenues for elder case management. This is \$0.2 million more than enacted to reflect a projected increase in the program. These services were previously funded only from state funds; however, the Department is now able to leverage Medicaid through the Rhode Island Consumer Choice Global Waiver. Case Management programs assist older Rhode Islanders who wish remain at home as long as possible.

The Department's constrained request includes \$113,000 less from general revenues than the unconstrained request; however, it does not have a plan in place to meet this reduction, such as instituting a waiting list. It is worth noting that the Department spent \$465,895 from all sources on this expense in FY 2010. It has moved to a fee-for-service billing method and considerably reduced the cost of the program. FY 2009 expenditures totaled \$295,305.

The Governor recommended \$55,802 less than enacted, including \$18,253 more from general revenues and \$74,055 less from federal funds. He also shifted federal funds to general revenues to correct the Medicaid match rate. **The Assembly concurred.**

Ombudsman. The Department's current service request includes the enacted amount of \$86,750 from general revenues for Ombudsman services. As part of its constrained request, the Department requested to eliminate the program. An Ombudsman serves as an advocate, mediator, and problem-solver for elders receiving services from licensed home health care agencies and/or hospice services. He/she also investigates complaints of abuse or inadequate or poor services in the areas of care which seniors or their families have not been able to resolve with the provider agency. If funding for this program is eliminated, the function will have to be performed by an advocacy group. *The Governor recommended the enacted level of funding.* **The Assembly concurred.**

After Hours Emergency Response. The Department's current service request includes the enacted amount of \$0.2 million from general revenues for the After Hours Emergency Response program, which provides protective services to vulnerable elders 24 hours a day, seven days a week. *The Governor recommended funding as requested; however, he shifted \$0.2 million from general revenues to federal funds available through Title III of the Older Americans Act.* **The Assembly concurred.**

Title III B Older Americans Act Grants. The Department's request includes \$2.0 million or \$523,650 more than enacted for the Older Americans Act Title III Part B grants due to anticipated carry forward funds from FY 2011. These federal grants are used to support a variety of services and programs for seniors. Other services include case management, legal assistance, outreach, and community senior activities. It is important to note that the Department has consistently carried forward a large balance and is able to utilize these funds for otherwise general revenue funded expenses, such as salaries of staff members who provide direct services to elders.

The Governor included an additional \$1.2 million from federal funds. The Department is currently spending its federal fiscal year 2010 grant award and will be eligible to begin spending its federal fiscal year 2012 grant award on October 1, 2011. The federal fiscal year 2011 grant award will be drawn down in increments of \$1.2 million over the next five fiscal years. **The Assembly concurred.**

Home Delivered Meals – Meals on Wheels. The Department's current service request includes \$0.8 million from federal funds, which is \$53,429 less than included in the FY 2011 enacted budget for home delivered meals through the Rhode Island Meals on Wheels program because of the elimination of stimulus funds and revised spending projections. Meals on Wheels receives funding for home delivered services meals as well as for the congregate meal sites and senior nutrition programs. The Department's current request includes the enacted level of \$201,400 from general revenues from a community service grant; however, the general revenue funding is not considered a federal match.

As part of its constrained request, the Department requested that all community service grants be eliminated, thereby reducing state funding for the Meals on Wheels program by \$0.2 million. *The Governor recommended funding consistent with the unconstrained request.* **The Assembly concurred; however, it reduced community service grants by ten percent.**

Nutrition Services. The Department's request includes \$2.3 million from federal funds for congregate meal sites. The request is \$0.3 million more than enacted because of an anticipated carry forward balance from FY 2011. This funding provides for meal reimbursements to senior nutrition programs, funds for home delivered meals for seniors 60 or older and funds for over 75 congregate meals sites for seniors 60 or older through the Older Americans Act of 1965. *The Governor recommended funding as requested.* **The Assembly concurred.**

Medicare Outreach and Enrollment Assistance Grants. The Department's request includes \$155,708 from federal funds or \$7,163 more than enacted for Medicare Outreach and Enrollment Assistance grants. These grants are available through the Medicare Improvements for Patients and Providers Act. The purpose of these grants is to provide targeted outreach to clients who may be eligible for the Medicare Savings Program and the "Extra Help" program and who are not yet enrolled. The Medicare Outreach grant is for \$65,771 and the Medicare Enrollment Assistance grant is for \$89,937. These programs are for people with limited income and resources that pay some or all of Medicare's premiums. The programs help pay monthly premiums, annual deductibles, and prescription co-payments related to a Medicare prescription drug plan. *The Governor recommended funding as requested.* **The Assembly concurred.**

Aging and Disability Resource Center. The Department's request includes \$368,841 from federal funds to extend and expand its Aging and Disability Resource Center. This Center is locally known as the Point. The Point's goal is to provide information about and referral to a statewide network of programs for seniors, adults with disabilities, and caregivers. These are new federal grants that will improve knowledge of the problems and needs of the elderly, help ensure adequately trained personnel in the field of aging, and demonstrate better ways of improving the quality of life for the elderly. The request is \$0.2 million more than the enacted budget to reflect an additional grant that has recently been awarded. *The Governor recommended funding as requested.* **The Assembly concurred.**

Indirect Cost Recovery. Most federal grants allow for recovery of overhead costs, in addition to direct administrative costs, through the application of a negotiated indirect cost rate. The Departments of Health, Elementary and Secondary Education and Environmental Management take advantage of this allowance to lower state general revenue costs. The Department requested the enacted savings of \$0.4 million from assuming an indirect cost recovery rate of not less than 5.0 percent and shifted the grant funded expenditures from federal to restricted sources consistent with current practice for accounting for indirect cost recovery resources. These savings were also included in FY 2010; however, the Department did not achieve them. *The Governor recommended funding as requested.* **The Assembly concurred.**

Housing Security Grant. The Department's request includes \$0.1 million from general revenues or \$10,537 more than enacted for the elderly housing security grant. As part of its constrained request, the Department requested to eliminate this grant. This grant is used to ensure the health, safety, and welfare of older individuals in public or private housing. It is important to note that actual FY 2010 expenses total \$5,919. *The Governor recommended eliminating general revenues for this grant and using federal funds available through the Older Americans Act.* **The Assembly concurred.**

Community Service Grants. The Department's current service request includes the enacted amount of \$1.1 million from general revenues for community service grants to 59 agencies; it's constrained request eliminates all community service grants. *The Governor included \$1.1 million from general revenues for community service grants.* **The Assembly included savings of \$108,555 from a ten percent reduction to community service grants.**

Other Program Grants. The Department's request includes \$1.8 million from federal funds for other grant awards, which is \$151,641 more than enacted. The FY 2012 request includes slight adjustments to the disease prevention grant, the family caregiver support grant, the senior Medicare patrol project, as well as various other federal grants. These adjustments are based on revisions to projected expenses and anticipated carry forward balances from FY 2011. *The Governor recommended funding as requested.* **The Assembly concurred.**

Other State Operations. The Department's request is \$489,751 from all sources for operating expenses, which is \$5,729 more than enacted. This includes adjustments primarily related to mileage reimbursements for case workers traveling to elders within the state. It is worth noting that the Department spent \$255,901 on these expenses in FY 2010. *The Governor recommended \$11,784 more than enacted from federal funds to reflect additional mileage reimbursements.* **The Assembly reduced general revenues by \$11,952 to reflect savings from the merger with Human Services.**

Other Programs

Child Support Enforcement – New Positions. The Department's unconstrained request includes the authority for 91.0 new full-time equivalent positions department-wide and the funding request assumes

that approximately 10 percent of the positions will be filled. For the child support program the request includes 2.0 new full-time equivalent positions, including 1.0 senior human services business officer and 1.0 data entry operator. The request assumes that approximately 0.2 full-time equivalent positions will be filled and includes \$22,236 for the positions, including \$7,560 from general revenues.

As part of its constrained request, the Department excluded the authorization and funding for these 2.0 positions. *The Governor's recommendation did not include the authorization or the funding for these positions.* **The Assembly concurred.**

Child Support Enforcement – All Other Staffing. The request includes \$4.9 million from all sources for salaries and benefits for 61.3 positions. This is \$0.1 million more than enacted and includes \$1.7 million from general revenues and \$3.5 million from federal funds and includes a 3.0 percent cost-of-living adjustment, step increases and benefit rates consistent with FY 2012 planning values. This also includes additional turnover savings of \$0.2 million from maintaining approximately 2.0 full-time equivalent positions vacant. *Besides the transfer of \$0.1 million to the Office of Health and Human Services, the Governor recommended \$0.1 million less than requested, including \$5,962 from general revenues, including adjusted benefit calculations.*

Child Support Enforcement Program - Other Operations. The Department requested \$3.7 million for all operating expenses of the child support enforcement program, including \$0.7 million from general revenues and \$3.0 million from federal funds. The request is \$0.7 million less than enacted, including \$6,164 more from general revenues and \$0.7 million less from federal funds. The request does not include \$0.8 million from federal stimulus incentive funds or \$0.2 million from the federal Project Restore grant, due to their expiration in FY 2011.

The request includes \$1.7 million for the InRhodes eligibility and benefit payment systems, which is \$0.6 million more than enacted, \$0.6 million for constable and legal services, \$0.6 million for rental and lease costs, \$0.4 million for postage and printing, \$0.1 million for security services, \$0.1 million for various utilities and \$0.3 million for all other operating expenditures. The request includes \$0.2 million less for computers and \$0.1 million less for centralized state services.

The Governor included \$54,321 less from all fund sources than requested, including \$74,060 less from general revenues. This includes \$0.2 million less from all sources, including \$83,640 less from general revenues by substituting the use of constable services with regular mail when possible for notification of parties to appear at court. It also included \$0.2 million more, primarily from federal funds for the completion of Project Restore, reflecting carry forward funding that will be spent in FY 2012 since the Department received a one-year extension. He also included a reduction of \$4 from general revenues from a 15.0 percent reduction to certain legal expenses. **The Assembly concurred.**

Food and Nutrition Program Transfer. The 2010 Assembly passed legislation included in Sections 1 through 3 of Article 7, 2010-H 7397, Substitute A, as amended that transferred the Women, Infants and Children administration and benefits program from the Department of Health to the Department of Human Services effective October 1, 2010. It was later determined by the federal Food and Drug Administration that the program must remain within the Department of Health in order to meet federal guidelines. The Department's request transfers the Women, Infants and Children administration and benefits program, the \$19.8 million from federal funds and 12.0 full-time equivalent positions back to the Department of Health.

The Governor recommended shifting \$19.8 million and 12.0 positions back to the Department of Health, consistent with the request and included Section 2 of Article 9 of 2011-H 5894 to reverse the

shift to the Department of Human Services. The Assembly included Article 9 of 2011-H 5894, Substitute A, as amended which maintained the program in the Department of Human Services. It shifted 12.0 positions and \$26.3 million from federal funds from the Department of Health to Human Services.

Supplemental Nutrition Assistance Program - Benefits. The Department requested \$298.4 million from federal funds for direct benefit payments for the Supplemental Nutrition Assistance program, \$21.9 million more than enacted. Under the American Recovery and Reinvestment Act, benefits were increased to all recipients, but unlike other stimulus programs the benefit increase will remain. The Department's request reflects actual and anticipated increases in utilization.

As part of its constrained budget, the Department requested a reduction of \$158,976 from federal funds from the Division of Motor Vehicles monitoring initiative, also included in the medical assistance and cash assistance programs. Subsequently, the Department removed this initiative from the request.

The Governor recommended \$158,796 less than requested for the payment of benefits from assuming the Department will pursue the Division of Motor Vehicles monitoring initiative. The Assembly concurred.

Supplemental Nutrition Assistance Program – Time-Limited Positions. The Department requested \$369,714 from federal funds and authorization for 22.0 new positions, including 20 senior clerk typists and 2.0 clinical training specialists through September 30, 2011. The federal government provided funding for the state to hire additional staff through September 30, 2011, to handle the increasing number of program applications. The request assumes that all positions will be filled in FY 2011; as of January 10, 2011 the Department has filled 20.0 of these positions and is in the process of filling the remaining 2.0 positions. *The Governor recommended \$3,173 less than requested, reflecting adjustments to benefit calculations. The Assembly concurred.*

Supplemental Nutrition Assistance Program – New Positions. The Department's unconstrained request includes the authority for 91.0 new full-time equivalent positions department-wide and the funding request assumes that approximately 10 percent of the positions will be filled. For the Supplemental Nutrition Assistance program, the request includes 14.4 new full-time equivalent positions. The request assumes that approximately 1.4 positions will be filled and includes \$0.1 million for the positions, including \$57,200 from both general revenues and federal funds.

As part of its constrained request, the Department excluded the authorization and funding for these 14.4 positions. *The Governor's recommendation did not include the authorization or the funding for these positions. The Assembly concurred.*

Supplemental Nutrition Assistance Program – All Other Staffing. The Department requested \$11.3 million from all funds for salaries and benefits for 120.6 full-time equivalent positions. This is \$1.0 million more than enacted and includes \$5.6 million from both general revenues and federal funds. The request includes a 3.0 percent cost-of-living adjustment, step increases and benefit rates consistent with FY 2012 planning values and includes filling all vacant positions. *The Governor recommended a reduction of \$53,586 from all sources, including \$26,793 from both general revenues and federal funds, reflecting adjustments to benefit calculations and assumes filling all vacant positions. The Assembly concurred.*

Supplemental Nutrition Assistance Program - Other Operations. The Department requested \$6.1 million from all sources for operating expenditures related to the Supplemental Nutrition Assistance program, formerly called the food stamp program, excluding salaries and benefits. The request is \$0.9 million less than enacted, including \$0.1 million more from general revenues and \$1.0 million less from federal funds, primarily from the expiration of federal stimulus funding, which the enacted budget includes \$0.9 million for program operations. The request includes \$2.1 million for administrative grants, including \$0.1 million provided to the University of Rhode Island's Feinstein outreach program, consistent with the enacted budget, \$1.4 million, \$0.1 million more than enacted for the InRhodes eligibility system and \$1.2 million, \$0.2 million more than enacted for the electronic benefit cards. It also includes \$0.5 million for rental costs, \$0.4 million for printing and postage expenses, \$0.3 million for centralized state services, \$0.1 million for required audit expenses, and \$0.2 million for all other operating expenditures.

The Governor recommended \$100,000 less than requested from general revenues, reflecting the elimination of the grant provided to the University of Rhode Island's Feinstein outreach program. University students visit local soup kitchens, housing sites, senior centers, food pantries and shelters informing those in need of nutritional assistance on how to access benefits. The University's program has used these funds to secure a like amount of federal funds in the past. It is likely that the University will only have access to these federal funds if it can secure the additional funds required for the match. The Assembly restored the \$100,000 for the outreach program.

HIV/AIDS. The Department of Health currently manages the HIV/AIDS programs which include treatment, prevention and monitoring activities. Supportive services include community based case management to those affected by AIDS or HIV for monitoring, education, support and referral services as needed. Other reported expenses include medications to all active patients, clinical services which include dental services, drug adherence, screening and testing, mental health services, nutrition assistance, outpatient and ambulatory health services, health insurance premiums and cost-sharing assistance. The state also provides individuals with home health care, hospice care, community-based health services, substance abuse outpatient care, and medical case management, including treatment adherence services and support services which include case management, social services and emergency assistance for housing and basic needs.

The Governor's recommended budget includes funding of \$13.4 million from all sources for these programs in the budget of the Department of Health. The Assembly transferred the programs to the Department of Human Services, effective July 1, 2011 and included Section 8 of Article 9 of 2011-H 5893, Substitute A, as amended to accomplish this. The Assembly provided \$13.1 million, including \$2.6 million from general revenues and 4.0 positions.

Special Education. The Department's request includes \$25.3 million for the federal portion of special education expenditures, including benefits and administration expenses. The state match is provided by the local school districts. This is \$4.5 million less than enacted due to the expiration of the federal stimulus funding. *The Governor recommended funding as requested. The Assembly concurred.*

Paratransit Services for the Elderly. The Department requested \$6.2 million from all sources for elderly transportation services. This is \$0.4 million less than enacted, including \$2,056 more from general revenues and \$0.4 million less from federal funds. The request is \$0.4 million less from Medicaid funds than enacted and shifts the costs to general revenues. The state leverages Medicaid funds under the global waiver for certain transportation expenses that were previously state only; however, there are fewer eligible paratransit riders in FY 2011 for whom the state can access the

Medicaid funds and an increase in the number of elderly riders who are not Medicaid eligible. The Department did not expect this to change in FY 2012.

The request also includes \$4.2 million from the Department's one-cent share of the motor fuel tax, which was based on an estimate from the state Budget Officer and Office of Revenue Analysis of a per penny yield of \$4.21 million for FY 2011 and FY 2012.

*The Governor recommended \$80,357 more than requested from the one-cent share of the motor fuel tax, based on updated estimates provided by the Department of Revenue in November 2010. He subsequently requested an amendment to reduce expenditures by \$38,078 from the motor fuel tax. **The Assembly concurred with the amended recommendation.***

Community Services Block Grant. The Department requested \$4.4 million from federal funds for expenses related to the community service block grant, including salaries and benefits. This is \$3.7 million less than enacted, primarily due to the exhaustion of the federal stimulus funds. The request includes \$4.3 million for direct grants awarded to the state's nine community action agencies, \$648 less than enacted. It also includes \$108,098 for salaries and benefits; there are no personnel costs in the enacted budget. *The Governor recommended \$520 less from federal funds to reflect updated medical and retiree health benefit rates. **The Assembly concurred.***

Head Start. The Department requested \$0.8 million from general revenues to support the local head start agencies, consistent with the enacted budget. Head Start is a federally funded program that provides services to 2,369 children, ages three to five years old, at eight locations throughout the state. The federal funds are appropriated directly to the agencies and the state provides additional funding. *The Governor recommended funding as requested. **The Assembly concurred.***

Community Service Grants. The Department requested \$2.7 million from general revenues to support 95 social service agencies. This is \$16,741 less than enacted. The Department was notified that two recipient agencies, Hartford Park Community Center and Options for Working Families, were no longer operating and the request was reduced accordingly. Funding supports social service agencies and community organizations throughout the state. *The Governor recommended funding as requested. **The Assembly also eliminated the payment to the Focus Family Outreach Center, which closed in January 2011 and included savings of \$269,167 from a ten percent reduction to community service grants.***

Community Health Centers. The Department requested \$1.2 million to support uncompensated health care expenses at the state's 12 community health centers. The total is consistent with the enacted budget, but the request shifted expenditures of \$28,164 from general revenues to federal funds. The funding is distributed among the health centers that provide medical services at 24 clinics throughout Rhode Island. The state is able to leverage Medicaid for this activity through the global waiver. *The Governor recommended funding as requested. **The Assembly concurred.***

Crossroads Rhode Island. The Department requested \$360,000 from general revenues to support activities provided by Crossroads Rhode Island that address homelessness and other related issues. The request is consistent with the enacted budget. Crossroads Rhode Island is the largest homeless services organization in Rhode Island that provides 24-hour assistance, seven days a week. *The Governor recommended funding as requested. **The Assembly concurred.***

Work Support Strategies Grant. Subsequent to submitting the FY 2012 request, the Department was awarded a new one year grant from the Urban Institute. The purpose of the grant is to enable the state

to assess its current operations and develop plans for testing new ways of doing business in an effort to provide more effective, streamlined and integrated approaches to delivering benefits to families. The Department will focus on supplemental nutrition assistance, Medicaid, child care, and Rhode Island Works programs. States that demonstrate an ability to execute their plans will compete for three-year implementation grants of up to \$500,000 per year. *The Governor requested an amendment to include expenditures of \$250,000 from general revenues and increased revenues by the same amount. The Assembly concurred with the amended recommendation.*

Central Management - New Positions. The Department's unconstrained request includes the authority for 91.0 new full-time equivalent positions department-wide and the funding request assumes that approximately 10 percent of the positions will be filled. For the central management program the request includes 6.0 new full-time equivalent positions, including 3.0 administrators, 1.0 senior auditor, 1.0 quality control review specialist, and 1.0 policy and service specialist. The request assumes that approximately 0.6 full-time equivalent positions will be filled and includes \$76,033 for the positions, including \$76,031 from general revenues. As part of its constrained request, the Department excluded the authorization and funding for these 6.0 positions.

The Department also requested 2.0 additional positions. This includes \$0.1 million from general revenues for 1.0 assistant coordinator of community relations position, which was filled in June 2010. The United States Department of Health and Human Services requires that a single individual be assigned to these duties. The position became vacant at the end of FY 2008, was eliminated in FY 2009, and the duties were spread among other staff. It also includes \$0.1 million, primarily from general revenues for 1.0 deputy director position. This position has been vacant since February 2009 and the Department does not expect the position to be filled until January 2012. These two positions are also included in both the request and constrained request.

The Governor provided authorization and funding as requested for the deputy director and assistant coordinator of community relations position and he recommended \$76,033 less than requested from not including the authorization or the funding for the other 6.0 positions, consistent with the constrained request. The Assembly concurred.

Central Management - All Other Staffing. The Department requested \$2.9 million for salary and benefit expenses for 15.0 full-time equivalent positions for the central management program. The request is \$1.6 million more than enacted, primarily from general revenues and includes \$2.1 million from general revenues and \$0.8 million from federal funds. The request includes a 3.0 percent cost-of-living adjustment and benefit rates consistent with FY 2012 planning values in addition to \$0.7 million from reduced turnover savings by filling vacant positions and shifting funding for positions among the programs, primarily from individual and family support.

The Governor recommended \$1.1 million less from all funds than requested, including \$0.9 million less from general revenues. This includes the transfer of \$1.4 million, of which \$0.7 million is from general revenues for 4.0 positions to the Office of Health and Human Services. He also transferred 4.0 positions into central management from the Office and reduces turnover expectancy. The Assembly concurred.

Central Management - Other Operations. The Department requested \$316,846 from all funds, including \$109,711 from general revenues for all other state operations in central management. The request is \$11,236 less than enacted, including \$5,456 less from general revenues and \$5,780 less from restricted receipts. The request includes the enacted funding of \$0.2 million from federal funds for the emergency food assistance program and \$50,000 from general revenues for legal expenses, \$11,251

for dues and fees, \$6,081 for insurance costs, \$3,200 for rental and lease costs and \$39,179 for all other operating expenses.

*The Governor recommended \$13,563 more than requested, including \$7,500 less from general revenues from a 15.0 percent reduction to legal expenses and \$21,063 more from restricted receipts reflecting increases in centralized state services expenses and additional funding that may become available from the reduction to statewide personnel costs. **The Assembly concurred.***

Individual and Family Support - New Positions. The Department's unconstrained request includes the authority for 91.0 new full-time equivalent positions department-wide and the funding request assumes that approximately 10 percent of the positions will be filled. For the individual and family support program, the request includes authorization for 3.8 new full-time equivalent positions and assumes that approximately 0.4 positions will be filled. The request includes \$20,906 from federal funds for these positions.

As part of its constrained request, the Department excluded the authorization and funding for these 3.8 positions. *The Governor's recommendation did not include the authorization or the funding for these positions. **The Assembly concurred.***

Individual and Family Support - All Other Staffing. The Department requested \$1.4 million for salary and benefit expenses for 33.6 full-time equivalent positions, \$1.1 million less than enacted, primarily from general revenues. This includes expenditures of \$0.3 million from general revenues and \$1.1 million from federal funds. The request includes a 3.0 percent cost-of-living adjustment, step increases and benefit rates consistent with FY 2012 planning values and an additional \$0.3 million in turnover savings from maintaining and delaying the filling of 4.0 vacant positions.

As part of its constrained request, the Department requested additional federal funding of \$20,906, which reflects filling one vacant position for three months. *The Governor recommended \$36,182 more than requested, including \$30 less from general revenues, reflecting adjustments to benefit calculations. **The Assembly concurred.***

Individual and Family Support - Other Operations. The Department requested \$3.5 million, including \$0.2 million from general revenues, \$3.1 million from federal funds and \$0.2 million from restricted receipts for all other expenditures in the individual and family support program. The request is \$0.1 million less than enacted, primarily from federal funds. The request includes \$0.9 million for grants for family violence prevention, \$0.8 million for family and adult services, \$0.7 million for social security administration reimbursements, \$0.5 million for grants for emergency shelters, and \$0.3 million for refugee services and administration. It also includes \$1,125 for the toy lending library. The request includes the enacted level of \$180,000 from restricted receipts for expenditures from vending stand proceeds and does not include the \$55,000 from federal stimulus funds that was available in FY 2011 for emergency food services. *The Governor recommended \$5,600 more from federal funds than requested, reflecting additional funding that may become available from statewide personnel savings. **The Assembly concurred.***

Capital - Blind Vending Facilities. The Department requested \$150,000 from Rhode Island Capital Plan funds, \$75,000 more than enacted for the ongoing construction and renovation of statewide vending facilities. *The Governor recommended \$15,000 more than requested. **The Assembly concurred.***

Legislation

2011-H 5894, Substitute A, as amended contains legislation that affects implementation and operation for many of the Department's programs. These are included as Articles in the FY 2012 Appropriations Act and are summarized below.

Article 9 - Governmental Organization, Section 2, Elderly Affairs. The Assembly included language to merge the Department of Elderly Affairs with the Department of Human Services, effective July 1, 2011.

Article 9 - Governmental Organization, Sections 3 through 7, Veterans' Affairs. The Assembly repealed language creating the Department of Veterans' Affairs, maintaining the Division of Veterans' Affairs in the Department of Human Services. The article also created the position of director of Veterans' Affairs in the unclassified service and outlined the duties of the position.

Article 9 - Governmental Organization, Section 8, HIV/AIDS. The Assembly included language to shift the HIV/AIDS direct services programs and all resources from the Department of Health to the Department of Human Services. This reflects the transfer of 4.0 full-time staff.

Article 9 - Governmental Organization, Section 13, Weatherization and LIHEAP. The Assembly included language to transfer the Low Income Home Energy Assistance Program and the Weatherization Assistance Program from the Office of Energy Resources in the Department of Administration to the Department of Human Services, effective July 1, 2012.

Article 11 - Children's Health Account. The Governor proposed changes to the methodology of the annual assessment applied to all insurers for home health services, children and adolescent intensive treatment services and Comprehensive Evaluation, Diagnosis, Assessment, Referral and Re-evaluation services by charging the assessment for each individual service provided. Currently, the assessment is charged on the aggregate costs of services within one of the three expense categories. He also proposed to increase the maximum assessment from \$6,000 to \$7,500 per child per service per year. The Assembly concurred.

Article 14 - Nursing Facilities Rate Reform. The Assembly eliminated the current nursing home principles of reimbursement and replaced it with a methodology to pay a base rate to each nursing home continuing to recognize patient acuity and the minimum occupancy requirements beginning January 1, 2012. The article also required the Office of Health and Human Services to submit a report to the House and Senate Finance Committee chairpersons by November 1, 2011 on the new methodology.

Article 15 - Hospital Payment Rates. The Assembly included language to restrict the rates used by the Department of Human Services to pay hospitals for both inpatient and outpatient services through the state's managed care plans, which cannot be higher than national growth rates set by the Centers for Medicare and Medicaid Services. The current restriction on outpatient rates is set to expire on January 1, 2012 with the inpatient restriction expiring January 1, 2013. This article also specified that fee-for-service outpatient rates will be equal to what Medicare pays for similar services.

The article also added language to end hospitals year end settlement reports for payments for outpatient and inpatient services, beginning in FY 2010 and FY 2011 respectively, with FY 2010 inpatient claims between October 1, 2009 and June 30, 2010 subject to the settlement process. This action coincides with the new hospital rate reimbursement system that pays closer to cost. The article also increased the thresholds that trigger hospital compliance with the certificate of need process adjusted annually for the consumer price index.

The article instructed the secretary of the Office of Health and Human Services, along with the health insurance commissioner, replacing the director of the Department of Health, to appoint the health care planning and accountability advisory council by September 30, 2011. It replaced the health insurance commissioner with the director of the Department of Health as a council member and allows for certain designees. The council has the authority to develop ongoing assessments of state's health care needs and health care system, including the capacity of health care providers, services, including transportation and equipment. The article provided that an annual report be submitted every July to the Governor and General Assembly on the implementation of the plan that was adopted by the council.

Article 16 - Medicaid Reform Resolution. Article 16 was a resolution to notify the Assembly and seek approval to make ten changes to the Medicaid global waiver for programs through the Department of Human Services, the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals, and the Department of Children, Youth and Families. The changes affected reimbursement methodologies for services provided by nursing homes, hospitals, and agencies serving adults with developmental disabilities. It also made changes to programs provided to adults with mental health and substance abuse issues and children through the Department of Children, Youth and Families and increased the monthly cost sharing requirement for Rite Care families. These are considered category II because the changes are statutory with potential changes to the state's rules and regulations.

The article also required a review of managed care plans with a report to be submitted to the Assembly and directed the Department of Human Services to enter into a contract by July 1, 2012 to manage the long term care and acute care benefits of Medicaid eligible individuals and those eligible for both Medicare and Medicaid, also called dual eligibles.

Article 18 - Hospital Uncompensated Care Payments. The Assembly included language that extends the uncompensated care payments to the community hospitals with the state making a payment for FY 2013 that does not exceed \$129.8 million. It also included a \$12.1 million outpatient upper payment limit reimbursement to the community hospitals and provided a separate \$1.0 million state only payment for acute care expenses, \$0.5 million each to South County Hospital and Westerly Hospital.

Article 19 - Hospital Licensing Fee, Section 11. The Assembly included an FY 2012 hospital licensing fee at 5.43 percent of hospitals' net patient services revenue for the hospital fiscal year ending on or after January 1, 2010. It also included the due date for filing returns and making the payment.

Article 23 - Human Services. The Assembly included language to reduce the state's portion of the supplemental security income monthly payment made to assisted living residents to its federally required minimum payment of \$332. It also mandated that any medical benefit claim first be submitted to commercial insurers, Medicare and/or a Medicaid managed care plan before the state pays the claim.

The Assembly also included language to allow Rhode Island Works clients to immediately enter into intensive education and training programs if the client needs these services in order to obtain gainful employment instead of requiring the individual to seek employment first. The article also allowed all current participants in the Rhode Island Pharmaceutical Assistance to the Elderly program to continue to receive services in addition to their Medicare Part D benefits.

Dept. of Behavioral Healthcare, Developmental Disabilities & Hospitals

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Program				
Central Management	\$ 1,559,450	\$ 992,521	\$ 1,149,644	\$ 1,149,644
Services for the Dev. Disabled	232,150,971	237,074,838	224,455,968	212,682,316
Hosp. & Comm. System Support	4,851,766	4,902,292	4,015,655	4,370,866
Hospital & Comm. Rehab. Services	101,480,369	98,935,265	116,251,203	114,177,032
Behavioral Health	106,707,771	107,031,703	96,080,155	108,742,469
Total	\$ 446,750,327	\$ 448,936,619	\$ 441,952,625	\$ 441,122,327
Expenditures by Category				
Salaries and Benefits	\$ 114,200,222	\$ 117,094,367	\$ 115,684,586	\$ 113,622,308
Contracted Services	1,374,855	1,477,311	1,141,046	1,148,793
Subtotal	\$ 115,575,077	\$ 118,571,678	\$ 116,825,632	\$ 114,771,101
Other State Operations	15,022,266	13,253,947	12,030,285	12,106,275
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	301,432,545	308,333,858	287,707,915	288,856,158
Capital	14,720,439	8,777,136	25,388,793	25,388,793
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 446,750,327	\$ 448,936,619	\$ 441,952,625	\$ 441,122,327
Sources of Funds				
General Revenue	\$ 163,684,244	\$ 170,429,040	\$ 190,519,884	\$ 184,249,569
Federal Aid	259,918,758	262,744,172	220,049,930	225,489,947
Restricted Receipts	10,688,634	8,049,478	7,997,979	7,997,979
Other	12,458,691	7,713,929	23,384,832	23,384,832
Total	\$ 446,750,327	\$ 448,936,619	\$ 441,952,625	\$ 441,122,327
FTE Authorization	1,372.2	1,372.2	1,376.2	1,378.2

Summary. The Department requested \$507.7 million or \$60.9 million more than the FY 2011 enacted budget in its current services request, including \$69.9 million more from general revenues, \$20.4 million less from federal funds, \$14.1 million more from Rhode Island Capital Plan funds and \$2.7 million less from restricted receipts.

The request adds \$40.9 million from general revenues to adjust for the enhanced Medicaid rate included in the American Recovery and Reinvestment Act of 2009 that expires as of June 30, 2011. The Department requested 1,432.2 positions in its current services request, 60.0 more positions compared to the current authorized level. It eliminated the new positions in the constrained budget request.

The Governor recommended \$442.0 million from all sources, \$4.7 million less than enacted and 1,376.2 full-time equivalent positions, 4.0 more than currently authorized. His recommendation is \$65.7 million less than requested and \$27.4 million less than the constrained request. He included

\$190.5 million from general revenues, \$26.8 million more than enacted and \$19.9 million less than the constrained request. He included a proposal to shift \$12.6 million in general revenue expenses for mental health services to federal funds through federal health care reform; however, he inadvertently excluded the federal fund adjustment.

The Assembly reduced funding by \$0.8 million, including \$6.3 million less from general revenues and \$5.4 million more from federal funds. The Assembly included 1,376.2 positions, 2.0 more than recommended to reflect a transfer from the Department of Administration's Division of Facilities Management.

Target Issues. The Budget Office provided the Department with a general revenue target of \$180.9 million. The amount includes current service adjustments of \$49.1 million and a 15.0 percent target reduction of \$31.9 million.

FY 2012 Budget	Budget Office	BHDDH	Difference
FY 2011 Enacted	\$ 163,684,244	\$ 163,684,244	\$ -
Current Service Adjustments	49,108,647	69,942,849	20,834,202
Change to FY 2011 Enacted	\$ 49,108,647	\$ 69,942,849	\$ 20,834,202
FY 2012 Current Service/ Unconstrained Request	\$ 212,792,891	\$ 233,627,093	\$ 20,834,202
Target Reduction/Initiatives	(31,918,934)	(23,183,384)	8,735,550
FY 2012 Constrained Target/Request	\$ 180,873,957	\$ 210,443,709	\$ 29,569,752
<i>Change to FY 2011 Enacted</i>	<i>\$ 17,189,713</i>	<i>\$ 46,759,465</i>	<i>\$ 29,569,752</i>

The constrained budget submitted by the agency is \$29.6 million above the target but \$23.2 million below its unconstrained request. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$19.9 million below the constrained request.* **The Assembly provided \$6.3 million less than recommended.**

Statewide Adjustments. The Governor recommended a three percent statewide reduction, two percent to personnel and one percent to operating costs, in the budgets of cabinet level agencies, elected officials, the Judiciary and Legislature. He also reduced legal fees by 15 percent in certain agencies. For the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals, he included statewide savings of \$1,816,015 from general revenues and included \$30 in reduced legal fees. **The Assembly concurred.**

Medicaid Expenses - State/National Comparison. The following table compares national and state 2008 Medicaid spending. By percentage, Rhode Island's enrollment of children (the state's RIte Care population) is lower than the national average while enrollment of parents is slightly higher. The percent of total spending for this population is lower than the national average but higher when comparing cost per enrollee. The Medicaid expenses for the populations are in the Department of Human Services' budget.

For disabled individuals, enrollment is higher than the national average as is the percent of expenses compared to total spending and cost per enrollee. Expenses for this population are in the Department of Human Services, Department of Behavioral Healthcare, Developmental Disabilities and Hospitals and the Department of Children, Youth and Families.

Enrollment and expenses for the aged population is slightly lower than the national average when comparing enrollment but higher than the national average when comparing percent of enrollment to

total enrollment and higher than the national average for cost per enrollee. Expenses supporting this population are in the Departments of Human Services and Elderly Affairs.

Medicaid Expenses	Enrollees		Percent of Enrollees		Expenses*		Percent of Expenses		Cost Per Enrollee	
	US *	RI	US	RI	US	RI	US	RI	US	RI
Population	23.5	80,052	48.9%	44.4%	\$ 57,100	\$ 228.0	19.4%	13.5%	\$ 2,435	\$ 2,848
Children	11.1	42,110	23.1%	23.4%	39,700	170.5	13.5%	10.1%	3,586	4,048
Adults	8.5	40,360	17.7%	22.4%	126,700	865.0	43.0%	51.4%	14,858	21,433
Blind/Disabled	5.0	17,795	10.4%	9.9%	70,900	420.8	24.1%	25.0%	14,058	23,647
Aged	48.1	180,317	100%	100%	\$294,400	\$1,684.3	100%	100%	\$ 6,120	\$ 9,341
Total										

**in millions*

Department Populations – Medical Benefits and Other Programs. The Department of Behavioral Healthcare, Developmental Disabilities and Hospitals’ budget supports programs for the disabled including residential care for adults with developmental disabilities and behavioral health issues as well as inpatient and outpatient treatment services for those with behavioral health issues. The Department also operates the Eleanor Slater hospital system, the state’s only public hospital that provides long-term care services with the support of acute medical services. The 495 bed facility is a two-campus hospital that has acute care medical, psychiatric and respiratory units.

Medical benefits for these populations including doctor visits, prescriptions, rehabilitation services and community hospital stays are provided either through the Rhody Health managed care plans or on a fee-for-service basis through the Department of Human Services.

Department-wide

Stimulus – Enhanced Medicaid. The enacted budget includes statewide general revenue savings of \$215.1 million, including \$40.9 million for the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals, from the enhanced Medicaid rate included in the American Recovery and Reinvestment Act of 2009. The rate expires June 30, 2011 and the Department’s request backfills the loss of federal funds. *The Governor’s recommendation adjusted for the updated Medicaid rate.* **The Assembly concurred.**

New Positions. The Department requested 60.0 new positions in its current services request but did not include the new positions in its constrained budget request. The 60.0 new positions include 35.0 at Eleanor Slater Hospital, 12.0 in the Division of Behavioral Health, 11.0 in the Division of Developmental Disabilities, and 2.0 in Hospital and Community Support. The positions are discussed separately by program. *The Governor did not recommend the new positions. He did provide funding for additional positions at the state hospital; however, within the existing staffing authority and transferred 4.0 positions from the Office of Health and Human Services.* **The Assembly concurred.**

Indirect Cost Recovery Rate for Federal Grants. The enacted budget includes \$0.6 million in restricted receipts from the Department applying and receiving an approved indirect cost rate for its federal grants. The restricted receipts allow the Department to offset general revenue supported personnel in the central management and hospital and community support programs.

Most federal grants allow for recovery of overhead costs, in addition to direct administrative costs, through the application of a negotiated indirect cost rate. Current law mandates that all state agencies shall apply for the rate when it is allowed under the particular federal grant. The Department’s request includes \$0.4 million from restricted receipts, \$0.2 million less than enacted to offset general revenue

administrative costs. As of the January 13, 2011, the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals had not applied for an indirect cost rate for its federal grants. *The Governor recommended funding essentially as requested. **The Assembly concurred.***

Capital Projects. The Department requested \$26.5 million from Rhode Island Capital Plan funds for capital projects in both its current services and constrained budget, which is \$14.0 million more than enacted. The Capital Budget section of this analysis includes project descriptions. *The Governor recommended \$3.3 million less than requested including \$2.0 million less for upgrades to the Department's administrative buildings. **The Assembly concurred.***

Division of Developmental Disabilities

Summary. The state provides residential, day programming, family supports and/or medical services to support adults with developmental disabilities. There are currently 4,400 individuals receiving services through either the state run system or through community based providers. The Department's request includes \$254.5 million from all sources, including \$117.7 million from general revenues for the programs to support adults with developmental disabilities in its budget request. The Department's constrained budget is \$232.9 million from all sources, \$21.6 million less than its unconstrained request.

The state funds residential care for those individuals who require staff supervision overnight, staff supervision but not overnight, and shared living arrangements where they reside with another non-related adult, and adults with developmental disabilities through the state-run Rhode Island Community Living and Supports program and the community based, privately operated system as well as day programming and family support services supported by the Rhode Island Consumer Global Choice Waiver.

The Division provide the services through four separate programs: privately operated and state-run residential, day and supportive services funded by Medicaid, day program and supportive services, Medicaid services through the rehabilitation option, day program and supportive services that are Medicaid funded through the Rhode Island Consumer Global Waiver and state only services. Each is discussed separately.

Funding through the Medicaid global waiver supports community based residential support programs in the state-run system which is comprised of 34 homes, has a capacity to hold 259 patients and represents 7.0 percent of the residential caseload. Three of the 34 homes are considered nursing facilities or special care facilities, since the homes allow and accommodate 24-hour care for special care patients and can serve as a transition from the hospital or nursing home back to a community setting. The private provider system is comprised of 339 homes, has a capacity to offer residential supports to 1,741 clients, and represents 93.0 percent of the residential caseload. In addition to the residential support, the state also provides funding for day programming, supported employment activities and family support services through a Medicaid waiver.

The Department is required by Rhode Island General Law 22.1-22-39 to submit monthly developmental disabilities caseload and expense reports to the House and Senate finance committee chairpersons, budget office and fiscal advisors by the 15th of each month. The report format is in any form required by the house and senate fiscal advisors.

*The Governor recommended \$224.5 million from all sources, \$7.7 million less than enacted and \$8.4 million less than the constrained request. **The Assembly provided \$212.7 million from all sources***

for the community based services provided to approximately 4,300 adults with developmental disabilities. It is \$11.8 million less than recommended and includes \$3.7 million for capital projects funded from Rhode Island Capital Plan Fund and Medicaid.

Developmental Disabilities Program Savings. The Assembly passed Article 21 of 2010-H 7397 Substitute A, as amended to establish one or more networks of developmental disability providers, each headed by a lead agency that would be responsible for a population of clients and refer them to the appropriate services delivered through their network and changes in the rate structure.

The Department will not establish the lead agency network but will instead continue to make two changes in the reimbursement rates, discussed separately. The Department made the decision not to use the lead agency model in early June 2010, before the final budget was passed by the Assembly. It informed providers of this decision in early June; however, the Department did not notify the Assembly. It instead informed fiscal staff from house, senate and budget office in early August. *The Governor's budget assumes the rate changes.* **The Assembly concurred.**

Privately Operated Community Programs - Unachieved Savings. The enacted budget includes \$7.0 million in savings from all sources for Project Sustainability to establish one or more networks of developmental disability providers and rate restructuring. The Department will make two rate changes to meet the \$7.0 million savings in the enacted budget. Those changes are discussed separately. *The Governor's budget assumes the rate changes.* **The Assembly concurred.**

Project Sustainability Rate Reform. The Department pays two separate rates for residential care: a "daily" reimbursement paid to certain providers for 771 residential placements with the highest rate equating to \$177,251 annually for 25 clients or an "annual" rate for the remaining community placements with the maximum amount of \$94,188 for overnight care. As of September 1, 2010, the Department eliminated the use of daily rates, reassessed clients' needs and now provides reimbursement through the annual rates.

For its FY 2012 budget request, the Department assumed the \$7.0 million savings from Project Sustainability included in the enacted budget from a second and permanent rate adjustment that is to be implemented in April 2011. *The Governor's budget assumes the rate changes.* **The Assembly concurred.**

The following table shows the number of individuals receiving residential, day programming and family supports through either the state-run system or the privately operated community based system funded through the Medicaid global waiver. It also shows the average annual cost per person for each activity. The unduplicated population of 4,298 is as of March 2011. This includes 3,614 individuals receiving community based residential and day services as well as family supports and respite and 684 individuals receiving case management services only. It should be noted that many clients receive both residential and day services.

The statewide average is arrived at by dividing the unduplicated population by the total costs for the Division of Developmental Disabilities. Medical benefits for this population appear in the Department of Human Services' budget.

Developmental Disabilities Services		
Daily Rates	Individuals	Avg Annual
Overnight/RICLAS	228	\$ 139,762
Overnight/Community Providers	124	75,098
<i>Annual Payments</i>		
Overnight	1,135	87,778
Non-Overnight	457	22,719
Shared Living	170	46,488
Day Programs	3,411	17,214
Family Supports	747	19,730
Respite Only	124	2,385
<i>Other Medicaid and State Funded Supports</i>		
Medicaid Rehabilitation Option	175	8,223
Day Programs - CNOM	100	17,945
Other State Only Services	100	3,327
Total Unduplicated Population*	4,298	\$ 49,484
<i>*includes 684 individuals receiving only case management services</i>		

Community Based Programs - Medicaid. The Department requested \$201.6 million, \$96.1 million from general revenues for privately provided residential, day and family support programs provided through the state's Medicaid global waiver in FY 2012. The request is \$23.6 million more than enacted from all sources and adjusts the Medicaid match. The request includes the new rate reimbursement system that will take effect April 2010.

As with its FY 2011 revised request, the Department reported that its request will fully fund the system; however, has not provided the information about the number of individuals who will receive services and at what level those services will be provided.

The Department's constrained budget proposes \$18.6 million in reductions related to community based services, discussed separately. *The Governor recommended \$4.6 million less than the constrained request, including \$2.2 million less from general revenues for continued program changes under Project Sustainability. He also included Article 16 of 2011-H 5894 to make the necessary global waiver changes.*

The Assembly reduced expenses by \$10.5 million including \$5.0 million from general revenues from the anticipated changes to more closely align individual needs with payment for services provided through the new rates under Project Sustainability. It included Article 16 for the resolution and Sections 24 and 25 of Article 9 to set the current rates paid for services provided to adults through the individualized service plans to be in effect until July 1, 2011 when the new rate system is implemented.

Target - Community Based Programs Reduction. The Department's constrained budget request reduces current services by \$18.4 million from all sources; however, it has also not provided any information as to how it will reach this target.

In order to reach the target, it appears reductions to reimbursement rates or reductions to services for its clients would have to be imposed. According to information provided for FY 2011, there were 3,317 clients who receive residential and day programming, or 84.3 percent of the caseload. If individuals residing in a community setting were to have the day programming level reduced, for example from five days to three, there would be a cost associated with providing additional staff at the

residential site since the residential rates reimburse staff for two shifts, an afternoon and overnight shift and the client is either at another site during the day or if someone is at the residential site during the day another staff member is brought in for that time period.

*The Governor's budget further reduced funding by \$4.6 million, including \$2.2 million from general revenues to continue program changes under Project Sustainability. **The Assembly reduced expenses by \$10.5 million, including \$5.0 million from general revenues, from the system-wide changes to more closely align individual needs with payment for services provided through the new rates under Project Sustainability.***

Privately Operated Community Programs Management Contract. The enacted budget includes \$300,000 from all sources to hire a consultant to prepare a management contract for the lead agency network proposal that was recommended by the Governor and approved by the Assembly in Article 20 of 2010-H 7397, Substitute A, as amended. The Department will not be implementing this change but requested \$0.6 million more than enacted for contracted services in its FY 2011 revised request and has hired Burns and Associates to design a new rate reimbursement system for the community based private providers as well as the new assessment tool, and service definitions.

The Department continues to request funding in its FY 2012 budget which is \$0.2 million more than enacted from all sources for the management contract. It reduced this funding to \$0.2 million in its constrained budget, \$0.3 million less than its current services and \$0.1 million less than enacted. The continued funding is for anticipated annual re-evaluations of the new rate system. *The Governor provided \$0.2 million consistent with the constrained request. **The Assembly concurred.***

Residential Services. The Department provides residential services in several different community settings including group homes, apartments and shared living arrangements. The options can include an individual requiring overnight supervision or supervision during the day. Each residential service is reimbursed at a rate that addresses an individual's level of need. The residential types and costs related to the level of care are discussed separately.

Daily Rates - Overnight Care. The enacted budget assumes that the state would continue to pay 17 community providers, operating 160 group homes for 771 clients, a daily rate for individuals who require supervision overnight. The daily reimbursement rates range from \$201.52 paid for 37 clients to \$485.62 for 25 clients equating to annual costs of \$73,555 to \$177,251, respectively, or \$71.9 million from all funds. As of September 1, 2010, the Department eliminated this payment structure and substituted the annual payment system until the new rates are developed and applied to all residential services. The Department anticipated an April 1, 2011 start date for the new rates. The new rates may change the reimbursements at each level of care.

These clients also receive day programming services in either a separate community setting or at their place of residence. These additional services are not part of the daily rate and are paid separately to the respective providers. Those are discussed in the day programming section of this analysis. *The Governor did not separate the payments. **The Assembly also did not separate the payments.***

Annual Payments - Overnight Care. For all other clients receiving 24 hour residential services through community providers, the cost is based on the level of care assigned to the clients based on the extent of their disability. The annual costs range from \$46,621 for level 1 for those individuals who are relatively independent and can complete most typical day routines with minimal support to \$94,185 for level 4 for those who require intensive support and services.

The Department did not separately identify the total payments related to the 24 hour care. It should be noted that the payment is for an individual's care overnight and in the early morning and late afternoon because an individual will also receive day programming services, either at a separate day facility or at their residence, which is a separate payment. Day programming activities are discussed separately.

The Department is in the process of developing new rates that should be implemented in April 2011. The new rates may change the reimbursements at each level of care. *The Governor did not separate the payments.* **The Assembly also did not separate the payments.**

Annual Payments - Non-Overnight Care. For clients who receive residential services through the community providers but do not require overnight supervision, each individual is assigned a level of care with annual reimbursements ranging from \$9,740 for level 1 to \$38,959 for level 4. The Department did not separately identify the total payments related to the residential care.

The Department is in the process of developing new rates that should be implemented in April 2011. The new rates may change the reimbursements at each level of care. *The Governor did not separate the payments.* **The Assembly also did not separate the payments.**

Annual Payments - Shared Living Arrangements. For clients residing in a shared living arrangement, each individual is assigned a level of care with annual costs ranging from \$30,320 for level 1 to \$54,584 for level 4. The Department did not separately identify the total payments related to the shared living arrangements.

The Department is in the process of developing new rates that should be implemented in April 2011. The new rates may change the reimbursements at each level of care. *The Governor did not separate the payments.* **The Assembly also did not separate the payments.**

Medical Benefits. The state provides subsidized medical benefits through the Medicaid program to certain populations if eligibility criteria are met. The populations include children and their parents, elderly and disabled. Medicaid eligible individuals enrolled in the residential, day and family support programs provided by the Division of Developmental Disabilities, will receive medical benefits including physician and rehabilitation services, pharmacy benefits and hospital stays that are paid for through the Department of Human Services' budget. A significant portion of the Department's clients are eligible for Medicare as the primary source of health coverage.

The Assembly passed Section 2 of Article 23 to require providers to first bill commercial insurers, Medicare and/or the Medicaid managed care plans before billing a department for medical benefits provided to a Medicaid client and included savings of \$1.0 million, \$0.5 million from general revenues in the Department's budget from this action.

Transportation. Transportation to and from a medically necessary trip is a Medicaid covered activity. An individual has access to either RIde paratransit vans, ambulance or wheelchair vans, taxi, other forms of public transportation, or a community agency may have its own van. Trips can include a doctor's appointment, attending a meal site or day program but the individual must have no other form of transportation available to them.

For individuals receiving community based services, agencies provide transportation from a residential setting, a group home, shared living arrangement or if an individual lives with a relative, to a day programming site, supported employment or a medical appointment. The community agencies may have their own transportation or use the RIde program which is paid for through the reimbursement

rates. The Department reported that the reimbursement rates paid to the community based providers cannot be separated by the individual costs for administrative services, direct care and other costs, such as transportation. Transportation expenses for this population also appear in the Department of Human Services' budget.

If an individual uses the wheelchair van, the state reimburses ambulance companies \$25.65 for each trip and \$1.75 for each mile through the Department of Human Services' budget. As of February 1, 2011, the Department of Human Services reduced the current reimbursement to \$22.00 per trip and eliminated the mileage reimbursement for non-wheelchair accessible van transportation.

The November Caseload Conference estimate includes \$7.7 million from all sources for updated transportation costs for adults with developmental disabilities receiving community based services. Total FY 2010 expenses of \$16.1 million include \$5.1 million for services provided to adults with developmental disabilities. There were 591 individuals who received transportation services for which expenditures appear in the Department of Human Services' budget. The state spent \$5.1 million in FY 2010 on transportation services for this population.

Total state spending for medically necessary transportation services to Medicaid eligible individuals includes a range of \$2.7 million in FY 2005 to \$16.1 million in FY 2010, an over fivefold increase. *The Governor's budget includes a reduction in transportation rates for wheelchair vans in the Department of Human Services' budget.*

The Assembly concurred with the new transportation rates in the Department of Human Services' budget and also included savings of \$4.2 million in that budget from the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals providing reimbursement for transportation services for its clients as part of the new rates established through Project Sustainability.

Rhode Island Community Living and Supports Program. There are 34 state run group homes which provide overnight care, of which three are special needs facilities that have the capacity to provide residential services to 249 clients. As of January 2011, there were 223 clients in the state run facility with 26 vacancies. The Department has established a policy that clients would be admitted into the state-run system in emergency situations only.

The Department's request includes \$32.8 million for these clients from all funds, which equates to a daily rate of \$389.02, or \$141,200 annually in the FY 2012 request. The request is \$3.8 million less from all funds, adding \$3.4 million from general revenues to adjust for the reduced Medicaid rate.

The Department's request, excluding new positions and contracted medical services, including dental clinic expenses which are discussed separately, includes \$29.8 million from all funds for 415.0 positions, holding 11.0 more positions vacant than included in the enacted budget. The program adjustments include \$2.3 million less in salaries and benefits, primarily for state employees who staff the group homes. This includes \$0.6 million less for the staff vacancies and \$0.4 million more for other benefit rate changes. The personnel savings also include \$2.4 million less in overtime costs for staffing for the community residences in the state run program and \$0.2 million less for temporary staffing at the group homes. The request also includes \$0.6 million less for various maintenance and operating costs.

The Department's constrained budget further reduces salaries and benefits by \$0.7 million by keeping approximately eight positions vacant. It also reduces operating expenses by \$0.4 million to provide

\$0.7 million from all sources for these expenses; however, the Department spent \$1.2 million in FY 2010 on operating costs within the state-run system.

*The Governor included \$29.2 million for the state run program, including \$12.0 million from general revenues. He included \$1.7 million less from closing and/or consolidating three state run homes and transferring three homes to private operations affecting approximately 30 individuals, along with the program adjustments. The Department has not yet determined which group homes or apartments will be closed. **The Assembly included additional savings of \$0.3 million from continuing to consolidate state run group homes as additional vacancies occur.***

State Operated Program – New Positions. The Department requested \$0.8 million from all sources, including \$0.3 million from general revenues, for 11.0 new positions in the Developmental Disabilities Division. This includes 7.0 administrative positions and 4.0 social workers. The Department did not request the new positions in its constrained budget request. The positions were also included in the revised request with the Department assuming an April 1, 2011 start date if approved. *The Governor did not recommend the new positions. **The Assembly concurred.***

State Operated System Contracted Medical Services. The Department requested \$475,000 from all sources, \$25,010 more than enacted, for contracted medical services in the state operated system. The request includes \$0.3 million for a contract with the University of Rhode Island for rehabilitation services and \$0.1 million to support the dental clinic located at the Virks building. The individuals receiving medical care through the clinic and the University of Rhode Island have their medical benefits paid for through the Department of Human Services' budget and have access to dental care through the fee-for-service system. *The Governor reduced funding by \$185,833, including \$83,846 from general revenues. This includes \$84,620 less for the contract with the University of Rhode Island. **The Assembly concurred.***

State Operated System Client Revenue. The enacted budget includes \$2.0 million from restricted receipts to reflect the \$713.92 monthly supplemental security income payments made to clients in the state run developmental disabilities system supporting their living costs, such as rent, food, utilities and other daily living expenses. The Department reduced this by \$978 based on updated projections. *The Governor recommended funding as requested. **The Assembly concurred.***

Other Medicaid and State Funded Supports. The Department also provides family supports and day programming services funded through either the Medicaid global waiver or general revenues, each is discussed separately.

Family Supports. The state provides family support services through the Medicaid global waiver, including respite care and annual payments for supportive services ranging from \$6,132 for level 1 to \$35,770 for level 4. A family cannot receive this benefit if the disabled individual receives either residential or day support services. The Department has not submitted the information that separates these payments in its request.

The Department is in the process of developing new rates that should be implemented in April 2011. The new rates may change the reimbursements at each level of care. *The Governor did not separate the payments. **The Assembly concurred.***

Day Programs - Medicaid Global Waiver. Clients residing in either a privately operated or state run home also receive day programming services through a private community provider. Payments range from level 1 care at \$6,161 to level 4 care at an annual rate of \$24,117. An individual can receive day

programming services at either a community based day center or at their residence with the state paying to provide assistance during the day. The Department did not separate the total value of these costs.

The Department is in the process of developing new rates that should be implemented in April 2011. The new rates may change the reimbursements at each level of care. *The Governor did not separate the payments.* **The Assembly concurred.**

Day Programs - Rehabilitation Option. The Department requested \$1.6 million from all sources, \$0.4 million more than enacted and adjusted for the enhanced Medicaid rate. The Department chooses to provide additional day program services to 200 individuals through the Medicaid rehabilitation option. The individuals are disabled but do not meet the eligibility criteria for day programming services through the Medicaid global waiver. Services are provided by the same community based agencies for those individuals who receive day programming services through the Medicaid waiver.

The Department requested \$1.4 million in its constrained budget, \$0.1 million less than the current services request; however, it has not identified what changes will be made to realize the savings. *The Governor recommended \$0.2 million more than enacted which is consistent with the constrained request.* **The Assembly concurred.**

Other Day Services. The Department requested \$1.8 million from all sources for day programs through the Medicaid global waiver for services provided to individuals who are not otherwise eligible for Medicaid. This is \$0.6 million more than enacted, including \$0.3 million from general revenues. The Department has not provided the caseload information for this increase.

For individuals who are not eligible for Medicaid, the state provides day programming services to approximately 300 individuals funded by Medicaid through the global waiver or through the state only program, included in the next section. *The Governor recommended funding essentially as requested; however, he reduced federal funds by \$9,636.* **The Assembly concurred.**

Other State Services. The Department requested \$5.6 million from general revenues for other state services for day programs. This is \$0.7 million less than enacted, \$0.5 million less from general revenues. The Department further reduced expenses by \$1.9 million in its constrained request. Direct services are provided to individuals who are not eligible for Medicaid funded services through any of the Medicaid waiver programs and includes two out-of-state placements. *The Governor recommended funding essentially as requested in the constrained request.* **The Assembly concurred.**

Division of Behavioral Health

The Department's request combines the Divisions of Integrated Mental Health and Substance Abuse into the Division of Behavioral Health. Services are provided to individuals with mental health and substance abuse issues.

Community Mental Health Rehabilitation Services - Rehab Option. The Department requested \$68.0 million from all sources for mental health services provided through the Medicaid rehabilitation option, which allows the state to provide mental health treatment services that are not otherwise eligible under Medicaid. The request is \$4.7 million more than enacted from all sources and includes general revenues based on the updated Medicaid rate.

The Department reported a population growth between 2005 and 2009 of 1,662 clients, from 7,695 to 9,357 or 21.5 percent for mental health services. For FY 2010, the rehabilitation program supported 8,041 clients at an average annually costs of \$7,987.

The Department reduced program costs by \$3.7 million from all funds for total funding of \$64.3 million in its constrained budget but has not provided the information as to how it would meet the reduced program costs. The Department's request is \$0.3 million less than actual program expenses of \$64.6 million in both FY 2009 and FY 2010. Of the savings, the Department has identified \$1.8 million from changes to the services but has not yet specified them.

The Governor included \$51.6 million for the treatment services, including \$17.9 million from general revenues. The recommendation is \$12.7 million less than the request to include \$12.7 million in general revenue savings from the state taking advantage of opportunities under federal health care reform.

*Through the Patient Protection and Affordable Health Care Act, states can choose to provide medical benefits, including community based mental health treatment services, through a new health home model with the federal government paying 90 percent of the costs of Medicaid funded services for two years. The Governor's recommendation inadvertently kept the federal funds at the requested constrained level instead of increasing the federal resources to offset the general revenue savings, understating the actual cost of the program. The Governor subsequently requested an amendment to add the federal funds. **The Assembly concurred with the amended recommendation.***

Mental Health Treatment Services – Unachieved Savings. The Assembly passed Article 21 of 2010-H 7397, Substitute A, as amended to allow the Department to enter into a contract with the state's ten community agencies, including seven mental health centers, to provide mental health treatment services as originally proposed by the Department and recommended by the Governor. The enacted budget includes savings of \$4.0 million from this proposal, which the Department did not implement. It opted to institute an across the board rate reduction instead, which is discussed separately.

The Department indicated that it did not receive the necessary claims information from the state's Department of Human Services that it would need to establish the rates under the new contract and did not proceed with the initiative. The claims data is required by the Centers for Medicare and Medicaid Services to receive approval to enter into this type of contract arrangement. The Department indicated that it is currently in the process of receiving a portion of that data but has not renewed the proposal to enter into a statewide contract arrangement with the mental health providers in the future. *The Governor's budget recognizes that the original savings proposal was not implemented. **The Assembly concurred.***

Community Mental Health Centers – Rate Reduction. On July 1, 2010, the Department imposed a 25.0 percent rate reduction to the state's 11 centers providing community-based mental health services to generate the \$4.0 million in savings to substitute for the initiative to have the mental health centers enter into a statewide contract. The Department has not provided information as to the impact on each mental health center. *The Governor's budget includes the rate reduction. **The Assembly concurred.***

Supportive Employment and Day Programs. The state provides supportive employment and therapeutic day programs for individuals with mental health issues. Individuals can be enrolled in group day activities such as the movies, the library or bowling. The Governor included savings of \$1.0 million, \$0.4 million from general revenues in his FY 2011 recommended budget, from engaging individuals in more individualized supportive employment programs and reimbursing at a lower rate,

instead of group activities. The Assembly did not concur and restored the funding. The Department subsequently reduced the psychiatric rates including those paid for the group activities by 15.0 percent to generate savings to meet other budget shortfalls in FY 2011 and its FY 2012 request also includes this reduction. *The Governor's budget includes the rate reduction.* **The Assembly concurred.**

Substance Abuse Treatment Services – Medicaid Rehab Option. The Department requested \$6.0 million from all funds, \$0.3 million more than enacted for substance abuse treatment services provided through the Medicaid rehabilitation option, which allows the state to provide mental health treatment services to Medicaid eligible individuals.

The Department spent \$6.1 million for FY 2007, \$5.9 million for FY 2008, \$4.4 million for FY 2009 and \$4.2 million in FY 2010 on the treatment services. *The Governor recommended funding as requested.* **The Assembly concurred.**

Other Community Mental Health Treatment Programs - Medicaid. The Department requested \$0.6 million more from all sources for community mental health treatment programs for total funding of \$7.0 million in its request. The Department continues to assume the ability to leverage Medicaid through the global waiver. The Department reported that the requested increase will fully fund the program but has not provided the reason for the projected increase in program expenses. *The Governor recommended funding as requested.* **The Assembly concurred.**

State Only Mental Health Treatment Services. The Department requested \$2.2 million for state only mental health treatment services, which is \$1.3 million more than enacted. Services support individuals who are not eligible for Medicaid but can receive outpatient and residential treatment services.

The Department's constrained request includes \$1.6 million less than current services. The Department has not indicated how it would reduce program expenses to meet this reduction. *The Governor recommended \$0.6 million, which is \$0.2 million less than enacted and \$32,000 more than the constrained request.* **The Assembly concurred.**

Other Substance Abuse Treatment Services – Medicaid. The Department requested \$3.0 million from all sources for other Medicaid funded substance abuse treatment services. The request is \$0.4 million less from general revenues and \$0.4 million less from federal funds. The Department has not provided its projected caseload or an explanation for the decrease in expenses.

The Department further reduced expenses by \$0.1 million in its constrained budget request; however, did not provide an explanation for the change. *The Governor recommended \$0.1 million less than the constrained request and provided \$2.2 million from all sources for the treatment services.* **The Assembly concurred.**

State Only Substance Abuse Treatment Services. The Department requested \$4.4 million more from general revenues for total funding of \$10.4 million for state only substance abuse treatment services. The Department reported the unconstrained budget assumed fully funding existing programs but did not provide any additional information. This is a 56.8 percent increase above the enacted budget and appears to overstate the Department's needs. Funding supports detoxification, adolescent residential services and prevention and training.

The Department reduced funding by \$4.3 million in its constrained budget; however, it has not identified any specific proposals. *The Governor recommended \$4.3 million, \$1.7 million less than the*

*constrained budget and \$6.0 million less than enacted. He assumed a \$1.0 million reduction to the Stanley Street Treatment and Resources (SSTAR) and savings from requiring providers to bill third-party payors for state only residential treatment services provided to adolescents. **The Assembly concurred.***

Community Medication Assistance Program Drug Expenses. The Department requested \$2.6 million from all sources, \$0.2 million more than enacted for the community medication assistance program in both its current services and constrained budget requests. This program pays the drug expenses for individuals who are not eligible for Medicaid because they are not disabled or not eligible for medical benefits through the RItE Care program. Individuals must be at least 18 years old, a Rhode Island resident and have at least one hospitalization at one point in their lives or be at risk of psychiatric hospitalization. This includes individuals who are currently stable but who, in the opinion of the physician or other licensed provider, would be at risk of hospitalization without continued psychiatric medication. The Department increased expenses based on projected costs. The Department spent \$2.9 million in FY 2007, \$2.6 million in FY 2008, \$2.3 million in FY 2009 and \$3.5 million in FY 2010, and requested \$2.6 million in its current service request.

*The Governor recommended \$1.3 million from all sources, which is \$1.3 million less than requested, including \$0.6 million less from general revenues. He assumed the Department will restrict new clients entering the program to only those who have been discharged from a psychiatric unit or hospital, an acute services unit or the Stanley Street Treatment and Resource program in the previous 30 days. He also assumed the Department will institute a prior authorization process and other restrictions for some of the drugs in the formulary. The Department will also reassess existing clients and disenroll those clients who are not classified as severely, persistently mentally ill. **The Assembly concurred.***

Methadone Treatment Services. The Department requested \$2.1 million from all sources, \$1.1 million more than enacted for methadone maintenance treatment services matched by Medicaid under the global waiver. *The Governor recommended funding as requested. **The Assembly concurred.***

Community Service Grants. The Department requested the enacted level of \$241,175 from general revenues for the Department's six community services grants. *The Governor recommended funding as requested. **The Assembly reduced community services grants by ten percent, including \$24,118 in the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals.***

Substance Abuse Capacity Beds. The Department included the enacted level of \$1.0 million from general revenues for the transition from the prison to community programs, expanding the number of substance abuse beds for prisoners recently paroled but remain incarcerated from a lack of treatment beds. As of December 2010, there have been 589 assessments, 469 admissions with 295 completing treatment, 46 currently enrolled, 128 leaving the program and 120 who are either waiting for placement, have sought alternative programming or have refused to enroll. *The Governor recommended funding as requested. **The Assembly concurred.***

Substance Abuse Treatment Block Grant. The Department requested the \$6.2 million from federal funds for the substance abuse treatment block grant, which is \$33,868 less than enacted. However, the Department requested \$0.3 million more from federal funds in its constrained budget but has not responded to whether this is in an error since it appears that there is \$6.7 million in available funding through the block grant. Funding is awarded to community agencies to support local programs. *The Governor recommended \$6.5 million from federal funds, consistent with the constrained request. **The Assembly concurred.***

Access to Recovery Grant. The Department requested \$2.6 million more from federal funds for the access to recovery grant. The program is a voucher based system to expand treatment opportunities for recently released prisoners, juveniles released from the training school and parents and guardians involved with the Department of Children, Youth and Families who meet the substance abuse treatment income guideline of at or below 200 percent of federal poverty. *The Governor recommended funding as requested.* **The Assembly concurred.**

State Incentive Grant. The Department requested \$475,000 less than enacted for the expiration of the federally funded five year state incentive grant. The goals of the state incentive grant were to: prevent the onset and reduce the progression of substance abuse, including childhood and underage drinking; reduce substance abuse-related problems in the communities, and build prevention capacity and infrastructure at the state and community levels. *The Governor recommended funding as requested.* **The Assembly concurred.**

New Positions. The Department added \$1.0 million from general revenues for 12.0 new positions in the behavioral health program; however, excluded these positions in its constrained budget request. This includes 6.0 public health promotion specialists, 3.0 clerks, 1.0 administrator, 1.0 associate administrator, and 1.0 program services officer. *The Governor did not recommend the new positions.* **The Assembly concurred.**

Other Salaries and Benefits. Excluding the new positions, the Department requested \$3.1 million from all funds, \$0.6 million more than enacted for salaries and benefits to fully fund 28.0 positions in the Division of Behavioral Health. This also includes cost-of-living and other benefit rate adjustments based on Budget Office planning values. *The Governor recommended \$0.2 million more than requested from general revenues for two positions transferred from the Office of Health and Human Services.* **The Assembly concurred.**

All Other Operations. Excluding all other adjustments in the behavioral health program, the Department requested \$228,547 from all sources for all other operations, \$84,615 more from general revenues and in both its current services and constrained budget requests. *The Governor recommended funding as requested.* **The Assembly concurred.**

Eleanor Slater Hospital

The state hospital provides services to patients with acute and long term medical illnesses and psychiatric disorders. Patients are admitted to the state hospital voluntarily or through a court order.

Hospital Census. The state hospital is a 495 bed licensed facility comprised of two-campus: 306 beds at the main Pastore campus in Cranston, of which 156 are occupied and 189 beds of which 123 are occupied at the Zambarano unit in Burrillville. The FY 2012 budget is based on a census of 279 patients. *The Governor's budget continues to assume the 279 patient census.* **The Assembly concurred.**

Hospital Licensing Fee. The enacted budget includes \$6.0 million from all sources to pay the 5.465 percent fee assessed on state and community hospitals' gross patient services revenue for the hospital year ending September 30, 2009, including \$2.3 million from general revenues in FY 2011. The request adds \$0.6 million from general revenues based on the new Medicaid rate. The enacted budget assumes state hospital revenues of \$109.8 million for the 2009 hospital year, which is incorrect. The actual FY 2009 revenues are \$104.7 million for a licensing fee of \$5.7 million, \$0.3 million less than

enacted. *The Governor recommended funding as requested.* **The Assembly added \$23,584 from all sources to pay the \$6.0 million licensing assessed at 5.43 percent of 2010 hospital revenue.**

Hospital Administrative Restricted Receipts. The enacted budget includes restricted receipts from all non-third party payor receipts, including Medicare collected on behalf of patients at Eleanor Slater Hospital totaling \$3.1 million. The enacted budget also incorrectly includes \$2.5 million for a second restricted receipt account for Medicaid administrative costs that were determined to be an inappropriate use of a restricted receipt account. The Department's request corrects for this. *The Governor recommended funding as requested.* **The Assembly concurred.**

New Positions. The Department added \$1.9 million from all sources for 35.0 new positions at the state hospital, including 20.0 at the Zambarano campus and 15.0 at the Cranston campus. The Department reported that it is understaffed and requested additional positions to address that issue. The positions include 21 direct medical staff and 14 administrative and support staff. This is offset by a \$0.4 million reduction in contracted medical services.

The Department's constrained request excludes the new positions and increases contracted services. *The Governor did not recommend the new positions.* **The Assembly concurred.**

Contracted Medical Services. Excluding the reduction to the enacted level of \$0.4 million for contracted medical services for the new hospital positions, the Department requested \$6.5 million from all sources for contracted medical services. The request includes funding for medical personnel including physicians, dentists, nurses, speech and physical therapy and other rehabilitative services. *The Governor recommended funding as requested.* **The Assembly concurred.**

Overtime Expenses. The Department requested \$4.0 million from all sources for overtime expenses, which is \$0.5 million more than enacted. The request is \$6.2 million less than the Department's revised request of \$10.2 million from all sources. The Department spent \$11.1 million in FY 2010 and \$10.3 million in FY 2009 on overtime; however, it anticipated a decrease in the need for overtime with the new positions.

The Department's constrained budget reduces overtime by \$1.5 million but it did not request any new positions so it appears that the Department may continue to use the existing hospital personnel to fill staffing needs and its request for overtime expenses in its constrained budget could be underfunded.

The Governor included \$2.4 million from all sources, \$1.1 million less than enacted and \$40,914 less than the constrained request. He added funding to increase personnel and assumed the need for less overtime to fill staffing needs. **The Assembly concurred.**

All Other Staffing. Excluding the adjustment for the new positions, the Department requested \$78.7 million from all sources, including \$39.6 million from general revenues for all other staffing requirements. The request is \$10.3 million more than enacted. It adds back \$3.0 million from all sources to backfill a portion of the \$5.0 million in turnover savings included in the enacted budget equivalent to approximately 60 vacant positions. The request would add back funding to support 34.0 positions at the state hospital. The request also includes \$2.4 million for cost-of-living and other salary adjustments, \$2.5 million for updated medical benefit, \$1.3 million for other benefit changes and \$1.2 million for temporary staffing.

The Department's constrained request further reduces staffing by \$2.3 million from all sources from keeping 20.0 hospital positions vacant.

The Governor recommended \$75.7 million from all sources, \$5.2 million more than enacted and \$0.2 million less than the constrained request. He added two positions transferred from the Office of Health and Human Services and included funding the positions at the state hospital that are currently vacant. The Assembly included additional turnover savings of \$2.1 million from all sources, including \$1.0 million from general revenues.

All Other Expenses. The Department requested \$13.0 million from all sources, which is \$0.5 million less than enacted, for all other hospital expenses, including \$0.2 million more from general revenues. The request includes \$1.0 million less for medical supplies, including pharmaceuticals and \$0.6 million less for janitorial and other hospital supplies offset by increases of \$0.9 million for furniture and \$0.3 million for food.

The Department's constrained budget request reduces hospital expenses to \$11.7 million. This is \$1.7 million less from all sources, than the unconstrained request, of which \$0.9 million is from general revenues. The request includes \$0.8 million less for furniture and further reduces operating expenses by \$0.9 million, including medical supplies. The Department spent \$13.4 million in FY 2010 for the expenses. *The Governor recommended funding essentially as requested. The Assembly concurred.*

Hospital and Community System Support

Indirect Cost Recovery Rate. The enacted budget assumes salary and benefit savings of \$271,208 from general revenues in the hospital and community support program from the Department negotiating a federal indirect cost recovery rate that will offset state funded program costs. The Department continues to assume the savings but has not yet applied for the rate. *The Governor recommended funding as requested. The Assembly concurred.*

New Positions. The Department added \$153,137 from general revenues for two new positions in the hospital and community support program. The positions include a rate analyst and a medical billing specialist.

The Department excluded this request from its constrained budget. *The Governor did not recommend the new positions. The Assembly concurred.*

Other Salaries and Benefits. The Department requested \$2.1 million from general revenues, \$0.3 million more than enacted for salaries and benefits and includes adjustments based on Budget Office planning values. The request adds back \$0.1 million in savings assumed from leaving positions vacant to fully fund 22.0 positions.

The Governor recommended funding as requested. He subsequently requested an amendment to shift three employees and \$0.4 million in general revenues from the Department of Administration's Division of Facilities and Management to the hospital and community support program for capital oversight of group home projects. The Assembly concurred with the amended recommendation.

All Other Operations. The Department requested \$75,791 from general revenues, \$40,744 less than enacted for all other operations in the home and community system support program. The Department reduced contracted services by \$21,323 and operating expenses by \$19,418 including office supplies and computer expenses.

The Department reduced its request by \$18,661 in its constrained budget. It reduced funding for computer and furniture purchases, staff training and office supplies. *The Governor recommended funding essentially as requested.* **The Assembly concurred.**

Central Management

Indirect Cost Recovery Rate. The enacted budget assumes salary and benefit savings of \$134,257 from general revenues in the central management program from the Department negotiating a federal indirect cost recovery rate that will offset state funded program costs. The Department has not applied for the rate and added back general revenues in it FY 2012 current services and constrained budget requests. *The Governor recommended funding as requested.* **The Assembly concurred.**

Information Technology Funds. The Department requested \$259,851 more from federal funds for total funding of \$403,421 from all sources to upgrade its current technology. The expenses are Medicaid matched. The Department included \$135,507 from federal funds for salary and benefit expenses but has not provided the information as to whether this is a transfer of costs for existing personnel or new staff, and if new, whether or not the new staff has been hired. Since the purchases are Medicaid, a state match is required; however, in prior fiscal years the Department has spent the general revenues but the actual expenses do not reflect spending the federal funds.

As part of its constrained request, the Department proposed \$161,613 less from all sources, including \$91,888 less from general revenues for total funding of \$241,808 for the technology project. It has not provided the information to explain the reduction. *The Governor recommended \$1,336 less than the constrained request, including \$372 less from general revenues.* **The Assembly concurred.**

Other Salaries and Benefits. Excluding all other adjustments, the Department requested \$0.7 million from general revenues, \$0.2 million more than enacted to include adjustments based on Budget Office planning values to fully fund six positions. *The Governor recommended \$0.1 million less than requested to fund five positions.* **The Assembly concurred.**

All Other Operations. The Department requested \$210,113 from general revenues for all other program operations, which is \$38,626 more than enacted. The request includes \$40,000 to partially support a discharge planner at the Department of Corrections.

The Department reduced its request by \$51,082 in its constrained budget. It reduced funding for computer and furniture purchases, office supplies and other miscellaneous expenses. *The Governor reduced funding by \$37,284 from general revenues compared to the request. He further reduced legal services by \$5,330 above the Department's 15.0 percent statewide reduction to legal services of \$30. He further reduced support for building maintenance and office support.* **The Assembly concurred.**

Department of Veterans' Affairs

	FY 2011 Enacted	FY 2011 Revised	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Category				
Salaries and Benefits	\$ -	\$ -	\$ 22,201,175	\$ -
Contracted Services	-	-	864,314	-
Subtotal	\$ -	\$ -	\$ 23,065,489	\$ -
Other State Operations	-	-	3,403,523	-
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	24,100	-
Capital	-	-	2,195,000	-
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ -	\$ -	\$ 28,688,112	\$ -
Sources of Funds				
General Revenue	\$ -	\$ -	\$ 19,039,528	\$ -
Federal Aid	-	-	8,005,072	-
Restricted Receipts	-	-	1,643,512	-
Other	-	-	-	-
Total	\$ -	\$ -	\$ 28,688,112	\$ -
FTE Authorization	-	-	268.2	-

Summary. The Division of Veterans' Affairs is a program within the Department of Human Services' FY 2011 enacted budget. The Department requested \$31.2 million from all sources, including \$21.8 million from general revenues for the division in FY 2012. The Department requested 258.2 full-time equivalent positions for the Division, which is 28.4 positions more than the enacted level of 229.8. The Department also submitted a constrained request that totals \$30.8 million and includes \$0.4 million less from general revenues and 29.0 fewer positions than the unconstrained request.

The Governor recommended a new Department of Veterans' Affairs, effective July 1, 2011. He included \$28.7 million from all sources, including \$19.0 million from general revenues and 268.2 positions. This is \$2.5 million less from all sources, including \$2.7 million less from general revenues, and \$0.2 million more from restricted receipts and 10.0 more positions than requested.

The Assembly included \$28.2 million from all sources and 264.2 positions, but maintained the Division of Veterans' Affairs in the Department of Human Services. It included Article 9 of 2011-H 5894, Substitute A, as amended, that created a new director of Veterans' Affairs position in the Department of Human Services and repealed the language that created the Department of Veterans' Affairs.

Statewide Adjustments. The Governor's FY 2012 budget includes \$20.7 million in unidentified statewide general revenue savings from applying reductions of 3.0 percent to salaries and benefits in cabinet level departments and 2.0 percent reductions to those costs in certain other agencies. He also

included a 1.0 percent reduction to operating costs in those agencies. For the Department of Veterans' Affairs, he assumed savings of \$510,720, primarily from personnel. The adjustments are in addition to other program changes in his recommended budget and described below. **The Assembly concurred.**

Department of Veterans' Affairs. The 2010 Assembly included Section 8 of Article 7 of 2010-H 7397, Substitute A, as amended to delay the creation of the new Department of Veterans' Affairs until July 1, 2011 and delayed the required transition recommendations until October 31, 2010. The Department of Human Services was to provide recommendations for implementation to the chairs of the House and Senate Finance Committees regarding how to transition the division into its own Department. As of January 7, 2011, the House and Senate Finance Committees have not received the recommendations. The Division of Veterans' Affairs remains in the Department of Human Services' FY 2012 budget request. *The Governor included the new Department of Veterans' Affairs, effective July 1, 2011.* **The Assembly did not concur, maintained the Division of Veterans' Affairs in the Department of Human Services and included Article 9 of 2011-H 5894, Substitute A, as amended, which repealed the language that created the Department of Veterans' Affairs.**

Veterans' Home Census. The Rhode Island Veterans' Home is a 260-bed licensed nursing facility located in Bristol, including a 36-bed special needs unit for veterans coping with the effects of dementia-related illnesses and conditions in addition to two dormitory care units with 79 beds. The FY 2010 average number of nursing care and dormitory care beds utilized were 189 and 32, respectively and there were 157 nursing care and 34 dormitory care beds being used on March 15, 2011.

The Governor proposed to limit the FY 2012 census to the current rate, close two of the seven wings, and consolidate the residents and the current staff into the remaining five wings to reduce the cost of the contracted nursing pool and staff overtime expenses. He recommended opening all wings in FY 2013, increasing the census to 245 to eliminate the waiting list and recommended 35.0 new positions to staff the home in the final four months of FY 2012 in preparation of increasing the census in FY 2013. **The Assembly concurred.**

Veterans' Home Maintenance Fee. Currently, residents at the Rhode Island Veterans' Home are allowed to keep the first \$150 of income as a personal allowance in addition to 50.0 percent of any income received from wounds or the receipt of a Purple Heart award. The resident can also keep sufficient funds to cover costs needed for the support of a spouse, minor child or blind or permanently disabled child. A maintenance fee of 80.0 percent is assessed on the resident's remaining income. An amount equal to 20.0 percent of this assessment is deposited into a restricted receipt account for use towards the cost of care and maintenance at the home and 80.0 percent is deposited into the state's general fund as revenues.

The Governor recommended increasing the fee on the veterans' remaining income from 80.0 percent to 100 percent for additional revenues of \$982,810 in FY 2012, including \$786,248 from general revenues and \$196,562 from restricted receipts. The veteran would still retain the first \$150 of income per month, plus any disregards. He included Article 28 of 2011-H 5894 to make the change. This increase is intended to help finance the additional staffing that is required to increase the census in FY 2013 in order to eliminate the current waiting list. **The Assembly did not concur with the fee increase and reduced revenues accordingly.**

Veterans' Affairs – New Positions. The Department of Human Services' unconstrained request includes \$0.9 million, primarily from general revenues and the authority for 29.0 new full-time

equivalent positions in the Division of Veterans' Affairs. The request includes 5.0 positions with an estimated start date of September 2011, including 1.0 director, 4.0 benefit claims specialists and 24.0 positions, which include 22.0 clinical positions and 2.0 support positions, though the request assumes that approximately 2.4 of these positions will be filled in FY 2012. As part of its constrained request, the Department excluded authorization and funding for the 24.0 positions.

*The Governor recommended \$1.2 million from general revenues and authorization for 40.0 new positions. This includes \$0.5 million for the 1.0 director and 4.0 benefit claims specialist positions for the full year and \$0.7 million for 35.0 nursing, clinical and support positions for the final four months of FY 2012 in preparation of increasing the census in FY 2013. **The Assembly reduced expenditures by \$0.4 million from not including the 4.0 benefit claims specialists and included Article 9 of 2011-H 5894, Substitute A, as amended, which made the director of Veterans' Affairs a new position in the unclassified service.***

Veterans' Affairs – All Other Staffing. The Department requested \$22.9 million from all funds for salaries and benefits for 229.2 positions, including \$16.3 million from general revenues and \$6.5 million from federal funds. The request is \$1.6 million more than enacted, including \$0.8 million from general revenues and reduces the authorization by 0.4 full-time equivalent positions to more accurately reflect the hours worked by several staff members. The request provided for a 3.0 percent cost-of-living adjustment, step increases and benefit rates consistent with FY 2012 planning values and includes shifting general revenue expenditures to available federal funds.

*The Governor recommended \$21.5 million from all sources, including \$15.0 million from general revenues for 228.2 positions, which is \$0.8 million more than enacted, primarily from federal funds. The recommendation reduced the authorization by 0.4 positions, consistent with the request and eliminated the associate director position. He also assumed savings of \$1.0 million from reduced overtime expenses from limiting the Veterans' Home census in FY 2012. **The Assembly concurred.***

Veterans' Affairs – Medical and Operational Expenses. The Department of Human Services requested \$5.9 million from all funds for operating expenses at the Veterans' Home, including \$5.0 million from general revenues, \$26,536 from federal funds and \$0.8 million from restricted receipts. The request is \$0.6 million more than enacted, including \$0.7 million more from general revenues.

The request includes \$1.6 million for contracts for doctors, dentists and nurses, \$0.5 million for pharmaceuticals and \$60,000 for laboratory testing, all from general revenues and includes \$0.8 million for medical services, of which \$0.5 million is from general revenues, combined this is \$0.7 million more than enacted. The division has increased its reliance on contracted services to perform duties that full-time positions can do, while maintaining vacancies in the Veterans' Affairs division. The division has not requested sufficient additional staff to reduce the dependence on contracted nurses, though there is turnover savings in the enacted budget and the revised request, which also contributes to increases in overtime.

The request contains \$0.9 million for food and food service contracts, \$0.5 million from general revenues for janitorial contracts and supplies, \$0.4 million for maintenance and repairs of the building and equipment, \$0.3 million for laundry services, \$0.1 million for internal service and utility expenses, \$0.1 million for information technology expenditures and \$0.6 million for all other expenses related to operations at the Veterans' Home. It also includes \$20,000 from federal funds for a new homeless veterans transition assistance grant.

The Governor recommended \$4.4 million from all sources, including \$3.4 million from general

revenues. This is \$1.5 million less than requested, primarily from general revenues. This includes \$1.1 million less from general revenues from reduced nursing pool expenses from consolidating from seven wings to five in FY 2012, \$0.2 million less for reduced doctor and dentist expenses, pharmaceuticals, and other medical services and supplies based on year-to-date expenses and maintaining the current census through FY 2012. He also included \$1,050 less from general revenues from a 15.0 percent reduction to legal expenses. **The Assembly concurred.**

Veterans' Cemetery. The Department of Human Services requested \$785,000 from all funds, including \$0.7 million from federal funds and \$85,000 from restricted receipts for capital costs at the Veterans' Cemetery. The Department requested \$0.7 million more federal funds from a new grant from the National Cemetery Administration to improve the areas around the Memorial Circle and World War II Memorial at the Veterans' Cemetery in Exeter. The grant award totals \$2.1 million to be spread equally over three years. Projects include re-grading the area to eliminate settlements, ensuring that all rows and aisles are clearly marked, and planting and establishing suitable grass cover for the reduction of weeds and greater overall appearance. The request also includes the enacted level of \$85,000 from restricted receipts for the purchase of four lawn mowers and two utility vehicles for maintenance services at the Veterans' Cemetery through the Memorial Fund. *The Governor recommended funding as requested.* **The Assembly concurred.**

Veterans' Home Capital Projects. The Department of Human Services requested \$1.4 million from all sources, including \$749,250 from federal funds and \$615,750 from restricted receipts for capital projects at the Veterans' Home. This is \$244,000 less than enacted and includes \$225,750 less from federal funds and \$18,250 less from restricted receipts from fewer projects planned in FY 2012. All projects are described in the Capital Budget section of this publication. *The Governor recommended funding as requested.* **The Assembly concurred.**

Office of the Child Advocate

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 574,966	\$ 592,792	\$ 642,174	\$ 642,174
Contracted Services	-	-	-	-
Subtotal	\$ 574,966	\$ 592,792	\$ 642,174	\$ 642,174
Other State Operations	14,661	9,957	10,258	10,258
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	-	-	-	-
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 589,627	\$ 602,749	\$ 652,432	\$ 652,432
Sources of Funds				
General Revenue	\$ 543,822	\$ 556,047	\$ 603,384	\$ 603,384
Federal Aid	45,805	46,702	49,048	49,048
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 589,627	\$ 602,749	\$ 652,432	\$ 652,432
FTE Authorization	5.8	5.8	5.8	5.8

Summary. The Office of the Child Advocate's unconstrained request includes \$661,826, or \$72,199 more than enacted from all sources. The request includes \$68,956 more from general revenues, \$3,243 more from federal funds, and the enacted level of 5.8 full-time equivalent positions. The Office also submitted a constrained request that totals \$491,746 and includes \$52,076 less from general revenues than the unconstrained request. *The Governor recommended \$652,432 from all sources, including \$603,384 from general revenues, and 5.8 full-time equivalent positions. This is \$62,805 more than enacted, including \$59,562 more from general revenues.* **The Assembly concurred.**

Target Issues. The Budget Office provided the Office of the Child Advocate with a general revenue target of \$491,746. The amount includes current service adjustments of \$34,703 and a 15.0 percent target reduction of \$86,779.

FY 2012 Budget	Budget Office	Child Advocate	Difference
FY 2011 Enacted	\$ 543,822	\$ 543,822	\$ -
Current Service Adjustments	34,703	68,956	34,253
Change to FY 2011 Enacted	\$ 34,703	\$ 68,956	\$ 34,253
FY 2012 Current Service/ Unconstrained Request	\$ 578,525	\$ 612,778	\$ 34,253
Target Reduction/Initiatives	(86,779)	(121,032)	(34,253)
FY 2012 Constrained Target/Request	\$ 491,746	\$ 491,746	\$ -
<i>Change to FY 2011 Enacted</i>	<i>\$ (52,076)</i>	<i>\$ (52,076)</i>	<i>\$ -</i>

The constrained budget submitted by the Office meets the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's budget is \$0.1 million above the target.* **The Assembly concurred.**

Salaries and Benefits. The Office's current service request includes \$643,785 from all sources for salaries and benefits, including \$594,778 from general revenues and \$49,007 from federal funds. This is an increase of \$68,819 from a 3.0 percent cost-of-living increase, various salary adjustments, and medical benefit and retirement rate adjustments consistent with Budget Office planning values.

As part of its constrained request, the Office proposed to eliminate the Assistant Child Advocate position for savings of \$115,938.

The Governor recommended \$642,174 from all sources, including \$593,468 from general revenues. This is \$67,208 more than enacted and \$1,611 less than requested to account for adjustments to retiree health costs and medical benefit rates. He did not recommend eliminating the Assistant Child Advocate position. **The Assembly concurred.**

Operating Expenses. The Office requested \$18,041 from all sources for operating expenses, including \$18,000 from general revenues and \$41 from federal funds. This is \$3,380 more than enacted to reflect increased mileage reimbursement for case workers visiting children.

As part of its constrained request, the Office proposed to reduce various operating expenses by \$5,094.

The Governor recommended \$10,258 from all sources, including \$9,916 from general revenues. This is \$4,403 less than enacted and \$691 less than the Office's constrained request to reflect further reductions to various operating expenses, including mileage reimbursements and office supplies. **The Assembly concurred.**

Commission on Deaf and Hard of Hearing

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Final
Expenditures by Category				
Salaries and Benefits	\$ 304,744	\$ 307,672	\$ 330,855	\$ 330,855
Contracted Services	48,950	48,950	48,950	48,950
Subtotal	\$ 353,694	\$ 356,622	\$ 379,805	\$ 379,805
Other State Operations	9,130	8,180	8,180	8,180
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	-	-	-	-
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 362,824	\$ 364,802	\$ 387,985	\$ 387,985
Sources of Funds				
General Revenue	\$ 362,824	\$ 364,802	\$ 387,985	\$ 387,985
Federal Aid	-	-	-	-
Restricted Receipts	-	-	-	-
Other Funds	-	-	-	-
Total	\$ 362,824	\$ 364,802	\$ 387,985	\$ 387,985
FTE Authorization	3.0	3.0	3.0	3.0

Summary. The Commission on the Deaf and Hard of Hearing's unconstrained request included \$398,033 from general revenues, which is \$35,209 more than enacted. It also requested 3.0 full-time equivalent positions for FY 2012. The Commission also submitted a constrained request that totals \$326,476, which is \$71,557 less than the unconstrained request. *The Governor recommended \$387,985 from general revenues, which is \$25,161 more than enacted and \$10,048 less than requested. The Governor recommended 3.0 full-time equivalent positions.* **The Assembly concurred.**

Target Issues. The Budget Office provided the Commission on the Deaf and Hard of Hearing with a general revenue target of \$326,476. The amount included current service adjustments of \$21,265 and a 15.0 percent target reduction of \$57,613.

	Budget Office	Deaf and Hard of Hearing	Difference
FY 2012 Budget			
FY 2011 Enacted	\$ 362,824	\$ 362,824	\$ -
Current Service Adjustments	21,265	35,209	13,944
Change to FY 2011 Enacted	\$ 21,265	\$ 35,209	\$ 13,944
FY 2012 Current Service/ Unconstrained Request	\$ 384,089	\$ 398,033	\$ 13,944
Target Reduction/Initiatives	(57,613)	(71,557)	(13,944)
FY 2012 Constrained Target/Request	\$ 326,476	\$ 326,476	\$ -
<i>Change to FY 2011 Enacted</i>	<i>\$ (36,348)</i>	<i>\$ (36,348)</i>	<i>\$ -</i>

The constrained budget submitted by the Commission meets the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's budget is \$61,509 above the target.* **The Assembly concurred.**

Salaries and Benefits. The Commission's current service request included \$332,903 from general revenues for salaries and benefits for its 3.0 full-time equivalent positions. This is \$28,159 more than enacted and assumed no turnover savings. This included a 3.0 percent cost of living increase, step and longevity increases and medical benefit and retirement rate changes consistent with Budget Office planning values for FY 2012.

As part of its constrained budget, the Commission requested \$15,557 less from general revenues to reflect a 50.0 percent reduction in hours for the emergency interpreter referral staff. The Commission would also consider either a reduction to part-time or six months of not providing this function. *The Governor recommended \$2,048 less than requested based on statewide medical benefit adjustments.* **The Assembly concurred.**

Interpreter and CART Services. The Commission's current service request included \$56,000 from general revenues for contracted services, which is \$7,050 more than enacted. The Commission utilizes contracted services primarily for all facets of interpreter services, the 24 hours emergency on call service, communication access realtime translator service, as well as temporary staff.

The Commission's constrained request eliminated \$56,000 for interpreter services. *The Governor recommended the enacted level of general revenues, or \$7,050 less than requested consistent with historical spending.* **The Assembly concurred.**

All Other Operations. The Commission requested the enacted level of \$9,130 from general revenues for all other operations. *The Governor recommended \$950 less than requested to be more consistent with historical spending.* **The Assembly concurred.**

Governor's Commission on Disabilities

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Final
Expenditures by Category				
Salaries and Benefits	\$ 379,166	\$ 380,455	\$ 409,793	\$ 409,793
Contracted Services	7,109	8,973	9,652	9,652
Subtotal	\$ 386,275	\$ 389,428	\$ 419,445	\$ 419,445
Other State Operations	31,376	52,352	24,812	24,812
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	154,921	127,250	133,754	133,754
Capital	251,881	251,881	226,881	226,881
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	25,000	25,000
Total	\$ 824,453	\$ 820,911	\$ 829,892	\$ 829,892
Sources of Funds				
General Revenue	\$ 367,229	\$ 363,308	\$ 388,786	\$ 388,786
Federal Aid	193,598	198,495	181,842	181,842
Restricted Receipts	13,626	9,108	9,264	9,264
Other Funds	250,000	250,000	250,000	250,000
Total	\$ 824,453	\$ 820,911	\$ 829,892	\$ 829,892
FTE Authorization	4.0	4.0	4.0	4.0

Summary. The Governor's Commission on Disabilities' unconstrained request for \$0.8 million is \$8,755 more than enacted from all sources. The request includes \$22,267 more from general revenues, \$9,150 less from federal funds, \$4,362 less from restricted receipts and the enacted level of Rhode Island Capital Plan funds and full-time equivalent positions. The Commission also submitted a constrained request that totaled \$774,875 and included \$58,335 less from general revenues than the unconstrained request. *The Governor recommended \$829,892, which is \$5,439 more than enacted and \$3,316 more than requested, including \$2,606 less from general revenues. He recommended the 4.0 full-time equivalent positions.* **The Assembly concurred.**

Target Issues. The Budget Office provided the Governor's Commission on Disabilities with a general revenue target of \$330,557. The amount included current service adjustments of \$21,662 and a 15.0 percent target reduction of \$58,334.

	Budget Office	Commission on Disabilities		Difference
FY 2012 Budget				
FY 2011 Enacted	\$ 367,229	\$ 367,229	\$	-
Current Service Adjustments	21,662	22,267	\$	605
Change to FY 2011 Enacted	\$ 21,662	\$ 22,267	\$	605
FY 2012 Current Service/ Unconstrained Request	\$ 388,891	\$ 389,496	\$	605
Target Reduction/Initiatives	(58,334)	(58,335)	\$	(1)
FY 2012 Constrained Target/Request	\$ 330,557	\$ 331,161	\$	604
Change to FY 2011 Enacted	\$ (36,672)	\$ (36,068)	\$	604

The constrained budget submitted by the Commission is \$1 below the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's budget is \$58,229 above the target.* **The Assembly concurred.**

Salaries and Benefits. The Commission's current service request included \$410,273 from all sources for salaries and benefits, including \$362,328 from general revenues and \$47,945 from federal funds. This is an increase of \$31,107 from a 3.0 percent cost-of-living adjustment, step and longevity increases, and benefit adjustments consistent with FY 2012 Budget Office planning values. The Commission did not assume any turnover savings, which is consistent with the enacted budget.

As part of its constrained request the Commission reduced all positions to part-time for savings of \$51,977, including \$54,524 from general revenues. *The Governor recommended unconstrained funding essentially as requested and added \$374 from general revenues to reflect minor benefit rate adjustments.* **The Assembly concurred.**

Programming. The Commission requested \$133,616 from all sources for programming adjustments, including \$10,212 from general revenues and \$123,404 from federal funds. This is \$21,305 less than enacted, including \$7,809 less from general revenues. The general revenue change included \$7,671 less for the Disability Business Enterprise program, which reflects a shift in the program's workload to other areas and \$138 less for the spring semester intern from the Mary Brennan Fellowship program. The federal funds change of \$13,496 reflected adjustments to available grant awards, \$10,046 less for the Help America Vote Act and \$3,450 less for the New England Americans with Disabilities Act funds to reflect adjusted available resources. These grants are used to assist, educate and ensure that the community and businesses are knowledgeable and are complying with the Americans with Disabilities Act standards. The Mary Brennan Fellowship program provides college students with disabilities a semester long part-time placement with the Commission to do research and learn about disability policy.

The Commission's constrained request proposed to reduce the Mary Brennan Fellowship fund to \$8,680 for savings of \$1,532 from the unconstrained request. *The Governor essentially recommended unconstrained funding as requested and added \$138 from general revenues to fully fund the Mary Brennan Scholarship fund.* **The Assembly concurred.**

Other Operations. The Commission requested \$37,438 from all sources for all other Commission operations. This is \$1,047 less than enacted, including \$75 more from general revenues, \$3,240 more from federal funds and \$4,362 less from restricted receipts. The changes include reductions to various office expenses offset by an increase in interpreter expenses.

The Commission's constrained request proposed to reduce various operating expenses for savings of \$2,279, which included the elimination of the online search engine. Final FY 2010 expenditures were \$25,824, which is \$7,025 less than the FY 2012 constrained request.

The Governor recommended \$1,615 more than the constrained request, including \$1,057 more from general revenues, which assumed the operating reductions can be achieved except for the search engine elimination. **The Assembly concurred.**

Office of the Mental Health Advocate

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 423,969	\$ 394,596	\$ 457,606	\$ 457,606
Contracted Services	4,500	4,050	1,800	1,800
Subtotal	\$ 428,469	\$ 398,646	\$ 459,406	\$ 459,406
Other State Operations	12,481	11,087	9,312	9,316
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	-	-	-	-
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 440,950	\$ 409,733	\$ 468,718	\$ 468,722
Sources of Funds				
General Revenue	\$ 440,950	\$ 409,733	\$ 468,718	\$ 468,722
Federal Aid	-	-	-	-
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 440,950	\$ 409,733	\$ 468,718	\$ 468,722
FTE Authorization	3.7	3.7	3.7	3.7

Summary. The Office of the Mental Health Advocate requested \$476,799 from general revenues, \$35,849 more than enacted in its unconstrained, current services request. The Office submitted a constrained request that totals \$398,578 and includes \$78,221 less from general revenues than the unconstrained request. *The Governor recommended \$468,718 and the enacted level of 3.7 positions. This is \$27,768 more than enacted, \$8,081 less than requested and \$70,140 more than the constrained request. The Assembly concurred.*

Target Issues. The Budget Office provided the Office with a general revenue target of \$398,578. The amount includes current service adjustments of \$27,965 and a 15.0 percent target reduction of \$70,337.

	Budget Office	Mental Health Advocate	Difference
FY 2012 Budget			
FY 2011 Enacted	\$ 440,950	\$ 440,950	\$ -
Current Service Adjustments	27,965	27,965	-
Change to FY 2011 Enacted	\$ 27,965	\$ 27,965	\$ -
FY 2012 Current Service/ Unconstrained Request	\$ 468,915	\$ 468,915	\$ -
Target Reduction/Initiatives	(70,337)	(70,337)	-
FY 2012 Constrained Target/Request	\$ 398,578	\$ 398,578	\$ -
Change to FY 2011 Enacted	\$ (42,372)	\$ (42,372)	\$ -

The constrained budget submitted by the agency meets the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$70,140 above the target.* **The Assembly concurred.**

Salaries and Benefits. The Office requested \$460,088 for salary and benefit expenses to fully fund its current level of 3.7 positions, \$36,119 more than enacted. The request includes adjustments consistent with the Budget Office planning values.

The Office proposed 45 pay reduction days in its FY 2012 constrained request for savings of \$72,951 to meet the Budget Office general revenue target. *The Governor recommended \$33,637 more than enacted and \$2,482 less than the unconstrained request to reflect statewide medical benefit adjustments. He did not include the pay reduction days.* **The Assembly concurred.**

Other Operations. The Office requested \$16,721 from general revenues for all other operations. The request includes the enacted level of \$4,500 for various contracted psychiatric evaluations, transcriptions services for court cases and interpreter services. It includes a reduction of \$270 to adjust for various expenses, including the new copy machine rental contract consistent with the revised request.

The Office's constrained request includes \$5,270 less than its current services request for all other operations. This includes \$2,700 less for psychiatric evaluation services and \$2,570 less for office supplies and other expenses. *The Governor further reduced the constrained request by \$329.* **The Assembly concurred.**

Department of Elementary and Secondary Education

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Program				
State Aid	\$ 648,829,028	\$ 649,983,479	\$ 646,319,288	\$ 643,245,863
School Housing Aid	70,774,727	67,976,514	72,507,180	72,507,180
Teachers' Retirement	75,598,212	69,653,293	82,671,070	81,635,719
RI School for the Deaf	7,328,747	7,499,008	6,883,709	6,816,209
Central Falls School District	43,047,138	41,047,138	39,757,786	40,434,840
Davies Career & Technical School	18,337,958	19,599,309	17,390,676	17,771,803
Metropolitan Career & Technical School Administration	17,083,219	13,138,103	15,571,987	13,642,563
Total	\$1,128,732,869	\$1,169,821,597	\$1,138,601,394	\$1,133,884,351
Expenditures by Category				
Salaries and Benefits	\$ 36,856,092	\$ 37,538,399	\$ 38,873,156	\$ 38,630,606
Contracted Services	32,852,959	39,489,401	46,156,663	45,393,776
Subtotal	\$ 69,709,051	\$ 77,027,800	\$ 85,029,819	\$ 84,024,382
Other State Operations	13,026,731	12,353,894	11,103,234	11,481,786
Aid to Local Units of Government	992,756,124	1,035,167,359	1,011,305,596	1,009,034,735
Assistance, Grants, and Benefits	44,555,797	39,077,564	23,689,519	22,945,222
Capital	8,685,166	6,194,980	7,473,226	6,398,226
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$1,128,732,869	\$1,169,821,597	\$1,138,601,394	\$1,133,884,351
Sources of Funds				
General Revenue	\$ 856,068,541	\$ 845,970,065	\$ 869,014,643	\$ 863,077,600
Federal Aid	239,980,896	298,689,173	238,146,015	238,146,015
Restricted Receipts	23,930,750	19,019,883	24,039,421	26,334,421
Other	8,752,682	6,142,476	7,401,315	6,326,315
Total	\$1,128,732,869	\$1,169,821,597	\$1,138,601,394	\$1,133,884,351
FTE Authorization				
Administration	133.4	156.4	156.4	156.4
Davies	132.0	132.0	132.0	132.0
School for the Deaf	60.0	60.0	60.0	60.0
Total Authorized Positions	325.4	348.4	348.4	348.4

Summary. The Board of Regents requested \$1,180.8 million from all sources of funds as part of its unconstrained request and 341.4 full-time equivalent positions. The staffing request is 16.0 positions more than enacted. General revenues total \$903.9 million, which is \$47.9 million over the FY 2011 enacted level. The Department submitted a constrained request that totals \$901.6 million and includes \$2.4 million less from general revenues than the unconstrained request.

The Regents requested \$238.2 million in federal spending, which is \$1.8 million less than the enacted budget and reflects the end of stimulus funding offset by new education jobs funds. The budget request also includes \$24.0 million from restricted receipts, \$14.5 million from Rhode Island Capital Plan funds and \$0.2 million from duties paid by auctioneers.

The Budget Office instructed the Department to submit a budget of \$760.2 million from general revenues. The Department submitted a constrained budget of \$901.6 million from general revenues which is \$141.4 million more than the target. It proposed to achieve \$2.4 million in reductions by eliminating funding for the physics first and textbook reimbursement programs, reducing the administrative cost reimbursement for the school breakfast program and eliminating general revenue support for the education telecommunications access fund. It eliminated funding for all community service grants and funding for science kits (KITES) provided to districts. It also withdrew its request for several initiatives in the unconstrained budget request including emergency repairs for the career and technical centers, vision services, uniform chart of accounts, and new staff.

The Governor recommended \$1,138.6 million, \$9.9 million more than enacted and \$42.2 million less than requested. He recommended \$869.0 million from general revenues, \$12.9 million more than enacted and \$34.9 million less than requested. He funded the first year of the funding formula adopted by the 2010 Assembly, but he assumed use of \$32.3 million from federal education jobs funds that districts will receive during FY 2011 in lieu of general revenues.

Federal funds are \$1.8 million less than enacted. Restricted receipts are \$0.1 million more than enacted to reflect a reduction in the education telecommunications access fund offset by new restricted receipts to reflect the local contributions from districts that send students to Davies pursuant to the new funding formula. Rhode Island Capital Plan funds are \$1.2 million less than enacted. He recommended 348.4 full-time equivalent positions, which is 23.0 more than authorized and includes 22.0 new positions to work on the Race to the Top grant and 1.0 position to work on the uniform chart of accounts initiative.

The Assembly provided \$1,133.9 million for FY 2012. This is \$5.9 million less from general revenues than recommended. The Assembly added \$240,000 from general revenues for the textbook reimbursement program and \$350,000 from general revenues for the education telecommunications access fund. It also added \$0.6 million from general revenues for the first year of the education funding formula based on updated data. It shifted \$2.3 million for adult literacy grants from general revenues to Human Resource Investment Council funds and recognized savings of \$1.0 million from general revenues in teacher retirement costs based on updated payroll estimates.

The Assembly eliminated \$0.7 million from general revenues that was provided for early childhood programs and \$2.7 million from general revenues for progressive support and intervention activities. It reduces administrative expenses by \$248,000 which is the amount of federal Education Jobs funds that the Department will receive for FY 2012. It also made a 10 percent reduction to community service grants for savings of \$71,524 and included \$67,500 in savings from partially offsetting rental income at the School for the Deaf. Rhode Island Capital Plan funds are \$1.1 million less than recommended based on shifting funding to the out years based on revised project schedules.

Target Issues. The Budget Office provided the Department of Elementary and Secondary Education with a general revenue target of \$760.2 million. The amount includes current service adjustments of

\$22.8 million, \$15.5 million in funding for the new education funding formula and a 15.0 percent target reduction adjusted for certain exclusions of \$134.1 million.

FY 2012 Budget	Budget Office	ELSEC	Difference
FY 2011 Enacted	\$ 856,068,541	\$ 856,068,541	\$ -
Current Service Adjustments	38,254,791	47,857,894	9,603,103
<i>Change to FY 2011 Enacted</i>	<i>\$ 38,254,791</i>	<i>\$ 47,857,894</i>	<i>\$ 9,603,103</i>
FY 2012 Current Service/ Unconstrained Request	\$ 894,323,332	\$ 903,926,435	\$ 9,603,103
Target Reduction/Initiatives	(134,148,500)	(2,352,889)	131,795,611
FY 2012 Constrained Target/Request	\$ 760,174,832	\$ 901,573,546	\$ 141,398,714
<i>Change to FY 2011 Enacted</i>	<i>\$ (95,893,709)</i>	<i>\$ 45,505,005</i>	<i>\$ 141,398,714</i>

The constrained budget submitted by the Department is \$141.4 million above the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's budget is \$108.8 million above the target. The enacted budget is \$102.9 million above the target.*

Statewide Adjustments. The Governor's FY 2012 budget includes \$20.7 million in unidentified statewide general revenue savings from applying reductions of 3.0 percent to salaries and benefits in cabinet level departments and 2.0 percent reductions to those costs in certain other agencies. He also included a 1.0 percent reduction to operating costs in those agencies. For the Department of Elementary and Secondary Education he assumed savings of \$0.9 million. The adjustments are in addition to other program changes in his recommended budget and described below. **The Assembly concurred.**

Education Aid. The Regents requested \$641.6 million for state aid to local school districts and charter schools, not including Central Falls School District, Davies Career and Technical School and the Met School. This represents the first year of funding under the new education funding formula adopted by the 2010 Assembly. The request is \$23.1 million more than the enacted level and includes \$16.0 million from general revenues to backfill a loss of fiscal stabilization funds and \$19.9 million for aid under the new formula based on updated data including enrollment and poverty. This is \$10.3 million more than the Budget Office current service calculation.

In its target calculations the Budget Office included \$15.8 million from general revenues to backfill fiscal stabilization funds and \$9.6 million for aid under the new formula. This was based on FY 2009 data that was used to simulate what aid under the new funding formula would be for FY 2011.

The 2010 Assembly adopted a new funding formula to be effective with the FY 2012 budget. This legislation is contained in 2010-H 8094 Substitute A, as amended. This formula would distribute aid to all districts, charter schools and the state schools: Davies Career and Technical School and the Metropolitan Career and Technical School. It is based on the principle that the money follows the student and includes a core instruction amount per pupil that every student will receive, a single poverty weight as a proxy for student supports, and a new state share ratio that considers the district's ability to generate revenues and its poverty concentration. No minimum share is used in the formula.

The formula also allows for additional funding from the state to districts for high-cost special education students, high-cost career and technical programs, early childhood education programs, transportation costs and a limited two-year bonus for regionalized districts. These are discussed in the following paragraphs. Group home aid will continue to be paid pursuant to current law, in addition to aid paid through the new funding formula.

The Regents budget assumes the same transition plan that the General Assembly had used in its simulations in June. Therefore, overfunded districts will have a level decrease over a ten year period while underfunded districts will have a level increase over a seven year period. In accordance with RIGL 16-7-16(11) which requires the reference year for the formula to be one year prior to the year in which aid is paid, the department will update data early in 2011 for the final aid calculation.

The American Recovery and Reinvestment Act of 2009 included an allocation for elementary and secondary education of \$107.6 million out of the \$134.9 million available for Rhode Island. FY 2011 is the third and final year of the federal stabilization funds, per the American Recovery and Reinvestment Act. Districts have until September 30, 2011 to obligate their funds, so \$3.5 million is added to FY 2011 and \$4.9 million is added to FY 2012 to account for potential carry-forward dollars. The FY 2012 budget report includes \$16.0 million from general revenues in lieu of fiscal stabilization funds no longer available.

	Higher Education	Elementary and Secondary Education	Total
FY 2009 Spent	\$ -	\$ 33,207,223	\$ 33,207,223
FY 2009 Carry Forward	-	5,117,599	5,117,599
FY 2010 Final	16,106,895	50,597,785	66,704,680
Balance	11,966,783	17,915,857	29,882,640
Total	\$ 28,073,678	\$ 106,838,464	\$ 134,912,142

The Governor recommended funding the first year of the formula. The funding formula calculation for FY 2012 uses June 30, 2010 student enrollment data adjusted for FY 2012 projected charter school enrollments, a per pupil core instruction amount of \$8,333 and census data released in December 2010. It assumes that districts that will receive more state funding will have the additional funding phased in over seven years and districts that are going to receive less state funding will have that loss phased in over ten years. His budget uses \$32.0 million from federal education jobs funds that appear in the FY 2011 budget but are for use in FY 2011 and FY 2012 in lieu of a like amount from general revenue. The calculations and distributions by district, charter and state schools, are located in the Education Aid report in the Special Reports section of this analysis.

The Governor recommended stabilization funds as requested. Based on the final allocation of federal stabilization funds between elementary and secondary education and higher education, elementary and secondary education's share of the total will be \$106.8 million or \$0.7 million less than originally estimated. The Governor's FY 2011 revised education aid proposal reduces this amount from districts' aid.

*The Governor subsequently requested an amendment to add \$0.6 million from general revenues based on updated data. This includes redistribution among districts with some receiving more and some receiving less than the Governor's budget assumed. Of the \$0.6 million, school districts excluding Central Falls receive \$0.3 million less. The Department of Elementary and Secondary Education provided updated student enrollment and free and reduced lunch eligibility data in April. **The Assembly concurred.***

Central Falls School District. The budget includes \$43.2 million to support the Central Falls School district for FY 2012. This includes \$44.9 million from general revenues, \$1.1 million from fiscal stabilization funds available from previous years and \$0.2 million from the Permanent School Fund. This is \$0.1 million more from general revenues than the enacted budget. FY 2012 is the first year of funding pursuant to the new funding formula. The legislation includes a transition fund to stabilize the Central Falls school district until the city can begin paying its local share. For FY 2012, that amount is \$931,688. The

Regents' request also includes \$0.2 million from the Permanent School Fund for FY 2012. This is money received into the Permanent School Fund from duties paid to the state by auctioneers.

Central Falls			
	Request	Governor	Difference
FY 2011 Enacted	\$ 42,865,645	\$ 42,865,645	\$ -
Department Targe Adjustment	(45,934)	(45,934)	-
FY 2012 State Share under formula	24,185,942	24,514,324	328,382
Total Change	(18,633,769)	(18,305,387)	328,382
FY 2012 Transition Amount	(1,863,377)	(2,365,326)	(501,949)
FY 2012 State Aid	\$ 40,956,334	\$ 40,454,385	\$ (501,949)
Transtion Fund*	931,688	-	(931,688)
Education Jobs Fund Adjustment	-	(1,969,619)	(1,969,619)
FY 2012 Total State General Revenue Contribution	\$ 41,888,022	\$ 38,484,766	\$ (3,403,256)

*The Department assumes that the state will pay 50.0 percent of the loss as part of the Central Falls stabilization fund.

The Governor recommended \$3.4 million less than requested. Of this, \$2.0 million reflects use of federal education jobs funds that appear in the FY 2011 budget but are for use in FY 2011 and FY 2012 in lieu of a like amount from general revenue. Additionally, the Governor did not recommend the \$0.9 million that was requested for the transition fund. Because the transition funds are paid upon verification that the city has paid its share of the local contribution and the Governor assumed that Central Falls will be unable to contribute any funds towards education for FY 2012, he did not include any funds for the state's transition payment.

*The Governor subsequently requested an amendment to add \$0.6 million from general revenues for the first year of the funding formula based on updated data. This includes redistribution among districts with some receiving more and some receiving less than the Governor's budget assumed. Of the \$0.6 million, Central Falls' share is \$0.7 million. The Department of Elementary and Secondary Education provided updated student enrollment and free and reduced lunch eligibility data in April. **The Assembly concurred.***

Metropolitan Career and Technical School. The budget includes \$19.5 million for the operation of the Metropolitan Career and Technical School for FY 2012. This includes \$0.5 million less from general revenues for the first year of the new education funding formula, \$0.5 million less from fiscal stabilization funds and \$3.4 million more from Rhode Island Capital Plan funds for the East Bay Campus. For FY 2012 the Met School will be funded pursuant to the new funding formula with the state paying a state share for each student and the sending districts contributing a local share. The request assumes that the Met School will receive \$4.6 million from districts that send students to the Met once the formula is fully phased in.

The Governor's recommendation is \$0.6 million from general revenues less than the request. This reflects use of federal Education Jobs funds that appear in the FY 2011 budget but are for use in FY 2011 and FY 2012 in lieu of a like amount from general revenues. He also recommended \$3.4 million less from Rhode Island Capital Plan funds for the East Bay Campus project.

The Governor subsequently requested an amendment to add \$0.6 million from general revenues for the first year of the funding formula based on updated data. This includes redistribution among districts with some receiving more and some receiving less than the Governor's budget assumed. Of the \$0.6 million, the Met School's share is \$70,576. The Department of Elementary and Secondary Education provided updated student enrollment and free and reduced lunch eligibility data in April.

The Assembly concurred and shifted \$2.0 million from Rhode Island Capital Plan funds to FY 2014 based on a delay in the East Bay Campus project.

Career and Technical Education Categorical Funding. The Regents requested \$3.0 million for career and technical education categorical funding for FY 2012. The new formula allows for additional funding from the state to districts for high-cost special education students, high-cost career and technical programs, early childhood education programs, transportation costs and a limited two-year bonus for regionalized districts. Funding will be used to help meet the initial capital investment needs to transform existing or create new comprehensive career and technical education programs and career pathways in critical and emerging industries and to help offset the higher than average costs associated with facilities, equipment, maintenance, repair and supplies necessary for maintaining the quality of highly specialized programs.

The Department of Elementary and Secondary Education will recommend criteria for the purpose of allocating funds provided by the Assembly each year and shall prorate the funds available for distribution among those eligible school districts if the total approved costs for which districts are seeking reimbursement exceed the amount of funding appropriated in any fiscal year. *The Governor did not recommend funding for FY 2012. The Assembly concurred.*

Early Childhood Categorical Funding. The Regents requested \$1.5 million for early childhood categorical funding as part of the new education funding formula. The new formula allows for additional funding from the state to districts for high-cost special education students, high-cost career and technical programs, early childhood education programs, transportation costs and a limited two-year bonus for regionalized districts. Funding will be used to increase access to voluntary, free, high-quality pre-kindergarten programs. This pilot program began in FY 2010 with \$700,000. The funding formula expands this initiative by requesting an additional \$750,000. *The Governor recommended the enacted level of \$0.7 million. The Assembly did not fund this program for FY 2012 and removed the \$700,000.*

High Cost Special Education. The Regents requested \$0.5 million for high cost special education students as part of the new education funding formula. The new formula allows for additional funding from the state to districts for high-cost special education students, high-cost career and technical programs, early childhood education programs, transportation costs and a limited two-year bonus for regionalized districts. The state will assume the costs related to high cost special education students when those costs exceed five times the district's combined per pupil core instruction amount and student success factor amount. The Department of Elementary and Secondary Education will prorate the funds available for distribution among those eligible school districts if the total approved costs for which districts are seeking reimbursement exceed the amount of funding appropriated in any fiscal year. *The Governor did not recommend funding for FY 2012. The Assembly concurred.*

Regionalization Bonus Categorical Funding. The Regents requested \$0.9 million for the regionalization bonus. The new formula allows for additional funding from the state to districts for high-cost special education students, high-cost career and technical programs, early childhood education programs, transportation costs and a limited two-year bonus for regionalized districts. The state will provide a limited two-year bonus for regionalized districts. The bonus in the first year shall be 2.0 percent of the state's share of the foundation education aid for the regionalized districts in that fiscal year. The second year bonus shall be 1.0 percent of the state's share of the foundation education aid for the regionalized districts in that fiscal year. This bonus applies to districts that are currently regionalized as well as any districts that regionalize in the future.

The new formula directs the Department of Elementary and Secondary Education to prorate the funds available for distribution among those eligible school districts if the total approved costs for which

districts are seeking reimbursement exceed the amount of funding appropriated in any fiscal year. *The Governor recommended funding as requested.* **The Assembly concurred.**

Transportation Categorical Funding. The Regents requested \$1.1 million for transportation categorical funding. The new formula allows for additional funding from the state to districts for high-cost special education students, high-cost career and technical programs, early childhood education programs, transportation costs and a limited two-year bonus for regionalized districts. The state will provide funding to mitigate the excess costs associated with transporting students to out-of-district non-public schools and within regional school districts. The state will assume the costs of non-public out-of-district transportation for those districts participating in the statewide transportation system. The state will share in the cost associated with transporting students within regional school districts. The state and regional school district will share equally the student transportation costs net any federal sources of revenue for these expenditures.

The Department of Elementary and Secondary Education will prorate the funds available for distribution among those eligible school districts if the total approved costs for which districts are seeking reimbursement exceed the amount of funding appropriated in any fiscal year. *The Governor recommended funding as requested.* **The Assembly concurred.**

Teachers' Retirement. The Regents requested \$79.0 million to fund the state's share of the employer contribution for teacher retirement costs, an increase of \$3.4 million to the FY 2011 enacted level. Teachers contribute 9.5 percent of their salaries. That rate is set in the General Laws. Employers pay the difference between the teachers' share and the amount needed to support the system, as determined annually by the State Employees' Retirement System. The state pays 40.0 percent of the employer's share. For FY 2012 that rate is 9.09 percent or 133 basis points higher than FY 2011.

The Governor recommended an additional \$3.7 million based on an assumed 2.0 percent growth in payroll each year. He also proposed that effective July 1, 2011 teachers contribute 11.75 percent towards pension benefits. The additional funds will be used to pay down the unfunded liability in the system; there would be no reduction in the employer share and the budget assumes no savings from this proposal. His budget assumes that teachers will pay an additional \$20.5 million to the system.

The Governor requested an amendment that recognizes general revenue savings of \$1.0 million for the state's share of teacher retirement costs based on recent payroll estimates from the Department. **The Assembly concurred with funding as recommended; it did not enact the proposed legislation.**

School Housing Aid. The Regents requested \$72.5 million from general revenues for school housing aid. This is \$1.7 million more than the FY 2011 enacted level and assumes 25.0 percent of the projects in the pipeline complete each year. The Department calculates the actual costs for FY 2012 at the close of FY 2011 because reimbursement begins after projects have been completed. The state reimburses cities and towns for capital school projects under Section 16-7-35 of the Rhode Island General Laws. Reimbursement is on the cost of the project including interest on bonded projects and does not begin until the projects have been completed. This makes it difficult to project what the final cost will be.

The new education funding formula legislation adopted by the 2010 Assembly includes a two-year phased increase in the state's minimum housing aid participation to provide that no local receives less than a 40.0 percent state reimbursement by FY 2013 for projects completed after June 30, 2010. For FY 2012, the minimum is 35.0 percent. The Department estimated that of the \$1.7 million increase, \$732,453 is related to the 5.0 percent increase in the minimum share ratio.

The increase from FY 2011 to FY 2012 is primarily attributable to the fact that Bristol-Warren, Chariho, and Providence are projected to complete significant projects, including approximately \$5.5 million of district wide renovations in Bristol-Warren, \$20.0 million of middle and high school renovations at Chariho, and \$22.0 million of district-wide renovations in Providence.

The Governor recommended funding as requested. He also proposed legislation to set the state reimbursement for charter school construction projects at the average share ratio of the sending district. Unless sponsored by a school district, charter schools are currently eligible for a 30.0 percent reimbursement. There is no impact on the FY 2012 budget and the supporting documents do not estimate the impact of this change on future budgets.

The Assembly enacted funding as recommended. It also enacted legislation to institute a three-year moratorium on the school housing aid program for projects that do not yet have Regents' approval. The out year estimate assumes savings of \$7.7 million for FY 2013.

Group Homes. The Regents requested \$8.6 million to fund beds for communities hosting group homes. This is \$255,000 less than enacted and reflects 11 fewer beds in Pawtucket and eight fewer beds in Woonsocket offset by one additional bed in each Portsmouth and Providence. The 2007 Assembly made statutory changes to align the payment of communities' group home aid to reflect more closely the actual number of group home beds open at the time of the budget. The legislation uses the count of beds that are open as of December 31 for the budget year's aid. Group home aid will continue to be provided this way, in addition to aid paid through the new funding formula. *The Governor recommended funding as requested. The Assembly concurred.*

Physics First. The Regents' unconstrained request includes the enacted level of \$250,000 used to support the physics first program as part of its constrained budget request. The physics first program teaches physics in the freshman year. Funding provides technology kits and equipment such as "Computers on Wheels" printers, presentation devices, digital video, scanners, handheld devices or additional wiring for classrooms.

As part of its constrained request, the Regents would eliminate the program. *The Governor recommended eliminating the program for savings of \$250,000. The Assembly concurred.*

School Breakfast. The Regents' unconstrained request includes the enacted level of \$300,000 for the administrative cost reimbursement to districts for the school breakfast program. Food is paid from federal sources. The 2005 Assembly passed legislation, effective July 1, 2005, that would provide a per breakfast subsidy, subject to appropriation, to school districts based on each district's proportion of the number of breakfasts served in the prior school year relative to the statewide total in the same year.

As part of its constrained request, the Regents would reduce the program by \$30,000 or 10.0 percent. *The Governor concurred with the constrained request and reduced funding by \$30,000. The Assembly concurred.*

Textbook Reimbursement. The Regents' unconstrained request includes the enacted level of \$240,000 from general revenues for textbook reimbursement. The state reimburses districts for the cost of providing textbooks to non-public school students in the areas of English/language arts and history/social studies in kindergarten through 12th grade. This would require a statutory change.

As part of its constrained request, the Regents would eliminate the program. *The Governor recommended eliminating the requirement that the state reimburse certain costs allowed under the*

textbook loan program for savings of \$240,000. The Assembly did not concur and provided the \$240,000.

Progressive Support and Intervention. The Regents requested the enacted level of \$2.7 million from general revenues for support of reform efforts in selected school districts as part of the progressive support and intervention program. The budget funds experts to begin the design and development work for the transformation process contained in the Regents' new strategic plan. *The Governor recommended funding as requested.*

The Assembly included savings of \$2.7 million by eliminating the general revenue support for these activities as they are now funded through federal Race to the Top funds.

Science Kits (KITES). The Regents' unconstrained request includes the enacted level of \$98,000 for the KITES (kits in teaching elementary science) kits. The KITES kits provide teachers with instructional science units that include hands-on tasks for students to build their knowledge and skills. The Department noted concern in eliminating these kits in light of student achievement data that indicates room for improvement in the area of science.

As part of its constrained request, the Regents would eliminate the program. *The Governor did not recommend eliminating the program and provided the enacted level of funding. The Assembly concurred.*

Statewide Transportation System. The Regents requested \$16.6 million from restricted receipts to fund the statewide transportation system, which is \$1.0 million more than the enacted budget. This reflects Providence and Pawtucket joining the system in FY 2012 as well as an automatic consumer price index increase of not less than 1.0 percent and not more than 4.0 percent per the contract. The 2009 Assembly adopted legislation mandating the use of a statewide transportation system for special needs students and the eventual implementation of the transportation system for all students. Districts will reimburse the state for its share of the cost, offsetting this expenditure. All fees paid for transportation services under the statewide system are paid into this new restricted receipt account.

The 2010 Assembly created a restricted receipt account as part of the FY 2010 revised budget and exempted it from the 10.0 percent indirect cost recovery. The legislation allows the Commissioner of Elementary and Secondary Education to grant a variance to the requirement for the purchase of transportation services through the statewide transportation system for non-public and non-shared routes if an alternative system is more cost effective. The Department has indicated that some districts are able to transport their non-public students at a cheaper cost than through the statewide system. *The Governor recommended funding as requested. The Assembly concurred.*

Education Telecommunication Fund/Surcharge Increase. The Department requested a decrease of \$0.5 million from restricted receipts from the education telecommunications access fund based on estimated available funds, which were inadvertently overstated in the enacted budget. The telecommunications education access fund is designed to provide financial assistance to qualified libraries and schools to acquire, install, and use telecommunications technologies to access the Internet. This fund is supported by a \$0.26 monthly surcharge levied upon each residence and business telephone access line.

As part of its constrained budget request, the Regents requested eliminating the general revenue support for the program and lowering the surcharge from \$0.26 to \$0.15 on land phone lines and imposing the same fee on wireless phones. Currently only land lines are assessed the surcharge. This

was proposed by the Governor as part of his revised FY 2010 budget but the Assembly did not increase the surcharge and provided \$350,000 from general revenues for FY 2011. Since wireless customers already pay a \$0.26 surcharge for public safety, this change would have resulted in an increase of \$0.24 from \$1.26 to \$1.50 per line, per month.

The Governor recommended legislation to reduce the assessment from \$0.26 to \$0.15 per line effective July 1, 2011 and expand it to include wireless lines as requested and as proposed as part of the Governor's FY 2010 revised budget. This is expected to generate an additional \$0.7 million in revenue. He eliminated the \$350,000 from general revenues as requested.

The Governor subsequently requested an amendment to add \$0.4 million from restricted receipts based on his proposed legislation.

The Assembly did not enact the proposed legislation. It provided \$350,000 from general revenues to support the program for FY 2012.

I-Plan. Consistent with its FY 2011 revised request, the Department's FY 2012 request eliminates funding for expenditures associated with the I-Plan teacher certification process for which the enacted budget included \$200,000 from general revenues. This includes \$100,000 in the educator quality program by shifting a Regents Fellow to federal Title II grant funds. This Fellow position supports the design, development and implementation of the Rhode Island educator evaluation system. Additional savings of \$100,000 are achieved by eliminating the consultants that worked on the I-Plan. These consultants are no longer necessary because the Department is now working on the development of new educator certification and evaluation systems. Since the new system is not developed it is unclear if at this point if additional resources will be needed. The Department has suspended issuance of the five-year professional certificate and replaced it with a one-year transitional professional certificate. *The Governor recommended funding as requested. The Assembly concurred.*

Career and Technical Schools Maintenance. Consistent with the revised request, the Regents FY 2012 request includes an additional \$95,000 from general revenues to fund emergency repairs at the state's career and technical centers. The state is currently in the process of completing major renovations at the centers in order for the districts to consider taking ownership of the facilities. Chariho has already been returned to the district. The enacted budget includes \$30,000.

The Regents withdrew the request for additional funding as part of its constrained budget request. *The Governor recommended the additional \$95,000. The Assembly concurred.*

Vision Services. The Regents requested an additional \$150,000 from general revenues for the Rhode Island Vision Services Education Program at the Paul Sherlock Center to fund existing personnel costs including negotiated salary and benefit increases. The Rhode Island Vision Services Education Program at the Paul Sherlock Center provides teaching and consultation services to children who are blind or visually impaired, their families, and educational staff within the school environment.

The Regents withdrew the request for additional funding as part of its constrained budget request, plus an additional \$50,000 reduction to the program. *The Governor recommended the additional \$150,000. The Assembly concurred.*

Uniform Chart of Accounts. The FY 2012 request includes an additional \$50,000 for the uniform chart of accounts initiative for total funding of \$250,000 for FY 2012. While districts began using the new chart on July 1, 2009, the Department reported that there is still a significant amount of work necessary

to support districts with issues related to transition, reporting, file transfers, and Help Desk support. The additional funding would fund a consultant to work on the quality assurance for data submitted to assure accountability and to provide technical assistance to school districts.

The Regents withdrew the request for additional funding as part of its constrained budget request plus an additional \$50,000 reduction to the program. *The Governor recommended the additional \$50,000.* **The Assembly concurred.**

Community Service Grants. The enacted budget includes \$0.7 million for approximately 50 community service grants to community organizations.

As part of its constrained budget request the Regents requested eliminating funding for all grants. *The Governor fully funded all community service grants.* **The Assembly enacted a ten percent reduction of \$71,524.**

Race To The Top. The Regents requested \$22.3 million and 22.0 new full-time equivalent positions to work on education reforms funded by the Race to the Top grant. The new positions are also included in the Regents' revised budget request. On August 24, 2010, Rhode Island was notified it would be awarded Race to the Top grant funds. The Department's total award of \$75.0 million will be spent over the next four years. A requirement of the award is that 50.0 percent of funds must be used for direct support to school districts; most of the remaining funds will be used for consultants and new full-time equivalent positions.

These personnel will include transformation specialists, multiple pathway specialists, data managers/analysts, grants management, and clerical support. The new positions will work on a variety of education reforms including working with school districts to develop budgets and work plans, overseeing the Department's performance management process, data collection and analysis, and administrative support. The reform efforts are focused on six main areas: building state and local capacity, standards and curriculum, instructional improvement, educator effectiveness, human capital development that will center on building the leadership of principals, and school transformation and innovation for struggling schools. *The Governor recommended \$8,954 less than requested and 22.0 new positions for FY 2011 and FY 2012.* **The Assembly concurred.**

Education Jobs Fund. The Regents requested \$5.2 million from federal Education Jobs funds for FY 2012. The state has been awarded \$32.9 million in federal Education Jobs funds to retain and rehire school-based personnel in local education agencies. Funding will be distributed to districts based on their share of FY 2011 enacted state aid. The money can only be used for compensation costs for school-based personnel. The funds are intended to be used in the 2010-2011 school year; however, funds are available through September 30, 2012. As of December 2010, only two districts and two charter schools had requested funding totaling \$0.4 million. *The Governor recommended \$673 less than requested.* **The Assembly concurred.**

Stimulus Grants. The FY 2012 request includes \$16.3 million less from federal stimulus funds for distribution to local school districts including Title I and special education funds. This represents the last year stimulus funding will be available. All funds must be encumbered by September 30, 2011. Funding was made available too late in FY 2009 for districts to expend it. On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act of 2009. In addition to the state fiscal stabilization funds, there was additional relief to local schools through Title I and special education through the Individuals with Disabilities Education Act program and other education related

federal stimulus funds for competitive grants to local schools and use by the Department for technology and other school improvements.

FY 2012 is the last year that funding is available through these sources. All funds must be encumbered by September 30, 2011. The FY 2011 enacted budget included \$28.3 million for distribution by the Department. This includes \$11.2 million in special education funding and \$14.5 million in Title I funding for formula distribution to districts, charter schools, the Metropolitan Career and Technical School and the state schools. This also includes \$2.6 million in competitive grants funds administered by the Department. *The Governor recommended \$644 more than requested.* **The Assembly concurred.**

Nutrition Grants. The Regents requested authorization to spend \$46.1 million from federal nutrition program funds. This is \$1.1 million more than the enacted level to reflect an increased estimate of meal participation. *The Governor recommended \$1,109 more than requested.* **The Assembly concurred.**

Special Education Grants. The Regents requested authorization to spend \$44.0 million, \$1.6 million more than enacted, from federal special education funds to reflect a higher than expected federal award. The funds are distributed to school districts and provide administrative support. Most of the funds must be distributed to local education agencies serving children directly. Federal funds are combined with state and local funds to provide children with disabilities free and appropriate public education, including special education and related services. *The Governor recommended \$4,422 more than requested.* **The Assembly concurred.**

Title I Grants. The Regents requested \$52.2 million in federal fund expenditures from Title I funds. This is \$3.2 million more than the enacted level based on a revised grant award. Title I funds go directly to local schools, where they are used to provide extra help to low-achieving students.

Funding is distributed through four formulas, based on census poverty estimates and per pupil expenditures for each state. Title I fund distributions to states are calculated through four distinct formulas based upon different levels of poverty; however, funds are allocated to districts as one amount. *The Governor recommended \$1,935 more than requested.* **The Assembly concurred.**

Vocational Education Grants. The Regents requested \$5.9 million from federal vocational education grants. This is \$0.1 million more than the FY 2011 level. These funds are used to improve vocational educational programs throughout the state. *The Governor recommended \$1,965 more than requested.* **The Assembly concurred.**

Teacher Quality/Professional Development Grants. The Regents requested \$17.0 million from federal funds that support teacher quality and professional development. This is \$0.2 million less than enacted based on the federal program budget reduction. *The Governor recommended \$1,121 more than requested.* **The Assembly concurred.**

Charter School Grants. The request reflects \$3.1 million from a new federal program that is being implemented in FY 2011. This program provides financial assistance for the planning, program design, and initial implementation of charter schools. These competitive grants are available to states that have charter school laws. The Department will make subgrants to developers of charter schools who have applied for a charter. There is currently one charter school that has preliminary approval from the Regents to open for the 2011-2012 school year.

Charter schools are public schools authorized by the state through the Board of Regents to operate independently from many state and local district rules and regulations. The 2010 Assembly increased

the statewide total to no more than 35 charters; it had previously been no more than 20 charters serving no more than 4.0 percent of the state's school age population. At least half of the 35 total charters shall be reserved for charter school applications designed to increase the educational opportunities for at-risk pupils. There are currently 15 charter schools. *The Governor recommended funding as requested.* **The Assembly concurred.**

HRIC Adult Education Grants. The budget includes \$1.1 million less from Human Resource Investment Council funds for adult education grants. This would provide \$3.5 million from Human Resource Investment Council funds for FY 2012 consistent with the Department's revised request. The Department of Labor and Training indicated that this reduction was determined by the Human Resource Investment Council Board after looking at the overall financial position of the fund. The request also includes the enacted level of \$2.3 million from general revenues. Total FY 2012 funding would be \$5.8 million. *The Governor recommended funding as requested.*

The Assembly enacted an additional \$2.3 million from Human Resource Investment Council funds in lieu of a like amount from general revenues.

New Staffing. The Regents requested \$0.3 million and 3.0 new full-time equivalent positions to help support activities of the Department's new strategic plan. This includes 1.0 position to work on the creation of multiple pathways for students to become college and career ready, 1.0 position to do data analysis, and 1.0 to work on the uniform chart of accounts initiative.

The Regents did not include this proposal as part of the constrained budget request. *Consistent with his revised request the Governor recommended only one of the positions. He included \$0.1 million for a position to work on the uniform chart of accounts initiative.* **The Assembly concurred.**

Other Salaries and Benefits. Excluding all previously mentioned personnel items, the Department's budget includes \$17.4 million for all other salaries and benefits which is an increase of \$0.9 million from all funds, including an additional \$0.7 million from general revenues. This assumes Budget Office planning values for benefits including a 3.0 percent cost-of-living increase and \$0.2 million more in turnover savings than the enacted budget. *The Governor recommended \$54,382 less than requested including \$35,009 less from general revenues based on adjustments to retiree health costs.* **The Assembly concurred.**

Capital. The Regents requested an additional \$2.6 million from Rhode Island Capital Plan funds for capital projects at the states regional career and technical centers based on revised project estimates and construction schedules. The Department is making significant renovations and repairs to the career and technical centers for the districts to consider taking ownership of the facilities.

The Governor recommended \$0.2 million less from Rhode Island Capital Plan funds than requested. This is \$2.8 million less than enacted and reflects project schedule changes for the state career and technical center projects. Capital projects are discussed in detail in the Capital Budget section of this analysis.

The Assembly provided an additional \$150,000 from Rhode Island Capital Plan funds for the East Providence Career and Technical Center to complete the project. It also provided an additional \$200,000 and advanced the \$300,000 recommended for FY 2013 to FY 2012 to complete the Newport Career and Technical Center project.

Grant and Programming Revisions. The Regents' request includes adjustments in state, federal and restricted receipt expenditures for grant programs and other state operations producing a total decrease

of \$2.7 million, including a decrease of \$64,000 from general revenues. Federal funds for all other grants, not noted previously, decrease \$2.4 million below funding from the same grants included in the enacted budget. Most of the changes reflect adjustments for carry-forward funds and actual grant awards. *The Governor recommended \$1,710 more than requested including \$7,650 less from general revenues to reflect a 15.0 percent reduction in outside legal expenses based on a directive from the Department of Administration to reduce legal expenses.*

The Assembly chose to treat the Department the same as school districts and reduced general revenue administrative costs by the amount of Education Jobs funds that it will receive in FY 2012, \$248,000.

Davies Career and Technical School

Beginning with FY 2012, Davies falls under the new education funding formula and its state aid will be determined by the funding formula calculation. At the same time it will receive a local share of funding from the individual districts that send students to the school. These will flow into a restricted receipt account, which will partially offset the loss of state aid. These dollars are also determined by the funding formula. The final figures for both will be set based upon the projected enrollments from the Davies lottery held early in calendar year 2011 and a data collection of local district average daily membership to take place in April 2011. The FY 2012 budget request assumes that Davies will receive \$0.7 million from districts that send students to the school.

*The Governor subsequently requested an amendment to add \$0.6 million from general revenues for the first year of the funding formula based on updated data. This includes redistribution among districts with some receiving more and some receiving less than the Governor's budget assumed. Of the \$0.6 million, Davies' share is \$106,127. The Department of Elementary and Secondary Education provided updated student enrollment and free and reduced lunch eligibility data in April. **The Assembly concurred.***

School Based Coordinators. The school eliminated 6.0 federally funded school-based coordinators and transferred them to the districts during FY 2011. These positions were funded from federal Perkins grant funding and were state employees. There are no savings as the school still pays for the positions but there is a reduction in the state workforce of 6.0 full-time equivalent positions. The employees are now district employees. The Regents had proposed this as part of the FY 2009 budget but neither the Governor nor the Assembly approved it. The \$0.3 million to support these 6.0 positions has been shifted from salaries and benefits to assistance grants and benefits and the full-time equivalent positions are eliminated. *The Governor recommended funding as requested; however, he did not eliminate the authorization for 6.0 positions. **The Assembly concurred.***

Salaries and Benefits. The Regents requested \$14.2 million from all sources of funds for 123.0 positions. This is \$0.7 million more than enacted including \$0.3 million more from general revenues to backfill the elimination of \$0.4 million in federal fiscal stabilization funds. The request also includes \$0.7 million in new federal Education Jobs funds to rehire and train teachers. The budget also eliminates authorization for 3.0 full-time equivalent positions, although Davies indicated that this is an error.

The Governor recommended \$0.3 million less than requested from general revenues based on his decision to reduce education aid in FY 2012 by the amount of federal Education Jobs funds that districts, charters and state schools will receive in FY 2011 for use in FY 2011 and FY 2012. The

additional Education Jobs funds appear in the schools FY 2011 revised budget. The Assembly concurred.

Other Operating Adjustments. The request includes \$2.3 million from all funds for all other operating adjustments. This is \$0.1 million more than enacted including \$0.7 million less from general revenues offset by \$0.7 million more from restricted receipts to reflect the new funding structure under the funding formula.

The Governor recommended \$46,578 more than requested including \$43,885 from general revenues for program supplies and equipment. This includes a decrease of \$8,250 from general revenues which represents a 15.0 percent reduction in outside legal expenses based on a Department of Administration directive to reduce legal expenses. The Assembly concurred.

Capital. The Regents' request reflects an additional \$78,175 from Rhode Island Capital Plan funds. This includes \$0.4 million less from Rhode Island Capital Plan funds than enacted for the roof project and \$0.5 million more for the HVAC project based on revised project schedules.

The Governor recommended \$1.0 million less than enacted and \$1.1 million less than requested. Capital projects are discussed in detail in the Capital Budget section of this analysis. The Assembly opted to fund the lighting, windows and paving projects as part of the school's asset protection project. It added \$275,000 from Rhode Island Capital Plan funds for FY 2012 to accommodate the additional work.

Rhode Island School for the Deaf

Unlike the other state schools, the Rhode Island School for the Deaf will not be funded pursuant to the new education funding formula. The state will continue to support the school's core program that supports the needs of all students with hearing loss and deaf or hard of hearing. Sending districts will be billed for services that fall outside the core program.

Salaries and Benefits. The Regent's budget contains \$6.6 million in salary and benefit expenditures for 60.0 full-time equivalent positions. This is \$49,350 more than enacted, including \$0.4 million more from general revenues offset by \$0.2 million less from federal funds and restricted receipts. The FY 2011 enacted budget included 3.0 special education teachers funded from state fiscal stabilization funding that is not available for FY 2012. While the funding has been eliminated from the request, authorization for the positions is still in the request.

The Governor recommended \$0.3 million less than requested from general revenues. Similar to his treatment of school districts, charter and state schools, he recommended using federal Education Jobs funds that will be received for use in FY 2011 and FY 2012 in lieu of general revenues for FY 2012. The Assembly concurred.

Other Operating Adjustments. The Regents requested \$0.9 million for all other operating expenditures, which is \$71,340 more than enacted from general revenues. Savings in legal and interpreters partially offset additional expenditures associated with moving into the new building including utilities, insurance, security services and computer purchases.

Consistent with his FY 2011 revised request, the Governor recommended \$0.1 million less than enacted. The majority of this is for interpreter services based on prior years' spending. It also reflects

a decrease of \$10,500 from general revenues which represents a 15.0 percent reduction in outside legal expenses based on a Department of Administration directive to reduce legal expenses.

The Assembly enacted legislation authorizing the school to rent or lease space in its school building and established a new restricted receipt account for the deposit of funds from rentals or leases. The budget assumes \$90,000 from rental income and the Assembly reduced general revenue expenditures by \$67,500 to partially offset operating expenditures using rental income.

Board of Governors for Higher Education

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Program				
Board of Governors/Higher Ed.	\$ 10,707,178	\$ 11,317,177	\$ 11,687,899	\$ 10,729,306
University of Rhode Island	639,058,662	677,744,113	687,096,453	692,643,311
Rhode Island College	155,399,790	160,767,160	155,044,257	155,532,189
Community College of RI	132,636,759	138,212,102	140,354,652	137,940,036
State Forensics Lab	-	-	775,000	-
Total	\$ 937,802,389	\$ 988,040,552	\$ 994,958,261	\$ 996,844,842
Expenditures by Category				
Salaries and Benefits	\$ 426,081,057	\$ 426,677,075	\$ 433,835,402	\$ 428,035,402
Contracted Services	16,476,186	18,647,371	18,508,752	18,508,752
Subtotal	\$ 442,557,243	\$ 445,324,446	\$ 452,344,154	\$ 446,544,154
Other State Operations	186,374,197	194,802,529	202,701,417	201,701,417
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	221,286,195	246,840,861	271,604,004	271,490,585
Capital	41,760,888	58,440,008	24,451,140	33,251,140
Capital Debt Service	42,806,975	40,011,460	41,317,141	41,317,141
Operating Transfers	3,016,891	2,621,248	2,540,405	2,540,405
Total	\$ 937,802,389	\$ 988,040,552	\$ 994,958,261	\$ 996,844,842
Sources of Funds				
General Revenue	\$ 163,606,843	\$ 162,333,194	\$ 173,400,638	\$ 166,487,219
Federal Aid	15,004,667	32,657,457	4,594,756	4,594,756
Restricted Receipts	930,000	930,000	941,338	941,338
Other	758,260,879	792,119,901	816,021,529	824,821,529
Total	\$ 937,802,389	\$ 988,040,552	\$ 994,958,261	\$ 996,844,842
Uses of Funds				
Unrestricted Use Funds	\$ 545,616,341	\$ 547,661,115	\$ 565,640,276	\$ 558,726,857
Restricted Use Funds	392,186,048	440,379,437	429,317,985	438,117,985
Total	\$ 937,802,389	\$ 988,040,552	\$ 994,958,261	\$ 996,844,842
FTE Authorization	3,367.1	3,432.1	3,449.6	3,438.4
<i>Limited to Third Party Funds</i>	<i>785.0</i>	<i>785.0</i>	<i>785.0</i>	<i>776.2</i>
Total Authorized Positions	4,152.1	4,217.1	4,234.6	4,214.6

Summary. The Board requested \$88.5 million of new spending above the FY 2011 enacted budget for FY 2012 including \$28.9 million more in general revenue support, \$10.3 million more from other unrestricted sources, and \$49.4 million more from restricted sources. The Board requested total funding from all sources of \$1,026.3 million for FY 2012, which is 9.4 percent growth over the FY 2011 enacted budget. The Board requested \$584.8 million from unrestricted use funds and \$441.6 million from restricted use funds. The unrestricted request represents 3.8 percent growth over FY 2011 revised expenditure projections.

The Governor recommended \$995.0 million from all sources, which is 5.7 percent growth over the FY 2011 enacted budget. He included \$565.6 million in unrestricted use fund expenditures and \$429.3 million in restricted use fund expenditures. The Governor recommended \$173.4 million from general revenues, which is \$9.8 million more than enacted and \$19.1 million less than requested. The Governor's intent is that the Community College not raise tuition; the University and College will either have marginal tuition and fee increases or expenditure reductions. The Governor recommended 4,234.6 full-time equivalent positions, which is 82.5 more positions than enacted.

The Assembly enacted expenditures of \$996.8 million from all sources. This includes \$6.8 million less from general revenues than recommended. The Assembly eliminated \$0.9 million and 5.0 full-time equivalent positions from general revenues from the Office's budget and included legislation that requires the Director of Administration to submit a revised plan for the organizational structure for higher education administration, staff support and resource allocation and reduced community service grants by ten percent for savings of \$113,419. The Assembly added \$8.8 million from Rhode Island Capital Plan funds to reflect revisions to three projects and \$2.0 million in additional funding for asset protection projects.

Target Issues. The Budget Office provided Public Higher Education with a general revenue target of \$144.8 million. The amount includes current service adjustments of \$3.3 million and a 15.0 percent target reduction adjusted for certain exclusions.

FY 2012 Budget	Budget Office	Public Higher Education	Difference
FY 2011 Enacted	\$ 163,606,843	\$ 163,606,843	\$ -
Current Service Adjustments	3,260,216	28,918,090	25,657,874
Change to FY 2011 Enacted	\$ 3,260,216	\$ 28,918,090	\$ 25,657,874
FY 2012 Current Service/ Unconstrained Request	\$ 166,867,059	\$ 192,524,933	\$ 25,657,874
Target Reduction/Initiatives	(22,095,619)	(1,290,812)	20,804,807
FY 2012 Constrained Target/Request	\$ 144,771,440	\$ 191,234,121	\$ 46,462,681
<i>Change to FY 2011 Enacted</i>	<i>\$ (18,835,403)</i>	<i>\$ 27,627,278</i>	<i>\$ 46,462,681</i>

The constrained budget submitted by the agency is \$46.5 million above the target. The Office for Higher Education submitted a constrained budget that reduced spending by \$1.3 million. The University, College, and Community College did not submit a constrained budget. *The Governor's recommendation is \$28.7 million more than the Budget Office target.* **The Assembly provided \$21.7 million more than the target.**

Full-Time Equivalent Positions. The FY 2012 request includes authority to fill 4,231.0 full-time equivalent positions, provided that 785.0 of those positions would be limited to third-party sources. This is 79.0 more than the enacted level, including 62.0 positions at the Community College and 16.9 positions at the College, though the Community College indicated it inadvertently excluded 3.0 full-time positions from its request. The 2004 Assembly changed its treatment of research-funded positions to provide the institutions' estimates of staffing needs associated with additional research grants and other third-party funds that they will generate over the next two years. Article 1 separately lists the authorization for each institution and the Office of Higher Education and indicates how many positions are reserved for third-party funded activities. Those limits have been the same since 2004.

The Governor recommended 4,234.6 full-time equivalent positions, which is 82.5 more positions than enacted. The Governor recommended 17.5 more positions at the College and 65.0 more positions at the Community College. It should be noted that the Governor did not include 1.8 full-time equivalent

positions at the State Forensics Lab that is currently included in the University's budget. The Assembly authorized 4,214.6 positions, which is 15.0 less positions at the Community College and 5.0 less positions at the Office of Higher Education than recommended.

Current Services and Target Budgets. Historically the Board submits a current service budget in addition to the target budget required by the Budget Office. This year, the Budget Office instructed the system to submit a constrained budget of \$144.8 million. The Board of Governors did not submit a budget request that met the target but did offer reductions to the Office of Higher Education in its constrained budget. *The Governor's recommendation is \$30.1 million less than the Budget Office target. The Assembly provided \$6.9 million less from general revenues than recommended.*

Current Year Revisions. Historically, the analyses have begun with an adjustment for the current year. Until FY 2005, the Board had statutory authority, which did not require legislative approval, to reallocate the enacted budget based on information available to it, including changes to revenues and needs. The 2004 Assembly rescinded that authority and established separate appropriation lines for the four operations. The Assembly did not change the budget request and submission process; the law continues to require the Board to review, develop and submit the higher education budget. In addition, the institutions retained their authority to use additional resources they received above appropriated amounts, such as research grants and additional tuition and fees.

The Board continues to review and approve each institution's allocation of all current year resources and describes its requested budget year items in terms of changes to those current year allocations. So that the analysis can be in terms of the items the Board specifies as requested, staff analysis starts from the allocations. *The Governor reduced current year expenditures by \$1.0 million from general revenues compared to the request to reflect updated debt service expenditures. The Assembly included an additional \$240,000 in general revenue turnover savings in the Office's budget.*

Higher Education Funding. Expenditures in Public Higher Education increased 88.6 percent during the period FY 2001 through FY 2011, which is an annual rate of 8.7 percent. Public Higher Education would grow 83.8 percent if the Board's FY 2012 request were funded, which is an annual rate of 7.0 percent. It should be noted that beginning in FY 2007 debt service expenditures, which had been shown in the budget of the Department of Administration from 2000 through 2006, are shown in Higher Education's budget.

In Rhode Island, as in many other states, expenditures and sources for public higher education are generally broken into two categories: (1) *unrestricted* budget and (2) *restricted* budget. The distinction is extremely important to the understanding of public higher education funding. *The Governor's FY 2012 recommendation represented 95.0 percent growth during the period of FY 2001 through FY 2012, which is an annual rate of 8.6 percent. The enacted budget represents 95.4 percent growth, which is an 8.6 percent annual growth rate since FY 2001.*

Unrestricted Budget. The unrestricted budget consists of those funds that can be used for any legitimate purpose. Those purposes fall within the education and general operations of the institutions. They include state general revenue appropriations, tuition and general fees, and sponsored research overhead. The latter are the indirect costs added to research grants to reimburse the college or university for the items that must exist for research to occur, such as an accounting system, facilities, and so forth. The unrestricted budget is similar to the general revenue budget of other agencies and departments.

The Board's unrestricted budget includes \$584.8 million, of which \$192.5 million is from general revenues. The general revenue portion is \$28.9 million more than the enacted FY 2011 budget; other unrestricted sources increase \$10.3 million.

*The Governor recommended \$565.6 million from unrestricted sources or 3.5 percent more than the enacted budget. The recommendation includes \$19.1 million less general revenues than requested. The majority of the change to the request is in salaries and benefits. **The enacted budget includes \$6.9 million less from general revenues than recommended, and \$2.9 million more than enacted.***

Restricted Budget. The restricted budget is composed of what are generally thought of as restricted receipt funds or enterprise funds. They include the residence hall funds, dining funds, parking funds where they occur, and any other funds whose sources are limited to use for certain purposes. Federal funds are considered restricted use; the traditional display in the Governor's budget presentation breaks them out separately. The Board requested restricted budgets of \$441.6 million for FY 2012. This is an increase of \$49.4 million, or 12.6 percent over the enacted FY 2011 level. Compared to the revised allocation, the request is \$3.2 million, or 1.0 percent greater. *The Governor recommended \$429.3 million, which is \$37.1 million more than enacted and \$12.2 million less than requested. Rhode Island Capital Plan funds are \$14.2 million less than requested. This is offset by a \$2.0 million increase in debt service expenditures.*

The Assembly added \$8.8 million from Rhode Island Capital Plan funds. This reflects revisions to three projects and \$2.0 million in additional funding for asset protection projects.

Salaries and Benefits. The Board requested \$454.3 million for salary and benefit expenditures, of which \$355.8 million is from unrestricted sources and \$98.5 million is from restricted sources. The request represents a \$23.0 million or 6.0 percent increase from the FY 2011 enacted level in unrestricted funding, and a \$5.1 million increase in restricted funding, or 4.9 percent. Compared to the institutions' FY 2011 revised projections, the unrestricted increase is \$21.2 million or 6.3 percent and a \$4.7 million increase in restricted funding, or 5.1 percent. *The Governor recommended \$7.7 million more than enacted and \$20.5 million less than requested. The unrestricted recommendation is \$3.4 million more than enacted and \$19.1 million less than requested. This includes savings of \$0.3 million in medical benefit savings. **The Assembly provided \$5.8 million less from salaries and benefits than recommended to reflect its decision to increase enacted general revenue funding by \$4.0 million; the Governor recommended \$10.0 million more.***

Alternate Retiree Health Benefits. In 2003, the Board commissioned an actuarial study of the program. The report identified \$36.2 million in unfunded liability as of June 30, 2004 and indicated that the current funding of 0.25 percent of pay is far below the necessary contributions required to fund the benefits. The study found that to fund the program on an actuarial basis without changing benefits, the plan would need a contribution of 1.8 percent of salaries. By June 30, 2006, the estimated unfunded liability was \$54.6 million requiring a contribution of 2.81 percent of salaries.

At its May 12, 2008 meeting, the Board of Governors voted unanimously to revise the retiree health benefit effective July 1, 2008, increasing rates and decreasing coverage eligibility to age 65. As of July 1, 2008, the plan is only a post-65 plan. As of July 1, 2009, employees are paying 50.0 percent of the cost. The rate for FY 2011 is 2.69 percent of applicable payroll and will remain so until the next actuarial study. The Office indicated that an actuarial study will be completed annually. For FY 2011, the total amount budgeted is \$3.6 million. The Board's approved request for FY 2012 is \$3.3 million. *The Governor recommended funding as requested. **The Assembly concurred.***

Contracted Services. The Board requested \$17.8 million for contracted services for FY 2012, of which \$11.0 million is from unrestricted sources and \$6.8 million is from restricted sources. This is \$1.3 million more than the FY 2011 enacted budget and \$0.1 million less than the FY 2011 revised allocation. Compared to the revised allocation, unrestricted sources decrease \$0.3 million or 2.3 percent and restricted sources increase \$0.2 million or 2.0 percent. *The Governor recommended \$2.0 million more than enacted and \$0.8 million more than requested.* **The Assembly concurred.**

Other Operating Expenses. The Board requested \$201.3 million for other operating expenditures in FY 2012, of which \$90.6 million is from unrestricted sources and \$110.7 million is from restricted sources. This is \$14.9 million over FY 2011 enacted operating expenses. Compared to the institutions' FY 2011 revised projections, the unrestricted increase is \$4.3 million, or 3.0 percent. *The Governor recommended \$16.3 million more than enacted and \$1.4 million more than requested.* **The Assembly provided \$1.0 million less from operating expenses than recommended to reflect its decision to increase enacted general revenue funding by \$4.0 million; the Governor recommended \$10.0 million more.**

Grants and Scholarships. The Board requested \$271.5 million for total grants and benefit expenditures for FY 2012, an increase of \$50.3 million, or 22.0 percent over the enacted FY 2011 budget. The unrestricted budget accounts for \$99.3 million, an increase of \$17.2 million, or 20.0 percent. The restricted budget includes \$172.2 million, a 23.0 percent increase of \$33.0 million. The largest area of expenditure for assistance, grants, and benefits is that for student aid and waivers. In the unrestricted budget, these are generally in the form of waived tuition. The three institutions request total expenditures for scholarships and grants of \$149.6 million for FY 2012. The unrestricted portion is \$94.7 million. The restricted portion is \$54.9 million. All federal sources, including Pell grants, account for approximately 33.9 percent of the total.

Total scholarships, grants, waivers and other aid from the three institutions would provide aid equal to 41.8 percent of the tuition and mandatory fees based on the Board's target budget. Revised FY 2011 estimates are for 37.5 percent. For FY 2010, that share was 37.4 percent. Grants also include the Ford Direct Student Loan and Parent Loan programs at the University of Rhode Island. The University requested restricted expenditures of \$110.0 million for FY 2012. It began the program in FY 1996 with loans of \$33.8 million. *The Governor recommended \$0.1 million more than requested.* **The Assembly included savings of \$0.1 million from a ten percent reduction to all community service grants.**

Capital. The Board requested \$38.7 million in total expenditures for capital outlays and improvements for FY 2012. The request includes \$24.7 million from Rhode Island Capital Plan funds of which \$13.7 million is for asset protection. Requested Rhode Island Capital Plan fund expenditures at the University include \$11.0 million for various ongoing projects and \$3.5 million for five new projects. These and all other capital projects are described separately in the Capital Budget Section of this analysis. It should be noted that the Rhode Island Capital Plan funds request is inconsistent with the Board's Capital Improvement Plan request. The Community College did not include \$3.8 million for the Knight Campus Residence Hall, wind turbine, and fire and HVAC improvements to the Flanagan Campus.

The Governor recommended \$10.5 million from Rhode Island Capital Plan funds, which is \$14.2 million less than requested and \$9.2 million less than enacted. **The Assembly added \$8.8 million from Rhode Island Capital Plan funds. This reflects revisions to the timing of three projects and \$2.0 million in additional annual funding for asset protection projects.**

Enrollment. FY 2012 enrollment, based on revised estimates, would be 32,332 full-time equivalent students, which is 1.9 percent higher than the reported FY 2009 level. Among the changes reflected in the Board's FY 2011 revised budget estimates is an increase of 3.5 percent at the University that includes 502 more students. *The Governor's recommendation appears to reflect the Board's enrollment projections.* **The Assembly concurred.**

Tuition and Fees. The Board's FY 2012 request includes \$358.0 million from tuition and fees. This represents a \$10.3 million, or 2.8 percent increase in revenues over the FY 2011 enacted level and is \$8.0 million or 2.2 percent more than the revised allocation. The Board of Governors did not increase tuition for the 2011-2012 school year. The Board of Governors approved an \$80 increase at the University for a new technology fee. At the Community College, there will be a \$24 parking fee annually charged to students that will assist in funding for the discounted Rhode Island Public Transportation Authority fare.

The Governor recommended funding as requested; however, he included \$9.8 million more than enacted and \$19.1 million less than requested from general revenues. The Governor's intent was that the Community College not raise tuition; the University and College will either have marginal tuition and fee increases or expenditure reductions. The Governor requested an amendment to increase tuition expenditures by \$11.5 million at the University and College based on the Board of Governor's raising tuition at the May 2nd board meeting.

The Assembly included \$4.0 million from general revenues, which is \$6.0 million less than the Governor's recommendation and did not include the additional expenditures from tuition and fee revenues.

Program Consolidations and Efficiencies. At the December 8, 2008 Board of Governors' meeting, the Board voted to direct the Commissioner to review the programmatic operations of all academic units of the institutions. The Board reported that since 2003, it has reviewed over 108 academic programs and has eliminated or consolidated 53 percent of those. It also voted at that meeting to change the policy that triggers automatic program review from programs that graduate fewer than six students per year for three consecutive years to 11 students over the same time frame.

At the August 30, 2010 Board of Governors' meeting, the Board reported since 2008, it reviewed 91 programs; 54 programs have been retained, 24 programs have been consolidated into new or existing programs and 13 programs have been eliminated.

Office of Higher Education and Public Higher Education System

Office of Higher Education	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 2,054,710	\$ 2,146,779	\$ 2,662,149	\$ 1,797,514
Contracted Services	-	-	-	-
Subtotal	\$ 2,505,191	\$ 3,125,957	\$ 3,619,005	\$ 2,754,370
Other State Operating	3,524,143	3,367,306	3,307,391	3,297,391
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	4,080,641	4,806,244	4,761,503	4,677,545
Capital	69,000	17,670	-	-
Capital Debt Service	-	-	-	-
Operating Transfers	528,203	-	-	-
Total	\$ 10,707,178	\$ 11,317,177	\$ 11,687,899	\$ 10,729,306
Sources of Funds				
General Revenue	\$ 6,973,398	\$ 6,733,398	\$ 7,099,605	\$ 6,141,012
Tuition and Fees	-	-	-	-
Other Unrestricted	-	-	-	-
Total Unrestricted	\$ 6,973,398	\$ 6,733,398	\$ 7,099,605	\$ 6,141,012
Restricted	3,733,780	4,583,779	4,588,294	4,588,294
All Sources	\$ 10,707,178	\$ 11,317,177	\$ 11,687,899	\$ 10,729,306
FTE Authorizations	18.4	18.4	18.4	13.4
Third-Party Funded Positions	1.0	1.0	1.0	1.0
Total Positions	19.4	19.4	19.4	14.4

Summary. The Board requested \$11.1 million for FY 2012 expenditures from all sources and 19.4 full-time equivalent positions for operations of the Office of Higher Education and funding for system-wide applications. This is \$0.4 million more than FY 2011 and includes \$0.7 million more from general revenues and \$95,485 less from restricted sources. Staffing is consistent with the enacted level. The Board's constrained budget is \$1.3 million less than its current service request, all from general revenues.

The Governor recommended \$11.7 million, including \$7.1 million from general revenues. This is \$1.0 million more than enacted including \$0.1 million from general revenues. The Governor recommended the enacted level of 19.4 full-time positions.

The Assembly eliminated \$0.9 million from general revenues from the Office's budget and included legislation that requires the Director of Administration to submit a revised plan for the organizational structure for higher education administration, staff support and resource allocation. The Assembly also included savings of \$83,958 from a ten percent reduction to community service grants. It authorized 14.4 full-time equivalent positions, which is 5.0 less than the Governor's recommendation.

Unrestricted Budget. The unrestricted budget accounts for \$7.3 million and 18.4 full-time equivalent positions, which is an increase of \$0.4 million or 5.6 percent to the revised budget request. The

funding source is general revenues. Compared to the FY 2011 enacted budget, the request is \$0.3 million or 4.2 percent more.

The constrained request includes a \$1.3 million or 21.6 percent reduction from the FY 2012 request. *The Governor recommended \$7.1 million, which is \$0.1 million more than enacted and \$2.0 million less than requested.*

The enacted budget is \$0.9 million less from general revenues than recommended.

Full-Time Equivalent Positions. The Office requested 19.4 full-time equivalent positions, which is consistent with the FY 2011 enacted budget. As of the pay period ending December 8, 2010, the Office has 12.0 of its 18.4 unrestricted positions filled. *The Governor recommended 19.4 full-time equivalent positions of which 1.0 is from third party sources consistent with the enacted budget.* **The Assembly authorized 14.4 full-time equivalent positions, which is 5.0 less than the Governor's recommendation.**

Office of Higher Education			
Changes to Enacted	Request	Governor	Assembly
Current Year Revisions	\$ -	-	\$ (240,000)
Salaries and Benefits	136,157	366,851	(497,784)
Shepard Building	62,172	(122,708)	(122,708)
Dual Enrollment	27,600	(145,819)	(145,819)
Bachelor Degree in Three	-	-	-
College Crusade	15,846	-	-
Community Service Grants	-	-	(83,958)
PeopleSoft Implementation	27,457	-	-
Other Operating	27,813	27,883	17,883
Total	\$ 297,045	\$ 126,207	\$ (1,072,386)

Current Year Revisions. The revised unrestricted budget includes the enacted level of general revenues; however, the Office reduced funding for Shepard Building operations, the Dual Enrollment program, and PeopleSoft Implementation in order to increase expenses for salaries and benefits by \$0.3 million and remain within the enacted total. The increase equates to adding funding for 2.0 positions as well as other benefit adjustments and does not include turnover savings assumed in the enacted budget. *The Governor recommended funding as requested.* **The Assembly included additional turnover savings of \$240,000 based on continued vacancies.**

Salaries and Benefits. The unrestricted budget request includes \$2.4 million for salaries and benefits, which is \$0.1 million more than the revised allocation. The request includes a 3.0 percent cost-of-living increase and benefit rate adjustments consistent with Budget Office instructions and no turnover savings. The enacted budget includes turnover savings of \$0.3 million. As of December 8, 2010; the Office has 12.0 positions filled; 19.4 are authorized.

The constrained budget includes additional turnover savings of \$0.7 million which is equal to approximately seven positions.

The Governor recommended \$0.2 million more than requested to fund vacant positions at the Office.

The Assembly reduced expenditures by \$0.9 million and eliminated 5.0 positions.

Shepard Building. The Shepard Building's primary use is as the Providence Campus of the University of Rhode Island. It also houses the Department of Elementary and Secondary Education.

The revised allocation includes \$2.2 million for Shepard Building expenses, of which \$1.1 million is for parking. This represented a \$62,172 increase.

As part of its constrained budget request, the Board reduced Shepard Building expenses by \$92,258. If the Board reduced funding for the Shepard Building, the University will incur the additional costs. *The Governor recommended \$2.1 million, which includes the reduction of \$0.1 million included in the constrained request.* **The Assembly concurred.**

Dual Enrollment. The unconstrained request includes \$375,000 or \$27,600 more than the FY 2011 allocation for the Dual Enrollment program. The program subsidizes low-income students to take college courses in the second half of their senior year. To participate, the students must be either Rhode Island Scholars participants or have taken an equivalent college preparatory curriculum and earned a minimum grade point average.

As part of its constrained budget request, the Board reduced funding by \$0.2 million to \$201,581. *The Governor recommended \$201,581 consistent with the constrained request.* **The Assembly concurred.**

Bachelor Degree in Three. The General Assembly adopted legislation in 2009 that requires the Rhode Island Board of Governors for Higher Education to develop a pilot program by February 1, 2011 that would allow high school students to earn enough college credits while still enrolled in high school to be able to graduate in three years. The Board of Governors submitted the program on February 1, 2011 and the Office indicated it proposed the use of Dual Enrollment funds to support this pilot program. The program would be funded from FY 2012 through FY 2014. *The Governor did not appear to recommend funding for this project.* **The Assembly concurred.**

College Crusade. The Board's request includes \$0.5 million from general revenues for the College Crusade, previously called the Children's Crusade. This is \$15,846 more than enacted. The program is for direct intervention to decrease elementary and secondary education dropout rates through programs designed to assist vulnerable children in achieving higher education opportunities.

As part of its constrained request, the Board would reduce funding by \$15,846. *The Governor recommended funding as enacted.* **The Assembly concurred.**

Community Service Grants. The Board requested \$311,383, for its community service grants, consistent with the enacted budget. Community service grants fund various programs that support or promote higher education. These include the College Readiness and the Best Buddies Programs, the Portuguese Modern Languages, Opportunities Industrialization Center of Rhode Island and the Institute for Labor Studies and Research.

As part of its constrained budget request, the Board proposed to eliminate funding for all grants. *The Governor recommended funding as enacted.* **The Assembly included savings of \$83,958 from a ten percent reduction to community service grants.**

PeopleSoft Implementation. The Board requested \$0.9 million for PeopleSoft implementation expenditures. This is \$27,457 more than the revised allocation, and \$40,374 less than enacted. The expenditures are for assistance to the institutions in reviewing and revising business practices consistent with the new software. Each year, the Office allocates the appropriation and in FY 2011, \$0.4 million is for the University, \$0.3 million is for the Community College and \$0.2 million is for the College. The allocation of FY 2012 funding has not been determined yet. This is the 13th year of an ongoing request.

As part of its constrained request, the Board would reduce funding by \$27,457. *The Governor recommended \$915,224, consistent with the constrained request.* **The Assembly concurred.**

Other Operating. Excluding the items noted previously, the request includes \$0.5 million for all other operating expenditures, which is \$27,813 more than the revised allocation. The increases are for contracted services for assistance in the internal audit function, clerical staff to work on special projects and the data warehouse project.

The data warehouse project collects and stores data on student enrollment and academic performance including demographic, Scholastic Aptitude Test (SAT), and other test scores, grades and credits. The data warehouse also collects the performance and persistence of Rhode Island high school graduates who enroll at the state's public institutions.

As part of its constrained request, the Board would reduce funding by \$8,500. *The Governor recommended \$0.5 million, which is \$70 more than the unconstrained request.* **The Assembly reduced general revenue by \$10,000.**

Restricted Budget. The restricted budget request is for \$3.8 million, which is \$54,514 more than the FY 2011 enacted budget. The restricted budget reflects federal expenditure authority for grants, primarily passed through to the institutions and the College Crusade for Higher Education. Included in this total is 3.1 million from the GEAR-UP grant. The Crusade uses these funds, which are \$91,006 more than the FY 2011 enacted budget, for operating and scholarship support. The request reflects a reduction of \$50,000 in funding for the Longitudinal data system grant to design, develop and implement a statewide system. The data system is intended to provide districts, schools, and teachers the ability to make data-driven decisions to improve student learning, as well as facilitate research to increase student achievement.

The All Volunteer Force Education Assistance grant assists servicepersons to readjust to civilian life after their separation from military service by providing education benefits. The budget request includes \$60,804; this is \$1,770 more than the enacted level. The Higher Education Partnership grant request is \$0.4 million; this is \$11,738 more than the enacted level. The grant provides state educational agencies, local educational agencies, state agencies for higher education and eligible partnerships funding to increase student academic achievement through strategies such as improving teacher and principal quality and increasing the number of highly qualified teachers in the classroom.

The Governor recommended \$0.8 million more than requested to reflect funding from a newly awarded College Access Challenge Grant. This includes \$0.3 million for scholarships, \$0.5 million for contracted services including a needs analysis and the data warehouse contract, \$42,500 for salaries and benefits for one staff position and \$57,500 for operating expenses.

During the summer, the Office of Higher Education was notified it would be awarded a federal College Access Challenge Grant. The grant is intended to increase the number of low-income students who are prepared to enter post-secondary education. The grant funds outreach to students and families on college opportunities and financing options; tutoring and mentoring services to increase students' ability to successfully complete the coursework required for a post-secondary degree; professional development activities for school guidance counselors and admissions counselors; need-based grant aid to students; and data-driven evaluations. **The Assembly concurred.**

University of Rhode Island

University of Rhode Island	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 255,608,301	\$ 255,343,870	\$ 256,815,795	\$ 255,856,562
Contracted Services	12,122,330	13,325,288	13,406,250	13,426,250
Subtotal	\$ 267,730,631	\$ 268,669,158	\$ 270,222,045	\$ 269,282,812
Other State Operating	136,620,234	144,420,124	151,090,993	150,833,993
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	174,673,792	199,043,235	214,516,021	214,486,560
Capital	23,579,397	31,879,431	16,962,274	23,734,826
Capital Debt Service	36,454,608	33,732,165	34,305,120	34,305,120
Operating Transfers	-	-	-	-
Total	\$ 639,058,662	\$ 677,744,113	\$ 687,096,453	\$ 692,643,311
Sources of Funds				
General Revenue	\$ 72,586,223	\$ 71,625,646	\$ 74,865,676	\$ 73,712,534
Tuition and Fees	236,224,854	239,537,882	245,611,495	245,611,495
Other Unrestricted	23,677,524	23,532,464	23,541,384	23,541,384
Total Unrestricted	\$ 332,488,601	\$ 334,695,992	\$ 344,018,555	\$ 342,865,413
Restricted	306,570,061	343,048,121	343,077,898	349,777,898
All Sources	\$ 639,058,662	\$ 677,744,113	\$ 687,096,453	\$ 692,643,311
FTE Authorizations				
	1,834.5	1,834.5	1,827.5	1,843.3
<i>Limited to Third-Party Funds</i>	602.0	602.0	602.0	593.2
Total	2,436.5	2,436.5	2,429.5	2,436.5

Summary. The University requested \$712.4 million and 2,436.5 full-time equivalent positions for FY 2012, an increase of \$73.3 million or 11.5 percent to the FY 2011 enacted budget and an increase of \$36.2 million or 5.3 percent to the revised allocation. General revenues, requested at \$87.2 million, are \$14.6 million more than enacted and the revised allocation. The staffing request is consistent with the enacted budget assuming that 602.0 of the total positions would be limited to funding from third party sources.

The Governor recommended \$687.1 million, which is \$48.0 million more than enacted and \$25.3 million less than requested. The recommendation includes \$74.9 million from general revenues, which is \$2.2 million more than enacted and \$12.3 million less than requested. The Governor recommended 2,429.5 full-time equivalent positions, which is 7.0 less than enacted to reflect the 7.0 full-time equivalent positions that staff the State Forensics Lab, which he proposed be shown as a separate program in Higher Education's budget. It should be noted that the Governor did not include 1.8 full-time equivalent positions at the State Forensics Lab that is currently included in the University's budget.

The Assembly included \$1.2 million less general revenues than recommended. It also added \$1.2 million from Rhode Island Capital Plan funds for asset protection projects for FY 2012. The Assembly authorized 2,436.5 full-time equivalent positions, which reflects the addition of 7.0 full-time equivalent positions that staff the State Forensics Lab, which the Governor proposed be shown as a separate program.

Tuition and Enrollment. The FY 2012 budget assumes that fees would increase 0.8 percent or \$80 for resident and nonresident undergraduates and that room and board would increase 2.0 percent or

\$223. In-state enrollment is projected to increase 0.3 percent or 25 full-time equivalent students and out-of-state enrollment is projected to increase 2.9 percent or 168 full-time equivalent students for a total increase of 1.3 percent or 193 full-time equivalent students. For FY 2012, the University is projecting that of 14,643 full-time equivalent students, 8,648 will be in-state and 5,995 or 40.9 percent will be out-of-state.

The Governor recommended funding as requested; however, he included \$2.3 million more than enacted and \$12.3 million less than requested from general revenues. The Governor's intent is that the Community College not raise tuition; the University and College will either have marginal tuition and fee increases or expenditure reductions. The Governor requested an amendment to increase tuition expenditures by \$8.7 million at the University based on the Board of Governor's raising tuition at the May 2nd board meeting.

The Assembly included \$1.1 million from general revenues, which is \$1.2 million less than the Governor's recommendation and did not include the additional expenditures from tuition and fee revenues.

University Undergraduate Tuition and Fees	FY 2011	FY 2012	Change to FY 2011	
Resident				
Tuition	\$ 9,014	\$ 9,014	\$ -	0.0%
Fees	1,462	1,542	80	5.5%
Total	\$ 10,476	\$ 10,556	\$ 80	0.8%
Nonresident				
Tuition	\$ 25,720	\$ 25,720	\$ -	0.0%
Fees	1,462	1,542	80	5.5%
Total	\$ 27,182	\$ 27,262	\$ 80	0.3%
Room and Board				
Average Room	\$ 7,223	\$ 7,308	\$ 85	1.2%
Average Board	3,860	3,998	138	3.6%
Average Room and Board	\$ 11,083	\$ 11,306	\$ 223	2.0%
Undergraduate and Graduate Enrollment				
In-State	8,623	8,648	25	0.3%
Out-of-State	5,827	5,995	168	2.9%
Total	14,450	14,643	193	1.3%

Program Consolidations and Efficiencies. The University reported that since 2008, it has eliminated 7 programs and has consolidated 21 programs into other majors.

Staffing. The FY 2011 enacted budget includes authority to fill 2,436.5 full-time equivalent positions, provided that 602.0 of those positions would be limited to third-party sources. The FY 2012 request is consistent with the authorized level. As of the pay period ending December 18, 2010, the University had 2,274.1 of its 2,436.5 authorized positions filled including 484.1 of the 602.0 third-party funded positions.

The Governor recommended 2,429.5 full-time equivalent positions, which is 7.0 less than enacted to reflect the 7.0 full-time equivalent positions that staff the State Forensics Lab, which he proposed to be shown as a separate program in Higher Education's budget. It should be noted that the Governor did not include 1.8 full-time equivalent positions at the State Forensics Lab that is currently included in the University's budget.

The Assembly authorized 2,436.5 full-time equivalent positions, which reflects the addition of 7.0 full-time equivalent positions that staff the State Crime Lab, which the Governor proposed be shown as a separate program.

Unrestricted Budget Summary. The unrestricted budget accounts for \$356.4 million, which is an increase of \$23.9 million or 7.2 percent to the FY 2011 enacted budget and \$20.7 million or 6.2 percent to the revised allocation. Sources of funds for the increase from the revised budget include \$14.6 million more from general revenues, \$6.1 million more from tuition and fees and \$8,920 more from other institutional resources. Historically, the Board submits a current service budget in addition to the target budget required by the Budget Office. Although the Budget Office instructed departments and agencies to submit a constrained budget, the Board did not do so for the University. *The Governor recommended \$344.0 million in unrestricted expenditures. This is \$11.5 million more than enacted and \$12.2 million less than requested.* **The enacted budget includes \$1.1 million less from general revenues.**

University of Rhode Island			
Changes to Enacted	Request	Governor	Assembly
Current Year Revisions	\$ 3,167,968	\$ 2,207,391	\$ 2,207,391
Salaries and Benefits	9,272,946	(1,956,088)	(2,915,321)
Student Aid	10,514,968	9,978,306	9,978,306
Meade Stadium	(200,000)	(200,000)	(200,000)
Debt Service	261,420	418,911	418,911
Community Service Grants	-	-	(29,461)
Fundraising	(436,794)	(436,794)	(436,794)
Communication Services	(722,143)	(722,143)	(722,143)
Technology Fee	1,132,964	1,132,964	1,132,964
Utilities	1,230,886	1,047,037	1,047,037
Other Operating Adjustments	(352,683)	60,370	(196,630)
Total	\$ 23,869,532	\$ 11,529,954	\$ 10,284,260

Current Year Revisions. The University requested \$3.2 million more than enacted from tuition and fees including the enacted level of general revenues. The tuition and fee increase reflects the enrollment of 502 additional students. The increases are mostly in student aid and salaries and benefits offset by reductions for general operating expenditures including utilities. The University indicated the request for \$10.4 million, which is a \$0.6 million decrease, better reflects anticipated expenditures. *The Governor reduced current year expenditures by \$1.0 million compared to the request to reflect updated debt service expenditures.* **The Assembly concurred.**

Salaries and Benefits. The unrestricted budget includes \$192.2 million for all salary and benefit expenditures. This is \$9.3 million or 5.1 percent more than the revised allocation. The request assumes that most of the positions left vacant in FY 2011 will be filled. Of the 1,834.5 authorized positions, the University had 44.5 vacant positions as of the December 18, 2010 pay period. The request also includes a 3.0 percent cost-of-living increase for all employees, faculty promotions and benefit rate adjustments consistent with Budget Office instructions. For FY 2010, the University averaged 1,786.4 filled positions and 1,807.0 filled positions for FY 2009.

The Governor recommended \$180.0 million for salary and benefit expenditures, which is \$11.2 million less than requested. The Governor's intent is that the University will either have marginal tuition and fee increases or expenditure reductions to account for not recommending the requested general revenue increase. **The Assembly reduced personnel expenditures by \$959,233 to reflect its decision to**

increase enacted general revenue funding by \$1.3 million; the Governor recommended \$2.3 million more.

Student Aid. The unrestricted budget includes \$81.2 million for student aid, which is \$10.5 million or 12.9 percent greater than the FY 2011 allocation and 36.7 percent greater than FY 2010 expenditures. The University indicated that it is providing the additional student aid in order to increase scholarship programs and to correspond with enrollment increases. The University requested additional funding to become more competitive with regard to financial aid and to enhance student retention. Unrestricted student aid and waivers represent 33.1 percent of tuition and fee revenues. Student aid increased 99.0 percent and waivers increased 1.0 percent. Student aid and waivers represented 29.5 percent of tuition and fee revenues for FY 2011, 26.7 percent for FY 2010, and 26.5 percent for FY 2009.

*The Governor recommended funding as requested. It should be noted the Governor made changes among categories in his revised recommendation causing a discrepancy when comparing the FY 2012 recommendation to the FY 2011 revised recommendation. **The Assembly concurred.***

Meade Stadium. The unrestricted budget includes savings of \$0.2 million from a one-time investment in FY 2011 for Meade Stadium. The University made repairs to the press box as it had been condemned and to the east stands that needed to be reinforced for safety issues. The University indicated that it funded these repairs from unrestricted sources because asset protection Rhode Island Capital Plan funds were spent and the safety issues needed to be addressed immediately. *The Governor recommended funding as requested. **The Assembly concurred.***

Debt Service. The unrestricted budget includes \$19.3 million for debt service costs, which is \$0.3 million more than the revised allocation primarily for new bond administrative charges and for the repaving and road construction project. The 2009 Assembly authorized the University to issue \$15.2 million for this project. The University indicated FY 2011 was an interest payment and FY 2012 will be an interest and principal payment. *The Governor recommended \$0.4 million more than requested for debt service updated estimates for general obligation bonds. **The Assembly concurred.***

Community Service Grants. The Department requested the enacted level of \$294,612 for seven community service grants. *The Governor recommended funding as requested. **The Assembly included savings of \$29,461 from a ten percent reduction to all community service grants.***

Fundraising. The unrestricted budget includes \$3.2 million for FY 2012, which is \$0.4 million less for fundraising services provided by the University of Rhode Island Foundation. The Foundation is a nonprofit organization, separate and distinct from the University. The University had a fee-for-service contract with the Foundation to provide fundraising services. The University indicated the request was submitted before the contract with the Foundation was signed and the new contract includes \$3.2 million for FY 2012. *The Governor recommended funding as requested. **The Assembly concurred.***

Communication Services. The unrestricted budget includes \$1.7 million for communication services, which is \$0.7 million or 42.4 percent less than the FY 2011 allocation for video and data services provided to all dorm students. Prior to FY 2012, the service included phone services for each student, which is now discontinued. The students are billed for this service and the fee is deposited into the unrestricted budget because the information technology department administers these services. The fee charged to dorm students was \$442 in FY 2011 and is being reduced by \$170 or 38.0 percent to \$272 in FY 2012. *The Governor recommended funding as requested. **The Assembly concurred.***

Technology Fee. The unrestricted budget includes \$6.5 million for costs supported by a new technology fee, which is \$1.1 million or 21.3 percent more than the FY 2011 allocation. The University indicated this is a new \$80 fee charged to all students for the following purposes: to maintain the current level of journals in the Library, annual classroom technology upgrades, and strategic investment in information technology activities. The University indicated prior to the fee, these investments were not possible. Each year, some journals were dropped; annual classroom upgrades consisted of upgrading one classroom and there were not any identified funds for strategic investment in information technology. *The Governor recommended funding as requested.* **The Assembly concurred.**

Utilities. The unrestricted budget includes \$11.6 million for utility expenditures. This is \$1.2 million or 12.1 percent more than the FY 2011 revised allocation. The University indicated that the budget reflects rate changes and projected usage for three new buildings coming online for FY 2012 including the College of Pharmacy, Rodos Hellenic Center and the Roger Williams Wellness Center.

The Governor recommended funding as requested. It should be noted the Governor made changes among categories in his revised recommendation causing a discrepancy when comparing the FY 2012 recommendation to the FY 2011 revised recommendation. **The Assembly concurred.**

Other Operating Adjustments. Excluding the items noted previously, the unrestricted budget includes \$39.7 million for all other operating and contracted services expenditures. This is a \$0.4 million decrease from the revised allocation. Minor decreases were made in advertising services and in the payment schedule of the Tibbitts land purchase offset by a minor increase in the premium for the University's insurance policy. The FY 2012 budget includes \$140,000 for the Tibbitts payment. The land was purchased as adjacent property for future use.

The Governor recommended \$0.4 million more than requested for other operating expenses. This appears to be an error. **The Assembly reduced expenditures by \$257,000 to reflect its decision to increase enacted general revenue funding by \$1.3 million; the Governor recommended \$2.3 million more.**

Restricted Budget. The restricted budget request is for \$356.0 million, which is a 13.9 percent increase of \$49.4 million over the FY 2011 enacted budget. Compared to the revised allocation, the request is \$15.5 million or 4.3 percent more. The increase includes \$4.0 million more for salaries and benefits including a 3.0 percent cost-of-living increase for all employees and benefit rate adjustments consistent with Budget Office instructions and three new positions for University parking services, \$15.0 million more for operating expenditures, \$24.5 million more in student assistance and grants, \$0.9 million more for contracted services, and \$2.1 million less for debt service.

The majority of the increase is in three areas: restricted student aid, sponsored research programs, and Rhode Island Capital Plan funded projects.

Restricted student aid is projected to increase \$24.5 million or 18.8 percent over the enacted budget and \$4.7 million or 3.6 percent over the revised allocation. The increase is attributable to additional students applying for aid during FY 2011.

Sponsored research programs including department overhead is projected at \$109.0 million for FY 2011. This is \$21.8 million or 20.1 percent more than enacted and \$8.5 million or 7.9 percent more than the revised allocation. The budget reflects estimated expenses, which is equal to the revenue that will be received for the year, not the total awards for FY 2012.

The restricted request includes upgrades for existing fire detection and emergency lighting systems and renovations to resident bathrooms and carpet installation in several dorms. For the bookstore, the University requested upgrades for store fixtures at the Kingston and Providence campus bookstores and digital sign-making equipment.

Other operating changes include the purchase of a vehicle, one new gate, and blue light phones for parking services. For dining services, the University requested a sprinkler project for Memorial Union.

Rhode Island Capital Plan funds are estimated at \$20.4 million for FY 2012. This is \$8.1 million over the enacted level, entirely for new projects and approved projects with a FY 2012 start. These projects are described in detail in the Capital Budget section of this analysis and include renovations to Woodward Hall, classroom and instructional lab improvements, exterior renovations to Roosevelt Hall, and fire safety and protection for academic and administrative buildings. The request does not include \$5.0 million for Higher Education Stabilization funds for fire safety projects at the University that will be completed in FY 2011.

The Governor's recommendation is \$14.2 million less from Rhode Island Capital Plan funds than requested. These projects include Woodward Hall, fire safety projects to academic buildings, Public Safety building and exterior renovations to Washburn Hall. The Governor's recommendation also includes \$1.9 million more in debt service for the Energy Conservation project and \$0.9 million for turnover savings offset by \$0.2 million in operating expenditures.

The Assembly provided \$6.7 million more than recommended to reflect revised project costs and delays and \$1.2 million in additional funding for asset protection projects. A detailed analysis of the projects is included in the Capital Budget section of this publication.

Rhode Island College

Rhode Island College	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 89,336,315	\$ 89,855,150	\$ 90,666,209	\$ 89,614,141
Contracted Services	2,633,917	2,817,877	2,553,207	2,553,207
Subtotal	\$ 91,970,232	\$ 92,673,027	\$ 93,219,416	\$ 92,167,348
Other State Operating	23,786,245	24,371,125	25,210,673	25,000,673
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	22,314,811	22,698,777	25,449,849	25,449,849
Capital	10,333,287	13,931,983	3,514,459	5,264,459
Capital Debt Service	4,703,523	5,055,782	5,311,073	5,311,073
Operating Transfers	2,291,692	2,036,466	2,338,787	2,338,787
Total	\$ 155,399,790	\$ 160,767,160	\$ 155,044,257	\$ 155,532,189
Sources of Funds				
General Revenue	\$ 39,539,730	\$ 39,504,203	\$ 41,600,161	\$ 40,338,093
Tuition and Fees	62,426,564	62,426,564	62,486,385	62,486,385
Other Unrestricted	6,061,679	6,212,134	6,276,930	6,276,930
Total Unrestricted	\$ 108,027,973	\$ 108,142,901	\$ 110,363,476	\$ 109,101,408
Restricted	47,371,817	52,624,259	44,680,781	46,430,781
All Sources	\$ 155,399,790	\$ 160,767,160	\$ 155,044,257	\$ 155,532,189
FTE Authorizations				
	810.1	810.1	827.6	827.6
<i>Limited to Third-Party Funds</i>	82.0	82.0	82.0	82.0
Total	892.1	892.1	909.6	909.6

Summary. Rhode Island College requested \$159.7 million from all sources and 909.0 full-time equivalent positions, of which 82.0 would be limited to third party sources. This is an increase of \$4.3 million or 2.7 percent to the FY 2011 enacted budget and a decrease of \$2.3 million or 1.3 percent to the revised budget allocation. The staffing request is 16.9 more full-time equivalent positions than the enacted level.

The Governor recommended \$155.0 million, \$0.4 million less than enacted and \$4.5 million less than requested. The recommendation includes \$41.6 million from general revenues, which is \$2.1 million more than enacted and \$4.6 million less than requested. The Governor recommended 909.6 full-time positions, which is 17.5 more than the enacted level.

The Assembly included \$1.3 million less general revenues than recommended. It also added \$450,000 from Rhode Island Capital Plan funds for asset protection projects for FY 2012.

Tuition and Enrollment. The FY 2012 budget assumes no tuition or fee increases. In-state enrollment is projected to increase 1.0 percent or 60 full-time equivalent students and out-of-state enrollment is projected to increase 0.6 percent or 5 full-time equivalent students for a total increase of 0.9 percent or 65 full-time equivalent students. The College projected that out of 7,145 full-time equivalent students for FY 2012, 6,280 will be in-state and 865 or 12.1 percent will be out-of-state.

The Governor recommended funding as requested; however, he included \$2.1 million more than enacted and \$4.6 million less than requested from general revenues. The Governor's intent is that the Community College not raise tuition; the University and College will either have marginal tuition and fee increases or expenditure reductions. The Governor requested an amendment to increase tuition expenditures by \$2.8 million at the College based on the Board of Governor's raising tuition at the May 2nd board meeting.

The Assembly included \$0.8 million from general revenues, which is \$1.3 million less than the Governor's recommendation and did not include the additional expenditures from tuition and fee revenues.

College Undergraduate Tuition and Fees	FY 2011	FY 2012	Change to FY 2011	
Resident				
Tuition	\$ 5,988	\$ 5,988	\$ -	0.0%
Fees	998	998	-	0.0%
Total	\$ 6,986	\$ 6,986	\$ -	0.0%
Nonresident				
Tuition	\$ 15,880	\$ 15,880	\$ -	0.0%
Fees	998	998	-	0.0%
Total	\$ 16,878	\$ 16,878	\$ -	0.0%
Room and Board				
Average Room	\$ 5,554	\$ 5,554	\$ -	0.0%
Average Board	3,990	3,990	-	0.0%
Average Room and Board	\$ 9,544	\$ 9,544	\$ -	0.0%
Undergraduate and Graduate Enrollment				
In-State	6,220	6,280	60	1.0%
Out-of-State	860	865	5	0.6%
Total	7,080	7,145	65	0.9%

Program Consolidations and Efficiencies. The College reported that since 2008, it has eliminated four programs, and have consolidated three programs into other majors. In the past year, the College has added several new programs. These include the certificate of graduate study in Mathematics Content Specialist: elementary, the certificate of graduate study in Health Psychology, and the certificate of undergraduate study in Insurance and Risk Management.

Staffing. The FY 2011 enacted budget includes authority to fill 892.1 full-time equivalent positions, provided that 82.0 of those positions would be limited to third-party sources. The FY 2012 request is for 909.0 positions, which is 16.9 more than the enacted authorization for new faculty positions across all disciplines; however, the College indicated it would like authorization for 17.0 new positions. As of the pay period ending December 18, 2010, the College had 26.8 vacant non-third-party funded positions. *The Governor recommended 909.6 full-time positions, which is 17.5 more than enacted based on the College's request for new faculty positions across all disciplines.* **The Assembly concurred.**

Unrestricted Budget Summary. The unrestricted budget accounts for \$115.0 million, which is an increase of \$6.9 million, or 6.0 percent to the enacted budget and \$6.8 million or 5.9 percent to the revised allocation. Sources of funds for the increase to the revised allocation include \$6.8 million more from general revenues, \$59,821 more from tuition and fees and \$64,796 more from other unrestricted sources. Historically, the Board submits a current service budget in addition to the target

budget required by the Budget Office. Although the Budget Office instructed departments and agencies to submit a constrained budget, the Board did not do so for the College.

*The Governor recommended \$110.4 million in unrestricted expenditures. This is \$2.2 million more than enacted and \$4.5 million less than requested. The Governor's intent is that the College will either have marginal tuition and fee increases or expenditure reductions. **The enacted budget includes \$1.3 million less from general revenues.***

College Changes to Enacted	Request	Governor	Assembly
Current Year Revisions	\$ 150,455	\$ 114,928	\$ 114,928
New Staff	1,799,283	1,400,000	1,400,000
Other Salaries and Benefits	3,157,517	(1,150,286)	(2,202,354)
Debt Service	595,682	637,368	637,368
Student Aid	876,538	517,572	517,572
Building Maintenance and Repairs	119,748	212,004	212,004
Other Operating Adjustments	226,371	603,917	393,917
Total	\$ 6,925,594	\$ 2,335,503	\$ 1,073,435

Current Year Revisions. The College requested \$108.2 million, or \$150,455 more than enacted from all sources including the enacted level of general revenues. The College requested an additional \$0.8 million for benefit adjustments including \$0.1 million to fund retiree health on an actuarial basis. These additional costs are offset by the decrease in furniture and services to be more reflective of the actual experience. *The Governor reduced current year expenditures by \$35,527 compared to the request for debt service expenditures. **The Assembly concurred.***

New Staff. Unrestricted expenditures increase \$1.8 million to fund 16.9 new faculty positions across all disciplines; however, the College indicated it would like authorization for 17.0 new positions. The positions will be utilized across the five schools within Academic Affairs; Faculty of Arts and Sciences, Feinstein School of Education and Human Development, School of Management, School of Nursing and School of Social Work. *The Governor recommended \$0.4 million less than requested but provided the addition of 17.5 full-time positions. **The Assembly concurred.***

Other Salaries and Benefits. Unrestricted expenditures for salaries and benefits total \$78.5 million and are \$3.2 million or 4.0 percent greater than the FY 2011 allocation. The request includes a 3.0 percent cost-of-living increase for all employees, and benefit rate adjustments consistent with Budget Office instructions.

*The Governor recommended \$4.3 million less than requested for all other salaries and benefits. The Governor's intent is that the College will either have marginal tuition and fee increases or expenditure reductions to account for not recommending the requested general revenue increase. **The Assembly reduced personnel expenditures by \$1.1 million to reflect its decision to increase enacted general revenue funding by \$0.8 million; the Governor recommended \$2.0 million more.***

Debt Service. The unrestricted budget includes \$2.9 million for debt service expenditures. This is \$0.6 million or 26.0 percent more than the revised allocation to include debt service for the recreation center approved by the 2010 Assembly.

*The Governor recommended funding essentially as requested. It should be noted the Governor made changes among categories in his revised recommendation causing a discrepancy when comparing the FY 2012 recommendation to the FY 2011 revised recommendation. **The Assembly concurred.***

Student Aid. The budget includes \$13.4 million for student aid, which is \$0.9 million or 6.9 percent greater than the FY 2011 allocation and \$1.7 million or 14.0 percent greater than FY 2010 expenditures to reflect an increase in enrollment.

Approximately \$0.4 million of the increase is for Rhode Island College grants and the Preparatory Enrollment program. Rhode Island College grants are college grants ranging from \$100 to \$10,000 that are awarded by the Office of Student Financial Aid to students with demonstrated financial need. The Preparatory Enrollment Program is a program that encourages and supports students from a variety of racial and ethnic backgrounds in their pursuit of a Rhode Island College education. The purposes of this program are to aid and assist students that are the first in their family to graduate from a four year college, whose family income is considered low based on federal poverty guidelines and can benefit from academic support and have a documented disability.

*The Governor recommended funding as requested. It should be noted the Governor made changes among categories in his revised recommendation causing a discrepancy when comparing the FY 2012 recommendation to the FY 2011 revised recommendation. **The Assembly concurred.***

Building Maintenance and Repairs. The unrestricted budget includes \$1.8 million for building maintenance and repairs. This is \$0.1 million or 7.0 percent more than the revised allocation to reflect anticipated expenditures. The College indicated the increase is to continue with routine repairs to the campus.

*The Governor recommended funding as requested. It should be noted the Governor made changes among categories in his revised recommendation causing a discrepancy when comparing the FY 2012 recommendation to the FY 2011 revised recommendation. **The Assembly concurred.***

Other Operating Adjustments. Excluding the items noted previously, the unrestricted budget includes \$15.3 million for all other operating and contracted service expenditures, which includes an increase of \$226,371 compared to the revised allocation. The majority of the increase is in operating adjustments for refund processing, credit card processing, and on-line payment processing and miscellaneous expenses for commencement and high school students participating in the preparatory enrollment program. The increase includes \$0.1 million for contractual services for audit and medical services. The College indicated that the request is consistent with projected expenditures. *The Governor recommended \$0.4 million more than requested for other operating expenses. This appears to be an error. **The Assembly reduced expenditures by \$210,000 to reflect its decision to increase enacted general revenue funding by \$0.8 million; the Governor recommended \$2.0 million more.***

Restricted Budget. The restricted budget request is for \$44.8 million, which is \$2.6 million or 5.8 percent less than the enacted FY 2011 budget. It is \$9.1 million less or 20.3 percent less than the FY 2011 revised allocation. The increase includes \$0.5 million more for salaries and benefits, \$0.2 million more for operating expenditures, \$2.1 million more for grants, \$5.4 million less for capital expenditures and \$0.1 million less for contracted services.

The request includes a 3.0 percent cost-of-living increase for all employees, and benefit rate adjustments consistent with Budget Office instructions. The request also includes a \$2.1 million increase in Pell grant awards. The College reports that it has more eligible students resulting from

current economic conditions and a high unemployment rate. A change in federal regulations now allows students to receive Pell awards during the summer without a reduction in their awards for the academic year.

The College requested \$0.2 million more for student dining services to reflect an increase in food, cleaning and utilities. The student union increase of \$0.1 million reflects the expenditures for various student programs. Some of these programs include movie nights, speakers on health, finances, social issues, cultural trips to Philadelphia, and webinars on raising awareness of ecological issues and encourage environmentally responsible behavior. The College bookstore is projecting a 5.3 percent decrease in expenditures over the current year to be more in line with actual spending for FY 2010.

The request does not include \$9.6 million for Higher Education Stabilization funds for fire safety projects at the College that will be completed in FY 2011 and also excludes \$1.7 million for the new art center planning that was included in the enacted budget.

The College requested total funding of \$2.6 million from Rhode Island Capital Plan funds, which is \$0.3 million more for asset protection projects. The approved capital plan includes \$2.5 million for FY 2012. The College indicated that it intended to request funding consistent with the approved capital plan. This increase reflects an inadvertent inclusion of \$63,840.

The Governor's recommendation is \$63,840 less Rhode Island Capital Plan funds than requested and he concurred with the remainder of the request.

The Assembly provided \$1.8 million more than recommended to reflect revised project costs to the new Art Center and \$0.4 million in additional funding for asset protection projects. A detailed analysis of the projects is included in the Capital Budget section of this publication.

Community College of Rhode Island

Community College of Rhode Island	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 79,081,731	\$ 79,331,276	\$ 83,071,801	\$ 80,767,185
Contracted Services	1,269,458	1,525,028	1,572,439	1,572,439
Subtotal	\$ 80,351,189	\$ 80,856,304	\$ 84,644,240	\$ 82,339,624
Other State Operating	22,443,575	22,643,974	23,029,360	22,569,360
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	20,216,951	20,292,605	26,876,631	26,876,631
Capital	7,779,204	12,610,924	3,901,855	4,251,855
Capital Debt Service	1,648,844	1,611,299	1,700,948	1,700,948
Operating Transfers	196,996	196,996	201,618	201,618
Total	\$ 132,636,759	\$ 138,212,102	\$ 140,354,652	\$ 137,940,036
Sources of Funds				
General Revenue	\$ 44,507,492	\$ 44,469,947	\$ 49,060,196	\$ 46,295,580
Tuition and Fees	48,955,385	48,955,385	49,821,341	49,821,341
Other Unrestricted	4,663,492	4,663,492	4,502,103	4,502,103
Total Unrestricted	\$ 98,126,369	\$ 98,088,824	\$ 103,383,640	\$ 100,619,024
Restricted	34,510,390	40,123,278	36,971,012	37,321,012
All Sources	\$ 132,636,759	\$ 138,212,102	\$ 140,354,652	\$ 137,940,036
FTE Authorizations				
	704.1	766.1	769.1	754.1
<i>Limited to Third-Party Funds</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>
Total	804.1	866.1	869.1	854.1

Summary. The Community College requested \$143.2 million from all sources and 866.1 full-time equivalent positions for FY 2012. This is an increase of \$10.5 million or 7.9 percent over the FY 2011 enacted budget and \$5.1 million or 3.6 percent more than the FY 2011 revised allocation. The request also assumes 866.1 full-time equivalent positions and of those, 100.0 positions would be limited to funding from third party sources. The Community College indicated it requested 869.1 full-time equivalent positions. It inadvertently excluded 3.0 full-time positions from the request.

The Governor recommended \$140.4 million, which is \$7.7 million more than enacted and \$2.8 million less than requested. The recommendation includes \$49.1 million from general revenues, which is \$4.6 million more than enacted and \$2.8 million less than requested. The Governor recommended 869.1 full-time equivalent positions, which includes the requested 65.0 new positions.

The Assembly included \$2.8 million less general revenues than recommended. It also added \$350,000 from Rhode Island Capital Plan funds for asset protection projects for FY 2012. It authorized 854.1 full-time equivalent positions, which is 15.0 fewer than the Governor's recommendation.

Tuition and Enrollment. The FY 2012 budget assumes that fees would increase 0.7 percent or \$24 for resident and nonresident students for a parking fee annually charged to students that will assist in funding for the discounted Rhode Island Public Transit Authority fare. Enrollment is projected to be

10,544 full-time equivalent students, 214 more than FY 2011. *The Governor recommended funding as requested; however, he included \$9.8 million more than enacted and \$18.9 million less than requested from general revenues. The Governor's intent is that the Community College not raise tuition; the University and College will either have marginal tuition and fee increases or expenditure reductions. The Assembly included \$1.8 million from general revenues, which is \$2.8 million less than the Governor's recommendation.*

Community College Tuition and Fees	FY 2011	FY 2012	Change to FY 2011	
Resident				
Tuition	\$ 3,356	\$ 3,356	\$ -	0.0%
Fees	296	320	24	8.1%
Total	\$ 3,652	\$ 3,676	\$ 24	0.7%
Nonresident				
Tuition	\$ 9,496	\$ 9,496	\$ -	0.0%
Fees	296	320	24	8.1%
Total	\$ 9,792	\$ 9,816	\$ 24	0.2%
Enrollment	10,330	10,544	214	2.1%

Program Consolidations and Eliminations. The Community College reported that since 2008, it has eliminated two programs. In the past year, the Community College has begun a new certificate program aimed at workers in transition.

Staffing. The FY 2011 enacted budget includes authority to fill 804.1 full-time equivalent positions, provided that 100.0 of those positions would be limited to third-party sources. The FY 2012 request is for 866.1 positions, which are 62.0 more than the enacted authorization; however, the Community College indicated it would like authorization for 65.0 new positions. It has identified developmental English and math classes as an area of need. The Community College reported that these classes fill quickly and there are not enough to fill current need; 70.0 percent of students require at least one remedial course and 58.0 percent require two or more remedial courses. Another reported area of need is student advising and academic support. As of the pay period ending December 18, 2010, the Community College had 2.7 vacant positions and 77.0 vacant third-party funded positions. *The Governor recommended the 65.0 requested new positions.*

The Assembly authorized 50.0 new full-time equivalent positions, which is 15.0 less positions than the Governor's recommendation.

Unrestricted Budget Summary. The unrestricted budget accounts for \$106.2 million, which is \$8.0 million or 8.2 percent more than the enacted budget and revised allocation. Sources of funds for the increase to the revised allocation include \$7.4 million more from general revenues and \$0.9 million more from tuition and fees. Historically, the Board submits a current service budget in addition to the target budget required by the Budget Office. Although the Budget Office instructed departments and agencies to submit a constrained budget, the Board did not do so for the Community College. *The Governor recommended \$103.4 million in unrestricted expenditures. This is \$5.2 million more than enacted and \$2.8 million less than requested. The enacted budget includes \$2.8 million less from general revenues.*

Community College Changes to Enacted	Request	Governor	Assembly
Current Year Revisions	\$ -	\$ (37,545)	\$ (37,545)
Salaries and Benefits	6,854,932	3,799,609	1,494,993
Vehicle Maintenance	255,000	255,000	255,000
Student Aid	524,500	449,026	449,026
RIPTA Upass	202,426	202,426	202,426
Other Operating Adjustments	219,201	588,755	128,755
Total	\$ 8,056,059	\$ 5,257,271	\$ 2,492,655

Current Year Revisions. The revised unrestricted budget is consistent with the enacted budget. The Community College included additional turnover savings and a reduction in utilities to increase operating and contracted services. The request includes 866.1 full-time employees, which are 62.0 more than the enacted authorization; however, the Community College indicated it would like authorization for 65.0 new positions. *The Governor reduced current year expenditures by \$37,545 compared to the request for debt service expenditures.* **The Assembly concurred.**

Salaries and Benefits. Unrestricted expenditures for salaries and benefits total \$80.8 million, which is \$6.9 million or 9.2 percent more than the FY 2011 allocation. The Community College did not identify all of the new positions but has indicated that 10 would be faculty, 35 for non-classified positions and 20 for classified positions. The request also assumes a 3.0 percent cost-of-living adjustment and benefit rate adjustments consistent with Budget Office instructions for all employees.

The Governor recommended \$77.8 million for salaries and benefits. This is \$3.5 million or 4.5 percent more than enacted for the funding of 65.0 new positions. **The Assembly reduced personnel expenditures by \$2.3 million to reflect its decision to increase enacted general revenue funding by \$1.8 million; the Governor recommended \$4.6 million more.**

Vehicle Maintenance. The Board requested \$0.4 million for vehicle maintenance. The request is \$0.3 million more than the revised allocation to reflect an increase in projected vehicle maintenance for FY 2012. The Community College noted that vehicle maintenance costs have increased due to lack of new vehicle purchases. *The Governor recommended funding as requested.* **The Assembly concurred.**

Student Aid. The unrestricted budget includes \$3.3 million for student aid, which is \$0.5 million or 18.0 percent more than the FY 2011 allocation and \$0.4 million or 14.4 percent greater than FY 2010 expenditures. The request reflects a \$0.3 million increase in unemployment waivers and \$0.2 million for the Community College scholarship fund. Rhode Island residents receiving unemployment benefits may be eligible for a waiver of tuition and registration fee if the state resident has a household income less than three times the federal poverty level, and has not been claimed as a dependent for federal income tax purposes. The Community College indicated the increase in the existing scholarship fund is for students that do not qualify for Pell grants.

The Governor recommended funding as requested. It should be noted the Governor made changes among categories in his revised recommendation causing a discrepancy when comparing the FY 2012 recommendation to the FY 2011 revised recommendation. **The Assembly concurred.**

RIPTA UPass. The unrestricted budget includes \$0.8 million or \$0.2 million more than the revised allocation for monthly Rhode Island Public Transit Authority passes. Community College students may buy Rhode Island Public Transit Authority monthly passes, 15-Ride tickets and RIPTIKs at the Community College's four bookstores at half price. However, the Community College will charge

students a parking fee of \$1 for every per hour credit earned up to a maximum of \$24 annually in FY 2012. *The Governor recommended funding as requested.* **The Assembly concurred.**

Other Operating Adjustments. Excluding the items noted previously, the request includes \$19.2 million for all other operating expenditures, which is \$0.2 million or 6.9 percent more than the revised allocation. The majority of the increases are for building maintenance, licensing agreements for technology applications, and program supplies. The Community College also requested \$52,004 more for contracted services for audit services, architectural and engineering services and building contracts.

The Governor recommended \$0.9 million more than enacted, which is \$0.4 million more than requested for miscellaneous operating expenditures. **The Assembly reduced expenditures by \$460,000 to reflect its decision to increase enacted general revenue funding by \$1.8 million; the Governor recommended \$4.6 million more.**

Restricted Budget. The restricted budget request is for \$36.7 million, which is \$2.2 million or 6.8 percent more than the FY 2011 enacted budget and \$3.0 million or 8.1 percent less than the FY 2011 revised allocation. Capital project expenditures are \$3.9 million less than enacted. Salaries and benefits are \$0.2 million more than enacted. Student aid is \$6.1 million more than enacted and operating expenditures are reduced by \$0.2 million. Contracted services are \$9,353 less than enacted and debt service is \$600 less than enacted.

The request includes a \$6.0 million increase in Pell grant awards. The Community College reported that it has more eligible students resulting from current economic conditions and a high unemployment rate. A change in federal regulations now allows students to receive Pell awards during the summer without a reduction in their awards for the academic year. The request did not include \$5.5 million for Higher Education Stabilization funds for fire safety projects at the Community College that were funded through FY 2011 and also excludes money for the fire code and HVAC improvements for the Flanagan Campus that will be completed in FY 2011. *The Governor recommended \$250 more than requested.* **The Assembly added \$350,000 from Rhode Island Capital Plan funds for asset protection projects.**

Workforce Development Initiative. The restricted budget request includes \$0.2 million from Human Resource Investment Council restricted receipts to fund 3.0 full-time equivalent positions to work on workforce development initiatives at the Community College. These positions will oversee the implementation and delivery of employer based training programs based on the needs of employers and industry. The Community College indicated the positions were hired at the start of the third quarter. *The Governor recommended \$2,328 less than requested and enacted.* **The Assembly concurred.**

State Forensics Lab

RI State Forensics Lab	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Category				
Salaries and Benefits	\$ -	\$ -	\$ 619,448	\$ -
Contracted Services	-	-	20,000	-
Subtotal	\$ -	\$ -	\$ 639,448	\$ -
Other State Operating	-	-	63,000	-
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	-	-	72,552	-
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ -	\$ -	\$ 775,000	\$ -
Sources of Funds				
General Revenue	\$ -	\$ -	\$ 775,000	\$ -
Tuition and Fees	-	-	-	-
Other Unrestricted	-	-	-	-
Total Unrestricted	\$ -	\$ -	\$ 775,000	\$ -
Restricted	-	-	-	-
All Sources	\$ -	\$ -	\$ 775,000	\$ -
FTE Authorizations				
	-	-	7.0	-
<i>Third-Party Funded Positions</i>				
	-	-	-	-
Total Positions	-	-	7.0	-

State Forensics Lab. The Rhode Island State Crime Lab has been in existence since 1949 and offers a range of scientific services for all appropriate agencies investigating evidence related to federal, state or local crimes. In addition to Crime Lab functions, several of the Lab staff teach a criminal identification course for law enforcement at the University of Rhode Island. Prior to the FY 2010 budget, the Crime Lab was funded in the Office of the Attorney General's budget. The FY 2010 budget shifted \$0.7 million from general revenues for the Crime Lab from the Office of the Attorney General's budget to the Department of Health. The FY 2011 enacted budget includes \$0.8 million from general revenues to support the Crime Lab in the Department of Health's budget.

The Governor recommended the enacted level of \$775,000 in general revenue support for the State Crime Lab, but transferred funding control from the Department of Health to the University. He also recommended the State Crime Lab as a separate program. It should be noted that the Governor did not include 1.8 full-time equivalent positions at the State Forensics Lab that is currently included in the University's budget.

The Assembly did not recommend the State Crime Lab as a separate program but did include \$775,000 in general revenue support for the State Crime Lab in the University's budget including 7.0 full-time equivalent positions.

Rhode Island Council on the Arts

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 760,429	\$ 749,917	\$ 838,688	\$ 838,688
Contracted Services	37,500	30,000	30,000	30,000
Subtotal	\$ 797,929	\$ 779,917	\$ 868,688	\$ 868,688
Other State Operations	103,932	98,560	106,011	106,011
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	1,752,475	1,752,475	1,652,475	1,712,227
Capital	400,000	915,000	400,000	400,000
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 3,054,336	\$ 3,545,952	\$ 3,027,174	\$ 3,086,926
Sources of Funds				
General Revenue	\$ 1,668,346	\$ 1,660,383	\$ 1,619,110	\$ 1,678,862
Federal Aid	950,990	950,569	973,064	973,064
Restricted Receipts	-	-	-	-
Other	435,000	935,000	435,000	435,000
Total	\$ 3,054,336	\$ 3,545,952	\$ 3,027,174	\$ 3,086,926
FTE Authorization	8.6	8.6	8.6	8.6

Summary. The Rhode Island State Council on the Arts' unconstrained request includes \$3.4 million from all sources or \$0.3 million more than enacted. This includes \$2.0 million from general revenues, \$1.0 million from federal funds, \$0.4 million from other funds, and the enacted level of 8.6 full-time equivalent positions.

The Council also submitted a constrained request that totals \$1.4 million and is \$0.5 million less from general revenues than the unconstrained request.

The Governor recommended \$3.0 million from all sources, including \$1.6 million from general revenues, \$1.0 million from federal funds, and \$0.4 million from other funds. He recommended the enacted level of 8.6 full-time equivalent positions. He also submitted legislation in 2011-H 5894 to eliminate the motion picture tax credit. The Assembly included an additional \$59,752 from general revenues. It did not concur with the Governor's recommendation to eliminate the motion picture tax credit.

Target Issues. The Budget Office provided the Council on the Arts with a general revenue target of \$1.4 million. The amount includes current service adjustments of \$34,051 and a 15.0 percent reduction of \$255,360.

FY 2012 Budget	Budget Office	Arts Council	Difference
FY 2011 Enacted	\$ 1,668,346	\$ 1,668,346	\$ -
Current Service Adjustments	34,051	308,053	274,002
Change to FY 2011 Enacted	\$ 34,051	\$ 308,053	\$ 274,002
FY 2012 Current Service/ Unconstrained Request	\$ 1,702,397	\$ 1,976,399	\$ 274,002
Target Reduction/Initiatives	(255,360)	(529,362)	(274,002)
FY 2012 Constrained Target/Request	\$ 1,447,037	\$ 1,447,037	\$ -
<i>Change to FY 2011 Enacted</i>	\$ (221,309)	\$ (221,309)	\$ -

The constrained budget submitted by the Council meets the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's budget is \$0.2 million above the target. The Assembly included \$231,825 more than the target.*

Salaries and Benefits. The Council's current service request includes \$587,205 from all sources for salaries and benefits, \$410,895 from general revenues and \$176,310 from federal funds. This is \$73,524 more than enacted, including \$51,450 more from general revenues and \$22,074 more from federal funds. The request includes \$51,923 more from all sources for adjustments to medical benefits and retirement rates, as well as a 3.0 percent cost of living increase consistent with Budget Office planning values and an adjustment to the pay grade of one employee effective January 1, 2011. It also includes an additional \$2,031 for various longevity and step increases. The Council's request also overstates the cost of medical benefits by \$19,570 for the cost of its employee co-shares. The request includes the enacted level of 8.6 full-time equivalent positions.

The Governor recommended \$0.6 million from all sources, including \$0.4 million from general revenues. This is \$22,813 less than requested to account for medical co-shares that were omitted from the request and revisions to medical benefit rates. The Assembly concurred.

Council Grants. The Council's current service request includes \$1,550,000 from all funds for discretionary grants, including \$800,000 from general revenues and \$750,000 from federal funds. This is \$200,000 more than enacted from general revenues. These grants are awarded to individuals and organizations to help support the arts and encourage artists to continue to make the arts visible in the community.

As part of the Council's constrained request, it reduced its general revenue grant awards by \$133,737 or \$333,737 less than the Council's current service request. *The Governor recommended \$0.5 million for discretionary grants, which is \$100,000 less than enacted and \$33,737 above the constrained request. The Assembly did not concur and restored \$100,000 from general revenues.*

Portrait Expense. The Council's current service request did not include any funding for the official governor's portrait that will be completed by January 1, 2011. Half the \$15,000 expense was paid at the start and half paid at the completion. The FY 2010 and FY 2011 enacted budgets each included \$7,500. *The Governor recommended funding as requested. The Assembly concurred.*

Film and TV Office. The Council's current service request includes \$338,760 from general revenues for the Film and TV Office, \$60,603 more than enacted. The current service request includes an additional \$33,728 to reflect salary and benefit adjustments consistent with Budget Office planning values for 2.0 full-time equivalent positions. The request overstated the cost of medical benefits by \$4,791 for the cost of its employee co-shares. It also includes an additional \$25,490 for a part-time Community Relations contract position. It appears that these expenditures were improperly classified as operating expenses.

As part of the Council's constrained request, it excluded its request for an additional part-time position. *The Governor recommended \$0.3 million from general revenues, which is \$35,455 less than requested. He included adjustments to salaries and benefits to account for medical co-shares that were omitted from the request and revisions to medical benefit rates. He did not recommend an additional part-time contract position.* **The Assembly concurred.**

Community Service Grants. The Council's current service request includes the enacted level of \$402,475 from general revenues for community service grants. These grants are appropriated by the General Assembly with a designated agency and amount.

As part of the Council's constrained request, it eliminated \$165,250 for four community service grants that it believes were intended to support time limited programs. The funding had been awarded annually. *The Governor did not reduce community service grants.* **The Assembly included savings of \$40,248 from a ten percent reduction to all community service grants.**

Percent for Art Program. The Council's current service request includes the enacted level of \$435,000 for various expenses relating to the percent for art program. This includes \$15,000 for panelists that review applications for projects and \$420,000 for the cost to administer the program. *The Governor recommended funding as requested.* **The Assembly concurred.**

All Other Expenses. The Council's current service request includes \$71,023 from all sources, including \$24,269 from general revenues for staff training and various operating expenses. This is \$3,500 more than enacted. The Council spent approximately \$71,000 on these expenses in FY 2010.

As part of the Council's constrained request, it reduced various operating expenses, including staff training by \$4,885.

The Governor recommended \$4,479 more than enacted from all sources, including \$1,447 less from general revenues. This is \$9,364 more than its constrained request. He recommended reductions to mileage reimbursements, offset by increases to printing and office supplies. **The Assembly concurred.**

Rhode Island Atomic Energy Commission

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 997,709	\$ 979,698	\$ 1,008,283	\$ 1,008,283
Contracted Services	15,158	33,907	43,907	43,907
Subtotal	\$ 1,012,867	\$ 1,013,605	\$ 1,052,190	\$ 1,052,190
Other State Operations	409,483	388,577	389,336	389,336
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	70,000	70,000	70,000	70,000
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 1,492,350	\$ 1,472,182	\$ 1,511,526	\$ 1,511,526
Sources of Funds				
General Revenue	\$ 875,781	\$ 861,031	\$ 879,592	\$ 879,592
Federal Aid	300,159	314,104	324,104	324,104
Restricted Receipts	-	-	-	-
Other	316,410	297,047	307,830	307,830
Total	\$ 1,492,350	\$ 1,472,182	\$ 1,511,526	\$ 1,511,526
FTE Authorization	8.6	8.6	8.6	8.6

Summary. The Rhode Island Atomic Energy Commission requested \$1.6 million and 8.6 full-time equivalent positions for FY 2012. This is \$73,240 more than enacted, including \$19,600 more from general revenues, \$3,945 more from federal funds, and \$49,695 more from University of Rhode Island sponsored research funds.

The Commission's constrained budget request is \$41,171 less than its current service request, including \$17,891 less from general revenues and \$23,280 less from University of Rhode Island sponsored research funds.

*The Governor recommended \$1.5 million from all sources. This is \$19,176 more than enacted and \$54,064 less than requested. General revenues are \$19,600 more than enacted and \$15,789 less than requested. He recommended the enacted level of 8.6 full-time equivalent positions. **The Assembly concurred.***

Target Issues. The Budget Office provided the Commission with a general revenue target of \$790,049. The amount included current service adjustments of \$53,689 and a 15.0 percent target reduction of \$139,421.

FY 2012 Budget	Atomic Energy		Difference
	Budget Office	Commission	
FY 2011 Enacted	\$ 875,781	\$ 875,781	\$ -
Current Service Adjustments	53,689	19,600	(34,089)
Change to FY 2011 Enacted	\$ 53,689	\$ 19,600	\$ (34,089)
FY 2012 Current Service/ Unconstrained Request	\$ 929,470	\$ 895,381	\$ (34,089)
Target Reduction/Initiatives	(139,421)	(17,891)	121,530
FY 2012 Constrained Target/Request	\$ 790,049	\$ 877,490	\$ 87,441
<i>Change to FY 2011 Enacted</i>	\$ (85,732)	\$ 1,709	\$ 87,441

The constrained budget submitted by the Commission is \$87,441 above the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$89,543 more than the target.* **The Assembly concurred.**

Salaries and Benefits. The Commission requested \$1.0 million for its 8.6 positions. This is \$15,617 more than enacted including \$15,922 more from general revenues and \$305 less from other funds. It should be noted that the Commission indicated that it underfunded the request by \$22,000 because of a miscalculation. The majority of this increase is from an employee changing medical benefits.

As part of its constrained request, the Commission requested \$10,000 less for salaries and benefits. The Commission indicated this is an error and did not intend to reduce the constrained budget by \$10,000.

The Governor recommended \$5,043 less than requested from all sources, including \$1,092 less from general revenues. This provides an additional \$48,643 from general revenues to support a part-time intern position, a part-time janitor position, and various benefit rate adjustments offset by \$49,519 to correctly reflect the positions currently filled and updated values for medical insurance. **The Assembly concurred.**

Other Operations. The Commission's request includes \$552,264 for operating expenses, \$57,623 more from all funds and \$3,678 more from general revenues. The majority of the increase reflects an error of \$50,000 for capital purchases noted by the Commission. The request also includes \$7,000 for increased student training on the reactor. The Commission indicated actual operating hours of the reactor have increased due to increased utilization of the facility by schools and colleges.

As part of its constrained budget request, the Commission proposed to reduce various operating expenses, including property insurance, subscriptions, and a Low Level Waste Forum membership for a total savings of \$31,171, including \$17,891 from general revenues compared to the unconstrained request.

Excluding the \$50,000 error in the request noted above, the Governor recommended \$12,562 more than the unconstrained request from all sources. The Governor's recommendation includes some of the proposals in the constrained request, including a reduction of \$6,500 from general revenues for the Low Level Waste Forum membership and other operating adjustments. **The Assembly concurred.**

Rhode Island Higher Education Assistance Authority

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Program				
Scholarship and Grant Program	\$ 6,888,349	\$ 7,733,443	\$ 6,335,230	\$ 6,085,230
Loans Program	11,879,335	12,769,056	13,336,197	13,336,197
Tuition Savings Program	7,021,425	7,020,659	7,740,720	7,990,720
Total	\$ 25,789,109	\$ 27,523,158	\$ 27,412,147	\$ 27,412,147
Expenditures by Category				
Salaries and Benefits	\$ 3,445,648	\$ 3,105,601	\$ 3,718,205	\$ 3,718,205
Contracted Services	5,508,100	7,508,100	7,508,100	7,508,100
Subtotal	\$ 8,953,748	\$ 10,613,701	\$ 11,226,305	\$ 11,226,305
Other State Operations	3,739,659	2,986,500	3,002,713	3,002,713
Aid to Local Units of Government	-	-	-	-
Assistance, Grant, and Benefits	12,594,702	13,422,957	12,683,129	12,683,129
Capital	501,000	500,000	500,000	500,000
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 25,789,109	\$ 27,523,158	\$ 27,412,147	\$ 27,412,147
Sources of Funds				
General Revenue	\$ 6,723,347	\$ 7,320,186	\$ 6,163,104	\$ 5,913,104
Federal Aid	12,044,337	13,182,313	13,508,323	13,508,323
Restricted Receipts	-	-	-	-
Other	7,021,425	7,020,659	7,740,720	7,990,720
Total	\$ 25,789,109	\$ 27,523,158	\$ 27,412,147	\$ 27,412,147
FTE Authorization	41.6	41.6	41.6	41.6

Summary. The Rhode Island Higher Education Assistance Authority requested \$28.6 million from all sources of funds and 41.6 full-time equivalent positions as part of its unconstrained request. This includes \$0.5 million more from general revenues, \$0.7 million more from tuition savings funds and \$1.6 million more from federal funds. The Authority requested 41.6 full-time equivalent positions, the same as enacted. The Authority also submitted a constrained request that totals \$6.2 million from general revenues and includes \$1.1 million less from general revenues than the unconstrained request.

The Governor recommended \$27.4 million from all sources of funds, which is \$1.6 million more than enacted and \$1.2 million less than requested. General revenues are \$0.6 million less than enacted and \$1.1 million less than requested. He also recommended the enacted level of 41.6 full-time equivalent positions. The Assembly reduced general revenues for need based scholarships and grants by \$250,000 and used tuition savings fees instead.

Target Issues. The Budget Office provided the Authority with a general revenue target of \$6.2 million. The amount includes current service adjustments of \$530,150 and a 15.0 percent target reduction of \$1.1 million.

FY 2012 Budget	Budget Office	HEAA	Difference
FY 2011 Enacted	\$ 6,723,347	\$ 6,723,347	\$ -
Current Service Adjustments	530,150	530,150	-
Change to FY 2011 Enacted	\$ 530,150	\$ 530,150	\$ -
FY 2012 Current Service/ Unconstrained Request	\$ 7,253,497	\$ 7,253,497	\$ -
Target Reduction/Initiatives	(1,088,025)	(1,088,025)	-
FY 2012 Constrained Target/Request	\$ 6,165,472	\$ 6,165,472	\$ -
<i>Change to FY 2011 Enacted</i>	\$ (557,875)	\$ (557,875)	\$ -

The constrained budget submitted by the Authority meets the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$2,368 less than the target. The enacted budget is \$252,368 less than the target.*

Need Based Scholarships and Grants. The Authority requested \$11.9 million for scholarships and need-based grants in FY 2012. This includes \$6.4 million from general revenues, \$0.5 million more than enacted, and \$5.5 million from tuition savings funds, \$0.8 million less than the enacted level. Other funds come from fees paid by out-of-state participants of the Tuition Savings Program that the Authority administers through Alliance Capital. The appropriations bill currently lists expenditures by fund source.

The Authority's sole proposal to meet the 15.0 percent target reduction is to reduce general revenues for need based scholarships by \$1.1 million.

Scholarships and Grants

	FY 2011 Enacted	FY 2012 Governor	FY 2012 Enacted
Uses			
Need Based Scholarships and Grants			
General Revenues	\$ 5,882,700	\$ 5,264,003	\$ 5,014,003
Tuition Savings Fees	6,300,000	7,000,000	7,250,000
<i>Subtotal</i>	\$ 12,182,700	\$ 12,264,003	\$ 12,264,003
Other Grant Programs			
Academic Promise	\$ -	\$ -	\$ -
Matching Grant	-	-	-
LEAP	165,002	172,126	172,125
<i>Subtotal</i>	\$ 165,002	\$ 172,126	\$ 172,125
Total	\$ 12,347,702	\$ 12,436,129	\$ 12,436,128
Sources			
General Revenues	\$ 5,882,700	\$ 5,264,003	\$ 5,014,003
Federal Funds	165,002	172,126	172,125
Tuition Savings Fees	6,300,000	7,000,000	7,250,000
Total	\$ 12,347,702	\$ 12,436,129	\$ 12,436,128

The Governor recommended \$12.3 million for need based scholarships and grants for FY 2012, which is \$0.1 million more than enacted. He recommended \$5.3 million from general revenues, which is \$0.6 million less than enacted. Tuition savings funds, recommended at \$7.0 million are \$0.7 million more than enacted. His recommendation shifts \$1.5 million of tuition savings resources requested for other grant programs for use on the need based scholarships.

The Assembly enacted total funding as recommended but reduced general revenues by \$250,000 and used tuition savings fees instead.

Other Grant Programs. The Authority requested \$1.7 million for its other grant programs. This is \$1.5 million more from tuition savings fees than the enacted budget and includes \$1.0 million for a new cohort of the academic promise program and \$0.5 million for the matching grant program. The request also reflects the proposed elimination of the Special Leveraging Educational Assistance Partnerships federal funds. The enacted budget includes \$0.2 million.

The Authority has requested that tuition savings fees be used to fund other grant programs the last several budgets. The Board's priority is to fund the academic promise and matching grant program. The Governor and the Assembly have not concurred and have allocated all available funding from tuition savings fees to the need based scholarship and grant program. *The Governor did not recommend any funding for the Authority's other grant programs.* **The Assembly concurred.**

Salaries and Benefits. The FY 2012 request includes \$3.8 million to fund 41.6 full-time equivalent positions. This is \$0.4 million more than enacted including \$35,460 more from general revenues. The request assumes the planning values provided by the Budget Office and no turnover savings. The enacted budget includes general revenue turnover savings of \$50,000.

The Governor recommended \$0.1 million less than requested, including \$2,368 less from general revenues to reflect additional turnover savings in the federal loan program. **The Assembly concurred.**

Collections Commissions and Services. Consistent with its FY 2011 revised request, the Authority requested \$2.0 million more from federal funds collections commissions and collections management services for a total of \$7.4 million for FY 2012. These expenses are volume driven and during FY 2010, the Authority experienced improved collections results. The enacted budget included \$5.4 million. *The Governor recommended funding as requested.* **The Assembly concurred.**

Guaranteed Loans Data Processing. Consistent with its FY 2011 revised request, the Authority's FY 2012 request reflects a reduction of \$750,000 from federal funds for expenses associated with data processing of guaranteed loans. This would provide \$750,000 for FY 2012. On March 21, 2010, the United States House of Representative passed the Reconciliation Act of 2010, health care reform. The legislation included a provision to end subsidies to lenders and originate all loans directly through the federal government. While the Authority will still be responsible for managing its current portfolio, it will not be guaranteeing any new loans. The enacted budget includes \$1.5 million. *The Governor recommended funding as requested.* **The Assembly concurred.**

Other Operating Adjustments. Consistent with its FY 2011 revised request, the Authority requested a decrease of \$4,159 for all other operating adjustments for a total of \$1.3 million for FY 2012. This includes an increase of \$25,362 from general revenues to reflect anticipated expenditures. *The Governor recommended \$16,213 more than requested. General revenues are at the requested level.* **The Assembly concurred.**

Historical Preservation and Heritage Commission

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 1,576,781	\$ 1,598,473	\$ 1,726,609	\$ 1,726,609
Contracted Services	14,935	12,645	13,785	13,785
Subtotal	\$ 1,591,716	\$ 1,611,118	\$ 1,740,394	\$ 1,740,394
Other State Operations	110,554	113,417	116,579	177,579
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	945,626	952,969	952,969	935,125
Capital	16,075	16,075	16,075	16,075
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 2,663,971	\$ 2,693,579	\$ 2,826,017	\$ 2,869,173
Sources of Funds				
General Revenue	\$ 1,348,717	\$ 1,376,519	\$ 1,501,641	\$ 1,469,797
Federal Aid	835,804	841,508	846,195	846,195
Restricted Receipts	479,450	475,552	478,181	478,181
Other	-	-	-	75,000
Total	\$ 2,663,971	\$ 2,693,579	\$ 2,826,017	\$ 2,869,173
FTE Authorization	16.6	16.6	16.6	16.6

Summary. The Historical Preservation and Heritage Commission requested \$2.9 million from all sources, which is \$238,522 more than the enacted budget. This includes \$229,378 more from general revenues and \$10,413 more from federal sources offset by \$1,269 less from restricted receipts. The Commission requested 16.6 full-time equivalent positions, the authorized level. The Commission also submitted a constrained request that totals \$1.2 million and includes \$370,523 less from general revenues than the unconstrained request.

*The Governor recommended expenditures of \$2.8 million from all sources, or \$162,046 more than enacted and \$76,476 less than requested. This includes \$152,924 more than enacted from general revenues and the enacted level of 16.6 full-time equivalent positions. **The Assembly provided \$2.9 million from all sources, which is \$43,156 more than recommended from all sources and authorized 16.6 full-time equivalent positions. This includes \$75,000 from Rhode Island Capital Plan funds offset by a reduction of \$31,844 from general revenues.***

Target Issues. The Budget Office provided the Historical Preservation and Heritage Commission with a general revenue target of \$1.2 million. The amount includes current service adjustments of \$72,164 and a 15.0 percent target reduction of \$213,132.

FY 2012 Budget	Budget Office		HPHC	Difference		
FY 2011 Enacted	\$	1,348,717	\$	1,348,717	\$	-
Current Service Adjustments		72,164		229,378		157,214
Change to FY 2011 Enacted	\$	72,164	\$	229,378	\$	157,214
FY 2012 Current Service/ Unconstrained Request	\$	1,420,881	\$	1,578,095	\$	157,214
Target Reduction/Initiatives		(213,132)		(370,523)		(157,391)
FY 2012 Constrained Target/Request	\$	1,207,749	\$	1,207,572	\$	(177)
<i>Change to FY 2011 Enacted</i>	\$	<i>(140,968)</i>	\$	<i>(141,145)</i>	\$	<i>(177)</i>

The constrained budget submitted by the agency is \$177 below the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's budget is \$294,069 above the target. The enacted budget is \$262,048 above the target.*

Salaries and Benefits. The Commission requested \$1.8 million from all sources for salaries and benefits, which is \$206,344 more than enacted. This includes increases of \$196,226 from general revenues, \$3,050 from federal sources and \$7,068 from restricted receipts. The Commission's FY 2011 enacted budget did not provide enough funding for the current staff's medical benefits. This shortfall accounts for \$45,876 of the general revenue increase. The remaining changes reflect cost-of-living adjustments, step increases and updated benefit rate changes consistent with the FY 2012 planning values.

The Commission's constrained request proposes savings of \$280,147, including \$185,287 from general revenues, by imposing 54 furlough days on its staff in FY 2012. These are 54 days where the employees of the Commission will be required to come to work but will not be compensated and amounts to a 28.7 percent pay reduction in FY 2012.

The Commission also included a \$122,159 reduction from all sources, including \$121,776 less from general revenues for turnover savings achieved by not filling a vacancy expected to occur in FY 2011 and another expected in FY 2012.

The Governor recommended \$1.7 million, which is \$149,828 more than enacted, including \$142,874 more from general revenues. This is \$56,516 less than requested, including \$53,352 less from general revenues. The recommendation includes turnover savings of \$15,134 and reduces other employee benefits by \$41,382. This benefit adjustment appears to maintain the error the Commission's request attempted to correct. The Assembly concurred.

Eisenhower House. The Commission requested \$66,510 from general revenues, which is \$12,409 more than enacted for the continued operation and repairs at the Eisenhower House. This includes \$17,200, or \$9,594 more than enacted for exterior building repairs. The remaining \$49,310 is to support the continued operation of the facility, which is \$2,815 more than the enacted.

In recent years, with the exception of FY 2005 and FY 2010, the facility has deposited rental income to the state General Fund sufficient to cover operating and personnel expenses. The Commission estimates revenues of \$95,000 and total expenses of \$170,115, producing an estimated net loss of \$75,115 for FY 2012.

The Governor recommended \$62,651 from general revenues, which is \$8,550 more than enacted and \$3,859 less than requested based upon anticipated expenditures.

The Assembly included \$48,651 from general revenues, which is \$14,000 less than recommended for repairs at the Eisenhower House. The Assembly also provided \$272,800 from Rhode Island Capital Plan funds for the period FY 2012 through FY 2016, for Eisenhower House asset protection projects, including \$75,000 in FY 2012.

Target – Eisenhower House Closure. As part of its FY 2012 constrained request, the Commission proposed to close Eisenhower House on December 31, 2011 for savings of \$54,878. The Commission continued to request \$11,632 for certain operations related to the Eisenhower House, because the transfer agreement of Fort Adams requires the state to maintain and preserve the historic building; therefore, maintenance expenses can be reduced, but not eliminated.

The proposal will also result in a revenue loss of \$95,000 of rental income for FY 2012, though after expenses, this is a net loss of \$106,632. *The Governor did not recommend this proposal. The Assembly concurred.*

Community Service Grants. The Commission requested the enacted amount of \$178,431 from general revenues for 29 community service grants. *The Governor recommended funding as requested. The Assembly reduced community service grants by ten percent in FY 2012, which is equivalent to \$17,844.*

Programs. The Commission requested \$797,584, which is \$974 less from all sources of funds for other programs. The Commission included the enacted amount of \$400,000 from restricted receipts for the Historic Preservation Revolving Loan Fund and \$300,000 for the federal Preserve America program. The Commission requested \$97,194 for survey and planning activities, including \$64,554 from federal funds and \$32,640 from restricted receipts. The federal survey and planning funds will be used for additional grant awards to support historic preservation planning activities in communities throughout the state. The Commission requested \$100, which is \$8,879 less than enacted to support the historic homeownership tax credit program. *The Governor recommended \$800,726, which is \$2,168 more than enacted from all sources for other programs. This is \$3,142 more than requested available from statewide personnel savings. The Assembly concurred.*

Other Operations. The Commission requested \$76,843, which is \$20,743 more than enacted from general revenues for all other operations. This includes increases in general revenue expenditures of \$4,450 for mileage reimbursement, \$1,500 for printing expenses, \$1,125 for postage, \$1,285 for insurance, \$4,325 for telephone expenses, \$1,500 for additional lease expenses associated with the Heritage Festival, \$2,600 for new computers, and \$3,958 for other miscellaneous expenses.

As part of its FY 2012 constrained request, the Commission included \$8,864 less from all sources, including \$8,582 less from general revenues than included in its FY 2012 request for all other operating expenses. This includes decreases for printing expenses, postage, insurance, supplies, lease expenses associated with the Heritage Festival, new computers, and other miscellaneous expenses.

The Governor recommended \$40,600 which is \$966 less than the constrained request for other miscellaneous expenses. The Assembly concurred.

Capital. The Commission did not request any Rhode Island Capital Plan funds. *The Governor did not include any funding. The Assembly provided \$272,800 from Rhode Island Capital Plan funds for the period FY 2012 through FY 2016, for Eisenhower House asset protection projects, including \$75,000 in FY 2012. A detailed analysis of this project appears in the Capital Budget section of this publication.*

Rhode Island Public Telecommunications Authority

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 1,628,627	\$ 1,526,086	\$ 1,732,011	\$ 1,582,011
Contracted Services	11,700	13,000	11,700	11,700
Subtotal	\$ 1,640,327	\$ 1,539,086	\$ 1,743,711	\$ 1,593,711
Other State Operations	32,390	36,973	37,461	37,461
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	-	-	-	-
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 1,672,717	\$ 1,576,059	\$ 1,781,172	\$ 1,631,172
Sources of Funds				
General Revenue	\$ 1,035,967	\$ 929,325	\$ 1,097,960	\$ 947,960
Federal Aid	-	-	-	-
Restricted Receipts	-	-	-	-
Other	636,750	646,734	683,212	683,212
Total	\$ 1,672,717	\$ 1,576,059	\$ 1,781,172	\$ 1,631,172
FTE Authorization	16.0	16.0	16.0	15.0

Summary. The Public Telecommunications Authority requested \$1.8 million from all sources, including \$1.1 million from general revenues and \$0.7 million from Corporation for Public Broadcasting funds. This is \$123,830 more than enacted, including \$77,368 more from general revenues and \$46,462 more from Corporation for Public Broadcasting funds. The request includes the enacted level of authorized positions.

The Governor recommended \$1.8 million from all sources, including \$1.1 million from general revenues. He included the enacted level of positions.

The Assembly reduced general revenues by \$150,000 to reflect turnover savings and eliminated authorization for 1.0 vacant position.

Target Issues. The Budget Office provided the Authority with a general revenue target of \$938,784. The amount includes current service adjustments of \$68,485 and a 15.0 percent target reduction of \$165,668.

FY 2012 Budget	Budget Office	Public Tel. Authority	Difference
FY 2011 Enacted	\$ 1,035,967	\$ 1,035,967	\$ -
Current Service Adjustments	68,485	77,368	8,883
Change to FY 2011 Enacted	\$ 68,485	\$ 77,368	\$ 8,883
FY 2012 Current Service/ Unconstrained Request	\$ 1,104,452	\$ 1,113,335	\$ 8,883
Target Reduction/Initiatives	(165,668)	-	165,668
FY 2012 Constrained Target/Request	\$ 938,784	\$ 1,113,335	\$ 174,551
Change to FY 2011 Enacted	\$ (97,183)	\$ 77,368	\$ 174,551

The Authority did not submit a constrained budget. *The Governor's recommendation is \$159,176 more than the target. The Assembly included \$9,176 more than the target.*

Salaries and Benefits. The Authority's unconstrained request includes \$1.8 million from all sources, including \$1.1 million from general revenues and \$0.7 million from Corporation for Public Broadcasting funds for salaries and benefits for its 16.0 positions. The request is \$133,420 more than enacted from all sources, including \$78,068 more from general revenues and \$55,352 more from Corporation for Public Broadcasting funds. The request includes a 3.0 percent cost of living adjustment, as well as adjustments to medical benefits and retirement rates.

The Governor recommended \$1.7 million from all sources, including \$1.1 million from general revenues. This is \$30,036 less than requested including \$14,075 less from general revenues primarily to reflect updated values for medical insurance. The Governor included the requested amount of Corporation for Public Broadcasting funds; however, he shifted \$15,961 from salaries and benefits to operating expenses. The Assembly concurred; however, it reduced general revenues by \$150,000 to reflect turnover savings from a continued vacancy.

Operating Expenses. The Authority's unconstrained request includes \$34,500, including \$28,500 from general revenues, and \$6,000 from Corporation for Public Broadcasting funds for operating expenses. The request is \$9,590 less than enacted from all sources, \$700 less from general revenues, including \$4,000 less for expenses related to the digital transmitter, \$6,890 less for office supplies and \$1,300 more for closed captioning services. The request is consistent with the FY 2011 revised budget request based on revised spending projections.

The Governor recommended \$14,661 more than requested, including \$1,300 less from general revenues for closed captioning services and \$15,961 more for various operating expenses. The Governor included the requested amount of Corporation for Public Broadcasting funds; however, he shifted \$15,961 from lower salaries and benefits to fund additional operating expenses. The Assembly concurred.

Office of the Attorney General

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Program				
Criminal	\$ 14,654,602	\$ 15,052,226	\$ 15,492,231	\$ 17,009,156
Civil	5,086,772	5,585,965	5,566,183	5,416,183
Bureau of Criminal Identification	1,131,596	1,141,660	1,126,572	1,126,572
General	2,988,249	3,238,585	3,159,135	3,159,135
Total	\$ 23,861,219	\$ 25,018,436	\$ 25,344,121	\$ 26,711,046
Expenditures by Category				
Salaries and Benefits	\$ 21,482,807	\$ 21,180,844	\$ 22,775,645	\$ 23,273,493
Contracted Services	412,368	1,444,616	533,269	503,269
Subtotal	\$ 21,895,175	\$ 22,625,460	\$ 23,308,914	\$ 23,776,762
Other State Operations	1,624,049	1,717,698	1,658,849	2,062,426
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	341,995	675,278	376,358	871,858
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 23,861,219	\$ 25,018,436	\$ 25,344,121	\$ 26,711,046
Sources of Funds				
General Revenue	\$ 21,209,730	\$ 21,263,366	\$ 22,580,366	\$ 22,442,867
Federal Aid	1,248,830	2,000,143	1,391,520	2,895,944
Restricted Receipts	1,202,659	1,317,657	1,122,235	1,122,235
Other	200,000	437,270	250,000	250,000
Total	\$ 23,861,219	\$ 25,018,436	\$ 25,344,121	\$ 26,711,046
FTE Authorization	231.1	231.1	231.1	231.1

Summary. The Office of the Attorney General's current service request is \$26.2 million from all sources, including \$23.3 million from general revenues. This is \$2.3 million or 9.8 percent more than enacted, including \$2.1 million more from general revenues, \$155,676 more from federal funds, \$73,053 less from restricted receipts, and \$160,000 more from Rhode Island Capital Plan funds. Consistent with the enacted budget, the Office requested 231.1 full-time equivalent positions. The general revenue request is \$4.3 million above the Budget Office's target.

The Governor recommended \$25.3 million from all sources, including \$22.6 million from general revenues and 231.1 full-time equivalent positions. This is \$1.5 million more than enacted, but \$0.9 million less than requested.

He subsequently requested an amendment to add \$1.5 million from available federal funds to provide background checks for healthcare workers and \$12,501 from general revenues for telephone expenses transferred from the Judiciary to the Office. The Assembly included \$150,000 less general revenues than recommended to reflect a funding reduction for tobacco litigation.

Target Issues. The Budget Office provided the Office of the Attorney General with a general revenue target of \$19.1 million. The amount includes current service adjustments of \$1.2 million and a 15.0 percent target reduction, adjusted for certain exclusions, of \$3.4 million.

FY 2012 Budget	Budget Office	Attorney General	Difference
FY 2011 Enacted	\$ 21,209,730	\$ 21,209,730	\$ -
Current Service Adjustments	1,202,249	2,090,597	888,348
Change to FY 2011 Enacted	\$ 1,202,249	\$ 2,090,597	\$ 888,348
FY 2012 Current Service/ Unconstrained Request	\$ 22,411,979	\$ 23,300,327	\$ 888,348
Target Reduction/Initiatives	(3,361,797)	-	3,361,797
FY 2012 Constrained Target/Request	\$ 19,050,182	\$ 23,300,327	\$ 4,250,145
<i>Change to FY 2011 Enacted</i>	\$ (2,159,548)	\$ 2,090,597	\$ 4,250,145

The Office did not submit a constrained budget. The unconstrained request is \$4.3 million above the Budget Office target. *The Governor's recommendation is \$3.5 million above the Budget Office target. The Assembly provided \$3.3 million above the target.*

Statewide Adjustments. The Governor's FY 2012 budget includes \$20.7 million in unidentified statewide general revenue savings from applying reductions of 3.0 percent to salaries and benefits in cabinet level departments and 2.0 percent reductions to those costs in certain other agencies. He also included a 1.0 percent reduction to operating costs in those agencies. For the Office of the Attorney General, he assumes savings of \$436,831 primarily from personnel. The adjustments are in addition to other program changes in his recommended budget and described below. **The Assembly concurred.**

Adult Drug Court. The Office's request shifts \$66,932 from general revenues to federal funds to partially support an adult drug court prosecutor position. The request reflects an anticipated federal grant award for the prosecution of adult drug cases and screening of drug court applicants. The grant funds have not yet been awarded. *The Governor recommended funding as requested. The Assembly concurred.*

Federal Award for Traffic Safety. The Office requested \$109,163 from federal funds to support a traffic safety prosecutor position. This is \$84,180 more than enacted to correctly reflect the anticipated award. This includes \$75,370 for salary and benefit adjustments to reflect a greater share of the costs for the full-time staff attorney to prosecute cases of driving under the influence within the state. This also includes \$8,810 for computer equipment purchases, travel expenses and other miscellaneous operating expenses. *The Governor recommended funding as requested. The Assembly concurred.*

Insurance Unit. The Office requested \$442,223 from general revenues for 4.0 full-time equivalent positions and operating expenses within the insurance unit. This is \$15,407 more than enacted to reflect a 3.0 percent cost-of-living adjustment and minor adjustments to purchased services consistent with the FY 2011 revised budget request. The unit represents, protects and advocates the rights of consumers at insurance rate hearings, addresses health insurance fraud through numerous investigations and reviews ranging from access to health care to fraud and misuse of services. *The Governor recommended funding as requested. The Assembly concurred.*

Elderly Abuse. The Office requested \$294,526 from general revenues for 3.0 full-time equivalent positions and operating expenses within the elderly justice unit. This is \$23,847 more than enacted to reflect a 3.0 percent cost-of-living adjustment and minor adjustments to purchase court reporter

services and miscellaneous operating expenses consistent with the FY 2011 revised budget request. This unit investigates and prosecutes crimes involving elderly victims of abuse, neglect and financial exploitation. *The Governor recommended funding as requested.* **The Assembly concurred.**

Domestic Violence Arrests Grant. The Office's request shifts \$34,954 from general revenues to federal funds to partially support 2.0 prosecutor positions for the domestic violence unit. The request reflects a new federal grant awarded for investigation and prosecution of domestic violence and sexual assault matters. *The Governor recommended funding as requested.* **The Assembly concurred.**

Public Utilities. The Office requested \$621,264 from restricted receipts for 5.0 full-time equivalent positions and operating expenses for the public utilities regulatory unit. This is \$78,577 more than enacted to reflect a 3.0 percent cost-of-living adjustment, step and longevity increases and minor adjustments to purchased services and other miscellaneous operating expenses, including parking. The restricted receipts are generated from the unit's assessment to the regulated utilities.

It should be noted that the Division of Public Utilities and Carriers proposed to restructure its legal services by eliminating the 5.0 full-time equivalent attorney positions authorized from the memorandum of understanding with the Office of the Attorney General. The proposal includes replacing those attorneys with 3.0 new full-time equivalent attorney positions for the Division, independent of the Attorney General's Office.

If approved, the proposal would terminate funding from the Division to the Attorney General's Office for legal services and reduce the Office's budget by \$621,264 and the Division of Public Utilities' budget by \$310,185 for FY 2012, including \$161,469 from salaries and benefits and \$117,700 from operating expenses including computer purchases, office supplies and equipment, travel and parking expenses and consultant services. *The Governor did not recommend this proposal; he included \$82,020 more than enacted, which is \$3,443 more than requested to reflect additional funds available from statewide personnel savings.* **The Assembly concurred.**

All Other Salaries and Benefits. The Office requested \$22.1 million from all sources, including \$20.8 million from general revenues for all other salaries and benefits. This is \$1.8 million more than enacted, nearly all from general revenues to reflect a 3.0 percent cost-of-living adjustment, lower turnover savings from vacant positions and changes in employee benefit selection. This also includes step and longevity increases as well as updated benefit rates consistent with the planning values from the budget instructions. *The Governor recommended \$1.5 million more than enacted, which is \$0.3 million less than requested to reflect additional turnover savings.* **The Assembly concurred.**

Tobacco Enforcement Litigation. The Office requested \$493,435 from general revenues for tobacco enforcement litigation expenditures for FY 2012. This is \$370,000 more than enacted and \$130,000 less than the \$0.6 million requested in the revised budget to reflect projected trial-related expenses including the costs of securing the services of outside legal counsel since the Office's current litigant is viewed as a potential state witness during the proceedings. This enforcement litigation case is brought by the leading United States tobacco product manufacturers against the states under the "Master Settlement Agreement" for their lack of efforts in enforcing the agreement for non-participating manufacturers. *The Governor recommended funding as requested.* **The Assembly included \$343,198, which is \$150,000 less than recommended.**

Witness Protection. The Office requested \$118,952 from general revenues for the protection of state witnesses. This is \$27,673 more than enacted to reflect increased expenses anticipated to provide housing, food, accessories and 24-hour security services for several state witnesses in protective

custody. This request will place this expense more in line with historical spending patterns. The FY 2010 expenses were \$118,519. *The Governor recommended funding as requested.* **The Assembly concurred.**

National Criminal History Improvement Program. The Office requested \$25,040 from new federal funds to implement the National Criminal History Improvement program. This request reflects a new federal grant anticipated by the Office for database system enhancement to improve the accuracy of information for protective orders including stalking cases. *The Governor recommended funding as requested.* **The Assembly concurred.**

Consumer Education. The Office requested \$107,555 from restricted receipts recovered by the consumer protection unit from deceptive trade practice cases over the course of several years and deposited into a restricted receipts account. The total funds available are approximately \$350,000. The funds will be used to support consumer training on fraud and consumer protection pamphlets, brochures, and flyers. In FY 2010, the Office requested \$427,500 for this item, but only spent \$67,378 based on its intent to use the funds over the course of several years for consumer education related expenses. It should be noted that the FY 2011 revised request assumes use of \$307,555 from this account for designing and implementing the case management information system for the Civil Division. *The Governor recommended funding as requested.* **The Assembly concurred.**

Asset Protection. The Office requested \$360,000 from Rhode Island Capital Plan funds for its asset protection projects for FY 2012. This is \$160,000 more than enacted, but consistent with the approved capital plan. Funds are expected to be used for air handlers' replacement, re-pointing of the building, piping infrastructure and general interior renovations. The Office noted a delay in its Automated Fingerprint Identification System because it is not a high priority project. *The Governor recommended \$50,000 more than enacted, which is \$0.1 million less than requested.* **The Assembly concurred.**

All Other Operations. The Office requested \$1.4 million from all sources, including \$1.2 million from general revenues for all other operations for FY 2012. This is \$136,819 less than enacted, including \$36,572 less from general revenues to reflect several operating reductions including vehicle purchases, facilities and maintenance repairs, purchased technical services, computer software, security/office supplies, utilities, insurance and monthly parking fees. This will place these expenses more in line with historical spending patterns. The FY 2010 expenses were \$1.4 million. *The Governor recommended \$131,839 less than enacted, which is \$4,980 more than requested to reflect additional funds available from statewide personnel savings.*

He subsequently requested an amendment to add \$1.5 million from available federal funds for a new long-term care grant to provide background checks for healthcare workers and \$12,501 from general revenues for telephone expenses transferred from the Judiciary to the Office. **The Assembly concurred.**

Department of Corrections

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Program				
Central Management	\$ 8,071,545	\$ 8,096,270	\$ 8,596,603	\$ 8,596,603
Parole Board	1,374,212	1,314,516	1,402,621	1,402,621
Institutional Corrections	162,992,366	163,989,944	173,777,524	170,177,524
Community Corrections	14,743,396	14,670,446	15,198,850	15,198,850
Total	\$ 187,181,519	\$ 188,071,176	\$ 198,975,598	\$ 195,375,598
Expenditures by Category				
Salaries and Benefits	\$ 151,853,586	\$ 152,382,721	\$ 161,952,299	\$ 156,333,400
Contracted Services	11,131,345	11,069,674	10,671,287	10,521,287
Subtotal	\$ 162,984,931	\$ 163,452,395	\$ 172,623,586	\$ 166,854,687
Other State Operations	16,505,640	15,205,862	15,988,701	15,640,702
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	1,366,414	2,470,689	2,309,184	2,276,082
Capital	6,324,534	6,942,230	8,054,127	10,604,127
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 187,181,519	\$ 188,071,176	\$ 198,975,598	\$ 195,375,598
Sources of Funds				
General Revenue	\$ 178,329,401	\$ 177,661,565	\$ 188,141,365	\$ 182,141,365
Federal Aid	2,794,860	3,706,708	2,914,545	2,914,545
Restricted Receipts	87,134	124,774	34,371	34,371
Other	5,970,124	6,578,129	7,885,317	10,285,317
Total	\$ 187,181,519	\$ 188,071,176	\$ 198,975,598	\$ 195,375,598
FTE Authorization	1,419.0	1,419.0	1,419.0	1,419.0
Prison Population	3,450	3,273	3,416	3,239

Summary. The Department's current service request includes \$208.8 million from all sources, including \$196.5 million from general revenues and 1,419.0 full-time equivalent positions. This is \$21.6 million or 11.6 percent more than enacted, including \$18.1 million more from general revenues, \$0.1 million more from federal funds, \$0.1 million less from restricted receipts, and \$3.4 million more from Rhode Island Capital Plan funds. The Department's request is based on a population of 3,416, a decrease of 34 inmates. The Department also submitted a constrained request that totals \$177.2 million and includes \$32.2 million less from general revenues than the unconstrained request.

The Governor recommended \$199.0 million from all sources, including \$188.1 million from general revenues and 1,419.0 full-time equivalent positions. This is \$11.8 million more than enacted, including \$9.8 million more from general revenues, \$0.1 million more from federal funds, \$0.1 million less from restricted receipts, and \$1.9 million more from other funds. The Assembly included \$6.0 million less general revenues than recommended to reflect overtime and population related savings

primarily from consolidating inmates out of the Donald Price facility into available bed spaces in the rest of the system. The Assembly shifted \$1.8 million from Rhode Island Capital Plan funds from FY 2011 to FY 2012 for several projects based on updated schedules and added \$0.8 million for facility upgrades for prison population consolidation.

Target Issues. The Budget Office provided the Department with a general revenue target of \$159.9 million. The amount includes current service adjustments of \$9.8 million and a 15.0 percent target reduction of \$28.2 million.

FY 2012 Budget	Budget Office	Department of Corrections	Difference
FY 2011 Enacted	\$ 178,329,401	\$ 178,329,401	\$ -
Current Service Adjustments	9,757,694	18,133,161	8,375,467
Change to FY 2011 Enacted	\$ 9,757,694	\$ 18,133,161	\$ 8,375,467
FY 2012 Current Service/ Unconstrained Request	\$ 188,087,095	\$ 196,462,562	\$ 8,375,467
Target Reduction/Initiatives	(28,213,064)	(32,199,391)	(3,986,327)
FY 2012 Constrained Target/Request	\$ 159,874,031	\$ 164,263,171	\$ 4,389,140
<i>Change to FY 2011 Enacted</i>	<i>\$ (18,455,370)</i>	<i>\$ (14,066,230)</i>	<i>\$ 4,389,140</i>

The constrained budget submitted by the Department is \$4.4 million above the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$28.3 million above the Budget Office target. The Assembly provided \$22.3 million above the target.*

Statewide Adjustments. The Governor's FY 2012 budget includes \$20.7 million in unidentified statewide general revenue savings from applying reductions of 3.0 percent to salaries and benefits in cabinet level departments and 2.0 percent reductions to those costs in certain other agencies. He also included a 1.0 percent reduction to operating costs in those agencies. For the Department of Corrections, he assumed savings of \$5.1 million primarily from personnel. The adjustments are in addition to other program changes in his recommended budget and described below. **The Assembly concurred.**

Population. The enacted budget assumes a population of 3,450, which is 34 more inmates than the Department's population projection of 3,416 for FY 2012. The Department's request includes savings of \$0.9 million from general revenues to reflect a lower FY 2012 population projection than assumed in the enacted budget.

The following table depicts the recent history of budgeted and actual prison population from FY 2002 through the FY 2012 recommended budget. The average population for the first six months of FY 2011 is 3,310. Total cost per inmate including staff, can be expressed by dividing the Institutional Corrections' budget by the number of inmates. This is \$43,953 for the FY 2012 request and \$51,250 for the FY 2011 revised request. The enacted budget includes \$47,372. FY 2010 actual expenditures suggest a cost of \$43,605.

History	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
<i>Request</i>	3,492	3,297	3,333	3,305	3,299	3,200	2,583	3,803	4,008	3,709	3,416
Governor	3,464	3,393	3,724	3,640	3,244	3,375	3,289	3,848	4,008	3,643	3,416
Enacted	3,464	3,393	3,500	3,575	3,244	3,375	3,289	3,848	3,767	3,450	3,239
Revised Request	3,251	3,658	3,640	3,575	3,375	3,723	4,018	3,869	3,669	3,350	
Governor Revised	3,370	3,658	3,600	3,377	3,375	3,723	3,925	3,869	3,659	3,350	
Final	3,370	3,550	3,600	3,377	3,475	3,755	3,925	3,788	3,551	3,273	
<i>Actual</i>	3,387	3,537	3,554	3,361	3,510	3,771	3,860	3,773	3,502	3,273	

Population reductions result in the greatest savings when there are enough to allow for the closure of housing modules. Current population has resulted in the closure of two double modules in the Intake Center and three single modules, including two in Minimum Security and one in Medium Price. The maximum capacity of the prison is governed by the terms of an overcrowding lawsuit. In FY 2008, the Department reached an agreement with the federal courts to increase the allowed capacity at facilities from 4,085 to 4,265.

The Department's current population is tracking below staff estimates for the FY 2011 enacted budget. The House Fiscal Staff uses a simple model using trend data and population through the second quarter that suggests an average population of 3,301. The Department contracts with a firm to prepare population estimates, which has projected the population for the FY 2012 budget request.

*The Governor recommended funding as requested and assumed a population of 3,416, 34 fewer than assumed in the enacted budget, consistent with the Department's request. **The Assembly assumed 3,239 inmates, 177 fewer than recommended based on recent population reports from the Department which indicated that inmate population is tracking below the recommended level. The Assembly included \$0.4 million less general revenues to reflect savings from operating and maintenance expenses from facility consolidation.***

Population: Per Diem Expenditures. The Department requested \$13.8 million from general revenues for population related expenditures that are calculated on a per diem basis, excluding staffing. This is \$61,933 more than enacted to reflect a projected increase in food costs and pharmaceutical expenses, which are partially offset by anticipated savings from medical services based on FY 2010 expenses and a lower prison population. The Department requested \$4,036 per inmate for items such as food, linen, household supplies, and medical services; the enacted budget assumes \$3,978. In FY 2010, the Department's actual per inmate cost was \$3,757 or \$279 less than the FY 2012 request. *The Governor recommended funding as requested. **The Assembly concurred.***

Administrative Positions. The Department requested \$1.1 million from general revenues to fill 16.0 full-time equivalent administrative positions for FY 2012. The positions include 5.0 administrative clerks, 4.0 assistants, 3.0 senior word processing typists, 2.0 administrative aides, 1.0 senior planner and 1.0 principal research technician. These vacated positions were eliminated based on instructions not to request funding for vacant positions. Currently, the Department is using other staff under the "three-day rule" to fulfill these duties. *The Governor recommended \$537,220, which is \$537,178 less than requested and reflects filling only the most essential positions. It should be noted that all 16.0 positions are funded in the Governor's FY 2011 revised budget recommendation effective April 1, 2011. **The Assembly concurred.***

Public Safety Positions. The Department requested \$2.1 million from general revenues to fill 23.0 full-time equivalent positions for FY 2012. The positions include 13.0 officers, 6.0 lieutenants, 3.0 captains and 1.0 deputy warden. These vacated positions were eliminated based on instructions not to request funding for vacant positions. Currently, the Department has promoted existing staff under the "three-day rule" to fill 17.0 positions; 6.0 entry-level officer positions are being filled via overtime. *The Governor recommended \$1.1 million, which is \$1.1 million less than requested and reflects filling only the most essential positions. It should be noted that all 23.0 positions are funded in the Governor's FY 2011 revised budget recommendation effective April 1, 2011. **The Assembly concurred.***

Health and Social Service Positions. The Department requested \$0.3 million from general revenues to fill 3.0 full-time equivalent health and social service positions for FY 2012. The positions include 1.0 supervising clinical psychologist, 1.0 clinical social worker and 1.0 community program

counselor. These vacated positions were eliminated based on instructions not to request funding for vacant positions. Currently, the Department has promoted existing staff under the "three-day rule" to fill these positions. *The Governor recommended \$129,486, which is \$129,475 less than requested and reflects filling only the most essential positions. It should be noted that the three positions are funded in the Governor's FY 2011 revised budget recommendation effective April 1, 2011.* **The Assembly concurred.**

Maintenance Positions. The Department requested \$0.1 million from general revenues to fill 2.0 full-time equivalent maintenance positions for FY 2012. The positions include 1.0 automobile body shop supervisor and 1.0 electrician. These vacated positions were eliminated based on instructions not to request funding for vacant positions. Currently, the Department is using other staff under the "three-day rule" to fulfill these duties. *The Governor recommended \$71,963, which is \$71,958 less than requested and reflects filling only the most essential positions. It should be noted that the two positions are funded in the Governor's FY 2011 revised budget recommendation effective April 1, 2011.* **The Assembly concurred.**

RIBCO Base Increase. The enacted budget includes \$6.3 million from general revenues to adjust base expenditures for correctional officers in FY 2011. This estimate is based on an agreement reached with other state government unions and initial calculations from the Department of Administration for FY 2010 base wage increases for all eligible members of the bargaining unit. It includes a 3.0 percent cost-of-living increase for six months. The labor contract was settled through the arbitration process and resulted in a 2.95 percent base increase for uniform correctional officers for FY 2012. This award reflects the arbitrators' intent to re-establish parity between uniform correctional officers and similar qualified public sector employees, including the sheriffs. This is in addition to the 3.0 percent cost-of-living increase for all members of the bargaining unit for FY 2012. Consistent with its revised request, the Department included an additional \$3.3 million from general revenues to reflect its updated estimate of \$9.6 million based on current staffing. *The Governor recommended funding as requested.* **The Assembly concurred.**

All Other Salaries and Benefits. The Department's current service request includes \$156.1 million from all sources, including \$154.6 million from general revenues and \$1.5 million from federal funds for all other salaries and benefits. This is \$12.0 million more than enacted from all sources, including \$11.8 million more from general revenues and \$0.2 million more from federal funds. This reflects a 3.0 percent cost-of-living increase and updated benefit rates consistent with the planning values from the budget instructions. The request also includes lower turnover savings than anticipated from vacant positions as well as step increases for approximately 87.0 full-time equivalent positions. The Department noted that it could achieve \$3.6 million in turnover savings from keeping positions vacant throughout the entire fiscal year. However, the request proposes to fill 44.0 full-time equivalent positions for total costs of \$3.6 million. The Department was averaging 1,375.4 filled positions or 43.6 positions below the authorized level.

The Governor recommended \$11.2 million more than enacted from all sources, which is \$0.8 million less than requested to reflect updated benefit adjustments. **The Assembly included \$5.6 million less general revenues than recommended to reflect overtime savings primarily from consolidating inmates out of the Donald Price facility into available bed spaces in the rest of the system. The savings assume the Department will eventually close the Donald Price facility and reassign the current staff to other secured facilities.**

Target – Closure of the High Security Center. The Department proposed a constrained budget that includes \$10.0 million in general revenue savings from the closure of the High Security Center for FY

2012. The unconstrained budget includes \$11.1 million from general revenues for the High Security Center. The proposal includes offsetting expenses of \$0.9 million for 30 out-of-state placements of inmates and \$0.1 million for reassignment of current staff to other secured facilities. Currently, the Center holds 91 prisoners, including 84 sentenced inmates and 7 others awaiting trial. This is 75 fewer inmates than the maximum designed capacity of 166. *The Governor did not recommend this proposal.* **The Assembly concurred.**

Target – Closure of the Donald Price Medium Security. The Department proposed a constrained budget that includes \$9.8 million in general revenue savings associated with the closure of the Donald Price Medium Security facility, effective October 2011. The unconstrained budget includes \$12.7 million from general revenues for the Donald Price Medium Security facility. The saving includes \$9.5 million from nine months of operations, \$0.4 million from reducing the Minimum Security inmate population and \$0.1 million from reducing the FY 2012 class of new correctional officers. These are partially offset by expenses of \$0.2 million from costs for reassignment of the current staff to other secured facilities. The Department assumed closure of this facility would be delayed until October because the proposal requires that the Legislature adopt statutory changes to allow for the early release of Minimum Security inmates. This facility currently holds 259 sentenced inmates, or 101 fewer than the maximum designed capacity of 360.

The Governor did not recommend this proposal. **As noted elsewhere in the analysis, the enacted budget includes \$6.0 million less general revenues than recommended to reflect overtime and operation savings primarily from consolidating inmates out of the Donald Price facility into available bed spaces in the rest of the system. The savings assume the Department will exercise its existing authority with respect to inmate classification to empty and eventually close the Donald Price facility.**

Target – Sale of Donald Price Medium Security. The Department proposed a constrained budget that includes \$12.4 million in general revenue savings from selling the Donald Price Medium Security land and buildings upon its closure. This facility was built in 1929 and it was originally designed and first used to house youthful offenders. The facility was closed in 1992 due to the opening of the Medium Moran facility and then re-opened in 1997 as Donald Price Medium Security. This is a one-time savings. *The Governor did not recommend this proposal.* **The Assembly concurred.**

New Officer Class. The Department requested \$86,366 from general revenues for the recruitment and training of one class of new correctional officers. This is \$48,658 less than enacted to reflect fewer recruits than assumed in the enacted budget based on the Department's projected need for new officers for FY 2012. This anticipates redeployment of available staff from the proposed facility closings to other facilities with vacant officer posts. *The Governor recommended funding as requested.* **The Assembly concurred.**

Biennial Weapons Requalification. The Department requested \$824,383 from general revenues for operating expenses associated with the biennial weapons requalification for correctional officers. This includes expenses for ammunition, transportation and firing range rental costs. This expense was not reflected in the FY 2010 enacted budget, but it is in the FY 2011 enacted budget for weapons requalification, occurring every two years.

The Governor recommended \$463,561, which is \$360,822 less than requested to reflect anticipated reductions for overtime and mileage reimbursement. His recommendation assumes delayed expenses for FY 2012 can be carried into FY 2013 as did in the previous cycle when FY 2010 expenses were

delayed into FY 2011 due to unavailability of a firing range at the chosen time for the training. The Assembly concurred.

State Criminal Alien Assistance Funds. The Department requested \$176,816 less than enacted from general revenues to reflect its current estimate of available federal State Criminal Alien Assistance funds. This is a formula grant awarded to the Department for incurring costs of incarcerating undocumented immigrants who are being held as a result of state and/or local charges or convictions. The enacted budget anticipated \$0.8 million, consistent with the grant funds awarded for FY 2010. The Department anticipated a \$1.0 million award for FY 2012, based on the FY 2011 award and requested less general revenues to show use of these funds instead. *The Governor recommended funding as requested. The Assembly concurred.*

Indirect Cost Recovery Rate for Federal Grants. Most federal grants allow for recovery of overhead costs in addition to direct administrative costs, through the application of a negotiated indirect cost rate. The Departments of Health, Elementary and Secondary Education and Environmental Management take advantage of this allowance to lower state general revenue costs. Current law mandates that all state agencies shall apply for the rate when it is allowed under the particular federal grant. The Department of Corrections did not have an approved indirect cost rate for its federal grants. The enacted budget included general revenue savings of \$87,134 from assuming an indirect rate of not less than 5.0 percent on federal grants. The Department's request restores \$52,786 to reflect an approved indirect rate of 5.0 percent; however, it is anticipated to apply only to education grants from the federal Department of Education for FY 2012. The Department maintained that pass-through grants from the Public Safety Grant Administration Office reflect deduction of the maximum administrative costs allowable prior to the allocation of the funds. *The Governor recommended funding as requested. The Assembly concurred.*

Staff Development Grants. The Department requested \$435,137 from federal funds to add support for existing staff development programs. This is \$122,869 more than enacted to reflect two new grant funds anticipated for FY 2012. The new federal grants support numerous staff activities intended to prevent and control crime and improve the criminal justice system. These activities include information sharing, research and evaluation of existing sex offender management policies and practices, and technical assistance and training. The new grants were not included in the enacted budget because the Department was not aware whether it would be awarded the funds. *The Governor recommended funding as requested. The Assembly concurred.*

Educational Grants. The Department requested \$395,536 from federal funds to support existing educational programs, including special education services for eligible inmates. This is \$180,547 less than enacted to reflect grant funds anticipated for FY 2012. This also includes grant reductions for correctional institutions' adult and/or juvenile continuing education services and programs that encourage released female offenders to acquire postsecondary education. *The Governor recommended funding essentially as requested, but added \$2,331 to reflect additional funds available from statewide savings. The Assembly concurred.*

Community Corrections Grants. The Department requested \$550,724 from federal funds to add support for existing community programs for FY 2012. This is \$226,774 more than enacted to reflect two new federal grants anticipated to support successful reintegration of released offenders into their communities and provide discharge services for sex offenders. Grant funds can be used to support crime prevention and domestic violence programs aimed at improving the effectiveness and efficiency of the criminal justice system and its processes and procedures. The new grants were not included in

the enacted budget because the Department was not aware whether it would be awarded the funds. *The Governor recommended funding as requested.* **The Assembly concurred.**

One-Time Federal Grants. The Department's FY 2012 request excludes the one-time federal funds of \$200,000 for the database upgrade and \$94,000 for the drug market intervention initiative included in the FY 2011 enacted budget. The objective of the database upgrade is to improve the capacity of state and local criminal justice systems. Funds from the drug market intervention initiative pay for a probation and parole officer position to work with local law enforcement officials to help eliminate and/or reduce drug markets in local communities. *The Governor recommended funding as requested.* **The Assembly concurred.**

All Other Operations. The Department requested \$26.3 million from all sources, including \$27.2 million from general revenues for all other operations for FY 2012. This is \$347,562 less than enacted, including \$331,770 less from general revenues to reflect savings from reduced expenses for utilities, office equipment, educational program supplies, kitchen and household necessities, road maintenance and repairs, victim services and medical and security equipment. The request includes \$23.1 million for Institutional Corrections' operating expenses, placing this expense more in line with historical spending. The FY 2010 expenses were \$26.0 million or \$0.3 million less than the current request.

The Governor recommended \$583,019 less than enacted, which is \$235,457 less than requested to reflect savings of \$0.3 million from the Department's motor vehicle replacement program, which is partially offset by an increase in insurance expenses based on updated estimates as well as added telephone expenses for Probation and Parole Offices located within the state's various courthouses. **The Assembly concurred.**

Capital. The Department requested \$9.4 million from Rhode Island Capital Plan funds for its capital projects for FY 2012. This is \$3.4 million more than enacted and \$1.0 million more than the approved plan to reflect the Department's revised estimates. A more detailed description of the capital projects is available in the Capital Budget Section of this analysis. *The Governor recommended \$1.9 million more than enacted, which is \$1.5 million less than requested and \$0.6 million less than the approved plan.*

He subsequently requested an amendment to transfer \$150,000 from the Department of Corrections to the Department of Administration. This funding is appropriated for a feasibility study on the construction of an interdepartmental weapons range for use by multiple state departments. **The Assembly included \$2.6 million more than recommended to reflect shifting \$1.8 million from FY 2011 to FY 2012 and adding \$0.8 million for facility upgrades for population consolidation.**

Judicial Department

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Program				
Supreme Court	\$ 27,596,166	\$ 28,132,718	\$ 29,260,220	\$ 29,127,111
Defense of Indigent Persons	3,365,689	3,426,117	3,562,240	3,562,240
Commission on Judicial Tenure & Discipline	109,620	106,076	111,282	111,282
Superior Court	20,719,009	20,881,624	21,701,420	21,437,191
Family Court	19,712,242	20,163,294	21,024,448	20,817,192
District Court	10,672,936	11,013,002	11,431,383	11,386,765
Traffic Tribunal	7,620,894	7,572,756	7,857,951	7,752,175
Workers' Compensation Court	7,583,440	7,508,651	7,754,978	7,754,978
Total	\$ 97,379,996	\$ 98,804,238	\$ 102,703,922	\$ 101,948,934
Expenditures by Category				
Salaries and Benefits	\$ 72,739,222	\$ 73,050,838	\$ 76,235,694	\$ 75,235,694
Contracted Services	3,124,790	2,680,512	2,599,767	2,624,705
Subtotal	\$ 75,864,012	\$ 75,731,350	\$ 78,835,461	\$ 77,860,399
Other State Operations	9,733,030	10,413,016	11,001,997	11,006,531
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	10,370,898	10,757,867	11,174,023	11,146,198
Capital	1,412,056	1,902,005	1,692,441	1,935,806
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 97,379,996	\$ 98,804,238	\$ 102,703,922	\$ 101,948,934
Sources of Funds				
General Revenue	\$ 84,575,255	\$ 84,392,428	\$ 88,111,808	\$ 87,073,983
Federal Aid	2,326,527	3,542,233	3,293,751	3,576,588
Restricted Receipts	9,628,214	10,018,790	10,198,363	10,198,363
Other	850,000	850,787	1,100,000	1,100,000
Total	\$ 97,379,996	\$ 98,804,238	\$ 102,703,922	\$ 101,948,934
FTE Authorization	723.3	723.3	723.3	723.3

Summary. The Judiciary's current service request includes \$107.8 million from all sources, including \$90.5 million from general revenues, \$3.3 million from federal funds, \$10.2 million from restricted receipts, and \$3.8 million from Rhode Island Capital Plan funds. This is \$10.4 million or 10.7 percent more than enacted, including \$5.9 million more from general revenues. Consistent with the enacted, the Department requests 723.3 full-time equivalent positions.

The Governor recommended \$102.7 million from all sources, including \$88.1 million from general revenues and 723.3 full-time equivalent positions. This is \$5.3 million more than enacted, including \$3.5 million more from general revenues, \$1.0 million more from federal funds, \$0.6 million more from restricted receipts, and \$0.3 million more from other funds.

He subsequently requested an amendment to add \$0.3 million from available federal funds carry forward from FY 2011. **The Assembly included \$1.0 million less general revenues than recommended to reflect personnel savings and reduced community service grants by \$37,825.**

Target Issues. The Budget Office provided the Judiciary with a general revenue target of \$76.1 million. The amount includes current service adjustments of \$3.9 million and a 15.0 percent target reduction, adjusted for certain exclusions, of \$12.5 million.

FY 2012 Budget	Budget Office	Judiciary	Difference
FY 2011 Enacted	\$ 84,575,255	\$ 84,575,255	\$ -
Current Service Adjustments	3,935,545	5,902,334	1,966,789
Change to FY 2011 Enacted	\$ 3,935,545	\$ 5,902,334	\$ 1,966,789
FY 2012 Current Service/ Unconstrained Request	\$ 88,510,800	\$ 90,477,589	\$ 1,966,789
Target Reduction/Initiatives	(12,456,929)	-	12,456,929
FY 2012 Constrained Target/Request	\$ 76,053,871	\$ 90,477,589	\$ 14,423,718
Change to FY 2011 Enacted	\$ (8,521,384)	\$ 5,902,334	\$ 14,423,718

The Department did not submit a constrained budget. The general revenue request is \$14.4 million above the Budget Office's target. *The Governor's recommendation is \$12.1 million above the Budget Office target.* **The Assembly provided \$11.1 million above the target.**

Pay-Go Judges Pensions. The Department requested \$6.7 million from all sources, including \$5.8 million from general revenues for retirement costs for judges and magistrates who are not part of the state employee retirement system. This is \$264,281 more than enacted from all funds, including \$331,998 more from general revenues to reflect a revision of actual costs for current retirees including annual cost-of-living increases. *The Governor recommended funding as requested.* **The Assembly concurred.**

Statewide Adjustments. The Governor's FY 2012 budget includes \$20.7 million in unidentified statewide general revenue savings from applying reductions of 3.0 percent to salaries and benefits in cabinet level departments and 2.0 percent reductions to those costs in certain other agencies. He also includes a 1.0 percent reduction to operating costs in those agencies. For the Judicial Department, he assumes savings of \$1.5 million primarily from personnel. The adjustments are in addition to other program changes in his recommended budget and described below. **The Assembly concurred.**

Salaries and Benefits. The Judiciary's current service request includes \$78.4 million from all sources, including \$68.1 million from general revenues for salaries and benefits for 712.3 positions. This is \$5.6 million more than enacted from all sources, including \$4.1 million more from general revenues to reflect lower turnover savings and filling eight vacant positions with newly available federal funds. This includes a shift of Family and Superior Court general revenue expenses to federal child support enforcement funds and arbitration fund restricted receipt account to reflect staff reassignment to arbitration cases. The request also includes step and longevity increases, 3.0 percent cost-of-living increase and benefit rate changes consistent with the planning values from the budget instructions.

The Governor recommended \$4.8 million more than enacted from all sources, which is \$0.8 million less than requested to reflect anticipated overtime savings and statewide benefit adjustments. **The Assembly included \$1.0 million less general revenues than recommended to reflect personnel savings to be achieved.**

Indigent Defense Services. The Department requested \$3.7 million from general revenues for indigent defense services. This is \$352,231 more than enacted to reflect anticipated expenses for the program based on projected demand. This increase includes \$289,991 for contracted legal services and \$62,240 to pay for court reporters. This program assigns private attorneys to transferred clients when the Office of the Public Defender is unable to provide legal representation services because of conflicts of interests. FY 2010 actual expenses were \$3.5 million. *The Governor recommended \$196,551 more than enacted, which is \$155,680 less than requested to place this item more in line with FY 2010 expenses.* **The Assembly concurred.**

Facilities and Maintenance. The Department requested \$5.2 million from all sources, including \$4.9 million from general revenues for the maintenance of the judicial complex facilities. This is \$0.2 million more than enacted from all sources, including \$3,085 more from general revenues to reflect anticipated expenses for facilities maintenance and repairs and custodial services based on a renegotiated contract agreement with a new vendor. The request includes shifting general revenue expenses to available restricted receipts from indirect cost recoveries on federal grants. *The Governor recommended \$226,303 more than enacted, which is \$6,302 more than requested to reflect added expenses for vehicle maintenance partially offset by reduced facility repairs and utility expenses based on FY 2010 spending.* **The Assembly concurred.**

Court Technology. The Department requested \$2.7 million from general revenues for its court computer technology expenses. This is \$245,407 more than enacted to reflect anticipated expenses for communication system maintenance, additional computer and network equipment, and software licenses and maintenance fee agreements to support the web-based payment systems and the database systems for jury and juvenile case management. *The Governor recommended \$190,407 more than enacted, which is \$55,000 less than requested to reflect reduced expenses for computer equipment based on FY 2010 spending.* **The Assembly concurred.**

Child Support Collections. The Department requested \$73,283 from general revenues for all non-staff operations for the Family Court Child Support Enforcement Unit. This is \$37,289 more than enacted to reflect office equipment expenses of \$7,600 and an increase of \$29,689 for consulting services from a contracted firm. The firm provides assistance in developing an acceptable cost allocation plan and certified indirect rate for maximum federal reimbursement for the unit. This appears to be an ongoing annual expense for the Judiciary for continued assistance from the consulting firm. *The Governor recommended funding as requested.* **The Assembly concurred.**

New Federal Grants. The Department requested \$231,537 from federal funds to reflect new federal grant awards for existing federally funded programs for FY 2012. This includes \$127,734 for the mental health court clinic to provide evaluation and treatment referrals, \$56,028 to improve the electronic system to receive domestic violence and sexual assault reports, \$31,185 for pre-trial services, and \$16,590 for the development of effective strategies to combat violent crimes against women. *The Governor recommended funding as requested.*

He subsequently requested an amendment to add \$115,481 from available federal funds carry forward from FY 2011. **The Assembly concurred.**

Adult Drug Court. The Department requested \$72,985 from federal funds for the Superior Court Adult Drug Court program. This reflects a grant award received for FY 2011 and FY 2012 to support drug treatment services for adult drug court clients. This is not reflected in the enacted budget because the Judiciary was not aware whether it would receive the award for FY 2012. This is a formula-based

Justice Assistance grant and the funds are awarded through the Rhode Island Public Safety Grant Administration Office. *The Governor recommended funding as requested.* **The Assembly concurred.**

Supreme Court Disciplinary Counsel. The Department requested \$13,183 from restricted receipts to support the Rhode Island Supreme Court Disciplinary Counsel Office for FY 2012. This is \$35,353 less than enacted to reflect reduced operating expenses based on projected need. FY 2010 and FY 2009 actual expenses were \$44,563 and \$22,902, respectively. According to Supreme Court Article IV, Rule 1, this restricted receipt account includes annual fees of \$200 collected from each active attorney in the Rhode Island Bar to fund the Disciplinary Counsel functions. *The Governor recommended funding essentially as requested, but added \$9,053 to reflect additional funds available from statewide personnel savings.* **The Assembly concurred.**

Court Mediation Fees. The Department requested \$100,751 from restricted receipts for mediation services for FY 2012. This is \$46,071 less than enacted to reflect reduced operating expenses based on projected demand. The reductions include \$40,044 from purchased mediation services and \$70,353 from general operations, partially offset by a \$60,000 grant budgeted for the Community Mediation Center of Rhode Island to provide mediation services. *The Governor recommended funding essentially as requested, but added \$1,625 to reflect additional funds available from statewide personnel savings.* **The Assembly concurred.**

Other Grant Awards. The Department requested \$1.1 million from all sources, including \$788,496 from federal funds and \$356,723 from restricted receipts to support several programs for FY 2012. This is \$250,708 less than enacted, including \$245,431 less from federal funds and \$5,277 less from restricted receipts to reflect updated grant awards anticipated for FY 2012. The enacted budget includes \$360,680 from federal funds for the child support enforcement unit, which is reflected in the Department's FY 2012 request. *The Governor recommended funding essentially as requested, but added \$14,238 to reflect additional funds available from statewide personnel savings.*

He subsequently requested an amendment to add \$167,950 from available federal funds carry forward from FY 2011. **The Assembly included \$594 less than recommended from federal funds.**

Pre-Trial Services. The Department requested \$140,535 from general revenues primarily for seasonal staff to support the pre-trial service unit. This is \$15,132 more than enacted to place the expense more in line with the FY 2011 revised request. The contracted clerical staff usually performs some of the functions of positions that remain unfilled in order to achieve turnover savings. *The Governor recommended funding as requested.* **The Assembly concurred.**

Jurors' Fees and Transportation. The Department requested \$748,466 from general revenues for jurors' fees, food, and transportation for FY 2012. This is \$163,106 more than enacted to reflect increased expenses for parking fees and transportation based on projected demand.

Subsequently, the Department provided additional information that reduces its request for this expense from \$748,466 to \$599,016 to reflect a miscalculation that was inadvertently included as part of the FY 2012 budget submission. Adjusted for the miscalculation, this is \$13,656 more than enacted to place this expense more in line with the FY 2011 revised request. FY 2010 actual expenses were \$517,409. *The Governor recommended funding as requested.* **The Assembly concurred.**

Law Library Acquisitions. The Department requested \$634,172 from general revenues for the Rhode Island State Law Library for FY 2012. This includes expenses for books, computer software, publications and subscriptions. This is \$20,669 more than enacted to reflect added costs for book and

software acquisitions based on the Department's projected current service request for FY 2012. FY 2010 expenses were \$595,649. *The Governor recommended funding as requested.* **The Assembly concurred.**

Parking Rental Expenses. The Department requested \$483,265 from general revenues for rental expenses for parking spaces for the Supreme Court and Family Court located at the Licht and Garrahy Judicial Complexes for FY 2012. This is \$37,348 more than enacted to reflect added costs for parking based on a recently negotiated contract with a private vendor.

Subsequently, the Department provided additional information confirming the requested expenses include \$234,539 for rental of office spaces for its records center located in Pawtucket. *The Governor recommended funding as requested.* **The Assembly concurred.**

Judicial Tenure and Discipline. The Department requested \$10,080 from general revenues for legal and operating expenses for the Commission on Judicial Tenure and Discipline for FY 2012. This is \$4,268 less than enacted to reflect anticipated reductions from contracted legal services and transportation, partially offset by a small increase in membership fees and dues. This expense fluctuates annually based on the needs of the Office. FY 2009 and FY 2010 expenses were \$2,536 and \$14,269, respectively. *The Governor recommended funding as requested.* **The Assembly concurred.**

Community Service Grants. The Judiciary's budget included \$378,250 from general revenues for four community service grants. These grants are \$191,250 for the Domestic Violence Advocacy Program, \$135,000 for Rhode Island Legal Services, \$27,000 for Gateway Healthcare, Inc. and \$25,000 for Justice Assistance. **The Assembly reduced these community service grants by ten percent or \$37,825.**

All Other Operations. The Department requested \$3.7 million from all sources, including \$3.2 million from general revenues for all other operating adjustments for FY 2012. This is \$496,826 more than enacted, including \$557,520 more from general revenues to reflect the current service needs of the courts. This includes additional expenses anticipated for replacement of copiers, furniture and equipment purchases, seasonal staff, purchased legal and translation services and medical goods for Family Court. This is more in line with the FY 2011 revised request, but \$0.5 million less than FY 2010 expenses, for which total expenses were \$4.3 million.

The Governor recommended \$687,260 more than enacted, which is \$190,434 more than requested to reflect added utility expenses for the Traffic Tribunal as well as additional funds from other sources available from statewide personnel savings. **The Assembly concurred.**

Capital Projects. The Department requested \$3.8 million from Rhode Island Capital Plan funds for its capital projects for FY 2012. This is \$3.0 million more than enacted to reflect a wider scope for several capital projects including asset protection. A more detailed description of these projects are available in the capital section of this analysis. *The Governor recommended \$250,000 more than enacted, which is \$2.7 million less than requested, consistent with the approved plan.* **The Assembly concurred.**

Military Staff

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Program				
National Guard	\$ 13,483,397	\$ 13,902,924	\$ 14,466,849	\$ 14,977,312
Emergency Management	13,154,767	46,745,517	20,694,476	20,104,928
Total	\$ 26,638,164	\$ 60,648,441	\$ 35,161,325	\$ 35,082,240
Expenditures by Category				
Salaries and Benefits	\$ 8,470,370	\$ 8,956,661	\$ 9,588,980	\$ 9,514,980
Contracted Services	1,311,019	1,876,207	1,465,357	1,144,357
Subtotal	\$ 9,781,389	\$ 10,832,868	\$ 11,054,337	\$ 10,659,337
Other State Operations	5,101,374	5,840,472	5,392,995	5,473,895
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	9,682,901	41,929,276	16,409,993	16,244,445
Capital	2,072,500	2,045,825	2,304,000	2,704,563
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 26,638,164	\$ 60,648,441	\$ 35,161,325	\$ 35,082,240
Sources of Funds				
General Revenue	\$ 2,782,435	\$ 3,966,145	\$ 3,618,028	\$ 3,470,928
Federal Aid	22,150,754	55,402,213	29,933,986	29,381,438
Restricted Receipts	842,475	448,468	389,311	609,311
Other	862,500	831,615	1,220,000	1,620,563
Total	\$ 26,638,164	\$ 60,648,441	\$ 35,161,325	\$ 35,082,240
FTE Authorization	111.0	117.0	117.0	117.0

Summary. The Military Staff's unconstrained request includes \$36.1 million from all sources, including \$3.9 million from general revenues, \$30.3 million from federal funds, \$0.4 million from restricted receipts, \$1.4 million from Rhode Island Capital Plan funds, and 117.0 full-time equivalent positions.

The Department also submitted a constrained request that totals \$35.6 million and is \$0.3 million less from general revenues than the unconstrained request.

The Governor recommended \$35.2 million, \$8.5 million more than enacted and \$1.0 million less than requested. The reductions include \$0.3 million from general revenues, \$0.4 million from federal funds, and \$0.2 million from Rhode Island Capital Plan funds. He recommended the enacted level of restricted receipts and the requested level of 117.0 full-time equivalent positions, 6.0 more than enacted. The Assembly reduced expenditures by \$79,085 from all sources which includes \$0.1 million less from general revenues. This reflects reductions from the use of an indirect rate and turnover savings. The Assembly authorized the recommended 117.0 full-time equivalent positions.

Target Issues. The Budget Office provided the Military Staff with a general revenue target of \$2.4 million. The amount includes current service adjustments of \$104,283 for staffing offset by non-recurring inaugural expenses of \$77,914, totaling \$26,369 and a 15.0 percent target reduction adjusted for certain exclusions of \$421,321.

FY 2012 Budget	Budget Office	Military Staff	Difference
FY 2011 Enacted	\$ 2,782,435	\$ 2,782,435	\$ -
Current Service Adjustments	26,369	1,140,432	1,114,063
<i>Change to FY 2011 Enacted</i>	<i>\$ 26,369</i>	<i>\$ 1,140,432</i>	<i>\$ 1,114,063</i>
FY 2012 Current Service/ Unconstrained Request	\$ 2,808,804	\$ 3,922,867	\$ 1,114,063
Target Reduction/Initiatives	(421,321)	(275,472)	145,849
FY 2012 Constrained Target/Request	\$ 2,387,483	\$ 3,647,395	\$ 1,259,912
<i>Change to FY 2011 Enacted</i>	<i>\$ (394,952)</i>	<i>\$ 864,960</i>	<i>\$ 1,259,912</i>

The constrained budget submitted but the Department is \$1.3 million above the target but \$0.3 million below its constrained request. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's budget is \$1.2 million above the target. The Assembly included \$1.1 million above the target.*

Statewide Adjustments. The Governor's FY 2012 budget includes \$20.7 million in unidentified statewide general revenue savings from applying reductions of 3.0 percent to salaries and benefits in cabinet level departments and 2.0 percent reductions to those costs in certain other agencies. He also includes a 1.0 percent reduction to operating costs in those agencies. For the Military, he assumed savings of \$68,510 primarily from personnel with a slight reduction to operating. The adjustments are in addition to other program changes in his recommended budget and described below. **The Assembly concurred.**

National Guard

Inaugural Expenses. The National Guard excluded the \$72,775 from general revenues for non-recurring inaugural activities to occur in FY 2011. *The Governor recommended funding as requested. The Assembly concurred.*

Fire Fighters. The National Guard requested \$2.9 million from federal funds for fire fighter services, \$0.9 million more than enacted. Consistent with its FY 2011 revised request, the National Guard Bureau has authorized and funded 6.0 new fire fighter positions. The increase in staff will allow the National Guard to meet the mandate set forth in October 2009 to increase operations from 16 hours per day to 24 hours per day, 365 days per year for fire fighter services. It will also alleviate the overtime expenditures. *The Governor recommended funding as requested. The Assembly concurred.*

All Other Salaries and Benefits. The National Guard requested \$4.4 million for all other salaries and benefits for the remaining 59.0 full-time equivalent positions. This is \$0.4 million more than enacted, including \$0.1 million more from general revenues for medical benefit and retirement rate changes, as well as a 3.0 percent cost-of-living adjustment consistent with Budget Office planning values and \$40,530 to reduce turnover savings. *The Governor recommended \$216,881 less from all sources, including \$79,853 less from general revenues. This reflects adjustments to benefit rates, additional turnover savings and filling positions at a reduced rate. The Assembly concurred.*

Military Funerals. The National Guard requested \$100,883 from general revenues for military funeral expenses, which is \$43,083 more than enacted. The enacted budget includes \$57,800 and assumes the use

of volunteer retirees to defray costs for this activity at a rate of \$50 per day. Assuming a total of 1,224 funerals, volunteer expenses will be \$3,400 more than enacted; the request appears overstated. Current projections include an average of 102 funerals per month, totaling 1,224 military funerals per year that require general revenue support. *The Governor recommended \$7,500 more than enacted, which is \$35,583 less than requested to reflect anticipated expenditures.* **The Assembly concurred.**

Military Family Relief Fund. The National Guard requested \$235,000 from restricted receipts for the family relief fund. This is \$45,000 more than enacted and is consistent with the FY 2011 revised request. This fund provides financial support to military members and their families for financial issues. It appears the agency budgets all available resources which far exceed expenditures. Each year there is a significant carry forward balance as expenditures never meet the projected expenses. Past years expenditures include \$153,240 for FY 2006, \$63,392 for FY 2007 and \$31,408 for FY 2008, \$22,035 for FY 2009 and \$9,969 for FY 2010. The agency indicates the increased request was based on higher than anticipated donations, but not expected increased use. *The Governor recommended funding as requested.* **The Assembly concurred.**

Security and Other Contracted Services. The National Guard requested \$0.8 million from all sources for security and other contracted services. This is \$224,389 less from federal funds and appears to be more in line with historical spending. Past years expenditures were \$478,311 in FY 2008, \$676,101 in FY 2009, and \$730,093 in FY 2010. The agency noted the National Guard Bureau has decreased its commitment to security funding but it appears that it will not result in less spending in this budget. The request also includes \$10,950 more from general revenues based on increased square footage that the Guard is responsible for resulting in more exterminator and fire alarm testing, repair and maintenance expenses. *The Governor recommended funding as requested.* **The Assembly concurred.**

Utilities. The National Guard's current service request is \$2.3 million, which is \$0.2 million more than enacted from all sources for utility expenses. This includes \$0.1 million more from general revenues and \$0.1 million more from federal funds. The Rhode Island National Guard has increased the volume of facilities it utilizes by 197,542 square feet, including 149,926 square feet for the Air National Guard and 47,615 square feet for the Army National Guard. The FY 2010 final general revenue expenditures exceeded the final appropriation by \$112,283. *The Governor recommended \$3,616 less than requested from general revenues to reflect anticipated savings from implementing energy savings initiatives.* **The Assembly concurred.**

Capital Projects. The National Guard requested \$1.4 million from Rhode Island Capital Plan funds for capital projects. This is \$0.6 million more than enacted to reflect updated estimates and accelerated projects. Projects are described in the Capital section of the analysis. **The Assembly added \$0.4 million from Rhode Island Capital Plan funds shifted from FY 2011 to reflect updated spending projections for four projects.**

All Other Operations. The National Guard's current service request is \$3.0 million from all sources for all other operating expenses. This is \$0.3 million less than enacted and includes \$58,309 less from general revenues and \$0.3 million less from federal funds. The general revenues reductions include decreases for maintenance and other general office expenses. *The Governor further reduced operating expenses by \$390 from all sources, including \$7,634 less from general revenues to reflect reductions to maintenance for all Rhode Island National Guard facilities.* **The Assembly concurred.**

Target - Facility Closures. The National Guard's constrained request proposes the temporary closure of several armories for a nine month period for savings of \$109,900. This includes \$24,000 from the elimination of janitorial services, \$29,000 from decreasing expenses for building maintenance and

grounds keeping expenses and \$56,900 from utilities expenses. *The Governor recommended this proposal and included the savings. The Assembly did not concur and restored funding.*

Emergency Management Agency

Indirect Cost Recovery. The Agency requested \$489,742 more from general revenues to offset a like amount of restricted receipts based on not achieving expected savings associated with indirect cost recovery. The 2010 Assembly included general revenue savings of \$489,742 assuming an indirect rate of not less than 5.0 percent on federal grants from the Emergency Management Agency complying with current law and applying for and receiving a negotiated indirect rate. The general revenue savings were applied to the Statewide Communications Network expenses. The agency applied for the indirect rate on September 30, 2010 and indicated that it will not be received during FY 2011. The FY 2012 request does not assume any savings from an indirect cost recovery rate as the Agency does not expect a rate to be negotiated in this time frame. *The Governor recommended funding as requested.*

The Assembly included general revenue savings of \$0.2 million assuming the use of an indirect rate and shifted general revenue expenditures to restricted receipts and reduced federal funds accordingly.

Rhode Island Statewide Communications Network. The Agency requested \$1.6 million from all sources for the Rhode Island Statewide Communications Network, which is \$0.4 million more than enacted, including \$0.3 million more from general revenues. Excluding the indirect rate adjustment for the Motorola contract, the increase primarily reflects the funds necessary to fully support the Motorola maintenance contract which totals \$1.0 million. The enacted budget, based on the Agency's request, did not include sufficient funding.

The request also includes medical benefit and retirement rate changes, as well as a 3.0 percent cost-of-living adjustment consistent with Budget Office planning values and \$59,470 to reduce turnover savings. Funds are used to support 2.0 full-time staff positions as well as the radio system that is used to expedite emergency phone calls, maintain communication with all political subdivisions in the state and the emergency radio communication system that allows all hospitals, the Department of Health, the Emergency Management Agency, and emergency responders to be on a private radio system in order to effectively respond to all types of disasters. *The Governor reduced requested expenses by \$12,923 from general revenues to reflect reductions to various office expenses. The Assembly concurred.*

All Other Salaries and Benefits. The Agency's current service request is \$2.2 million from all funds for all other salaries and benefits for 26.0 full-time equivalent positions. This is \$74,780 more from general revenues, \$92,880 more from federal funds and \$73,517 more from restricted receipts than enacted. The increase reflects medical benefit and retirement rate changes, as well as a 3.0 percent cost-of-living adjustment consistent with Budget Office planning values.

As part of its constrained request, the Emergency Management Agency included the elimination of three full-time equivalent staff for general revenue savings of \$165,572. The positions include a public information specialist, training specialist and an administrative manager.

The Governor recommended \$154,119 less from all sources, including \$14,067 more from general revenues. He did not eliminate the positions but reduced federal funds to reflect current vacant positions; however, it should be noted that the federal funds are still available to be used since the

award has not decreased just the authority to spend them. The Assembly reduced general revenues by \$37,000 to reflect additional turnover savings.

Flood. The Emergency Management Agency is coordinating the reimbursement of Federal Emergency Management Agency funds to all state agencies, quasi-agencies and municipalities for projects submitted as a result of the March 2010 flood. The Agency requested \$4.1 million from all funds for flood expenses in FY 2012, including the state match of \$0.1 million from general revenues. The Agency indicated that the majority of reimbursements are reflected in the \$20.0 million included in the FY 2011 revised request.

The Agency indicated that the request is based on an initial estimate of all projects that were submitted for reimbursement to the Federal Emergency Management Agency. Approximately 454 individual projects have been submitted for reimbursement; however, the Agency indicated that it is difficult to predict what projects and expenditure amounts the Federal Emergency Management Agency will authorize. The Federal Emergency Management Agency provides a 90.0 percent reimbursement of eligible expenses incurred from the flood. In FY 2010, the agency incurred \$838,652 in unbudgeted general revenue expenditures due to the March 2010 flood.

The Governor recommended \$4.0 million from federal funds and \$0.1 million from general revenues to reflect anticipated reimbursements. It should be noted that the general revenue portion does not equate to 10.0 percent of the required state match if the entire \$4.0 million in federal funds is received during this fiscal year. The Assembly concurred.

Homeland Security Grant Program. The Agency requested \$7.9 million from homeland security grants. This is \$2.1 million more from federal funds than enacted to reflect new grant awards and the extension granted by the Department of Homeland Security to make the remaining funds available to cities and towns. The funds are intended to enhance the capacity of emergency responders when faced with incidents of terrorism involving weapons of mass destruction. *The Governor recommended funding as requested. The Assembly shifted \$350,000 from available federal funds from FY 2012 to FY 2011 to reflect reimbursement to municipalities from accelerated grant spending, and added \$104,452 from federal funds to reflect new grant awards.*

Emergency Management Performance Grant. The Agency requested \$4.6 million from all sources for emergency management performance grants, which is \$1.2 million more than enacted and includes \$24,037 more from general revenues to reflect grant matching requirements. The federal fund increase reflects new grant awards offset by adjustments to reflect actual grant award balances. Funds are used to support state and local governments to sustain and enhance all-hazards emergency management capabilities. *The Governor added \$616 more from restricted receipts available from statewide personnel savings. The Assembly concurred.*

Flood Plain Management. The Agency requested \$0.5 million from all funds which eliminates the general revenue funds for flood plain management. This is \$133,612 less than enacted from all sources, including \$1,000 more from general revenues. This reflects adjustments to grant awards. Funds are used to support community programs of corrective and preventative measures for reducing flood damage. *The Governor further reduced expenses by \$653 from general revenues, offset by \$450 more from federal funds available from statewide personnel savings. The Assembly shifted \$50,000 from available federal funds from FY 2012 to FY 2011 to reflect reimbursement to municipalities from accelerated grant spending.*

Department of Public Safety

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Program				
Central Management	\$ 6,156,042	\$ 7,653,322	\$ 5,169,481	\$ 5,169,481
E-911	4,655,752	5,091,943	4,772,358	4,772,358
Fire Marshal	2,772,310	3,579,916	4,291,734	4,688,784
Capitol Police	3,308,669	3,163,035	3,306,728	3,306,728
Sheriffs	-	-	16,656,866	16,656,866
Municipal Police Training Academy	625,909	751,294	659,498	659,498
State Police	69,230,888	71,879,430	67,487,589	69,196,662
Total	\$ 86,749,570	\$ 92,118,940	\$ 102,344,254	\$ 104,450,377
Expenditures by Category				
Salaries and Benefits	\$ 50,020,182	\$ 50,297,678	\$ 70,170,135	\$ 70,170,135
Contracted Services	960,178	1,488,690	1,028,434	1,591,966
Subtotal	\$ 50,980,360	\$ 51,786,368	\$ 71,198,569	\$ 71,762,101
Other State Operations	5,416,049	6,866,814	6,852,068	6,852,068
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	20,586,077	23,691,487	21,323,727	21,866,318
Capital	9,767,084	9,774,271	2,969,890	3,969,890
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 86,749,570	\$ 92,118,940	\$ 102,344,254	\$ 104,450,377
Sources of Funds				
General Revenue	\$ 67,024,490	\$ 68,540,272	\$ 89,407,711	\$ 89,407,711
Federal Aid	7,131,554	12,414,738	6,541,865	7,647,988
Restricted Receipts	803,106	502,583	335,749	335,749
Other	11,790,420	10,661,347	6,058,929	7,058,929
Total	\$ 86,749,570	\$ 92,118,940	\$ 102,344,254	\$ 104,450,377
FTE Authorization	423.1	423.2	603.2	605.8

Summary. The Department of Public Safety requested expenditures of \$86.1 million from all sources, which is \$0.7 million less than the FY 2011 enacted budget. The unconstrained current service level request includes \$74.5 million from general revenues, \$6.5 million from federal sources, \$0.3 million from restricted receipts, and \$4.8 million from Rhode Island Capital Plan funds. The Department requested staffing authorization of 430.2, which is 7.1 more than authorized. The Department also submitted a constrained request that totals \$79.1 million and includes \$7.0 million less from general revenues than the unconstrained request.

The Governor recommended expenditures of \$102.3 million from all sources, \$16.3 million more than requested. He included \$14.9 million more from general revenues. The Governor transferred the Division of Sheriffs from the Department of Administration to the Department of Public Safety. He included \$16.7 million from general revenues reflective of statewide savings and 180.0 full-time

equivalent positions for this transfer. The Governor recommended 603.2 full-time equivalent positions, which is 0.1 more than enacted, excluding the transfer of positions. Excluding the sheriffs, the budget is \$1.1 million less than enacted.

The Assembly provided total expenditures of \$104.5 million, which is \$2.1 million more than recommended, including \$1.1 million more from federal sources and \$1.0 million more from Rhode Island Capital Plan funds. It authorized staffing of 605.8 full-time equivalent positions, which is 2.6 positions more than recommended.

Target Issues. The Budget Office provided the Department of Public Safety with a general revenue target of \$62.8 million. The amount includes current service adjustments of \$3.9 million and a 15.0 percent target reduction adjusted for certain exclusions of \$8.2 million.

FY 2012 Budget	Budget Office	Public Safety	Difference
FY 2011 Enacted	\$ 67,024,490	\$ 67,024,490	\$ -
Current Service Adjustments	3,934,674	7,521,718	3,587,044
Change to FY 2011 Enacted	\$ 3,934,674	\$ 7,521,718	\$ 3,587,044
FY 2012 Current Service/ Unconstrained Request	\$ 70,959,164	\$ 74,546,208	\$ 3,587,044
Target Reduction/Initiatives	(8,178,763)	(7,004,376)	1,174,387
FY 2012 Constrained Target/Request	\$ 62,780,401	\$ 67,541,832	\$ 4,761,431
<i>Change to FY 2011 Enacted</i>	<i>\$ (4,244,089)</i>	<i>\$ 517,342</i>	<i>\$ 4,761,431</i>

The constrained budget submitted by the agency is \$4.8 million above the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's budget is \$26.6 million above the target; excluding the transfer of the Sheriffs the Governor's budget is \$9.5 million above the target.* **The Assembly concurred.**

Staffing Authorization. The Department requested staffing authorization of 430.2 full-time equivalent positions, which is 7.1 positions more than authorized. The Department eliminated 1.9 vacant positions including 1.0 from Central Management and 0.9 from E-911, offset by an increase of 5.0 from the Capitol Police, 3.0 from the State Police, and the creation of 1.0 full-time equivalent position with the Fire Marshal.

The Governor recommended 603.2 full-time equivalent positions, 180.1 more than authorized. This includes 180.0 full-time equivalent positions included in the transfer of the Sheriffs from the Department of Administration to the Department of Public Safety and an adjustment to more accurately reflect a part-time position within the E-911 program. He did not recommend any of the positions requested.

The Assembly concurred; however, included 2.6 additional full-time equivalent positions to assist in the transfer of the Sheriffs from the Department of Administration to the Department of Public Safety, but did not include any additional funding for the positions.

Indirect Cost Recovery. The 2010 Assembly directed all eligible agencies to reduce general revenue expenditures through use of a negotiated federal indirect rate. For the Department of Public Safety, the Assembly reduced general revenues by \$375,345 assuming an indirect cost recovery rate of not less than 5.0 percent and shifted the expenditures from federal to restricted sources consistent with current practice for accounting for indirect cost recovery resources.

The Department's FY 2012 request restored those savings because does not believe it is eligible for an indirect cost rate since it currently charges the maximum allowable amount for management and administrative costs for all of its grants with the exception of two, the National Criminal History Records Improvement Discretionary grant and the Grants to Encourage Arrest Policies. *The Governor recommended funding as requested.* **The Assembly concurred.**

Statewide Adjustments. The Governor's FY 2012 budget includes \$20.7 million in unidentified statewide general revenue savings from applying reductions of 3.0 percent to salaries and benefits in cabinet level departments and 2.0 percent reductions to those costs in certain other agencies. He also included a 1.0 percent reduction to operating costs in those agencies. For the Department of Public Safety, he assumed savings of \$2.1 million primarily from personnel. The adjustments are in addition to other program changes in his recommended budget and described below. **The Assembly concurred.**

E-911 Telephone System

Salaries and Benefits. The Department requested \$4.3 million from general revenues for salaries and benefits for 50.6 full-time equivalent positions. This is \$358,473 more than the enacted budget and 0.9 fewer positions than authorized. The request includes turnover savings of \$29,827 achieved through the elimination of a vacant associate director position and increases a position from a 0.5 to a 0.6 full-time equivalent position. The request also includes \$158,325 for overtime expenditures, which is \$41,288 more than enacted. The request includes \$287,358 more than enacted for step and longevity increases, a 3.0 percent cost-of-living adjustment and benefit rate changes consistent with Budget Office instructions.

The Governor recommended \$4.1 million or \$141,255 less than requested. This includes \$37,777 less for overtime expenditures and additional turnover savings of \$103,478. **The Assembly concurred.**

Computer Maintenance. The Department requested \$428,391, which is \$36,871 more than enacted from general revenues for two computer maintenance contracts. This is consistent with the Department's FY 2011 revised budget request and FY 2010 actual expenditures. *The Governor recommended funding as requested.* **The Assembly concurred.**

Other Operations. The Department requested \$354,135 for all other E-911 operating expenses, which is \$8,468 more than enacted from general revenues. This includes increases for utility and insurance expenses and for additional snow removal at the new State Police headquarters, offset by savings achieved from the elimination of rental expenses at the former North Providence location.

The Governor recommended \$348,962, which is \$16,065 less than requested. This includes reductions for computers, insurance, snow removal, clothing and other miscellaneous operating expenses. **The Assembly concurred.**

Fire Marshal

Fire Safety Training Officer. The Department requested \$84,405 from general revenues for salaries and benefits and 1.0 full-time equivalent position for a new fire safety training officer position. This position will be responsible for coordinating, planning, organizing and directing the fire training activities along with the other fire safety training officer and supervise any live fire training activities that occur at the Fire Training Academy.

*The Governor recommended funding this position through restricted receipts collected from fire training academy fees. The Governor included the position and \$78,899 from restricted receipts, which is \$5,506 less than requested based on revised projections. **The Assembly concurred.***

Other Salaries and Benefits. The Department requested \$2.6 million from general revenues for salaries and benefits for the remaining 32.0 full-time equivalent positions, including \$0.3 million more than enacted from general revenues. The request assumed no turnover savings and provides \$131,961 to fill two vacant fire safety inspector positions. The request also includes \$181,904 for a 3.0 percent cost-of-living adjustment, step and longevity increases and updated benefit rates based upon Budget Office planning values.

As part of its FY 2012 constrained request, the Department included salary and benefit reductions of \$85,408. These reductions are achieved by including \$126,685 of turnover savings by not filling two vacant positions offset by \$41,277 more for overtime expenditures. The Department indicated the need to fill these vacancies and for additional overtime expenditures to assist in workload increases due to recent law changes regarding the expediting of fire plan review from 90 to 15 days.

The Governor recommended \$2.5 million from general revenues, which is \$187,290 more than enacted. This is \$126,675 less than the Department's unconstrained request, and \$10 less than the Department's constrained request achieved by not filling 2.0 fire safety inspector positions.

*The Governor included \$64,261 to fill one of the two vacant fire safety inspector positions. This position will be funded by the Quonset Development Corporation on a limited time basis to assist in fire plan review of projects at the Quonset Business Park. **The Assembly concurred.***

Grant Programs. The Department requested \$53,000 from federal funds for first responder and emergency response to hazardous materials procedure training. The reductions are the result of expiring federal Homeland Security and Urban Area Security Initiative grants totaling \$208,250 that were used to purchase an all terrain vehicle, first responder training, bomb suits, body armor, helmets, and other equipment.

*The Governor recommended funding as requested. Subsequent to his budget submission, the Governor requested an amendment to add \$397,050 from new federal homeland security grant awards to upgrade and purchase bomb detection robots for the State Fire Marshal. **The Assembly concurred.***

Fire Training Academy. The 2010 Assembly included Article 23 in 2010-H 7397 Substitute A, as amended establishing a new restricted receipt account within the Department of Public Safety's budget to fund operating costs of a new fire training academy burn facility. The FY 2011 enacted budget includes \$50,000 for this, and the Department requested \$152,000 more. The request includes \$75,000 for training, \$27,000 for utility expenses, \$30,000 for the operation of the controlled burn facility, \$26,500 for maintenance, and \$43,500 for other related operating expenses. *The Governor recommended funding as requested. **The Assembly concurred.***

Other Operations. The Department requested \$219,850 from general revenues for all other operating expenses, which is \$25,230 more than enacted. The request includes \$23,000 to purchase new computers to replace the division's existing computers, additional insurance, and telephone expenses. These increases are offset by reductions for vehicle maintenance, uniforms, travel, and other miscellaneous expenses.

As part of its FY 2012 constrained request, the Department excluded the purchase of the computer equipment.

The Governor recommended \$190,250, which is \$6,600 less than the unconstrained request and includes reductions for vehicle maintenance and excludes the purchase of the computer equipment. The Assembly concurred.

Capital. The Department included in its five year capital plan \$1.3 million from Rhode Island Capital Plan funds to build a 9,000 square foot classroom and administrative building in FY 2012 and FY 2013. *The Governor included \$1.3 million to build a classroom and administrative building. A detailed analysis of this project appears in the Capital Budget Section of this publication. The Assembly concurred.*

Capitol Police

Salaries and Benefits. The Department requested \$3.5 million from general revenues or \$242,782 more than enacted, for salaries and benefits for 47.0 full-time equivalent positions. The request includes turnover savings of \$146,990 offset by an increase of \$24,707 for overtime expenditures. The request includes \$71,805 for cost-of-living adjustments, step and longevity increases and updated benefit rates consistent with Budget Office instructions. *The Governor recommended \$3.3 million, which is \$99,147 more than enacted or \$143,635 less than requested. The Governor included \$130,707 less for overtime expenditures and adjustments from updated benefit rates. The Assembly concurred.*

Records Management System. The Department requested \$50,000 from general revenues to purchase a new records management system for the Capitol Police. The Capitol Police annually receive and screen approximately 1.8 million people, respond to roughly 400 incidents and make arrests associated with the confiscation of illegal or banned items of people entering state facilities. The Capitol Police currently operate without any computer system or any uniform records recording system and use a paper system that has led to inconsistent reporting and accountability for seized property. This project will involve the purchase and installation of 14 computer workstations and any additional software necessary for the operation of this system. The Department included \$60,000 in its initial FY 2011 budget request for this project; however, the Governor did not provide funding and the Assembly concurred. *The Governor did not recommend the requested funding. The Assembly concurred.*

Other Operations. The Department requested \$77,850 for other operating expenses, which is \$1,100 less than enacted. This includes additional funding to purchase new uniforms and other miscellaneous expenses offset by reductions for parking, telephone and legal expenses. *The Governor recommended \$78,507, which is \$443 less than enacted. This is \$657 more than requested and includes adjustments for telephone expenses and other miscellaneous operating expenses. The Assembly concurred.*

Target - Discontinuation of Services. As part of its FY 2012 constrained request, the Department would eliminate the Capitol Police, effective July 1, 2011. The Department included general revenue savings of \$2.8 million and the elimination of 47.0 full-time equivalent positions. The request includes expenditures of \$0.8 million for 26 weeks of unemployment compensation and three months of health insurance. The Department suggested that the courts and the seven state agencies that utilize the services of the Capitol Police will hire private security firms to fill this void. The cost for this was not included in the request. *The Governor did not accept this proposal. The Assembly concurred.*

Sheriffs

Staffing and Operations. The Department of Administration's request includes expenditures of \$17.4 million from general revenues to fund 180.0 positions and operations costs for the Sheriffs. The

request includes \$16.5 million or \$1.0 million more for salaries and benefits, 6.6 percent more than enacted for cost-of-living adjustments and benefit rate changes consistent with FY 2012 planning values. The request assumes \$0.3 million in turnover savings based on a 2.0 percent across the board vacancy, which equates to 3.6 positions. As of pay period ending November 20, 2010, the Division had 174.0 positions filled, which does not take into account the number of individuals on military leave, injured on duty, which occurs while at work and long-term disability, which is due to a medical condition. Accounting for those, 150 positions are actually reporting to work regularly, which excludes those discharging vacation and sick time.

The request also includes \$750,000 for overtime expenses, which is \$50,000 less than enacted. FY 2010 reported expenditures for overtime were \$664,336 and the Department projected \$725,000 for FY 2011. Consistent with the enacted budget, the request includes \$0.9 million for operating expenses, \$33,973 less than enacted. The request includes \$0.3 million for vehicles, \$0.1 million for out-of-state travel expenses pertaining to prisoner extraditions and \$0.3 million for all other expenses.

The Governor included Article 23 of 2011-H 5894 that transferred the funding, positions, and responsibilities of the Division of Sheriffs from the Department of Administration to the Department of Public Safety. Unlike previous versions of this article, the article maintains the 10-year appointment of the Executive High Sheriff, the Sheriffs and the Chief Deputy Sheriffs. This consolidation had been initially proposed as part of Governor Carcieri's recommendation for the creation of the Department of Public Safety in FY 2009 and again in FY 2011; however, the 2008 and the 2010 Assemblies did not concur. This article will take effect on July 1, 2011.

The Governor recommended \$17.1 million for salaries and benefits; this is \$0.3 million less than requested. The recommendation assumed \$0.5 million in turnover savings; \$0.2 million more than requested based on a 3.0 percent across the board vacancy, which equates to 5.0 positions. The Governor also included \$26,000 less for out-of-state travel expenses pertaining to prisoner extraditions.

The Assembly concurred and included Sections 17 through 23 of Article 9 of 2011-H 5894 Substitute A, as amended that transfers the funding, positions, and responsibilities of the Division of Sheriffs from the Department of Administration to the Department of Public Safety.

Municipal Police Training Academy

Salaries and Benefits. The Department requested \$322,082 from general revenues for salaries and benefits for 3.0 full-time equivalent positions. The request includes \$28,335 more than enacted for step and longevity increases, a 3.0 percent cost-of-living adjustment, and benefit rate changes consistent with Budget Office instructions. *The Governor recommended \$321,328 for salaries and benefits or \$854 less than requested based on updated benefit rates.* **The Assembly concurred.**

Grants. The Department requested \$307,380 for all other grants, which is \$16,038 more than enacted. This includes \$193,849 for in-service training and \$27,500 for training that focuses on community policing and problem solving in addition to the reintegration of war veterans to police forces. The remaining \$86,601 is for contract positions and operating expenses to develop the entry-level training and certification of recruits at the Municipal Police Training Academy and the implementation of a new curriculum and assessment program based upon specialized police duties protocol. *The Governor recommended funding as requested.* **The Assembly concurred.**

Other Operations. The Department requested \$43,058 from general revenues, which is \$2,238 more than enacted for all other operating expenditures. This includes increases for training and other

operating expenses. The request is \$3,937 more than the Department's expenditures in FY 2010. *The Governor recommended \$40,820, the enacted amount for all other operating expenses. This is \$2,238 less than requested and includes reductions to vehicle maintenance, training, and other operating expenses.* **The Assembly concurred.**

State Police

Department of Environmental Management Dispatch Transfer. The 2010 Assembly included Article 7 of 2010-H 7397 Substitute A, as amended, to transfer the dispatch function of the Department of Environmental Management's Division of Enforcement to the Department of Public Safety. The Department's FY 2012 request includes \$457,227 for salaries and benefits for 6.0 full-time equivalent positions and \$12,200 for computer maintenance contracts.

As part of its FY 2012 constrained request, the Department included turnover savings of \$61,104 from keeping a dispatch position vacant for the entire fiscal year. These turnover savings were offset by additional overtime expenditures of \$42,000 to fill the open shifts created by the vacant position.

The Governor included Article 9, Section 1 of 2011-H 5894 to reverse the transfer of the dispatch functions of the Division of Enforcement from the Department of Environmental Management to the Department of Public Safety, effective January 1, 2011.

The Assembly did not concur and included Section 15 of Article 9 of 2011-H 5894 Substitute A, as amended that delays the transfer of the dispatch function of the Department of Environmental Management's Division of Enforcement to the Department of Public Safety by one year to January 1, 2012.

54th Trooper Training Academy. The Department requested \$1.0 million from general revenues for the costs associated with the 54th trooper training academy. The class will begin on July 18, 2011 and train for a period of 21 weeks and graduate December 17, 2011. The request includes \$0.5 million for the salaries and benefits for the recruits and \$0.5 million for uniforms, trash removal, catering, equipment, and instructors.

The Governor included \$1.2 million from general revenues for the costs associated with the 54th trooper training academy, which is \$0.2 million more than requested to reflect approval for 30.0 recruits, which is 5.0 more than requested. **The Assembly concurred.**

New Troopers. The Department requested \$1.3 million from general revenues for the salaries and benefits for the 25.0 troopers who graduate from the 54th trooper training academy class in December 2011. The troopers will then enter into a field training officer program for fifty-two working days, which will be completed in February 2012.

As part of its FY 2012 constrained request, the Department proposed to delay the start of the 54th trooper training academy until March 11, 2012 for general revenue savings of \$1.9 million. The class would graduate on August 10, 2012, which is FY 2013. The savings were generated from moving the final six weeks of the academy from FY 2012 to FY 2013 and delaying the salaries and benefits expenses of the new troopers for eight months.

The Governor included \$1.5 million from general revenues for the salaries and benefits for the 30.0 troopers who will graduate from the 54th trooper training academy class in December 2011. This is

\$225,408 more than requested to reflect the additional costs of the 5.0 additional troopers. The Assembly concurred.

Other Salaries and Benefits. The Department requested \$41.1 million from all sources, including \$36.5 million from general revenues for all other salaries and benefits. This is \$2.0 million more than enacted from all sources, including \$0.8 million more from general revenues. Neither the enacted budget nor the FY 2012 request includes any cost-of-living increases for the sworn members of the Rhode Island Troopers Association, as the previous collective bargaining agreement expired April 30, 2009. The request did include benefit adjustments consistent with Budget Office instructions as well as longevity and step increases.

The Governor recommended \$42.1 million from all sources, including \$38.5 million from general revenues for all other salaries and benefits. This is \$3.0 million more than enacted from all sources, and \$1.0 million more than requested reflective of statewide benefit adjustments. The most significant of these adjustments is for retiree health rates for sworn members of the State Police. On February 9, the new retiree health rates based on the most recent actuarial study included a rate change for the State Police equal to 7.51 percent of salaries. The rate increased from 25.67 percent as included in the request to 33.18 percent. The Assembly concurred.

Telecommunications System Maintenance Contract. The Department requested \$500,195, which is \$232,132 more than enacted from general revenues for computer maintenance contracts for the Rhode Island Law Enforcement Telecommunications System that was recently installed in the new State Police headquarters. The Department presently does not have the expertise to maintain this system; a one year maintenance contract was included with the installation of the system. The contract will expire in July 2011 and the Department believes that it will not have the expertise to properly maintain this server.

The Governor recommended \$396,193, which is \$128,130 more than enacted for computer maintenance contracts for the Rhode Island Law Enforcement Telecommunications System. This is \$104,200 less than requested as it was determined that a portion of the maintenance contract was unnecessary. The Assembly concurred.

Pay-Go Pensions. The Department requested \$17.2 million for pensions for troopers hired before July 1, 1987. These pensions are funded through a general revenue appropriation and are projected to exceed the enacted budget by \$1.7 million. Changes to the enacted budget assumptions include a cost-of-living adjustment of \$356,465 effective January 1, 2011, one more widow's pension and three fewer regular pensions, resulting from three new retirees and the deaths of six pensioners and one widow.

The Governor recommended \$17.0 million for pensions for troopers hired before July 1, 1987, which is \$0.2 million less than requested based on the death of two widows in FY 2011. The Assembly concurred.

Target - Widow Pay-Go Pension Change. As part of the Department's FY 2012 constrained request the Department proposed to achieve general revenue savings of \$2.0 million from shifting the widow pension expenses from the general revenue funded pay-go pension program to the state employee retirement system. This proposal will not actually produce savings as the pension expenses will require additional funding when these payments are shifted to the state employee retirement system. *The Governor did not accept this proposal. The Assembly concurred.*

Vehicle Maintenance. The Department requested \$1.6 million from all sources of funds for vehicle maintenance costs. This is \$120,748 less than enacted from general revenues and \$120,000 more than enacted from Department of Transportation funding. The FY 2012 request increases the projected

road detail hours to 30,000 hours, which is 5,000 more hours than included in the enacted budget. This is consistent with the Department's FY 2011 revised budget request. The Department includes a reduction for vehicle maintenance expenses as the number of vehicles has been reduced.

As part of its FY 2012 constrained request, the Department requested \$120,000 more from general revenues in anticipation that the Department of Transportation would reduce the number of reimbursable road detail hours as part of its constrained request. *The Governor recommended funding as requested in the Department's unconstrained request.* **The Assembly concurred.**

Fleet Replacement. The Department requested \$0.4 million for fleet replacement costs, which is \$0.2 million less than enacted from general revenues. This decrease reflects debt service for vehicles that have already been purchased. The State Police will purchase eight patrol vehicles and four detective vehicles in FY 2011. The FY 2012 payment has been estimated consistent with the repayment schedule provided by the Budget Office. *The Governor recommended funding as requested.* **The Assembly concurred.**

Telephone Expenses. The Department requested \$362,334, which is \$78,818 less than enacted from general revenues for telephone expenditures associated with the new State Police Headquarters which opened in the fall of 2010. These revisions were based upon contracts that are now in place. *The Governor recommended \$362,658, which is \$624 more than requested based upon revised estimates.* **The Assembly concurred.**

Toughbook Computers. The Department requested \$159,600 from general revenues for the purchase of 38 Panasonic tough book computers. These computers will replace laptops for troopers that were purchased in 2004; the normal lifecycle for laptop computers is six years and these exceed that and can no longer support newer technology.

As part of its FY 2012 constrained request, the Department excluded this purchase. *The Governor did not include funding for this purchase.* **The Assembly concurred.**

Fusion Center. The Department included \$164,612 from federal sources for the purchase of a comprehensive intelligence system for the Rhode Island Fusion Center. This is \$40,298 less than enacted to reflect two grant awards for which funding will be exhausted in FY 2012. The Rhode Island Fusion Center electronically collects information from a number of government and public databases. This information allows the Department to use the Fusion Center to cross reference and look for disparities of information relating to individuals that may be engaging in illegal activities. *The Governor recommended funding as requested. Subsequent to his budget submission, the Governor requested an amendment to include \$0.1 million from a newly awarded federal grant to support operations at the Rhode Island Fusion Center.* **The Assembly concurred.**

Internet Crimes Against Children. The Division requested \$0.2 million from federal funds, which is \$0.1 million more than enacted to establish a statewide multi-agency law enforcement task force to target online predators and child exploitation investigations. These funds allow the Department to fund two contract positions, rent office space, and purchase forensic computer equipment and information technology support to be used in investigations. *The Governor recommended funding as requested. The Governor subsequently requested an amendment to his FY 2012 budget that includes \$22,559 from federal internet crimes against children grant awards to fund a grant specialist contract position and a computer forensic analyst contract position.* **The Assembly concurred.**

Sex Offender Registration. The Division requested \$139,445 from a new federal grant award to update the current sex offender registry. This request includes \$74,555 to update the data in the sex

offender registry to be certain it is current and to enhance the system to attain substantial compliance. The remaining \$64,890 will allow the Department to have two centralized, remote locations that will allow sex offenders the ability to register upon conviction or release, for enhancements to the community notification website and training to local law enforcement. *The Governor recommended funding as requested. The Assembly concurred.*

Other Grants. The Department requested \$42,290 for all other grant expenses. This includes \$15,000 to develop the task force with the Providence Police Department and \$27,000 for the Motor Carrier Safety program. The request includes a reduction of \$0.2 million as the federal Cyber Terrorism Task Force grant award will be exhausted in FY 2011. These funds were used to protect the nation's cyber infrastructure including the Internet and other infrastructures that use computer systems. *The Governor recommended funding essentially as requested; however, included \$73 more than requested, available from statewide personnel savings.*

Subsequent to his budget submission, the Governor requested an amendment to his FY 2011 revised budget to add \$442,591 from Port Security grant awards to purchase additional equipment and \$24,783 from the newly awarded Paul Coverdell Forensic Science Improvement Grants Program to help improve the quality and timeliness of forensic science and medical examiner services.

The Governor also requested an amendment to include \$119,140 from federal Cyber Terrorism Task Force funds in FY 2012 to fund two intelligence analyst contract positions and two cyber terrorism program manager contract positions. The Assembly concurred.

Training and Surveillance Equipment. The Department requested \$50,000, which is \$183,561 less than enacted from restricted receipts available from the forfeiture of seized money to purchase new equipment. The Department plans to purchase an undercover surveillance vehicle and replace desktop computers. *The Governor recommended funding as requested. The Assembly concurred.*

Other Operations. The Department requested \$11,018 more than enacted from all sources, including \$15,696 more from general revenues for all other operations. The adjustments are the result of revised spending projections that add \$79,446 based on actual experiences and unanticipated expenses for the new headquarters offset by a reduction of \$63,750 from the recruitment campaign for the 54th Trooper Training Academy coming to a close.

The Governor recommended \$61,632 less than enacted from all sources, including \$59,954 less from general revenues for all other operations. This is \$72,650 less than requested for expenses for the 50 Service Avenue location. Subsequent to the Department's request, it was determined that these expenditures will be paid for through the Department of Administration's budget. The Assembly concurred.

Capital. The Department requested \$1.6 million from Rhode Island Capital Plan funds for its capital projects, which is \$7.5 million less than enacted. The request includes \$1.0 million for improvements to the State Police Barracks, \$0.4 million for the headquarter complex expansion, and \$0.2 million for renovations at the headquarters. Detailed descriptions of all projects appear in the Capital Budget Section of this publication.

The Governor recommended \$1.6 million, which is \$7.6 million less than enacted. This is \$100,000 less than requested based upon a revised project schedule for the National Guard facilities located at the State Police Headquarters. The Assembly concurred and shifted \$1.0 million from FY 2011 to FY 2012 for the statewide microwave and information technology upgrade due to project delays.

Central Management

Salaries and Benefits. The Department requested \$1.4 million from all sources, including \$0.8 million from general revenues for salaries and benefits for 11.6 full-time equivalent positions. This is \$148,638 more than enacted, including \$90,002 from general revenues and eliminates 1.0 vacant position. The request does not include any turnover savings but reflects cost-of-living adjustments and updated benefit rates consistent with Budget Office instructions.

As part of its FY 2012 constrained request, the Department proposed turnover savings of \$66,298 achieved from keeping a fiscal clerk position vacant for the entire fiscal year.

The Governor recommended \$1.4 million for salaries and benefits; this is \$0.1 million more than enacted, or \$1,695 less than requested. The adjustments are based upon employee benefit selections.

The Assembly concurred.

Crime Victim Assistance. The Department requested \$1.6 million from federal grant awards for the Crime Victim Assistance grant program, which is \$56,622 less than the FY 2011 enacted amount. These grant awards will allow the Department to provide funding to groups who assist victims of crime. *The Governor recommended funding essentially as requested; however, included \$695 more than requested available from statewide personnel savings.* **The Assembly concurred.**

Other Grants. The Department requested \$2.3 million from federal sources for all other grants, which is \$0.7 million less than enacted. The request includes \$0.2 million less from the expiration of the Byrne Memorial grant awards, \$0.1 million less from Juvenile Accountability grants, \$6,681 more from the Narcotics Control Assistance Program, \$25,000 from new grant awards for the Rhode Island Forensic Improvement Program, \$81,267 less from United States Department of Justice grants to Encourage Arrest Policies and \$0.4 million less from the expiring American Recovery and Reinvestment Act funds for Violence Against Women grant awards.

As part of its FY 2012 constrained request, the Department in error increased the federal funds available for operating expenditures from the Juvenile Accountability grant by \$200. If this proposal is accepted the Office will be overfunded.

The Governor recommended funding essentially as requested; however, included \$2,270 more than requested available from statewide personnel savings. **The Assembly concurred.**

Office of the Public Defender

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 8,961,010	\$ 8,974,751	\$ 9,668,306	\$ 9,668,306
Contracted Services	205,741	216,934	229,196	229,196
Subtotal	\$ 9,166,751	\$ 9,191,685	\$ 9,897,502	\$ 9,897,502
Other State Operations	821,250	834,803	845,709	845,709
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	100,000	100,000	100,000
Capital	32,400	33,730	33,730	33,730
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 10,020,401	\$ 10,160,218	\$ 10,876,941	\$ 10,876,941
Sources of Funds				
General Revenue	\$ 9,590,261	\$ 9,541,448	\$ 10,300,580	\$ 10,300,580
Federal Aid	430,140	618,770	576,361	576,361
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 10,020,401	\$ 10,160,218	\$ 10,876,941	\$ 10,876,941
FTE Authorization	93.0	93.0	93.0	93.0

Summary. The Office of the Public Defender's current service request is \$10.9 million from all sources, including \$10.3 million from general revenues and \$0.6 million from federal funds. This is \$0.9 million or 8.9 percent more than enacted, including \$0.7 million from general revenues and \$0.1 million from federal funds. Consistent with the enacted budget, the Office requested 93.0 full-time equivalent positions.

*The Governor recommended \$10.9 million from all sources, including \$10.3 million from general revenues and 93.0 full-time equivalent positions. This is \$0.7 million more than enacted or \$31,001 less than requested, all from general revenues. **The Assembly concurred.***

Target Issues. The Budget Office provided the Office of the Public Defender with a general revenue target of \$8.6 million. The amount includes current service adjustments of \$583,714 and a 15.0 percent target reduction of \$1.5 million.

FY 2012 Budget	Budget Office	Public Defender	Difference
FY 2011 Enacted	\$ 9,590,261	\$ 9,590,261	\$ -
Current Service Adjustments	583,714	741,320	157,606
Change to FY 2011 Enacted	\$ 583,714	\$ 741,320	\$ 157,606
FY 2012 Current Service/ Unconstrained Request	\$ 10,173,975	\$ 10,331,581	\$ 157,606
Target Reduction/Initiatives	(1,526,096)	(1,683,702)	(157,606)
FY 2012 Constrained Target/Request	\$ 8,647,879	\$ 8,647,879	\$ -
<i>Change to FY 2011 Enacted</i>	<i>\$ (942,382)</i>	<i>\$ (942,382)</i>	<i>\$ -</i>

The constrained budget submitted by the agency meets the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$1.7 million above the Budget Office target.* **The Assembly provided funding consistent with the recommended budget.**

Adult Drug Court Attorney. The Office requested \$122,302 from federal funds to reflect an anticipated Byrne grant award for an attorney position to support the Adult Drug Court program. This is \$25,736 more than enacted to match the anticipated award. This includes \$27,437 for salary and benefit adjustments to reflect a greater share of the costs for the full-time staff attorney funded from this formula grant, which is partially offset by \$1,701 from other operating adjustments. The grant funds have not been awarded yet. *The Governor recommended funding as requested.* **The Assembly concurred.**

Tri-County Screening Attorney. The Office requested \$36,569 from federal funds to reflect a carried forward balance from a federal grant awarded in FY 2010 for an attorney position to support the Tri-County Screening project in Washington, Newport and Kent counties for one-half of FY 2012. This is \$33,276 less than enacted to reflect the termination of grant funds and elimination of the position in the second half of FY 2012. The Office's FY 2012 request for full-time equivalent positions does not exclude this position. *The Governor recommended funding as requested.* **The Assembly concurred.**

Juvenile Response Unit. The Office requested \$188,135 from federal funds to reflect an anticipated federal grant awarded for an attorney position to support the Juvenile Response program. This is \$34,292 more than enacted to reflect the anticipated award. This is primarily a salary and benefit adjustment to reflect a greater share of the costs for the full-time staff attorney funded from this grant. This unit provides legal support and social services intended to divert youthful offenders from incarceration and into community programs. The grant funds have not been awarded yet. *The Governor recommended funding as requested.* **The Assembly concurred.**

All Other Salaries and Benefits. The Office's current service request is \$9.4 million, nearly all from general revenues for all other salaries and benefits. This is \$727,113 more than enacted from all sources, including \$715,433 from general revenues and \$11,680 from federal funds. This reflects the 3.0 percent cost-of-living adjustment, lower turnover savings from vacant positions and changes in employee benefit selection. This also reflects an additional \$57,089 for various longevity and step increases, as well as updated benefit rates consistent with the planning values from the Budget Office instructions.

The Governor recommended \$9.4 million from all sources, including \$9.3 million from general revenues and \$0.1 million from federal funds. This is \$0.7 million more than enacted or \$43,759 less than requested to reflect updated benefit adjustments. **The Assembly concurred.**

Target - Staffing Reduction. The Office's constrained budget request proposes to layoff 25.0 full-time equivalent positions for an overall general revenue savings of \$1.7 million. The positions include 10.0 Assistant Public Defender IV, 4.0 Staff Attorney II, 4.0 Legal Secretary II, 3.0 Legal Secretary I, 2.0 Investigator II, 1.0 Intake Technician and 1.0 Data Entry Aide. The Office indicates that such staffing reductions, if approved, would impair its ability to provide effective representation for the current caseloads and prevent the acceptance of additional cases. The Office also notes that the responsibility to provide representation for cases beyond its capacity would fall on the state. *The Governor did not recommend this proposal.* **The Assembly concurred.**

Loan Repayment Grant Award. The Office requested \$100,000 from federal funds to reflect a new grant to support and encourage qualified attorneys to pursue careers as prosecutors by providing loan repayment assistance to institutions holding eligible beneficiary loans. The Office did not anticipate receiving this award when it submitted its original FY 2011 budget request. This is a two-year grant award for FY 2011 and FY 2012 and renewal is contingent upon federal appropriations. *The Governor recommended funding as requested.* **The Assembly concurred.**

All Other Operations. The Office requested \$1.0 million from all sources, including \$974,590 from general revenues and \$53,150 from federal funds for all other operations. This is \$33,676 more than enacted to reflect higher trial-related expenses, including medical expert witnesses and court reporters. Other operating expenses include higher parking fees and associated tax rate increases and purchased consultant services. The increased parking costs reflect a new contract negotiated with a private vendor for parking spaces. This will place these operating expenses more in line with the FY 2011 revised request.

The Governor recommended \$1.0 million, nearly all from general revenues. This is \$46,434 more than enacted, which is \$12,758 more than requested to reflect added telephone expenses for Public Defender Offices located within the state's various courthouses. He also included offsetting savings from reduced utility expenses based on historical spending. **The Assembly concurred.**

Department of Environmental Management

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditure by Program				
Office of the Director	\$ 7,639,383	\$ 7,981,102	\$ 8,196,933	\$ 8,084,947
Bureau of Natural Resources	48,624,641	52,279,728	52,692,139	52,742,139
Bureau of Environmental Protection	36,856,687	39,758,177	36,693,313	36,693,313
Subtotal	\$ 93,120,711	\$ 100,019,007	\$ 97,582,385	\$ 97,520,399
Expenditures by Category				
Salaries and Benefits	\$ 43,136,627	\$ 44,323,789	\$ 46,239,196	\$ 46,139,196
Contracted Services	13,259,831	17,369,671	14,938,155	14,938,155
Subtotal	\$ 56,396,458	\$ 61,693,460	\$ 61,177,351	\$ 61,077,351
Other State Operations	10,569,638	11,062,884	10,651,705	10,651,705
Aid to Local Units of Government	2,000	-	-	-
Assistance, Grants, and Benefits	8,016,724	9,123,519	7,759,908	7,747,922
Capital	18,135,891	18,089,144	17,943,421	17,993,421
Capital Debt Service	-	-	-	-
Operating Transfers	-	50,000	50,000	50,000
Total	\$ 93,120,711	\$ 100,019,007	\$ 97,582,385	\$ 97,520,399
Sources of Funds				
General Revenue	\$ 34,403,329	\$ 34,268,194	\$ 35,495,587	\$ 35,383,601
Federal Aid	35,386,175	43,028,188	38,356,542	38,356,542
Restricted Receipts	14,136,916	14,860,427	15,831,035	14,131,035
Other	9,194,291	7,862,198	7,899,221	9,649,221
Total	\$ 93,120,711	\$ 100,019,007	\$ 97,582,385	\$ 97,520,399
FTE Authorization	410.0	410.0	410.0	410.0

Summary. The Department's unconstrained request includes \$99.4 million, including \$38.1 million from general revenues, \$38.4 million from federal funds, \$14.2 million from restricted receipts and \$8.8 million from other sources, primarily Rhode Island Capital Plan funds. The Department requested 409.0 full-time equivalent positions, which is 1.0 less than authorized. The request assumes the transfer of the 6.0 dispatcher positions from the Department of Environmental Management to the Department of Public Safety, consistent with Article 7 of 2010-H 7397 Substitute A, as amended, which mandated the transfer occur before the beginning of January 2011. The additional five positions in the request include an administrative hearing officer, chief of fish and wildlife, senior maintenance technician, principal forest ranger and air quality specialist.

The Department also submitted a constrained request that totals \$94.7 million and includes \$5.1 million less from general revenues than the unconstrained request.

The Governor recommended \$97.6 million, \$4.5 million more than enacted from all sources including \$1.1 million more from general revenues, \$3.0 million more from federal funds, \$1.7 million more from restricted receipts; offset by a reduction of \$1.3 million from other funds, which is mostly

comprised of Rhode Island Capital Plan funds. The recommendation includes the enacted level of 410.0 positions, assumes the filling of the administrative hearing officer and principal forest ranger, and did not include the transfer of the dispatch positions. The Governor also recommended use of \$1.7 million from the proposed Tourism Asset Protection Fund for improvements to Fort Adams state park in Newport. **The Assembly concurred with a majority of the expenditure recommendations, with the exception of minor adjustments to capital projects and turnover. The Assembly did not concur with the establishment of the Tourism Asset Protection Fund, and also delayed the transfer of the dispatch positions until January 2012.**

Statewide Adjustments. The Governor's FY 2012 budget includes \$20.7 million in unidentified statewide general revenue savings from applying reductions of 3.0 percent to salaries and benefits in cabinet level departments and 2.0 percent reductions to those costs in certain other agencies. He also includes a 1.0 percent reduction to operating costs in those agencies. For the Department of Environmental Management, he assumes savings of \$0.9 million, primarily from personnel. The adjustments are in addition to other program changes in his recommended budget, which are described below. **The Assembly concurred.**

Target Issues. The Budget Office provided the Department with a general revenue target of \$31.1 million. The amount includes current service adjustments of \$11.1 million and a 15.0 percent target reduction, adjusted for certain exclusions, of \$2.2 million.

FY 2012 Budget	Budget Office	Environmental Management	Difference
FY 2011 Enacted	\$ 34,403,329	\$ 34,403,329	\$ -
Current Service Adjustments	(1,079,430)	3,649,798	4,729,228
<i>Change to FY 2011 Enacted</i>	<i>\$(1,079,430)</i>	<i>\$ 3,649,798</i>	<i>\$ 4,729,228</i>
FY 2012 Current Service/ Unconstrained Request	\$ 33,323,899	\$ 38,053,127	\$ 4,729,228
Target Reduction/Initiatives	(2,234,032)	(5,093,435)	(2,859,403)
FY 2012 Constrained Target/Request	\$ 31,089,867	\$ 32,959,692	\$ 1,869,825
<i>Change to FY 2011 Enacted</i>	<i>\$(3,313,462)</i>	<i>\$(1,443,637)</i>	<i>\$ 1,869,825</i>

The constrained budget submitted by the agency is \$1.9 million above the target. However, the Department has submitted a proposal to increase the parking fees at the state beaches to achieve an additional \$1.9 million in general revenue to offset the unachieved savings. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's budget is \$4.4 million above the target.* **The Assembly concurred with the proposal to increase parking fees, and included additional revenue of \$1.5 million to reflect the increases, which were implemented through the Department's administrative rules process.**

Administration

Salaries and Benefits. The Department requested \$4.7 million for salaries and benefits in its administration office. The request is \$0.8 million more than enacted, including \$0.4 million more from general revenues and \$0.4 million more from restricted receipts. The request reflects \$209,741 for 1.0 hearing counsel position that was not funded in the enacted budget, as well as a cost-of-living adjustment and updated benefit rates consistent with Budget Office instructions.

In its constrained request the Department included \$0.5 million of personnel savings in its administrative division, which would be achieved by eliminating five positions including; executive counsel, fiscal clerk, implementation aide, legal counsel and senior word processing typist.

The Governor recommended restricted receipt funding as requested, but reduced general revenues by \$0.1 million. The recommendation includes funding for the hearing counsel position, and excludes the eliminations proposed by the Department. The Assembly removed \$0.1 million from general revenues to reflect additional turnover in the administrative division.

Foundry Lease Payment. The Department requested \$0.1 million more from general revenues for its lease payment at its headquarters facility, located at the Foundry building in Providence. The request reflects a payment increase that is part of its lease agreement. In March 2005 the Department entered a ten year lease agreement with the Foundry Associates, which is in effect from July 8, 2006 through July 7, 2016. It should be noted that the State Water Resources Board moved into the Foundry Building during FY 2009, and pays a pro-rated share of the rent. *The Governor recommended \$82,311 more than enacted, which is \$16,280 less than requested to reflect the Water Resources Board's rental payment, which was inadvertently excluded from the request. The Assembly concurred.*

Blackstone Valley Watershed Project. The Department requested \$0.5 million, \$0.1 million less than enacted from federal funds for the Blackstone Valley Watershed project. The Department utilizes the funding to restore and monitor the watershed area, and adjusted its request to reflect planned work and its anticipated award. *The Governor recommended funding as requested. The Assembly concurred.*

Community Service Grants. The Department requested \$119,865 from general revenues for 10 community service grants in the Department, which are used for the promotion of agriculture and energy projects throughout the state. *The Governor recommended funding as requested. The Assembly reduced these grants by 10.0 percent, or \$11,986.*

All Other Operating. The Department requested the enacted level of \$0.9 million for all other operating expenditures in its administrative division. Funding includes \$0.1 million from federal sources, \$0.3 million from general revenues and \$0.4 million from restricted receipts. These funds are used for the Bays, Rivers and Watersheds fund, federal reporting programs and miscellaneous operating expenditures. *The Governor recommended funding essentially as requested, but made minor reductions to the request of \$8,364, including \$14,000 from general revenues. The Assembly concurred.*

Target – Operating. In its constrained request the Department included \$9,000 of miscellaneous operating reductions compared to the unconstrained request, which is the same as the enacted. *The Governor did not recommend these reductions. The Assembly concurred.*

Bureau of Environmental Protection

Division of Water Resources. The Department requested \$6.9 million or \$0.5 million more than enacted for salaries and benefits in the Division of Water Resources. The office is responsible for the state's water resources that are used for recreation, habitat and commerce. The request reflects a cost-of-living adjustment as well as other benefit rate changes consistent with Budget Office instructions. *The Governor recommended \$71,214 less than requested, including \$61,745 less from general revenues to reflect turnover savings that were excluded from the request, as well as savings to reflect adjustments to medical benefit calculations. The Assembly concurred.*

Division of Waste Management. The Department requested \$3.3 million, \$0.6 million more than enacted for salaries and benefits for the Division of Waste Management. The office is responsible for providing fair, comprehensive and consistent regulation of the investigation and remediation of hazardous waste and hazardous material releases. The request reflects a cost-of-living adjustment as

well as other benefit rate changes consistent with Budget Office instructions. *The Governor recommended \$63,859 less than requested; including \$51,507 less from general revenues to reflect turnover savings that were excluded from the request, as well as savings to reflect adjustments to medical benefit calculations.* **The Assembly concurred.**

Division of Air Resources. The Department requested \$2.9 million, \$0.3 million more than enacted for salaries and benefits for the Division of Air Resources. The office is responsible for the preservation, protection and improvement of air quality in Rhode Island. The request reflects the addition of an air quality specialist position, as well as a cost-of-living adjustment and other benefit rate changes consistent with Budget Office instructions.

The Department's constrained request would eliminate the air quality specialist position for a savings of \$82,085. *The Governor recommended \$0.2 million less than requested, primarily from general revenues, to reflect savings from maintaining a vacant air quality specialist position, not providing the additional air quality specialist position included in the request, and to reflect adjustments to medical benefit calculations.* **The Assembly concurred.**

Division of Compliance and Inspection. The Department requested \$3.3 million, or \$0.3 million more than enacted for the Division of Compliance and Inspection, which is responsible for the regulatory enforcement activities related to air, waste, and water resources. The request reflects a cost-of-living adjustment as well as other benefit rate changes consistent with Budget Office instructions. *The Governor recommended \$60,575 less than requested, including \$56,598 less from general revenues that were excluded from the request, as well as savings to reflect adjustments to medical benefit calculations.* **The Assembly concurred.**

All Other Salaries and Benefits. The Department requested \$4.2 million, or \$0.3 million more than enacted for all other salaries and benefits in the Bureau of Environmental Protection. The request reflects a cost-of-living adjustment as well as other benefit rate changes consistent with Budget Office instructions.

In its constrained request, the Department included savings of \$1.7 million in the Bureau of Environmental Protection. These savings would be achieved by eliminating 12.0 positions, including a vacant senior environmental scientist and the following 11.0 filled positions: principal civil engineer, principal environmental scientist, supervising environmental planner, senior environmental scientist, 3.0 environmental scientists, junior sanitary engineer, senior information and public relations specialist, environmental quality technician and clerk secretary.

The Department noted the impacts from the position eliminations would result in the reduction of ongoing programs such as groundwater protection, odor response and air monitoring.

The Governor recommended \$0.1 million less than requested, primarily from general revenues, to reflect turnover savings that were excluded from the request, as well as savings to reflect adjustments to medical benefit calculations. The recommendation does not include any of the Department's proposed position eliminations. **The Assembly concurred.**

Federal Grants. The Department requested \$1.0 million less than enacted from federal funds to more accurately reflect the Department's anticipated award for five grants in the Bureau of Environmental Protection. Changes include \$0.4 million less to assess the water quality and condition of Narragansett Bay, \$0.2 million less for diesel emission reductions, and \$0.2 million less for air quality monitoring throughout the state. *The Governor recommended \$3,121 more than requested.* **The Assembly concurred.**

Oil Spill Prevention, Administration and Response Fund. The Department requested \$1.1 million, \$0.5 million less than enacted from the Oil Spill Prevention, Administration and Response Fund. The decrease in the request reflects the completion of work at the Dawley Park facility for Emergency Response. *The Governor recommended \$4,019 more than requested.* **The Assembly concurred.**

Rose Hill Landfill. The Department requested \$0.1 million less than enacted from federal funds for maintenance activities at the state's Superfund site located at the former Rose Hill Landfill in South Kingstown. The Comprehensive Resource Conservation and Liability Act, known as the Superfund law, mandates that for fund financed remedial actions, the state is required to share a minimum of 10.0 percent and up to 50.0 percent for municipal or state-operated facilities. As part of the regulations, states must agree to assume responsibility for operation and maintenance of the implemented remedial action for the expected life of such action and states must ensure that any institutional controls implemented as part of the remedial action at a site are sustained. The decrease in the request reflects anticipated maintenance activities in FY 2012.

In its constrained request, the Department includes \$25,000 of general revenue savings that would be achieved through cancelling an environmental assessment contract at the landfill. *The Governor recommended \$3 more than requested.* **The Assembly concurred.**

Brownfields. The Department requested \$1.0 million from federal funds for brownfields rehabilitation projects throughout the state. Properties classified as brownfields include any property that can not be developed, expanded or reused due to the presence of an environmental hazard. The state currently receives funding from federal sources as part of its ongoing program, as well as additional funds made available from the American Recovery and Reinvestment Act of 2009. The request is \$0.3 million more than enacted, and reflects the Department's anticipated FY 2012 award. *The Governor recommended funding as requested.* **The Assembly concurred.**

Environmental Protection All Other. The Department requested \$9.6 million, \$0.2 million more for all other operating expenditures in the Bureau of Environmental Protection, including \$0.1 million less from both general revenues and federal funds, and \$0.3 million more from restricted receipts. *The Governor recommended \$0.1 million less than requested, including \$25,000 less from general revenues.* **The Assembly concurred.**

Bureau of Natural Resources

Parks and Recreation. The Department requested \$10.6 million, \$1.2 million more than enacted from general revenues to fund 47.0 full-time equivalent positions and operations in its Division of Parks and Recreation. The increase in the request reflects a 3.0 percent cost-of-living adjustment, step increases and updated benefit rates consistent with FY 2012 planning values, offset by operating reductions throughout the Division. The Department notes there are no staffing changes in the request. These increases were offset by a \$0.1 million savings in the grass cutting contract which was renewed this fall during a competitive bidding environment.

As part of its constrained request the Department includes savings of \$26,000 by cancelling maintenance contracts at various parks throughout the state.

The Governor recommended \$9.7 million, \$0.8 million less than requested. The recommendation includes the expenditure reductions proposed by the Department, and also includes turnover savings that were excluded from the request, as well as savings to reflect adjustments to medical benefit calculations. **The Assembly concurred.**

Salaries and Benefits. The Department requested \$1.2 million more than enacted for salaries and benefits in the Bureau of Natural Resources. This includes \$0.9 million more from general revenues, \$0.5 million more from federal funds and \$0.1 million less from restricted receipts. The request reflects filling three vacant positions, as well as updated benefit rates consistent with Budget Office instructions. The additional positions include chief of fish and wildlife, principal forest ranger and senior maintenance technician.

In its constrained request, the Department included \$2.2 million of personnel savings that would be achieved by eliminating 23.0 full-time equivalent positions. The positions would be reduced by eliminating 6.0 vacancies, including the three mentioned above as well as a supervising pre-audit clerk, clerk secretary and laborer. The proposal would eliminate the following 17.0 filled positions: principal biologist, 2.0 environmental police officers, veterinary paramedic, assistant administration officer, electrician supervisor, 2.0 senior forest rangers, storekeeper, information aide, 2.0 carpenters, senior gardener, 2.0 laborers, clerk and clerk typist.

The Department noted the impact of eliminating the vacant chief of fish and wildlife position would be a lack of leadership for the division, while the elimination of veterinary paramedics would result in less emergency coverage statewide. Other impacts would include less efficient administrative functions as well as reductions for fish and wildlife programs. Eliminating environmental police officers would increase the coverage area for the remaining officers.

*The Governor recommended \$140,648 less than requested, including \$105,316 from general revenues. The recommendation assumes funding the principal forest ranger because it is completely funded with federal sources, but did not include any of the position eliminations proposed in the Department's constrained request. **The Assembly concurred.***

Capital Projects. The Department requested \$3.0 million from Rhode Island Capital Plan funds for three ongoing capital projects. The request is \$0.6 million more than enacted, including \$0.2 million more for fish and wildlife facilities, \$0.1 million less for repairs to the state piers in Galilee and \$0.6 million more for improvements to the state's recreational facilities. The changes are being requested to recognize the Department's revised construction schedule.

*The Governor recommended \$4.1 million, \$0.9 million less than requested to reflect revised project schedules for dam repairs, recreational facility improvements and fish and wildlife facilities. The recommendation also removes \$0.3 million of funding for Fort Adams state park in Newport because the Governor has recommended funding from an alternative source. **The Assembly provided an additional \$0.5 million for state recreational facilities to reflect a revised project schedule.***

Federal Grants. The Department requested \$8.5 million for 10 federal grants throughout the Bureau of Natural Resources. The request is \$2.4 million more than enacted, and reflects planned work and anticipated receipts for the grants. Major changes include \$1.1 million less each for wildlife planning and estuary construction, \$1.9 million more for wildlife land acquisition and development and \$1.0 million more for a new permit bank program. The new program will provide free permits to fishing vessels as part of a quota system to increase tracking and catch data. *The Governor recommended \$6,174 more than requested. **The Assembly concurred.***

Saltwater Fishing License Receipts. The Department requested \$0.1 million more than enacted from restricted receipts for personnel costs related to operations of the state's saltwater fishing license program. The enacted budget includes \$0.5 million; however, the Department is requesting the additional funds based on projected available receipts as well as its need for personnel to issue and

enforce compliance with licenses as well as track data associated with marine catches. *The Governor recommended \$2,154 less than requested.* **The Assembly concurred.**

Fort Adams Asset Protection. The Department's request assumes the use of \$0.5 million from Rhode Island Capital Plan funding for asset protection projects at Fort Adams state park in Newport. A portion of the projects are related to America's Cup pre-regatta races the Administration is seeking to have in Newport. *The Governor recommended the removal of \$0.3 million of Rhode Island Capital Plan funds due to his inclusion of \$1.7 million of restricted receipt funding derived from the proposed Tourism Asset Protection Fund. The fund would be supported by the retention of a 1.0 percent sales tax on the rental of rooms and lodging. Use of the funds would be at the discretion of the Department of Administration, but the FY 2012 budget assumes they will be used for asset protection projects at Fort Adams.*

The Assembly did not include the \$1.7 million from the proposed Tourism Asset Protection Fund, but provided \$1.3 million from Rhode Island Capital Plan funds to be used for upgrades to the areas surrounding the Fort.

Blackstone Valley Bikepath Design. The Department's request removes funding for the design of the Blackstone Valley Bikepath. The design was being funded from a transfer of federal funds from the Department of Transportation, and the FY 2012 request removes those funds to reflect the completion of the design phase of the project. *The Governor recommended \$216 more than requested.* **The Assembly concurred.**

Natural Resources All Other. The Department requested \$12.7 million, or \$0.1 million more than enacted from all sources for all other operating expenses in the Bureau of Natural Resources. The request includes \$16,115 less from general revenues and \$0.1 million more from federal funds.

As part of its constrained request, the Department included savings of \$0.5 million from general revenues by reducing its request for miscellaneous operating supplies. Actual costs for miscellaneous expenditures in the bureau were \$3.6 million each year for both fiscal years 2009 and 2010. The Department's FY 2011 revised request includes \$3.3 million, and the FY 2012 constrained request would decrease expenditures to \$3.0 million. The reductions would decrease the level of building maintenance and waste removal at the Department's facilities throughout the state, as well as reducing the amount of general office supplies and printing purchased by the Department.

The Governor recommended \$16,464 less than requested, including \$44,206 less from general revenues. The recommendation includes a portion of the reductions to miscellaneous operating supplies, but did not include a majority of the proposals included in the Department's constrained request. **The Assembly concurred.**

Coastal Resources Management Council

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 3,207,108	\$ 3,220,479	\$ 3,445,140	\$ 3,445,140
Contracted Services	782,266	5,553,507	728,101	728,101
Subtotal	3,989,374	\$ 8,773,986	\$ 4,173,241	\$ 4,173,241
Other State Operations	121,837	222,462	99,534	99,534
Assistance, Grants, and Benefits	-	250	-	-
Capital	272,500	268,401	681,600	981,600
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 4,383,711	\$ 9,265,099	\$ 4,954,375	\$ 5,254,375
Sources of Funds				
General Revenue	\$ 2,038,515	\$ 2,063,203	\$ 2,236,814	\$ 2,236,814
Federal Aid	2,095,196	6,951,896	2,038,461	2,038,461
Restricted Receipts	250,000	250,000	250,000	250,000
Other	-	-	429,100	729,100
Total	\$ 4,383,711	\$ 9,265,099	\$ 4,954,375	\$ 5,254,375
FTE Authorization	30.0	30.0	30.0	30.0

Summary. The Coastal Resources Management Council's unconstrained request includes \$9.2 million from all funds, \$4.8 million more than enacted from all sources, including \$0.6 million more from general revenues, \$56,735 less from federal funds and \$4.3 million more from restricted receipts. The Council requested 36.0 full-time positions, which is six positions more than authorized.

The Council submitted a constrained request that totals \$6.0 million and includes \$0.4 million less from general revenues than the unconstrained request.

The Governor recommended \$5.0 million, \$0.6 million more than enacted, including \$0.2 million more from general revenues and \$0.2 million more from Rhode Island Capital Plan funds. The Governor does not recommend the new positions and retains the staffing authorization at 30.0 positions. The Assembly provided an additional \$0.3 million from Rhode Island Capital Plan funds for the South Coast Restoration Project to reflect a revised project schedule.

Target Issues. The Budget Office provided the Council with a general revenue target of \$1.8 million. The amount includes current service adjustments of \$135,669 and a 15.0 percent target reduction of \$326,128. The constrained budget submitted by the agency is \$0.4 million above the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's budget is \$0.4 million above the target. The Assembly concurred.*

FY 2012 Budget	Coastal Resources		
	Budget Office	Mgmt. Council	Difference
FY 2011 Enacted	\$ 2,038,515	\$ 2,038,515	\$ -
Current Service Adjustments	135,669	226,067	90,398
New Initiatives	-	383,012	383,012
Change to FY 2011 Enacted	\$ 135,669	\$ 609,079	\$ 473,410
FY 2012 Current Service/ Unconstrained Request	\$ 2,174,184	\$ 2,647,594	\$ 473,410
Target Reduction/Initiatives	(326,128)	(380,302)	(54,174)
FY 2012 Constrained Target/Request	\$ 1,848,056	\$ 2,267,292	\$ 419,236
Change to FY 2011 Enacted	\$ (190,459)	\$ 228,777	\$ 419,236

New Positions. The Coastal Resources Management Council requested \$383,012 from general revenues to fund 6.0 new full-time equivalent positions. The new positions include one supervising coastal policy analyst, one principal civil engineer, one principal environmental scientist, one senior environmental scientist and two coastal policy analysts. The Council indicates that the requested positions are due to a series of new duties added by the 2004 Assembly. The duties include the administration of the Coastal and Estuary Habitat Restoration Program and Trust Fund, increasing needs for special area management plans and development of marine resources development plans. It should be noted that the 2005 Assembly provided the Council with an additional position. The current request is 6.0 positions above the authorized level. The Council requested 5.0 new positions in each of its FY 2007 through FY 2010 budget requests. The Governor did not recommend funding and the Assembly concurred.

As part of its constrained budget request, the Council excludes the request for the new positions. *The Governor did not recommend the new positions.* **The Assembly concurred.**

Salaries and Benefits. The Council requested \$3.9 million, or \$0.3 million more than enacted from all sources for salary and benefit increases. The request includes \$0.2 million more from general revenues and \$0.1 million more from federal funds. The increase is primarily due to a 3.0 percent cost-of-living adjustment, as well as adjustments to other benefits consistent with Budget Office instructions. However, it appears the request is overstated by \$54,257. *The Governor recommended \$3.4 million, \$33,897 less than requested including \$27,878 less from general revenues. The reduction reflects turnover for one position for one quarter of the fiscal year.* **The Assembly concurred.**

Legal Services. The Council requested \$126,000 for legal services, including \$90,000 from general revenues and \$36,000 from federal funds. Although the request is consistent with the enacted amount, it includes shifting \$33,275 of federal fund expenditures to general revenues to purchase legal services for the Council. The FY 2011 enacted budget included these expenditures from federal funds to reflect an initiative by the Council to shift a portion of the general revenue funded legal costs to federal sources. The Council's federal partner, the National Oceanographic and Atmospheric Administration, has allowed this transfer in the past and it is unclear why the Council has requested general revenues in lieu of federal funds. *The Governor recommended funding as requested. It appears the Budget Office does not believe the Council's federal partner will allow the fund shift in FY 2012.* **The Assembly concurred.**

Narragansett Bay Restoration. The Council requested \$0.4 million from federal funds for restoration projects in Narragansett Bay. The restoration is completed by using living and organic materials to restore the habitat along areas of the coast that have been hardened with bulkheads and seawalls. The enacted budget did not contain funding for this project, and the Council is requesting the additional

funds to reflect its anticipated FY 2012 award. *The Governor recommended funding as requested.*
The Assembly concurred.

Special Area Management Plan. The Council's request is \$0.5 million less than enacted from federal funds to reflect the completion of the Ocean Special Area Management Plan. Funds were used by the Council for contracts with local colleges and universities to study the feasibility of renewable energy projects in the state's coastal waters. Funding is provided by the United States Department of Energy, and the decrease in the request reflects the Council's completion of the plan in FY 2011. *The Governor recommended funding as requested.* **The Assembly concurred.**

River Ecosystem Restoration. The Council requested \$0.2 million more than enacted from federal funds to reflect a grant from the National Oceanographic and Atmospheric Administration. Funding will be used for six individual projects in the Pawcatuck River area that will restore access to the rivers for migratory fish as well as restoring the surrounding habitat. *The Governor recommended funding as requested.* **The Assembly concurred.**

Capital Projects. The Council requested \$4.3 million from restricted receipts from the Oil Spill Prevention, Administration and Response Fund for FY 2012 to fund five projects at the Council. The FY 2011 enacted budget did not include funding for these projects. The request is not consistent with the Council's FY 2012 through FY 2016 capital plan, as the capital plan requested funding from Rhode Island Capital Plan funds while the operating request includes funding from the Oil Spill Prevention, Administration and Response Fund.

As part of its constrained budget request, the Council removes \$2.9 million from restricted receipt funding for four of its capital projects. This would not result in general revenue savings.

The Governor recommended \$0.4 million from Rhode Island Capital Plan funds for the South Coast Restoration project, but does not include funding for the remaining projects. Funding will be used for dredging and habitat restoration as part of the South Coast Restoration Project. The funding was recommended to be used as a match for federal funds for projects at Winnepaug Pond. Due to a delay in this project, the Assembly shifted the \$0.4 million to FY 2013, and provided \$0.3 million from Rhode Island Capital Plan funds in FY 2012 to maintain the previous dredging of the Charlestown Breachway.

Management Plans. The Council requested \$10,000 or \$50,000 less than enacted from federal funds for FY 2012 for contracts with the University of Rhode Island and Roger Williams University to develop management plans for coastal waters throughout the state. The request reflects planned work and the anticipated federal award. *The Governor recommended funding as requested.* **The Assembly concurred.**

All Other Operating. The Council requested \$87,062 less than enacted, including \$2,416 more from general revenues and \$89,478 less from federal funds for all other operating expenditures not mentioned above. The Council's operating expenditures are primarily funded from federal funds, and the request reflects updated expenditures as well as the anticipated federal funding.

The Governor recommended \$0.1 million, \$6,129 more than requested from all sources, including \$110 more from general revenues to reflect insurance expenses that were underfunded in the request, and an increase of \$6,019 from federal funds to reflect planned awards and expenditures from federal sources. **The Assembly concurred.**

State Water Resources Board

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Category				
Salaries and Benefits	\$ 687,549	\$ 693,171	\$ 752,314	\$ -
Contracted Services	366,434	354,434	266,950	-
Subtotal	\$ 1,053,983	\$ 1,047,605	\$ 1,019,264	\$ -
Other State Operations	137,013	125,113	129,359	-
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	125,544	105,717	81,644	-
Capital	120,000	531,178	200,000	-
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 1,436,540	\$ 1,809,613	\$ 1,430,267	\$ -
Sources of Funds				
General Revenue	\$ 1,316,540	\$ 1,278,435	\$ 1,230,267	\$ -
Federal Aid	-	-	-	-
Restricted Receipts	-	-	-	-
Other	120,000	531,178	200,000	-
Total	\$ 1,436,540	\$ 1,809,613	\$ 1,430,267	\$ -
FTE Authorization	6.0	6.0	6.0	-

Summary. The State Water Resources Board's unconstrained request includes \$1.9 million from all funds, which is \$0.5 million more than enacted, including \$21,668 more from general revenues and \$442,000 more from Rhode Island Capital Plan funds. The request includes an additional 1.0 position for a total request of 7.0 full-time equivalent positions.

The Board also submitted a constrained request that totals \$1.7 million and includes \$0.2 million less from general revenues than the unconstrained request.

The Governor recommended \$1.4 million, \$0.4 million less than requested. The recommendation does not include the additional position, which would leave the Board at the enacted level of 6.0 positions. **The Assembly included Article 9 of 2011-H 5894 Substitute A, as amended, which merged the Water Resources Board into the Department of Administration's Division of Statewide Planning. It transferred 3.0 positions and \$0.7 million from general revenues to the Division.**

Target Issues. The Budget Office provided the Board with a general revenue target of \$1.2 million. The amount includes current service adjustments of \$47,531 and a 15.0 percent target reduction of \$204,611.

FY 2012 Budget	Water Resources		
	Budget Office	Board	Difference
FY 2011 Enacted	\$ 1,316,540	\$ 1,316,540	\$ -
Current Service Adjustments	47,531	21,668	(25,863)
Change to FY 2011 Enacted	\$ 47,531	\$ 21,668	\$ (25,863)
FY 2012 Current Service/Unconstrained Request	\$ 1,364,071	\$ 1,338,208	\$ (25,863)
Target Reduction/Initiatives	(204,611)	(178,748)	25,863
FY 2012 Constrained Target/Request	\$ 1,159,460	\$ 1,159,460	\$ -
Change to FY 2011 Enacted	\$ (157,080)	\$ (157,080)	\$ -

The constrained budget submitted by the agency is \$25,863 below the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's budget is \$0.1 million above the target.* **The Assembly removed all funding from the Board's budget.**

New Position. The Board requested \$91,750 from general revenues for a new position, which would be responsible for compiling and tracking water supply management data. The request does not identify a specific position title, but fully funds the new position in FY 2012. The request increases the Board's total staff authorization to 7.0 positions. *The Governor did not recommend the funding or the new position.* **The Assembly did not concur, and as part of the merger, 3.0 positions were transferred to the Department of Administration's Division of Statewide Planning. These include staff director, supervising civil engineer and principal planner.**

Position Upgrade. The Board requested \$0.8 million, which is \$24,034 more than enacted from general revenues to increase the pay grade for its general manager position. The Board had previously downgraded the general manager's pay grade and the enacted budget reduced the associated funding accordingly. The Board is requesting the position's pay grade be restored, and includes the additional general revenues to fund the change. *The Governor did not recommend the position upgrade.* **The Assembly eliminated the general manager position.**

Other Salaries and Benefits. The Board requested \$67,431 more than enacted from general revenues for all other salary and benefit adjustments not previously mentioned. The request reflects statewide current service adjustments, as well as an increase to reflect actual position costs that were not adequately funded in the enacted budget. *The Governor recommended \$0.8 million for salaries and benefits, or essentially as requested. He reduced funding from the request by \$2,666 to reflect a revised payroll projection.* **The Assembly did not concur, and provided \$0.4 million from general revenues to the Division of Statewide Planning for the three transferred positions.**

Tuition Reimbursement. The Board requested \$11,000 or \$88,000 less than enacted from general revenues for its payment in lieu of taxes to the Exeter West Greenwich School district for students living in the Big River Management Area. The enacted budget includes funding for nine students at a per pupil cost of \$11,000, the current request projects one student at the same per pupil cost. *The Governor recommended \$55,000 for the reimbursement, which is sufficient funding for five students. It is unclear why the recommendation funds five students.* **The Assembly did not provide funding for the reimbursement based on the projected number of students living in the area.**

Water Allocation Program Delay. The Board requested \$0.2 million from general revenues for its water allocation program, which consists of multi-year efforts to first quantify available supplies, and then use that information as a basis to assess water management needs and then assess the options to satisfy those needs. The request is \$49,734 less than enacted to reflect a delay in portions of the

project. The Board noted that the new position mentioned above would be utilized to perform data processing work associated with this project, which would decrease the amount of work delayed.

In its constrained request, the Board included an additional \$100,000 of savings from further delaying this project. *The Governor recommended funding as requested in the unconstrained budget, but did not include the additional position.* **The Assembly transferred \$100,000 to the Division of Statewide Planning for continued work on the Water Allocation Plan.**

Stream Gages. The Board requested \$70,000 from general revenues, \$22,000 less than enacted for stream gages and groundwater monitoring wells throughout the state, which are monitored by the Board to determine water supply and usage. The Board is requesting less to reflect its initiative to negotiate a lower cost share with its monitoring partner, the United States Geological Survey.

The Board's constrained budget request includes additional general revenue savings of \$15,000 for stream gage services, which would be achieved by discontinuing the monitoring of certain gages.

The Governor recommended funding as requested in the constrained budget, which includes the further reduction of \$15,000 proposed in the constrained request. This results in \$55,000 of funding for stream gages in FY 2012. **The Assembly concurred, but transferred these funds to the Division of Statewide Planning.**

All Other Operating. The Board requested \$0.1 million from general revenues for all other operating expenses. These include computer and office supplies, rental expenses and maintenance. The request is \$1,813 less than enacted, including \$4,200 more for rent and computer equipment, offset by savings for advertising and insurance.

The Board's constrained budget request includes an additional \$63,748 of general revenue savings, of which \$28,554 would be achieved by lowering various operating expenses including advertising costs, office equipment and maintenance activities. The Board would also eliminate its grant to the Rhode Island Rivers Council for a savings of \$22,444, and transfer water supplier audit expenditures of \$12,750 to the Board Corporate.

The Governor recommended \$0.2 million, \$587 less than requested. The recommendation includes the expenditure shift of auditing expenditures to the Board Corporate, as well as other minor reductions to advertising and miscellaneous office expenses that were not included in the constrained request. **The Assembly transferred \$91,318 from general revenues to the Division of Statewide Planning for operating expenses. This includes \$75,568 for the insurance policy at the Big River Management Area with the remainder for water supplier audits and road maintenance at Big River.**

Big River Management Area Demolition. The Board requested \$0.6 million, \$0.4 million more than enacted from Rhode Island Capital Plan funds for maintenance and demolition projects at the Big River Management Area. The Board is responsible for managing this property, and is requesting the additional funding to increase the demolition of vacant properties in the area. There are currently 12 vacant properties that are being prepared for demolition.

The Governor recommended \$0.2 million, \$0.4 million less than requested to reflect the availability of Rhode Island Capital Plan funds. **The Assembly concurred, but transferred these funds to the Division of Statewide Planning.**

Department of Transportation

	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Expenditures by Program				
Central Management	\$ 15,422,933	\$ 13,131,718	\$ 12,503,313	\$ 12,503,313
Management and Budget	1,652,721	705,457	1,176,686	1,176,686
Infrastructure Program	411,818,112	439,963,849	421,294,525	413,306,934
Total	\$ 428,893,766	\$ 453,801,024	\$ 434,974,524	\$ 426,986,933
Expenditures by Category				
Salaries and Benefits	\$ 65,695,833	\$ 71,588,069	\$ 71,290,178	\$ 66,452,206
Contracted Services	43,061,000	37,063,657	37,090,100	37,090,100
Subtotal	\$ 108,756,833	\$ 108,651,726	\$ 108,380,278	\$ 103,542,306
Other State Operations	43,052,505	43,849,302	41,169,459	40,358,661
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	57,109,704	76,279,504	68,555,745	68,555,745
Capital	119,830,142	124,857,418	116,472,580	114,581,681
Capital Debt Service	-	-	-	-
Operating Transfers	100,144,582	100,163,074	100,396,462	99,948,540
Total	\$ 428,893,766	\$ 453,801,024	\$ 434,974,524	\$ 426,986,933
Sources of Funds				
General Revenue	\$ -	\$ -	\$ -	\$ -
Federal Aid	318,808,127	347,774,535	316,591,958	309,995,579
Restricted Receipts	1,000,000	1,000,000	1,000,000	1,000,000
Other	109,085,639	105,026,489	117,382,566	115,991,354
Total	\$ 428,893,766	\$ 453,801,024	\$ 434,974,524	\$ 426,986,933
FTE Authorization	772.2	772.6	772.6	772.6

Summary. The Department of Transportation requested \$408.9 million from all sources, including \$301.6 million from federal funds, \$106.3 million from other funds and \$1.0 million from restricted receipts. The request is \$20.0 million less than enacted, including \$17.2 million less from federal funds and \$2.8 million less from other funds and the enacted number of 772.2 positions. The majority of the decrease in federal funds reflects the exhaustion of available funding from the American Recovery and Reinvestment Act of 2009. It should be noted that the Department's request includes \$12.0 million of unidentified savings that were budgeted to more closely align the Department's projected expenditures with anticipated gasoline tax revenue.

The Department of Transportation does not receive general revenue funding and was not required to meet a budget target set by the Budget Office.

The Governor recommended \$435.0 million, \$6.1 million more than enacted, including \$8.3 million more from other sources offset by a decrease of \$2.2 million from federal sources. The recommendation includes 772.6 positions, 0.4 more than enacted to reflect a part-time legal counsel

being upgraded to a full-time position. The budget recommendation includes an additional \$12.0 million by transferring 20.0 percent of certain transportation related fees previously deposited as general revenues to the Department of Transportation. The Governor's proposal increases the transfer of these fees by 20.0 percent each year until FY 2016, when 100 percent of the fees will be dedicated to the Department.

The purpose of the proposal is to eventually lower the amount of debt service paid by the Department with gasoline tax proceeds by using the new resources to match federal funds rather than using bonds. This transfer requires statutory changes, which are included in Article 22 of 2011-H 5894. It should be noted the Governor removed the unidentified savings, presumably based on using the newly available revenues. Supporting documents presented by the Budget Office included that additional funding generated from fee increases would be used for debt reduction.

The Assembly established a different plan to alleviate the Department's reliance on debt issuance. This is contained in Article 22 of 2011-H 5894, Substitute A, as amended, which establishes a transportation trust fund and provides that incremental increases of transportation related surcharges will be dedicated to the fund, with the purpose of reducing the Department of Transportation's reliance on borrowing while transitioning to a pay-go system. The incremental increases will begin in FY 2014 until they reach their peak in FY 2016, when they will generate approximately \$20 million annually. These funds will be combined with a dedicated annual stream of \$20 million from Rhode Island Capital Plan funds, which will together provide the annual \$40 million of annual state matching funds for transportation funding that is currently generated through debt issuance. The Department will not have immediate resources to address operating shortfalls.

Fund Sources

The Department of Transportation receives funding through five major sources; federal funds, general obligation bond proceeds, gasoline tax proceeds, restricted receipts and Rhode Island Capital Plan funds. The Department also receives some funding from other departmental revenue, such as funding derived from the sale of Department owned land. This analysis will explain the individual fund sources as well as expenditures from these sources. The following table illustrates the Department's fund sources.

Source	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
Federal Highway Admin. Funds	\$ 166,058,533	\$ 171,585,548	\$ 202,841,715	\$ 202,841,715
Federal Stimulus Funds	47,274,319	60,425,488	13,342,754	7,006,375
Other Federal Funds	104,075,275	113,559,297	104,303,057	103,671,377
Gasoline Tax*	86,931,603	82,215,659	93,316,200	92,487,068
General Obligation Bonds**	[40,000,000]	[40,000,000]	[40,000,000]	[40,000,000]
Land Sale Revenue	18,205,826	2,000,000	16,603,398	16,603,398
Rhode Island Capital Plan Funds	3,618,210	3,924,160	3,457,400	3,267,000
Restricted Receipts	1,000,000	1,000,000	1,000,000	1,000,000
Other Funds	1,730,000	600,000	110,000	110,000
Total	\$ 428,893,766	\$ 435,310,152	\$ 434,974,524	\$ 426,986,933

*Excludes gasoline tax debt service for the Department and the Rhode Island Public Transit Authority.

** Bond proceeds are not reflected as a fund source in the Department's budget, but are included for illustrative purposes.

It should be noted that the Federal Highway Administration source includes the full appropriation that is used for projects as well as the annual debt service for GARVEE bonds. Approximately \$48 million of the total appropriation is annually used as debt service for GARVEE bond funded projects. The above table reflects the amount of funding transferred from the Federal Highway Administration to the Department, net of the debt service. This funding is also included in the Department's capital budget under the Highway Improvement Program, under the fund source FHWA.

The Department's fund sources are described in greater detail below.

Federal Funds - Highway Administration. The Department receives approximately \$200 million annually from the Federal Highway Administration. The Department's annual allotment of funds is based on existing and prior year contracts for projects, anticipated new construction, design and engineering costs, and other planning activities such as traffic studies. These funds appear in both the Department's capital budget and operating request. In the Department's capital plan, funds appear in the project labeled Highway Improvement Program. This plan is prepared seven to nine months in advance of actual receipt of federal funds, which the Department notes can lead to increases or decreases in funding during the state fiscal year.

The Highway Improvement Program represents those highway and intermodal projects that utilize federal funds administered by the Federal Highway Administration. The program utilizes state funds for matching purposes in the form of proceeds from general obligation bonds. Federal funds earmarked for the Department's transit projects administered by the Federal Transit Administration are not included under this project, but are included in the Fixed Guideway Project. Rhode Island Public Transit Authority projects funded with transit funds are included in the Authority's capital budget submission. The Highway Improvement Program is directed towards implementing the Department's capital program as identified in the Transportation Improvement Program. This is adopted by the State Planning Council and approved by the Governor and establishes priorities for planning, design, and project implementation. The 2009 through 2012 plan has been approved by the State Planning Council. *The Governor recommended \$202.8 million, \$16.3 million more than requested to reflect revised expenditures consistent with an increased award from the Federal Highway Administration.*

The Assembly concurred.

Other Federal Funds. This source is comprised of the federal funds the Department receives that are not for capital improvement projects. A majority of this funding comes from the National Highway Transportation Safety Administration, and is used to fund safety activities such as enforcement, traffic studies, signage and research. Other federal funding comes from the Federal Transit Authority, which is being used for the development of commuter rail in the southern part of the state. This source has increased recently due to more available funds from the National Highway Transportation Safety Administration for grants to states, as well as the increase from Federal Transit Authority funds to reflect the Commuter Rail Project. The Department requested \$93.9 million from this source in FY 2012. *The Governor recommended \$10.5 million more than enacted to reflect the Department's anticipated award from federal sources.* **The Assembly concurred.**

General Obligation Bond Proceeds. The state has utilized general obligation bonds to provide a match totaling \$40.0 million for federal funds in addition to the match used for GARVEE projects, which is provided by the Motor Fuel Tax Revenue bonds. General obligation bond debt service is paid with gasoline tax revenue and the Motor Fuel Tax Revenue Bonds' debt service is paid by \$0.02 cents of the gasoline tax. Gasoline tax proceeds are used by the Department for operations; however, the amount of funding is not sufficient as a state match for capital expenditures, as it continues to be absorbed for increasing costs related to operations and debt service. The Department requested the use

of \$40.0 million of general obligation bond proceeds in FY 2012. *The Governor recommended funding as requested. The Governor proposed transfer of receipts currently deposited as general revenues to transportation uses, which is intended to end the practice of using these bonds as state match. The Assembly established a transportation trust fund which provides that incremental increases of transportation related surcharges will be dedicated to the fund, with the purpose of reducing the Department of Transportation's reliance on borrowing while transitioning to a pay-go system. The incremental increases will begin in FY 2014 until they reach their peak in FY 2016, when they will generate approximately \$20 million annually. These funds will be combined with a dedicated annual stream of \$20 million from Rhode Island Capital Plan funds, which will together provide the \$40 million of annual state matching funds for transportation funding that is currently generated through debt issuance.*

Restricted Receipts. This source is comprised of funds the Department receives when it performs work for municipalities. This source is used to fund personnel costs for employees who perform work on the projects. This source contributes \$1.0 million to the Department, and is based on projected municipal work. The Department requested \$1.0 million from this source for FY 2012. *The Governor recommended funding as requested. The Assembly concurred.*

Land Sale Revenue. This fund source is comprised of land sales from Department owned land, as well as revenue derived from land that becomes available through the Interstate 195 relocation project. Traditional land sale proceeds can be used by the Department to purchase equipment or to offset operating costs throughout the Department. This is not the case with the Interstate 195 land sales. These funds may only be used to fund other portions of the project, and cannot be used at the Department's discretion. The Department requested \$16.6 million from this source in FY 2012. Over the last few years, requested amounts were closer to \$2.0 million; however, the increase reflects the completion of the majority of the Interstate 195 relocation project. Now that the project is mostly complete, it has freed up additional land, and the revenues are being requested to reflect projected sales. *The Governor recommended funding as requested. The Assembly concurred.*

Rhode Island Capital Plan Funds. These funds are appropriated according to the Department's capital budget request, and appear as operating transfers in the Department's operating budget. Funds are used for projects such as the building of storage and maintenance facilities, as well as upgrades to Department owned property such as roof repairs or fire alarm installation. The Department requested \$3.0 million from this source for FY 2012. *The Governor recommended \$0.5 million more than requested to reflect various adjustments to the Department's capital plan. The Assembly provided \$0.2 million less to reflect the removal of funds for the Rhode Island Public Transit Authority's paratransit vehicle project, as it is not an appropriate use of capital funds.*

Other Funds. These funds are derived from the sale of department owned surplus property and equipment, proceeds from the state infrastructure bank and proceeds derived from the sale of outdoor advertising at the Department's maintenance facilities. The Department's FY 2012 request includes \$0.1 million from this source. *The Governor recommended funding as requested. The Assembly concurred.*

Gasoline Tax Proceeds. The 2009 Assembly removed one cent of the 33 cent gasoline tax from general revenues and transferred it to the Department. The request does not change the current disposition of funding. The following table illustrates the current and requested disposition of proceeds. *The Governor did not recommend any changes to the disposition of proceeds. The Assembly concurred.*

Entity	FY 2011 Enacted	FY 2011 Revised	FY 2012 Recommended	FY 2012 Enacted
Department of Transportation	21.75	21.75	21.75	21.75
Rhode Island Public Transit Authority	9.75	9.75	9.75	9.75
Elderly Transportation	1.0	1.0	1.0	1.0
Underground Storage Tank Fund	0.5	0.5	0.5	0.5
Total	33.0	33.0	33.0	33.0

Department of Transportation Gasoline Tax. Section 31-36-7 of the Rhode Island General Laws sets the gasoline tax at 33 cents per gallon. The disposition of proceeds is outlined in Section 31-36-20 of the General Laws. Upon receipt, all gasoline proceeds are deposited into the Intermodal Surface Transportation Fund from which statutory transfers are made to the Rhode Island Public Transit Authority (RIPTA) and the elderly/disabled transportation program.

The FY 2011 enacted budget was based on a per penny yield of \$4.2 million and the Department utilized an estimate of \$4.3 million in its request, as well as a total receipt of 21.75 cents from gasoline tax proceeds. The Department's request assumed \$12.0 million of savings that would need to be achieved in order to spend within available gasoline tax funding.

The Consensus Revenue Estimating Conferences no longer estimate the gasoline tax yield because none of it goes to state general revenues. The Governor's recommendation is based on an estimate from the Office of Revenue Analysis of a per penny yield of \$4.3 million for FY 2012. This equates to a gasoline tax recommendation of \$93.3 million for the Department, consistent with the request. The Assembly reduced the Department's gasoline tax by \$0.8 million to reflect a reduction in the per penny gasoline tax yield estimate.

Rhode Island Public Transit Authority Gasoline Tax. Under existing statute, the Rhode Island Public Transit Authority receives 9.75 cents of the 33 cent gasoline tax. The funds are transferred to the Authority, but are reflected in the Department of Transportation's budget as a grant to the Authority in order to account for the gas tax in the state's accounting structure, since the Authority is a quasi-public corporation.

The FY 2011 enacted budget was based on a per penny yield of \$4.2 million and the Department utilized an estimate of \$4.3 million, which would allocate \$41.8 million to the Authority.

The Consensus Revenue Estimating Conferences no longer estimate the gasoline tax yield because none of it goes to state general revenues. The Governor's recommendation is based on an estimate from the Office of Revenue Analysis of a per penny yield of \$4.3 million for FY 2012. This equates to a gasoline tax recommendation of \$41.8 million for the Authority, consistent with the request. The Assembly reduced the transfer to the Authority by \$0.4 million to reflect a reduction in the per penny gasoline tax yield estimate.

The following table shows the recent history of available gasoline tax proceeds and other funds.

Other Funds	FY 2011 Enacted	FY 2011 Final	FY 2012 Recommended	FY 2012 Enacted
<i>Gas Tax Yield per Cent</i>	4.210	4.226	4.290	4.252
<i>RIDOT Cents</i>	21.75	21.75	21.75	21.75
<i>RIPTA Cents*</i>	9.75	9.75	9.75	9.75
DOT Budget (RIDOT and RIPTA)				
Balance Forward	\$ -	\$ 2,423,055	\$ -	\$ -
Gas Tax	132,615,000	133,116,606	135,147,600	133,946,789
MV Fees to ISTF	-	-	12,022,096	-
Debt Service Transfer	(45,903,355)	(35,444,941)	(47,405,144)	(47,405,144)
Internal Services Funds Transparency	(1,325,105)	(1,592,391)	(1,592,391)	(1,592,391)
Nonland Surplus Property	30,000	75,000	10,000	10,000
Land Sales	18,205,826	2,000,000	16,603,398	16,603,398
Other (SIB, RICAP,Outdoor Adv)	4,318,210	4,449,160	3,557,400	3,557,400
Available	\$ 107,940,576	\$ 105,026,489	\$ 118,342,959	\$ 105,120,052
Expenditures	107,940,576	101,394,910	117,382,565	116,181,753
Surplus/Deficit	\$ -	\$ 3,631,579	\$ 960,394	\$ (11,061,702)
RIDOT				
Balance Forward	\$ -	\$ 2,423,055	\$ -	\$ -
Gas Tax	91,567,500	91,913,847	93,316,200	92,487,068
MV Fees to ISTF	-	-	12,022,096	-
Debt Service Transfer	(44,780,437)	(34,463,250)	(46,206,772)	(46,206,772)
Internal Services Funds Transparency	(1,325,105)	(1,592,391)	(1,592,391)	(1,592,391)
Nonland Surplus Property	30,000	75,000	10,000	10,000
Land Sales	18,205,826	2,000,000	16,603,398	16,603,398
Other (SIB, RICAP,Outdoor Adv)	4,318,210	4,449,160	3,557,400	3,557,400
Available	\$ 68,015,994	\$ 64,805,421	\$ 77,709,931	\$ 64,858,703
Gas Tax	45,461,958	54,649,682	56,578,739	55,749,607
Land Sales	18,205,826	2,000,000	16,603,398	16,603,398
Nonland Surplus Property	30,000	75,000	10,000	10,000
Other (SIB, RICAP,Outdoor Adv)	4,318,210	4,449,160	3,557,400	3,557,400
Other Expenditures	68,015,994	61,173,842	76,749,537	75,920,405
Surplus/Deficit	\$ -	\$ 3,631,579	\$ 960,394	\$ (11,061,702)
RIPTA				
Gas Tax	\$ 41,047,500	\$ 41,202,759	\$ 41,831,400	\$ 41,459,720
Debt Service Transfer	(1,122,918)	(981,691)	(1,198,372)	(1,198,372)
Available	39,924,582	40,221,068	40,633,028	40,261,348
Expenditures	\$ 39,924,582	\$ 40,221,068	\$ 40,633,028	\$ 40,261,348

*Total includes one-half cent transferred from the UST Fund and two additional cents included by the 2009 Assembly.

Motor Vehicle Fees. The Department's request does not include the use of any proceeds generated from motor vehicle related fees. *The recommendation includes an additional \$12.0 million by transferring 20.0 percent of certain motor vehicle related fees to the Department of Transportation. The Governor's proposal increases the transfer of these fees by 20.0 percent each year until FY 2016, when 100 percent of the fees will be dedicated to the Department.*

The purpose of the proposal is to eventually lower the amount of debt service paid by the Department with gasoline tax proceeds by using the new resources to match federal funds rather than using bonds. This transfer requires statutory changes, which are included in Article 22 of 2011-H 5894. Supporting documents presented by the Budget Office included that additional funding generated from fee increases would be used for debt reduction.

The Assembly established a different plan to alleviate the Department's reliance on debt issuance. This is contained in Article 22 of 2011-H 5894, Substitute A, as amended, which establishes a transportation trust fund and provides that incremental increases of transportation related surcharges will be dedicated to the fund, with the purpose of reducing the Department of Transportation's reliance on borrowing while transitioning to a pay-go system. The incremental increases will begin in FY 2014 until they reach their peak in FY 2016, when they will generate approximately \$20 million annually. These funds will be combined with a dedicated annual stream of \$20 million from Rhode Island Capital Plan funds, which will together provide the annual \$40 million of state matching funds for transportation funding that is currently generated through debt issuance.

Expenditures

Federal Highway Stimulus Projects. The Department requested \$3.7 million, \$34.9 million less than enacted from federal funds for projects funded by the American Recovery and Reinvestment Act of 2009. The Department identified 55 separate projects for construction, reconstruction, rehabilitation, resurfacing, restoration, and operational improvements for highways, interstates and bridges. The FY 2011 enacted budget included \$38.6 million of stimulus related projects; however, a majority of that funding was spent, and the Department is projecting expenses of \$3.7 million to reflect its plan for FY 2012 stimulus funded projects. *The Governor recommended funding essentially as requested, but removes \$12,901 to reflect a revision to available stimulus funds. The Governor subsequently requested an amendment to shift \$6.6 million from FY 2012 to FY 2011 to fund projects that were being completed ahead of schedule.* **The Assembly concurred.**

Federal Highway Administration Projects. The Department's request includes \$194.5 million from federal funds for highway projects in FY 2012. Excluding salaries and benefits, this is \$22.4 million more than enacted to reflect a revised construction schedule. The Department notes it must submit its projected federal fund expenditures before the end of the federal fiscal year, and budgets the projected expenditures in anticipation of the actual federal award. The Department notes that this practice can lead to adjustments both during and prior to the state's fiscal year.

The following table shows program expenditures and their proportionate share of total Federal Highway Administration fund expenditures.

Program Area	FY 2012 Enacted	Share of Total
Administrative Program	\$ 10,951,629	4%
Enhancements	20,736,624	8%
Bridge Program	74,088,075	29%
Highway Program	16,229,489	6%
Interstate Program	18,074,568	7%
GARVEE Projects	19,829,435	8%
Pavement Management Program	47,567,852	19%
Traffic Safety Program	22,084,413	9%
Federal Highway Earmark Projects	14,124,564	6%
Other Programs	7,536,700	3%
Total	\$ 251,223,348	100%

For FY 2012, requested expenditures include \$15.1 million for the five GARVEE funded projects, \$57.4 million for repairs and maintenance on bridges, \$16.1 million for congestion mitigation and road

enhancements, \$12.6 million for highways, \$14.0 million for interstate projects, \$36.8 million for pavement and resurfacing and \$17.1 million for traffic safety improvement projects.

*The Governor recommended \$251.2 million, \$38.7 million more than enacted to reflect revised expenditures consistent with an increased award from the Federal Highway Administration. **The Assembly concurred.***

Salaries and Benefits. The Department requested \$79.0 million, \$13.3 million more from all funds for salaries and benefits. This includes \$12.6 million more from federal funds and \$0.7 million more from gasoline tax revenue and the authorized level of 772.2 positions. As of the first pay period in December, the Department has 706.6 filled full-time equivalent positions or 65.6 positions below the authorized level. The majority of the increase is due to the Department's inadvertent inclusion of approximately \$7.0 million in additional overtime expenses. Excluding this error, the request reflects filling an additional 20 positions, and also includes turnover for 30 positions. The remainder of the request for salaries and benefits does not account for the remaining 15.4 positions.

*The Governor recommended \$71.3 million, \$5.6 million more than enacted, including \$5.0 million more from federal funds and \$0.6 million more from gasoline tax proceeds. The recommendation includes turnover for approximately 27 positions, and includes funding for an additional 40.0 positions for the entire fiscal year. The Department is authorized for 772.6 positions, and as of the final pay period in February, it had 713.6 filled positions and has averaged 704.6 for that period. **The Assembly concurred.***

National Highway Transportation Safety Administration Grants. The Department requested \$5.1 million, \$8.6 million less than enacted from the National Highway Transportation Safety Administration for FY 2012. The request is being revised to reflect the actual federal award. Major changes include \$5.8 million less for impaired driving prevention programs, \$1.2 million less for state and highway safety programs and \$0.5 million less for the racial profiling prohibition program.

*The Governor recommended \$10.9 million, \$5.9 million more than requested to reflect actual awards for impaired driving prevention. These funds were inadvertently excluded from the request. **The Assembly concurred.***

Transit CMAQ. The Department requested \$5.0 million, which is \$4.0 million more than enacted from federal funds for Congestion Mitigation and Air Quality projects. The Department allocates these funds to state agencies and municipalities for programs that reduce toxic emissions through traffic reduction or new technologies. The request reflects the Department's anticipated award for FY 2012. *The Governor recommended funding essentially as requested, but added \$0.1 million to reflect revised expenditures consistent with an increased award for air quality projects. **The Assembly concurred.***

Fixed Guideway/Commuter Rail. The Department requested \$13.5 million or \$12.5 million less than enacted from federal transit funds for the Fixed Guideway Commuter Rail project, which will extend commuter rail service along Amtrak's northeast corridor south of Providence. Service is expected to operate between Providence and North Kingstown, with stops at T.F. Green Airport and the Wickford Junction. The Department notes the request is being decreased to reflect completed work and the construction schedule for FY 2012.

The Governor recommended funding essentially as requested, but added \$0.3 million to reflect revised expenditures consistent with an increased award from the Federal Transit Administration. The Assembly concurred.

Offset for Gas Tax Shortfall. The FY 2011 enacted budget included \$6.3 million of unidentified gasoline tax savings for the Department. These savings are shown as negative expenditures in the Department's budget. The Department is requesting an additional savings of \$5.7 million for FY 2012. This results in a total of \$12.0 million of unidentified savings in the Department's FY 2012 budget.

The Governor removed the unidentified savings and included an additional \$12.0 million by transferring 20.0 percent of certain transportation related fees previously deposited as general revenues to the Department of Transportation. The Governor's proposal increases the transfer of these fees by 20.0 percent each year until FY 2016, when 100 percent of the fees will be dedicated to the Department.

The purpose of the proposal is to eventually lower the amount of debt service paid by the Department with gasoline tax proceeds by using the new resources to match federal funds rather than using bonds. This transfer requires statutory changes, which are included in Article 22 of 2011-H 5894. It should be noted the Governor removed the unidentified savings, presumably based on using the newly available revenues. Supporting documents presented by the Budget Office included that additional funding generated from fee increases would be used for debt reduction.

The Assembly established a different plan to alleviate the Department's reliance on debt issuance. This is contained in Article 22 of 2011-H 5894, Substitute A, as amended, which establishes a transportation trust fund and provides that incremental increases of transportation related surcharges will be dedicated to the fund, with the purpose of reducing the Department of Transportation's reliance on borrowing while transitioning to a pay-go system. The incremental increases will begin in FY 2014 until they reach their peak in FY 2016, when they will generate approximately \$20 million annually. These funds will be combined with a dedicated annual stream of \$20 million from Rhode Island Capital Plan funds, which will together provide the annual \$40 million of state matching funds for transportation funding that is currently generated through debt issuance. The Department will not have immediate resources to address operating shortfalls.

Interstate 195 Relocation Land Sales. The Department requested expenditures of \$14.6 million, which is \$1.6 million less than enacted from revenue derived from the sale of land made available from the relocation of Interstate 195. Revenue derived from these sales are used to fund the final phases of the I-195 relocation project. This project is described in greater detail in the Capital Budget section of this analysis. *The Governor recommended funding as requested.*

The Assembly included 2011-H 5994 Substitute A, as amended, which authorizes borrowing of up to \$42.0 million so the Department of Transportation has the resources to finish the I-195 relocation project but the land sales pledged to support the project can be completed in a more deliberative and comprehensive way. Debt service would be supported by the land sales, lease revenues and if necessary general revenues. The sales for two parcels to Johnson and Wales University must be deducted from the borrowing. For example, if those sales yield \$4.0 million, the debt is not to exceed \$38.0 million.

Rhode Island Capital Plan Fund Projects. The Department requested \$3.0 million, \$0.7 million less than enacted from Rhode Island Capital Plan funds for six projects at the Department. The largest

changes are \$1.6 million less for the East Providence Maintenance Facility, and \$0.3 million less for maintenance facility improvements. These are offset by increases for fire alarms at maintenance facilities and salt storage facilities. The request reflects actual expenditures and a revised construction schedule for the maintenance facilities. *The Governor recommended \$3.6 million, \$0.5 million more than requested to reflect various adjustments to the Department's capital plan.* **The Assembly provided \$0.2 million less to reflect the removal of funds for the Rhode Island Public Transit Authority's paratransit vehicle project, as it is not an appropriate use of capital funds.**

Winter Maintenance Operations. The Department requested \$13.0 million in operating expenses related to the winter maintenance program for FY 2012, \$4.0 million more than enacted. Funding would be used to purchase additional salt, sand and liquid de-icers. The average annual cost for winter maintenance operations from FY 2006 through FY 2010 was \$8.7 million, and the request is \$4.3 million above that average.

The Governor recommended \$12.1 million, \$3.2 million more than enacted from gasoline tax proceeds for winter maintenance activities. Including information from the winter of FY 2011, the five year average cost for winter maintenance is \$12.2 million. **The Assembly concurred.**

Maintenance Operations. The Department requested \$7.5 million from gasoline tax proceeds for maintenance operations excluding activities associated with winter maintenance. These include activities such as trash and debris removal, landscaping, sand removal, graffiti removal and catch basin cleaning. The request is \$2.2 million more than enacted to reflect updated projections for FY 2012.

The Governor recommended \$6.3 million, \$1.0 million more than enacted and \$1.2 million less than requested. The recommendation is \$1.4 million more than actual expenditures for FY 2010, and appears to overfund maintenance operations. **The Assembly concurred.**

All Other Operating. The Department requested \$1.8 million less than enacted from all sources for all other operating costs. This includes \$0.4 million less from federal funds and \$1.4 million less from the state's capital infrastructure bank. These funds are traditionally used to purchase capital equipment, and have been reduced to reflect availability. Federal fund expenditures are being reduced to reflect lower costs for operating expenses such as office supplies and building maintenance.

The Governor recommended \$1.1 million less than enacted, \$0.7 million more than requested from all funds, including \$0.1 million more from federal funds and \$0.7 million more from gasoline tax proceeds. The increase of gasoline tax proceeds reflects a technical correction to adjust the amount of gasoline tax proceeds to be transferred to the Rhode Island Public Transit Authority. **The Assembly concurred.**