
Section III

Agency Analyses

Department of Administration

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
Expenditures by Program				
Central Management	\$ 2,272,523	\$ 2,773,946	\$ 2,522,169	\$ 3,066,629
Accounts & Control	3,815,349	3,858,739	4,116,405	4,016,422
Budgeting/Office of Management & Budget	3,415,515	4,321,233	3,894,136	4,676,191
Purchasing	3,106,330	3,046,702	3,401,927	3,426,660
Auditing	1,200,000	1,166,728	1,364,383	1,394,585
Human Resources	11,391,801	11,227,897	11,384,752	11,543,159
Personnel Appeal Board	75,036	75,036	75,036	75,036
General	59,309,085	56,965,385	63,580,068	69,228,849
Debt Service	203,351,021	195,564,810	210,368,951	194,399,179
Legal Services	2,006,995	2,608,234	1,959,191	2,098,683
Facilities Management	37,566,597	36,673,382	37,824,450	37,537,101
Capital Projects and Prop. Mgt.	4,353,454	1,292,289	1,249,253	1,340,545
Information Technology	31,858,383	35,285,725	34,910,742	34,811,562
Library Programs	2,255,547	2,256,107	2,207,891	2,192,285
Planning	17,481,545	18,815,341	15,885,433	16,375,504
Supplemental Retirement Payment	1,049,579	1,049,579	-	-
Energy Resources	5,388,931	14,933,404	6,299,557	8,799,557
Construction Permitting, Approvals & Licensing	-	2,735,622	3,185,145	2,829,509
FICA Alternative Plan	-	-	-	(367,539)
Rhode Island Health Benefits Exchange	-	28,829,827	-	28,348,926
Total	\$ 389,897,691	\$ 423,479,986	\$ 404,229,489	\$ 425,792,843
Expenditures by Category				
Salaries and Benefits	\$ 69,501,295	\$ 71,535,187	\$ 73,137,648	\$ 75,616,941
Contracted Services	5,571,041	34,802,237	6,152,220	32,783,041
Subtotal	\$ 75,072,336	\$ 106,337,424	\$ 79,289,868	\$ 108,399,982
Other State Operations	33,631,468	33,859,081	33,856,823	34,225,001
Aid to Local Units of Government	11,245,112	11,245,112	12,620,083	11,274,064
Assistance, Grants, and Benefits	30,751,690	40,247,575	25,079,605	26,844,771
Capital	31,829,850	31,678,120	39,417,517	45,430,332
Capital Debt Service	203,141,021	195,464,810	209,233,951	194,299,179
Operating Transfers	4,226,214	4,647,864	4,731,642	5,319,514
Total	\$ 389,897,691	\$ 423,479,986	\$ 404,229,489	\$ 425,792,843
Sources of Funds				
General Revenue	\$ 272,514,956	\$ 269,231,023	\$ 278,381,558	\$ 271,455,828
Federal Aid	25,578,747	66,041,287	24,825,649	53,606,544
Restricted Receipts	16,286,426	15,343,117	17,136,668	17,277,332
Other	75,517,562	72,864,559	83,885,614	83,453,139
Total	\$ 389,897,691	\$ 423,479,986	\$ 404,229,489	\$ 425,792,843
FTE Authorization	687.2	723.7	701.7	727.7

Summary. The Department of Administration requests FY 2014 expenditures totaling \$404.2 million from all sources of funds. This is \$14.3 million more than enacted, including \$5.8 million more general revenues, primarily for debt service adjustments totaling \$6.1 million. The request reflects the removal of one-time expenses from general revenues totaling \$4.8 million, of which \$3.9 million is for the I-195 Commission. Consistent with the FY 2013 revised request, the Department requests staffing authorization of 701.7 positions.

The Department also submitted a constrained budget that totals \$271.7 million and includes \$6.6 million less from general revenues than the unconstrained request.

The Governor recommends FY 2014 expenditures totaling \$425.8 million from all funds, including \$271.5 million from general revenues. This is \$35.9 million more than enacted, of which \$28.3 million is from the transfer of the Rhode Island Health Benefits Exchange from the Office of the Governor. He recommends staffing of 727.7 full-time positions, 40.5 more than authorized and 4.0 is more than the FY 2013 revised budget.

Target Issues. The Budget Office provided the Department of Administration with a general revenue target of \$271.8 million. The amount includes current service adjustments of \$5.6 million and a 7.0 percent target reduction adjusted for certain exclusions. The constrained request is \$21,000 below the target level. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's budget is \$2.7 million below the target. This includes \$2.4 million in initiatives proposed by the Department.*

FY 2014 Budget	Budget Office	Department of Administration	Difference
FY 2013 Enacted	\$ 272,514,956	\$ 272,514,956	\$ -
Current Service Adjustments	5,637,845	5,866,602	228,757
<i>Change to FY 2013 Enacted</i>	\$ 5,637,845	\$ 5,866,602	\$ 228,757
FY 2014 Current Service/ Unconstrained Request	\$ 278,152,801	\$ 278,381,558	\$ 228,757
Target Reduction/Initiatives	(6,389,720)	(6,639,477)	(249,757)
FY 2014 Constrained Target/Request	\$ 271,763,081	\$ 271,742,081	\$ (21,000)
<i>Change to FY 2013 Enacted</i>	\$ (751,875)	\$ (772,875)	\$ (21,000)

Staffing Authorization. Consistent with the revised budget request, the Department includes staffing of 701.7 full-time positions for FY 2014, 14.5 positions more than authorized. The request reflects the restoration of 5.6 positions in the Division of Information Technology as well as 2.0 new positions. It includes a new position in Statewide Planning to work on a new two-year federal grant. It includes 2.0 positions for the transfer of the Office of Regulatory Reform from the Economic Development Corporation. The Department adds 0.4 positions to reflect a full position for a budget analyst. It includes 2.5 new positions in the Division of Human Resources. The request also reflects the creation of a new program, Construction Permitting, Approvals and Licensing, and transfers 24.0 positions from Capital Projects and Property Management, with no additional staffing.

As part of its constrained budget, the Department proposes to lay off 21.0 full-time positions, affecting various programs for a savings of \$1.9 million from all funds, including \$1.7 million from general revenues. The positions were selected based on each program's lowest priority and excluded employees with statutory status. It also shifts \$0.5 million of general revenues for salary and benefit costs for four positions to Rhode Island Capital Plan funds.

The Governor recommends 727.7 full-time positions for FY 2014, 40.5 positions more than the authorized level and is 26.0 positions more than requested, of which 15.0 positions is for the Health

Benefits Exchange, 5.0 new positions for the Office of Digital Excellence, 2.0 positions from the Economic Development Corporation for administration of the Renewable Energy Fund, 1.0 new executive director of human resources, 1.0 new position in Capital Projects, and 2.0 positions in Purchasing, including the restoration of an eliminated position and a new deputy purchasing agent.

Statewide Items

Supplemental Retirement Contribution – State Employees. The request reflects the removal of \$1.0 million provided in FY 2013 to fund the required supplemental retirement contribution for the share of state employees. *The Governor concurs with the request.*

FICA Alternative Retirement. The Department's FY 2014 constrained request proposes to establish a Federal Insurance Contributions Act (Social Security) Alternative Retirement Plan for seasonal and part-time employees that are not members of the state's retirement system. Current employees who select to participate in this plan will no longer pay their contributions to Social Security and instead contribute 7.5 percent of their pre-tax income to a 401(a) account. New part-time and seasonal employees will use the new plan. The budget includes savings of \$367,539, including \$263,588 from general revenues from the state's contribution of the 6.2 percent to Social Security. *The Governor recommends this initiative and proposes legislation contained in Article 4 of 2013-H 5127. The savings are included in the Department's budget for later distribution.*

Local Aid

Library Construction Aid. The Department requests \$2.5 million for library construction aid, \$28,952 more than enacted to reflect current funding requirements for FY 2014 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 were \$2.8 million in FY 2012, \$2.5 million in FY 2011 and \$2.7 million in FY 2010. The 2011 Assembly adopted legislation to set a three-year moratorium on the acceptance of applications for library construction aid projects. *The Governor recommends funding as requested.*

Library Aid. The Department requests \$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 chief library officer annually determines each municipality's compliance with the maintenance of effort by comparing appropriation and expenditure amounts as reported by the libraries or the municipalities. In the event that a municipality has failed to meet the maintenance of effort requirement, the chief library officer will notify the municipality that it is not eligible for a state grant in aid. A municipality that is deemed ineligible may request a waiver from the requirement by submitting a letter to the chief library officer.

The Governor recommends \$8.8 million to fund the program at the enacted level. The recommendation is \$1.3 million or 13.3 percent less than allowed under current law. Community distributions reflect updated data and a ratable reduction to the appropriation.

Health Benefits Exchange

Health Benefits Exchange Transfer. In September 2011, the Governor issued an executive order to establish the Rhode Island Health Benefits Exchange as the centrally accountable office for operational and financial implementation, including policy development for the Affordable Care Act. The creation of the Exchange avoided federal intervention had the state not done so by January 1, 2013. The Exchange reports to the Board of Rhode Island Health Benefits Exchange and works with the Department of Health, the Office of the Health Insurance Commissioner and the Office of the Lieutenant Governor.

The enacted budget includes expenditures for the Exchange in the Office of the Governor. The Office's request includes expenditures of \$23.7 million, \$1.5 million more than enacted from federal and restricted sources to support the implementation of the Affordable Care Act. This includes an additional \$3,824 for salary and benefit adjustments. The Office is staffed with 6.0 positions and as of the pay period ending December 29, 2012, all of the positions were filled. The request does not assume any turnover savings, consistent with the enacted and revised budgets. It includes new expenditures of \$1.5 million from restricted receipts, the revenue stream is unknown.

The Governor's revised budget transfers the Health Benefits Exchange to the Department of Administration. He recommends FY 2014 expenditures of \$28.3 million and staffing of 15.0 full-time positions. This is \$6.2 million and 9.0 positions more than enacted including \$1.3 million more to fund the additional positions. It includes \$4.8 million more for contractual services and \$0.2 million more for operating expenses though this increase is not explained. The Governor does not include the requested expenditures from restricted sources.

Economic Development Corporation

I-195 Commission. The request reflects the removal of \$3.9 million budgeted for a one-time expense for the completion of land sales and to support three years of the I-195 District Redevelopment Commission operating expenses.

The Commission submitted a budget requesting \$0.6 million from general revenues for FY 2014. It anticipates a carry forward of \$0.4 million from the \$0.9 million that the Assembly provided. *The Governor recommends \$0.5 million to fund operations.*

Community Service Grants. The Department requests the enacted amount of \$0.8 million for all community service grants. There are 17 grants passed through the Economic Development Corporation and six grants are administered by the Department of Administration. The enacted budget includes \$50,000 for a one-time grant to the Cape Verdean American Community Development agency. The request does not adjust for that. *The Governor recommends funding as requested.*

Airport Impact Aid. Consistent with the enacted budget, the Department requests \$1.0 million for 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 recommends funding as requested.*

College and University Research Collaborative. As part of his revised budget, the Governor proposes to establish a College and University Research Collaborative to conduct ongoing economic analysis by the state's public and private higher education institutions. The Collaborative will include

fellows, research and policy partners, and the Association of Independent Colleges and Universities. Funding for this was not included in the Department's request.

The Governor recommends a total of \$150,000 from general revenues, including \$50,000 in FY 2013 and \$100,000 in FY 2014. The Collaborative will use the state funding to leverage funds from the Association and the Rhode Island Foundation. Funding will be used to finance a research director, up to ten fellows and operating costs.

Office of Regulatory Reform. Subsequent to the enactment of the FY 2013 budget, the Assembly adopted legislation contained in Chapter 445 of 2012 Public Law to transfer the Office of Regulatory Reform from the Economic Development Corporation to the Office of Management and Budget in the Department of Administration. Consistent with the revised request, the FY 2014 request reflects the transfer as well as funding of \$0.4 million to support 2.0 positions and operating costs. Funding for the Corporation is reduced by a like amount.

The Office of Regulatory Reform was created in 2010 to improve the state's business climate by making it easier for businesses to navigate through state and local permitting and regulatory issues. As of December 2012, the transfer has not occurred.

The Governor recommends \$0.3 million in general revenue expenditures above the \$106,700 transferred from the Economic Development Corporation. The recommendation reflects one less position being transferred from the Corporation.

Economic Development Corporation – Operations. The Department's request includes \$3.6 million from general revenues to support general operations of the Corporation. This reflects the transfer of \$0.4 million for the Office of Regulatory Reform from the Corporation to the Department. The state annually awards a general revenue grant to the Corporation.

The Corporation's FY 2014 budget request includes expenditures of \$19.0 million, including a state appropriation of \$5.9 million. This is \$2.1 million more than enacted and accounts for 31.1 percent of the Corporation's resources. The Department's request does not reflect this increase sought by the Corporation. Of the \$2.1 million increase, \$1.4 million would be used for tourism related activities including advertising. It also includes \$0.7 million to restore funding that the 2010 Assembly had reduced. The request includes staffing of 41.0 full-time positions, 27.0 positions are funded from state appropriations. As of December 2012, the Corporation had 36.0 positions filled.

The Governor recommends \$4.5 million, \$0.6 million more than enacted to fund the Governor's initiative to increase resources to promote tourism.

Slater Technology Fund. The Department requests the enacted amount of \$1.5 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 \$44.7 million.

The budget submitted by the Economic Development Corporation includes \$1.0 million in funding for the Slater Technology Fund. This assumes the phase-out of state sources by \$0.5 million each year. It should be noted that the state was awarded a total of \$13.2 million as part of the federal State Small Business Credit Initiative, \$9.0 million of which went to the Slater Technology Fund. Provided that returns on investments are received, the fund would eventually be self-sustaining.

The Governor recommends \$1.0 million in FY 2014. This reflects a reduction of \$0.5 million from the FY 2013 funding level and assumes the phase-out of state sources by \$0.5 million each year.

Experimental Program to Stimulate Competitive Research (EPSCoR). The Department's request includes the enacted amount of \$1.15 million for participation in the National Science Foundation's Experimental Program to Stimulate Competitive Research. This is the eighth installment totaling \$11.7 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, which ended in FY 2011. FY 2014 will be the fourth year of the second five-year commitment.

It should be noted that the budget request submitted by the Economic Development Corporation assumes \$1.35 million in funding in FY 2014 for the program, \$0.2 million more than enacted. The Corporation indicates that the program had available resources from FY 2012 that it was able to carry forward into FY 2013. It is seeking to restore \$0.2 million of the \$350,000 reduction that the budget reflects in FY 2013. *The Governor recommends funding consistent with the enacted level.*

Energy Resources

Stimulus – State Energy Plan. The request includes \$0.2 million more than enacted from federal stimulus for the State Energy Plan. The American Recovery and Reinvestment Act requires that all of the funds must be spent by April 30, 2012; however, the Department indicates that it obtained an extension through September 30, 2013, which is FY 2014 and to date, all of the funds have already been obligated. The 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 Governor recommends funding as requested.*

Renewable Energy Development Fund Transfer. The Governor proposes to transfer the Renewable Energy Program from the Economic Development Corporation to the Office of Energy Resources. The Office previously managed the fund and the 2007 Assembly enacted legislation to transfer the Fund to the Corporation, effective FY 2008. This fund is supported by a surcharge of 0.3 mills per kilowatt-hour on electricity and collects approximately \$2.5 million annually. This proposal was included in his FY 2013 budget recommendation; however, the Assembly did not concur.

The Governor includes legislation in Article 8 of 2013-H 5127 to transfer this fund from the Corporation. He recommends FY 2014 expenditures of \$2.5 million and staffing of 2.0 full-time positions to administer the fund.

All Other Energy Resources. The request includes total expenditures of \$6.0 million, \$0.7 million more than enacted from federal and restricted sources for the Office of Energy Resources. This includes \$0.8 million or \$0.3 million more than enacted to reflect anticipated receipts for the Office's share of the demand-side management gas and electric funds. The 2012 Assembly adopted legislation to allow the Office to obtain a share of the funds for its operating costs. The request includes \$4.1 million, \$0.1 million more from the Regional Greenhouse Gas Initiative to reflect anticipated receipts from the sale of emission allowances.

Included in the request is \$1.3 million from federal and restricted sources for salary and benefit costs of 10.0 full-time positions. This includes \$0.2 million for step increases and benefit rate changes consistent with FY 2014 planning values. Consistent with the enacted budget, the request assumes no turnover savings and as of the pay period ending October 20, 2012, the Office had 4.0 vacancies, including the commissioner of Energy Resources.

The request includes \$0.3 million for a new federal grant to implement activities relating to building codes and solar and renewable technologies. The Office indicates that the funds will be used on projects that will achieve energy savings. *The Governor recommends total funding as requested and shifts \$8,251 from statewide benefit savings to unidentified operating expenses.*

Debt Service

Convention Center Authority. The request includes \$24.1 million from general revenues for debt service for the Convention Center Authority, \$0.9 million more than enacted and is consistent with the current service estimate. Under the terms of the lease agreement between the state and the Convention Center Authority, the minimum rentals payable by the state in any fiscal year are equal to the gross debt service costs in that year. In the event that the Authority is running an operating deficit, the state would be responsible for covering this shortfall. In the event that the Authority has an operating profit, this is paid back to the State of Rhode Island. The 2009 Assembly provided an additional \$1.2 million in FY 2010 to cover debt service requirements and operational shortfalls at the Dunkin Donuts Center, Convention Center and the Veterans Memorial Auditorium.

Additionally, the Department's capital budget request includes total expenditures of \$11.3 million from Rhode Island Capital Plan funds to renovate the Convention Center Facility. The Authority indicates that as the facility continues to age, preventive maintenance is required in order to maintain the beauty of the venue to attract as well as to keep customers.

The Governor recommends \$0.9 million from Rhode Island Capital Plan funds for capital expenditures moved to free up operating funds for the Authority and thereby reduce the Authority's projected shortfall and save general revenues. The Capital Budget includes \$1.4 million each in FY 2015 through FY 2018, for total funding of \$6.5 million.

Historic Tax Credit Debt Service. The request includes \$22.7 million from general revenues to fund debt service costs for historic tax credits. This is \$0.8 million more than enacted and is consistent with the current service estimate. This assumes issuance of \$25.0 million in new bonds in FY 2014 to cover expected credits. As of December 2012, \$15.6 million remained in the Trust Fund from the initial \$150.0 million 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 22.0 percent, and authorized borrowing sufficient funds to cash out all credits.

The Governor recommends \$23.3 million in FY 2014, \$1.25 million more than the \$22.1 million current service estimate to reflect an updated issuance schedule. He also proposes legislation to expand the original debt authorization issued to repay historic tax credits to fund new projects to replace those projects that are not progressing. The total amount borrowed could not exceed the original \$300 million, and his proposal establishes preferences for those projects that are in distressed communities and can be completed quickly.

Public Transit Authority Debt Service. The Department's request includes the enacted amount of \$1.7 million from gasoline tax proceeds for the Rhode Island Public Transit Authority's debt service payments. *The Governor recommends the Authority's debt service payments be made with general revenue in lieu of Authority sources in order to reduce the projected operating shortfalls. He includes \$1.6 million in FY 2013 and \$1.7 million in FY 2014 from general revenues.*

I-195 Land Acquisition Debt Service. The Department's request includes \$3.7 million or \$2.2 million more than enacted from general revenues for debt service costs of the I-195 land project. The 2011 Assembly's debt authorization stipulated that proceeds from the eventual sale of the land parcels would be used for debt service costs. The legislation assumed \$42.0 million of revenue bonds would be issued by the Economic Development Corporation to purchase land made available through the relocation of Interstate 195 by the Department of Transportation. *The Governor recommends \$0.3 million less than enacted or \$2.5 million less than requested to reflect a delay in issuance.*

38 Studios. Legislation contained in 2010 P.L. Chapter 29 authorized the Economic Development Corporation to establish a Job Creation Guaranty Program and allowed guaranteed loans in an amount not to exceed \$125.0 million. Debt service payments would be paid by revenues received from financed projects. The revenue bonds constitute a moral obligation. The enabling statute for the Program states that in the event of revenue shortfalls, the Governor must submit to the General Assembly the amount required as part of his budget recommendation.

In 2010, the Corporation backed a \$75.0 million loan to 38 Studios through the Job Creation Guaranty Program. Of the loan amount, \$12.75 million was held in a capital reserve account and \$10.6 million was held on a capitalized interest account. 38 Studios defaulted on the loan after paying \$1.125 million in guaranty fees. The Corporation used the \$10.6 million to cover interest only debt service from FY 2011 through FY 2013. Debt service payments in FY 2014 are estimated at \$12.5 million.

The Governor recommends \$2.5 million from general revenues. This assumes using \$10.1 million from the capital reserve account.

All Other Debt. Excluding items mentioned above, the Department requests \$155.8 million, including \$117.0 million from general revenues for all other debt service costs. This is \$3.1 million more than enacted and is consistent with the current service estimate. This includes \$3.4 million or \$0.6 million more for required payments under the Fidelity Job Rent Credits agreement. Under the incentive based agreement between the state and Fidelity, the state provides job rent credits for each full-time equivalent employee in excess of a 1,000 employee base. Debt service from Certificates of Participation is \$2.5 million more for energy conservation projects and technology related projects.

The request includes the enacted amount of \$44.3 million for transportation related debt service, including \$8.0 million from general revenues. This is \$2.0 million less general revenues than was reflected in the Governor's proposal to increase state support for transportation debt. It also includes \$2.8 million for short-term borrowing.

The Governor recommends \$142.6 million for all other debt service costs. This is \$13.2 million less than enacted, including \$6.2 million from general revenues. Major changes include the additional \$2.0 million from general revenues and a reduction of \$4.7 million from gasoline tax proceeds for transportation debt. It includes savings of \$2.8 million from not having to issue short-term debt, \$8.9 million less for general obligation debt costs, \$0.6 million more from Certificates of Participation for energy conservation projects and \$0.9 million less for technology projects.

Facilities Management

Utilities. The Department projects utility costs of \$19.5 million from all funds for FY 2014, including \$16.6 million from general revenues at state buildings under its jurisdiction, including the Pastore Campus. The projection is 5.1 percent or \$1.0 million more than FY 2012 reported expenditures of \$18.6 million and is \$0.1 million less than the enacted budget. This reflects savings of \$1.0 million from natural gas offset by increases of \$0.4 million for oil and \$0.6 million for water and sewer usage. The Department indicates that the savings from natural gas is due to a lower rate that it locked in. This rate is in effect for 16 months, July 1, 2012 through October 31, 2013. The Department reported a surplus of \$1.6 million in FY 2012 for natural gas. Upon further review of historical expenditures, it appears that the Department's four-year expenditures averaged 92.3 percent of the final appropriations, reporting a surplus as high as \$2.7 million from all funds, including \$2.4 million from general revenues in FY 2010.

Consistent with the revised request, the request includes a total of \$2.4 million, \$0.4 million or 22.0 percent more than enacted for sewer usage. The Department indicates that the increase is due to the Cranston Sewer Authority changing its rates from flow based to unit based. Additionally, the Authority is utilizing a dual billing mechanism in its ordinance to maximize its revenue. The Department has submitted an appeal to this rate increase.

The Governor recommends a savings of \$200,000 from all funds for sewer charges assuming that Department prevails in the rate dispute.

Facilities Staffing. The Department requests \$10.4 million from all funds and staffing of 113.5 positions for the Division of Facilities Management. The request is \$0.5 million or 4.7 percent more and staffing authorization is consistent with the enacted budget. The request includes step increases and benefit changes to reflect FY 2014 planning values consistent with Budget Office instructions. The request includes the enacted amount of \$0.3 million for overtime expenses, which is \$31,677 less than FY 2012 reported expenditures. The request assumes \$0.3 million in turnover savings, \$0.1 million less than enacted and projected in its FY 2013 revised request. As of the pay period ending October 20, 2012, the Division had 18.5 vacancies.

The Department's constrained budget proposes the layoff of 4.0 positions consisting of three maintenance technicians and a painter for a savings of \$0.3 million from all funds, including \$0.2 million from general revenues. The Department indicates that the impact of instituting the layoffs would result in additional overtime in order to maintain facilities throughout the state. Overnight maintenance staff would be eliminated at the Veteran's Home. Currently, five painters are responsible for all painting statewide. This layoff would impact all agencies that are in need of having their buildings painted.

The Division indicates 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 52.0 percent of the Division's enacted budget. *The Governor recommends \$0.1 million less than requested to reflect statewide benefit savings.*

Other Facilities Operations. The Department requests \$7.9 million from all funds including \$6.9 million from general revenues for all other expenditures for the Division to support building operations, maintenance and repairs for 365 state properties, including the Pastore Campus. This is \$0.1 million or 1.4 percent less than enacted and is \$40,000 more than projected expenses for FY 2013. This includes an additional \$159,999 for cost-of-living adjustment costs relating to the

contractual costs for the Central Power Plant, \$0.1 million more than projected for FY 2013. It should be noted that the Department is in the process of rebidding this contract and this increase does not account for any potential impacts. The request includes expenditures for alarm services, snow plowing, waste disposal and landscaping supplies. It includes a total of \$1.6 million for building maintenance, \$0.7 million less than enacted to reflect anticipated expenses.

The Governor recommends funding as requested and includes an additional \$9,022 from all funds. This reflects a shift of \$14,510 from statewide benefit savings to unidentified operating expenses and statewide savings of \$5,488 from vehicle insurance.

Information Technology

Office of Digital Excellence. The 2012 Assembly adopted legislation to create the Office of Digital Excellence to ensure projects are well coordinated and properly implemented. It provided \$0.3 million from general revenues for operating expenses and 2.0 positions, including a chief digital officer, which was filled in November 2012. The Department requests FY 2014 expenditures totaling \$0.5 million. This is \$0.2 million more than enacted including \$37,551 more from general revenues to reflect full year funding of the chief digital officer position. Additionally, the Department was able to allocate the majority of the senior information technology project manager position to available United Health Infrastructure Project federal sources. The request includes the enacted amount of \$50,000 for operating expenses.

The Governor concurs and includes an additional \$0.5 million to fund 5.0 new positions, including three programmer analysts, an information technology project manager and an administrator. The recommendation assumes that the positions will be filled mid-February. The FY 2013 revised budget includes \$0.2 million to fund the new positions.

RI Financial Accounting Network System. The Department requests expenditures of \$1.6 million from general revenues for operational expenditures of the Rhode Island Financial Accounting Network System, which involves installation of a series of modules for each particular service that will form the integrated system. This is \$0.6 million more than enacted, of which \$0.5 million will be used to fund 3.0 new positions, consisting of \$198,558 for an Oracle database administrator, \$141,232 for an Oracle programmer and \$115,454 for a programmer/analyst. The request assumes that the positions will be filled in January 2013. Included in the request is an additional \$173,150 for contracted maintenance costs. The request is \$0.1 million more than the FY 2013 revised request.

The enacted budget includes staffing of 3.5 positions to provide support services and \$80,080 for a contracted Oracle database administrator. The part-time administrator ensures that backups are being completed, provides disaster recovery services and provides technical advice on system enhancements. For transparency purposes, the Department centralized all supporting staff costs into the Rhode Island Financial Accounting Network System account. The Department indicates that in the event that the positions are not authorized, it could incur additional expenses for contracted services.

It should be noted that the FY 2014 through FY 2018 Capital Budget request includes expenditures of \$2.4 million for the purchase of several modules. This cost is not reflected in the Department's operating request. *The Governor concurs, with the exception of providing \$5,642 less general revenues to reflect statewide benefit savings.*

Restored Positions. Consistent with its revised request, the Department requests the restoration of 5.6 positions that were eliminated in FY 2013 and funding of \$0.4 million from all funds, including \$0.3 million from general revenues. In his FY 2013 budget, the Governor had proposed their elimination

from the Division of Information Technology and the Assembly adopted the recommendation. The Department indicates that it would like the flexibility to fill the positions in the future given the amount of technology projects it will undertake as part of the Technology Investment Fund. The Division currently has 4.9 positions vacant. *The Governor concurs with the request.*

Other Information Technology Staffing. The Department requests \$23.3 million from all funds, including \$15.1 million from general revenues to fund salary and benefit expenses of 172.8 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 is \$1.4 million more than enacted, including \$0.4 million more from general revenues to reflect planning values consistent with Budget Office instructions. The request includes \$1.0 million more federal funds based on revised allocation percentages that the Department will receive from the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals. Consistent with the revised request, the request includes an additional \$140,000 for overtime expenses, for which the enacted budget included \$220,000. The additional overtime is due to the State's Disaster Recovery exercises that are conducted in New Jersey, twice a year. The Department indicates that the number of departments that are included in this exercise has increased to include the Department of Labor and Training and the Department of Business Regulation. In November 2012, 18 individuals attended the training exercise.

The request assumes \$0.5 million in turnover savings, \$0.3 million less than enacted and is \$0.1 million less than the revised request. As of the pay period ending October 20, 2012, the Division had 4.9 vacancies. *The Governor recommends \$0.1 million less to reflect statewide benefit savings.*

Computer Refresh. The Department requests a total of \$150,000 from general revenues, including \$75,000 in FY 2014 to purchase new computers for staff in the Division of Information Technology. Total funding would allow the Division to refresh two-thirds or 125 computers. This averages \$1,200 per computer. The Department indicates that the current computers are more than five years old and when information technology was centralized in 2007, employees transferred their computer ownership. The enacted budget includes \$1.6 million from general revenues from the Technology Initiatives Fund, which the Department could use for this purchase; however, it indicated that all the funds have been committed. The FY 2012 final budget included \$1.7 million for the Technology Initiative Fund and reported expenditures totaling \$1.4 million, resulting in a surplus balance of \$0.3 million. The Division is in the process of formulating a two-year plan.

The Department eliminates funding for this in its constrained budget request.

The Governor recommends funding as requested in the unconstrained request.

Other Information Technology Operations. The Department requests FY 2014 expenditures of \$8.0 million from all funds for the Division of Information Technology. This is \$0.5 million or 11.0 percent more than enacted, including \$181,210 more from general revenues, primarily for various software and hardware maintenance costs. Federal funds increased by \$0.3 million based on revised allocation percentages that the Department will receive from the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals. The request includes funding for a monthly data line, internet services, the InRhodes project as well as the enacted amount of \$3.0 million from restricted receipts for the Technology Investment Fund. The request is \$109,938 more than FY 2012 reported expenditures and is \$139,910 more than the FY 2013 revised request.

The Governor recommends funding as requested and adds \$51,769 of non-general revenue funds available from statewide benefit savings to unidentified operating expenses.

Human Resources

Personnel Reform Study. The budget request removes the one-time expense of \$250,000 from general revenues to perform a study of the current personnel system. *The Governor concurs and provides an additional \$1.0 million, including \$0.5 million in both FY 2013 and FY 2014 to obtain outside services to review the state's classification system and to make recommendations to streamline.*

Human Resources New Positions. Consistent with its revised request, the FY 2014 budget includes \$0.3 million to fund 2.5 new positions in the Division of Human Resources. The request includes \$255,765 for 2.0 human resource coordinators, one of which will be assigned to the Public Safety Service Center, to specifically handle personnel issues for the Department of Public Safety. The Department of Administration indicates that this is a new arrangement, as the Public Safety Service Center has not previously included the Department of Public Safety. The Department of Administration assumed that the Department of Public Safety would have a corresponding reduction in its budget; however, it does not appear that occurred. The Budget Office indicates that it will correct this error. The second human resource coordinator position will be assigned to the Division of Motor Vehicles. All of the requested positions are filled.

The Governor concurs with the request and includes an additional \$0.2 million from general revenues to fund a new executive director of human resources, consistent with the FY 2013 revised recommendation.

Other Human Resources Staffing. The Department requests \$10.6 million from all funds, including \$7.8 million from general revenues to fund 104.0 full-time positions in the Division of Human Resources. This is \$0.3 million less from all funds, including \$0.6 million less general revenues due to greater than anticipated turnover savings. The enacted budget assumes savings from the elimination of 12.0 positions based on the restructuring of the personnel system. The Governor had included \$0.8 million in savings; due to delays in completing the personnel reform study, the Assembly restored half of the savings. Subsequent to enactment of the budget, seven of the impacted employees obtained employment elsewhere. The request includes step increases and benefit rate changes to reflect FY 2014 planning values consistent with Budget Office instructions. It assumes \$0.3 million in turnover savings, \$0.1 million less than the amount included in the FY 2013 revised request. As of pay period ending October 20, 2012, 94.2 percent or 98.0 of the authorized positions were filled.

The Department's constrained budget proposes the layoff of 4.0 positions in the Division of Human Resources, consisting of three personnel resource technicians and a personnel aide position for a savings of \$0.3 million from all funds, including \$0.2 million from general revenues. These layoffs will impact three of the four services centers, including the areas of recruitment. The personnel resource technicians provide analysis pertaining to classification, compensation and organization. It should be noted that salary and benefit expenditures account for more than 96.0 percent of the Division's budget. The Department indicates that the positions were selected based on the Division's lowest priority and excludes employees with statutory status.

The Governor recommends funding as requested, with the exception of providing \$72,452 less from all funds to reflect statewide benefit savings.

Other Human Resources Operations. The Department requests \$0.5 million from all sources, \$4,527 less than enacted for all other operating expenses for the Division of Human Resources. This includes a general revenue decrease of \$13,149 and slight increases from federal and other sources to reflect anticipated expenditures. The request includes \$130,000 for contractual services provided by

Hewitt Associates, which performs employee health benefit analyses on an as-needed basis. This reflects the removal of \$70,000 that the enacted budget included to audit medical and pharmacy claims. The request includes an additional \$35,000 for the Worksite Wellness Program for which the enacted budget already includes \$41,580 for supplies such as pedometers and printing of brochures. The Department indicates that the additional funds will be used to supplant services that UnitedHealth will no longer be providing. All other operating costs are \$30,473 primarily for newspaper advertising and publications.

The Governor recommends funding as requested and adds \$10,000 for diversity training and \$14,568 of non-general revenue funds available from statewide benefit savings to unidentified operating expenses.

Statewide Planning

Big River General Liability Insurance. Consistent with the revised request, the Department's FY 2014 request reflects a reduction of \$64,626 from general revenues for the elimination of insurance for the Big River Management Area, in accordance with the state's Insurance Risk Manager's review. The Department indicates that if a third party claim were to arise, the Water Resources Board should be defended by the Attorney General's office and indemnified through the tort fund if found negligent. Annually, the Department of Administration has been given an appropriation of \$0.4 million from general revenues to pay for any liability claims against any state department or any state worker. *The Governor recommends funding as requested.*

Water Allocation Plan. Consistent with the FY 2013 through FY 2017 approved capital plan, the request includes \$550,000 from general revenues for the Water Allocation Plan to develop a Water Allocation Program. The funds will be used to pay for consultant services provided by the United States Geological Survey for geological data collection. The program consists of multi-year efforts to first quantify available supplies, then use that information as a basis to assess water management needs, and then assess the options to satisfy those needs. *The Governor recommends funding as requested.*

Disaster Recovery Assistance Grants. The request reflects the removal of \$1.0 million from federal funds to reflect anticipated expenditures for the Disaster Recovery Assistance program. In September 2010, the U.S. Department of Housing and Urban Development awarded the state with a \$13.0 million grant for disaster recovery, of which \$4.1 million was awarded directly to the Cities of Cranston and Warwick. *The Office of Housing and Community Development administers the program and indicates that of the \$9.0 million that went directly to the state, \$7.0 million for projects has already been committed. A great percentage of the funds will be used to fund infrastructure that was impacted by the 2010 flood and will involve flood remediation. The Governor recommends funding as requested.*

Other Planning Operations. The request includes \$14.9 million from all funds, including \$3.9 million from general revenues for all other operation costs for Statewide Planning. This is \$1.0 million less than enacted primarily from federal funds for various 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.

The request includes \$4.0 million to fund salary and benefit costs of 37.0 full-time positions. This is \$0.3 million more than enacted and includes step increases and benefit rate changes per Budget Office

instructions. It assumes \$0.1 million in turnover savings, \$54,120 less than enacted. As of the pay period ending October 20, 2012, the Division had no vacancies.

The Department's constrained budget proposes the layoff of two housing coordinator positions in the Division of Statewide Planning for a savings of \$0.2 million from general revenues. The Department notes that the layoffs will have adverse impacts on housing related issues, such as homelessness. The positions were selected based on each program's lowest priority and excluded employees with statutory status.

The Governor recommends \$0.5 million more than requested to reflect funds available for a new two-year Department of Housing and Urban Development grant for the Sustainable Communities Regional Planning Cooperative program. The recommendation includes statewide benefit savings of \$23,556, of which \$9,929 is from general revenues. He adds \$13,627 of non-general revenue funds available from the benefit savings to unidentified operating expenses.

Overhead Functions

Office of Management and Budget. The Department's request includes total expenditures of \$3.5 million, consisting of \$3.0 million from general revenues and \$0.5 million from restricted sources to fund the Office of Management and Budget, which consists of the State Budget Office and the new Office of Management and Budget. The request is \$59,049 more than enacted, including a general revenue reduction of \$10,794 from filling positions at the entry levels and no longevity. Of the \$3.5 million requested, \$3.3 million is for salary and benefit costs for 27.0 positions. This includes the conversion of a part-time chief budget analyst position to a full-time budget analyst position. The request includes step increases and benefit rate changes to reflect FY 2014 planning values. Consistent with the enacted budget, the request assumes \$0.1 million in turnover savings. This is \$0.1 million less than the amount projected for FY 2013. As of the pay period ending October 20, 2012, the Office had 12.0 vacancies, 2.0 of which are in the Budget Office. The remaining positions are in the Office of Management and Budget and the Office indicates that it plans to fill all but one position by the end of January.

The request includes \$0.2 million or \$9,009 more, primarily for out-of-state travel and cell phones.

As part of its constrained budget, the Department proposes to eliminate a senior management and methods analyst position for a savings of \$0.1 million from general revenues. It should be noted that this position is currently vacant.

The Governor recommends \$14,494 less than requested to reflect statewide benefit savings. He shifts \$3,314 of non-general revenue funds available from the benefit savings to unidentified operating expenses.

Bureau of Audits. The Department requests general revenue expenditures of \$1.4 million to fund personnel costs of 12.0 full-time positions and operations for the Bureau of Audits. This is \$164,383 or 13.7 percent more than enacted. This includes \$159,248 more for salaries and benefits and is to restore some of the budgeted turnover savings and includes step increases and benefit rate changes to reflect FY 2014 planning values. As of October 20, 2012, the Bureau had 4.0 vacancies, including the Chief Bureau of Audits position. The Department indicates that it advertised the position and based on the number of applicants it received and decided to advertise for the position again. The request for turnover savings is \$0.1 million less than the amount assumed in the FY 2013 revised budget.

The Bureau of Audits performs the auditing function for the Executive Branch. The Bureau is required to audit the financial records and accounts of all state departments and agencies on a biannual basis. The Bureau also audits human service providers. The request includes an additional \$5,135 for maintenance costs of its auditing software.

The Department's constrained budget proposes the layoff of a senior internal auditor for a savings of \$0.1 million from general revenue. The Department indicates that the Bureau of Audits would have to reduce its scope of audits and there would be a delay in preparing statutory audits. Personnel costs account for more than 97.0 percent of the Bureau's enacted budget.

The Governor recommends \$30,202 more than requested. This includes \$7,805 from statewide benefit savings and \$37,805 less in turnover.

Purchasing. The Department requests \$3.4 million from all sources to fund salary and benefit costs for 32.0 full-time positions for the Division of Purchasing, \$0.3 million more than enacted including \$95,819 more general revenues. This includes \$0.1 million of available federal sources to support 90.0 percent of the interdepartmental project manager position. The request includes \$16,396 from gasoline tax proceeds and \$51,544 from university funds to support 3.0 positions dedicated to procurement for transportation and university related projects. The Department indicates that the increase is based on the University hiring a project manager and a buyer I, the enacted budget had assumed hiring 2.0 buyer I positions. The remaining \$0.1 million is for step increases and benefit rate changes consistent with FY 2014 planning values. The request does not assume any turnover savings, for which the enacted budget includes \$54,946. As of pay the period ending October 20, 2012, the Division had 7.0 vacancies.

The request includes \$60,273, or \$10,116 more than enacted for computer replacement and staff training. The Department indicates that funding for training is essential due to the number of vacant positions it has and upon filling them, training will be required.

As part of its constrained budget, the Department proposes the layoff of one senior buyer position for a savings of \$0.1 million from general revenues. The Department indicates that the layoff would hinder its ability to provide enforcement on procurement of services to state agencies in a timely manner.

The Governor recommends \$0.3 million more than enacted or \$24,733 more than requested. This reflects \$0.2 million in turnover savings for which the request assumed none and statewide benefit savings, offset by funding for a new deputy purchasing agent.

Construction Permitting, Approvals and Licensing. Consistent with the revised request, the FY 2014 request reflects the creation of a new program: Construction Permitting, Approvals and Licensing, consisting of State Building Code Commission, Contractors' Registration Board, and Fire Code Board of Appeal. Staffing and funding were transferred from Capital Projects and Property Management. The Department indicates that the program change was necessary to avert the appearance of conflict of interest between the Office of Capital Projects and the aforementioned offices. The request includes total funding of \$3.2 million, including \$1.8 million from general revenues for operating costs and staffing of 24.0 positions. Salary and benefit costs reflect an increase of \$71,256 from all funds, including \$9,298 less from general revenues due to filling several positions at the entry level and no longevity. The request includes benefit rate changes to reflect FY 2014 planning values consistent with Budget Office instructions.

The request includes \$0.5 million, \$27,690 more than enacted primarily for mailing of rules and regulations and consumer brochures and printing of code books. The request includes the enacted amount of \$0.3 million for the purchase or lease and the operation of a web-accessible plan review management and inspection software system. *The Governor recommends \$55,636 less than requested from all funds to reflect savings from statewide benefit and turnover, for which the request assumed none.*

Labor Contract Negotiations. Most current labor contracts will expire on June 30, 2013. The Department does not include funding for labor contract negotiations in its FY 2013 or FY 2014 requests. *The Governor recommends a total of \$0.3 million from general revenues, including \$150,000 in both FY 2013 and FY 2014.*

Film and Television Office. The Department requests FY 2014 expenditures totaling \$311,993 from general revenues, of which \$283,864 will be used to support the Office's 2.6 equivalent positions. The request is \$6,584 or 2.3 percent more than enacted for benefit rate changes to reflect FY 2014 planning values consistent with Budget Office instructions. The 2012 Assembly adopted legislation to transfer the Film and Television Office from the Rhode Island State Council on the Arts to the Department of Administration. *The Governor recommends \$1,246 less than requested, primarily from statewide benefit savings.*

Other Salaries and Benefits. Excluding all items mentioned above, the Department requests \$10.5 million from all funds including \$9.8 million from general revenues for all other salary and benefit costs to support 93.6 full-time positions for the following programs: Central Management, Accounts and Control, Capital Projects, Division of Legal Services, and the Office of Library and Information Services. This is \$337,712 or 3.3 percent more than enacted, including \$256,350 from general revenues. The request reflects the conversion of a senior processing typist into a senior technical resource for a net increase of \$42,600 in Accounts and Control. It allocates 10.0 percent of the deputy director's position to available federal funds and 40.0 percent of the chief financial officer position to the Department of Revenue. The request includes benefit rate changes consistent with Budget Office instructions.

The request assumes \$0.1 million in turnover savings, \$23,967 less than enacted and is \$0.2 million less than the FY 2013 revised request. As of the pay period ending October 20, 2012, the aforementioned programs had 7.0 vacancies: 2.0 each in Central Management, Accounts and Control and Capital Projects, and 1.0 in Legal Services.

As part of its constrained budget, the Department proposes the layoffs of 3.0 positions, 2.0 asset protection officers in the Office of Accounts and Control and 1.0 information technician in the Office of Library and Information Services for a savings of \$0.3 million from general revenues. The Department indicates that the account protection officers maintain the state's Oracle fixed asset database and the layoffs will likely increase the risk of fraud, waste and abuse regarding the state's assets.

The Department's constrained budget request shifts \$0.6 million of general revenue expenditures to Rhode Island Capital Plan funds to support 4.0 full-time positions in the Division of Capital Projects and Property Management. The positions include a chief of property management, a chief of facilities management officer and two architects. The Department indicates that the positions would be entirely dedicated to the development, oversight, and completion of capital projects. The Department further noted that the intent of this initiative is to develop a system to capture the time spent on various

projects in a transparent means. If the initiative is adopted, a billing methodology will be developed to charge staff time to individual projects.

Rhode Island Capital Plan funds have been limited to use on physical assets. The funds were used nearly exclusively for debt service in the early 1990s. The voters approved a constitutional amendment in 2006 to allow the funds to be used solely for capital projects beginning in FY 2008. The 2011 Assembly rejected numerous initiatives that would have allowed the funds to be used for information technology related projects. The Department and the Governor included these initiatives as part of the FY 2013 budget; the Assembly did not concur.

The Governor recommends \$25,457 more from all funds than the unconstrained request. This includes \$0.1 million from general revenues to fund a new capital project manager. He does not recommend allocating a portion of the chief of financial officer position to the Department of Revenue. He includes statewide benefit savings and turnover in Accounts and Control for which the request assumed none.

All Other Operations. The Department requests \$1.1 million from all funds, including \$0.6 million from general revenues for all other operating expenses. This is \$157,538 more than enacted and includes an increase of \$35,304 from general revenues and reductions of \$192,641 from federal funds and \$201 from restricted receipts. This includes \$0.2 million or \$39,230 more than enacted for the Office of Library and Information Services' inter-library delivery system, which includes the delivery of books, audio/visual materials and other resources which are shared between and among more than 180 public libraries, academic libraries, state institution libraries, and school libraries. Pursuant to Rhode Island General Laws, 29-6-9, the Office must annually include funding in its budget for this. The request includes a reduction for library related subscription materials to reflect anticipated federal funds.

As part of its constrained budget, the Department proposes to reduce funding for the Office of Library and Information Services by \$0.5 million, including \$0.2 million less from general revenues. This would eliminate funding for the required contract for inter-library delivery and the summer reading program. The Office would also stop providing online tutoring services.

The Governor recommends \$5,549 more than enacted. This includes statewide savings of \$78 from vehicle insurance. He also adds \$5,627 of non-general revenue funds available from the benefit savings to unidentified operating expenses.

Capital Projects. The Department requests \$34.6 million from Rhode Island Capital Plan funds for all capital project expenditures, \$7.5 million more than the enacted budget. This includes increases of \$4.2 million for the Board of Elections New Office building and \$1.6 million each for the Cranston Street Armory and Zambarano Buildings projects.

The Governor recommends total capital expenditures of \$39.7 million from Rhode Island Capital Plan funds, \$12.6 million more than enacted and is \$5.1 million more than requested primarily for the inclusion of \$4.5 million to purchase and improve the land adjacent to the Veterans Memorial Auditorium. A detailed analysis of the projects is included in the Capital Budget Section of this publication.

Target Reduction Initiatives

Unidentified Budget Initiative. The Department's constrained budget request includes \$2.8 million in savings, including \$1.4 million from general revenues from a statewide initiative it declined to identify. *The Governor does not include this initiative.*

Dental Savings. The state employees' dental contract which was in effect on January 1, 2011 will expire on December 31, 2013. The contract provided for two one-year extensions and included a maximum increase of 6.0 percent for calendar year 2013. The Administration was able to renegotiate a rate increase of 3.0 percent for calendar year 2013 and extend the contract for an additional year at a maximum rate increase of 5.0 percent. For the one year extension, the rate will be calculated based on experience. The budget assumes \$250,000 in savings, including \$167,500 from general revenues from this initiative. *The Governor's budget assumes this initiative.*

Active Employee Medical Savings. The Department's constrained budget includes a total savings of \$2.2 million of which \$1.4 million is from general revenues in medical savings from active employees. This includes \$0.7 million from a proposal to exclude the drug Nexium from its prescription formularies. The Department indicates that several generic forms of this drug are currently available and several insurance companies have stopped covering it. This would take effect on July 1, 2013.

Currently, the state employee benefit plan extends coverage to former spouses of employees until the employee or the former spouse remarries. The state currently covers 405 former spouses, at an annual cost of \$2.9 million. The Department indicates that many of the former spouses have access to their own employer-sponsored health plan, but instead are on the state health plan because there is no cost to them and/or the state health plan provides better coverage. With the creation of the Rhode Island Health Exchange, everyone will have access to health care coverage. The Department proposes to cease medical coverage of former spouses and includes six months savings of \$1.4 million, including \$0.9 million from general revenues. Legislation to accomplish this would be required.

The Budget reflects savings from these initiatives and includes legislation in Article 3 of 2013-H 5127 to terminate state sponsored health insurance provided to divorced spouses of state employees.

Medicare Exchange for Post 65 Retirees. The budget assumes savings of \$1.1 million, including \$0.7 million from general revenues from the implementation of a Medicare Exchange for post-65 retirees. Post-65 retirees will have multiple options for Medicare supplemental plans from different insurers. This initiative is intended to provide retirees with additional choices and the ability to purchase a plan that fits their needs each year. Currently, post-65 retirees have two options to pick from: the United Healthcare Supplemental 65 and the Medicare Advantage. Under this proposal, the state will set up Health Reimbursement Accounts for retirees in the state-sponsored health plans and deposit money each month into the account; the amount would be determined by the current level of subsidy. This would impact approximately 8,000 retirees and spouses. *The Governor's budget reflects this initiative.*

Vehicle Insurance Rebate. The Department's constrained budget includes savings of \$0.4 million, including \$0.2 million from general revenues in earned credit from the state's insurance due to lower than projected claims paid for automobiles. Major impacted agencies, such as the Departments of Environmental Management, Transportation and Public Safety will pay less for automobile insurance in FY 2014 to reflect this earned credit. It does not appear any action needs to occur to effectuate these savings. *The Budget reflects this initiative; the savings are shown in agency budgets.*

Department of Business Regulation

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
Expenditures by Program				
Central Management	\$ 1,145,060	\$ 1,104,801	\$ 1,222,072	\$ 1,197,671
Banking Regulation	1,762,766	1,897,529	2,037,516	1,840,225
Securities Regulation	1,083,375	940,224	1,024,917	995,090
Commercial Licensing, Racing & Athletics	1,179,923	1,177,602	1,214,305	1,208,270
Insurance Regulation	5,201,393	5,174,626	5,653,806	5,313,467
Office of the Health Insurance Comm.	3,272,510	3,971,290	2,313,362	2,300,269
Board of Accountancy	82,483	79,464	81,441	81,034
Boards for Design Professionals	249,799	248,257	255,841	253,854
Total	\$ 13,977,309	\$ 14,593,793	\$ 13,803,260	\$ 13,189,880
Expenditures by Category				
Salaries and Benefits	\$ 10,255,783	\$ 10,081,118	\$ 11,027,430	\$ 10,418,377
Contracted Services	2,701,770	3,471,559	1,998,135	1,998,135
Subtotal	\$ 12,957,553	\$ 13,552,677	\$ 13,025,565	\$ 12,416,512
Other State Operations	661,128	681,288	683,957	679,630
Aid to Local Units of Government	-	-	-	-
Assistance, Grant, and Benefits	344,890	344,890	80,000	80,000
Capital	13,738	14,938	13,738	13,738
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 13,977,309	\$ 14,593,793	\$ 13,803,260	\$ 13,189,880
Sources of Funds				
General Revenue	\$ 9,362,048	\$ 9,200,512	\$ 10,048,556	\$ 9,445,878
Federal Aid	2,719,081	3,433,208	1,758,291	1,747,589
Restricted Receipts	1,896,180	1,960,073	1,996,413	1,996,413
Other	-	-	-	-
Total	\$ 13,977,309	\$ 14,593,793	\$ 13,803,260	\$ 13,189,880
FTE Authorization	94.0	95.0	94.0	94.0

Summary. The Department of Business Regulation requests \$13.8 million from all sources for its FY 2014 operations, \$174,049 less than the FY 2013 enacted budget. The request includes \$686,508 more from general revenues, \$960,790 less from federal grants, and \$100,233 more from restricted receipts. The Department requests 94.0 full-time equivalent positions, the authorized level.

The Governor recommends \$13.2 million from all sources, which is \$0.8 million less than enacted and \$0.6 million less than requested. This includes \$9.4 million from general revenues, \$0.1 million more than enacted and \$0.6 million less than requested. He recommends 94.0 full-time equivalent positions, the current authorized level.

Target Issues. The Budget Office provided the Department of Business Regulation with a general revenue target of \$9.2. The amount includes current service adjustments of \$254,675, restoration of \$250,000 of turnover savings included in the enacted budget, and a 7.0 percent target reduction of \$690,671.

The constrained budget submitted by the agency is \$137,413 below the Budget Office target. The Department's proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$269,826 above the target.*

FY 2014 Budget	Budget Office	DBR	Difference
FY 2013 Enacted	\$ 9,362,048	\$ 9,362,048	\$ -
Current Service Adjustments	254,675	686,508	431,833
Change to FY 2013 Enacted	\$ 504,675	\$ 686,508	\$ 431,833
FY 2014 Current Service/Unconstrained Request	\$ 9,866,723	\$ 10,048,556	\$ 431,833
Target Reduction/Initiatives*	(690,671)	(1,009,917)	(319,246)
FY 2014 Constrained Target/Request	\$ 9,176,052	\$ 9,038,639	\$ (137,413)
<i>Change to FY 2013 Enacted</i>	\$ (185,996)	\$ (323,409)	\$ (137,413)

Central Management

Salaries and Benefits. The Department requests \$1.1 million or \$77,012 more than enacted from general revenues for salaries and benefits for the authorized amount of 9.0 full-time equivalent positions for its Central Management program. This includes replacing 1.0 Legal Assistant position with 1.0 Senior Legal Counsel position, and upgrades the Administrator of Financial Management. It should be noted that this upgrade must be brought to public hearing for approval. The request includes \$34,356 of turnover savings, which partially offset increases consistent with current planning values and the position changes and the upgrades noted. The budget as enacted included \$18,439 of turnover savings.

The Governor recommends \$23,001 less than requested from general revenues, including \$12,206 in statewide benefit savings. He does not recommend the requested upgrade.

Operations. Consistent with the enacted budget, the Department requests \$39,826 for all other operations. The request includes the enacted amount of \$28,883 from general revenues for miscellaneous office expenses related to the Central Management program, including information technology, record keeping, office supplies, and travel. *The Governor recommends \$1,400 less than requested based on FY 2012 spending.*

Banking Regulation

Salaries and Benefits. The Department requests \$2.0 million from all sources for salaries and benefits for the Banking Regulation division. This includes \$274,750 more than enacted from general revenues and funding for 16.0 full-time equivalent positions, 1.0 position more than authorized. The inclusion of a full-time Licensing Aide position in Banking Regulation does not increase the overall full-time equivalent position request, as the position was moved from the Securities Regulation division. Based on the volume of work with which Banking Regulation has been tasked, the Department deemed additional staff was necessary. The request includes the restoration of \$58,962 of turnover savings included in the enacted budget.

The Governor recommends \$1.7 million from general revenues, which is \$78,659 more than enacted and \$0.2 million less than requested. This reflects \$84,853 in statewide benefit savings, with the balance from increased turnover savings.

Operations. The Department requests the enacted amount of \$162,512 from all funds for all other operations costs associated with the Banking Regulation division. The request includes \$96,440 from all funds for staff training and out-of-state travel related to regulation of the banking industry. *The Governor recommends \$1,200 less than requested based on FY 2012 spending.*

Securities Regulation

Salaries and Benefits. The Department requests \$1.0 million from all sources for salaries and benefits for the Securities Regulation division. This includes \$58,458 less than enacted from general revenues and funding for 9.0 full-time equivalent positions, 1.0 less than authorized. The elimination of a full-time Licensing Aide position in the Securities Regulation division does not decrease the overall full-time equivalent position request, as the position was moved to the Banking Regulation division to support an increased workload. The request assumes a full year of turnover savings consistent with the filling of two full-time positions at lower salary steps than enacted. The budget as enacted did not include turnover savings for the Department's Securities Regulation program.

As part of its constrained request, the Department requests the elimination of the Securities program and its remaining 9.0 full-time equivalent positions for savings of \$1,024,917 from all funds, all but \$15,000 is from general revenues.

The Governor recommends \$27,627 less than requested from general revenues, which includes \$15,853 from statewide benefit savings and \$12,000 from additional turnover savings.

Operations. The Department requests the enacted amount of \$39,723 from all funds for all other Securities Regulation operations. This includes \$24,723 from general revenues and \$15,000 from restricted receipts. The request includes \$8,685 from general revenues for record keeping expenses and \$3,361 for professional subscriptions.

The Governor recommends \$2,200 less than requested, based on FY 2012 spending.

Commercial Licensing, Racing, and Athletics

Salaries and Benefits. The Department requests \$1.2 million or \$6,382 more than enacted from all funds for salaries and benefits for the Commercial Licensing, Racing, and Athletics program. The request includes \$11,517 more than enacted from restricted receipts and \$5,135 less than enacted from general revenues. The request includes funding for 11.0 full-time equivalent positions, the authorized amount. The Department's request is consistent with current planning values and employee benefits selections. *The Governor recommends \$6,337 less than requested, reflective of statewide benefit savings, and shifts \$8,870 of funding from general revenues to restricted receipts.*

Operations. The Department requests \$200,832 for all other Commercial Licensing, Racing, and Athletics operations, including the enacted amount of \$47,774 from general revenues and \$153,058 from restricted receipts. The request includes a new \$28,000 from restricted receipts for fees associated with Real Estate Appraisers Registration. This amount was requested by the Department in its FY 2013 operating budget, but was not enacted. The request also includes the enacted amount of

\$125,058 from restricted receipts for reimbursable office supplies and travel expenses accrued ensuring the proper conduct of licensees in relation to state law and regulations.

The Governor recommends \$302 more than requested from all funds, including \$2,300 less from general revenues reflective of FY 2012 spending and \$2,602 more from restricted receipts available from statewide benefit savings for miscellaneous operating expenses.

Insurance Regulation

Salaries and Benefits. The Department requests \$4.4 million or \$421,913 more than enacted from all sources for salaries and benefits for the authorized amount of 37.0 full-time equivalent positions. The request includes \$391,697 more from general revenues and \$30,216 more from restricted receipts and restores \$0.2 million of turnover savings included in the enacted budget. Excluding the restoration of turnover savings, the request includes \$145,347 more than enacted from all sources for staffing reorganization, salary increases, and updated benefit rates consistent with the FY 2014 planning values. This includes \$115,131 from general revenues.

The Governor recommends \$0.3 million less than requested, primarily from general revenues. He does not recommend the Department's request for three position upgrades, includes \$0.2 million of additional turnover savings, and savings from statewide benefit adjustments.

Operations. The Department requests \$1.3 million from all sources for state operations in support of its Insurance Regulation division. This includes the enacted amount of \$110,191 from general revenues. The request includes \$30,500 more than enacted from restricted receipts for additional actuarial expenses reimbursed by insurance companies. The increase is based upon a negotiated rate increase with one of the four actuarial firms currently contracted to assist in the review of insurance rates. The Department expended \$0.7 million for these consultant services in FY 2011 and \$0.8 million in FY 2012.

The Governor recommends \$2,776 less than requested, including \$4,500 less from general revenues reflective of historical expenditures for printing and \$1,724 more from restricted receipts available from statewide benefit savings for miscellaneous operating expenses.

Office of the Health Insurance Commissioner

Salaries and Benefits. The Department requests \$1.3 million or \$45,048 more than enacted, from all sources for salaries and benefits for the authorized 9.0 full-time equivalent positions in the Office of the Health Insurance Commissioner. The request includes \$530,663 from general revenues, which is \$1,642 more than enacted and \$788,858 from federal funds, which is \$43,406 more than enacted. The increase reflects adjustments consistent with the FY 2014 planning values and employee benefits selections. *The Governor recommends \$16,040 less than requested to reflect turnover and statewide benefit savings.*

Health Care Reform Grants. Excluding salaries and benefits, the Department requests \$2.0 million from federal Department of Health and Human Services grants for the Office of the Health Insurance Commissioner. The request includes \$952,900, which is \$1.0 million less than enacted, to hire consultants and community partners to help design and implement the Rhode Island Health Benefits Exchange, to develop a Rhode Island Consumer Assistance program, and to engage in the review of health insurance rate increases within the state. *The Governor recommends \$2,947 more than*

requested to reflect statewide benefit savings from a non-general revenue shifted to miscellaneous operating expenses.

Other Operations. Consistent with the enacted budget, the Department's request includes \$24,408 for all other Office of the Health Insurance Commissioner operations. This includes the enacted amounts of \$13,908 from general revenues and \$10,500 from restricted receipts. The Department requests \$6,750 for printing costs, \$2,118 from general revenues for office supplies, and \$2,567 for staff training, record keeping, professional dues and subscriptions. The Department's request is consistent with historical expenditures for these items. *The Governor recommends funding as requested.*

Board of Accountancy

Salaries and Benefits. The Department requests \$64,787 from general revenues, which is \$1,042 less than enacted, and the authorized 1.0 full-time equivalent position for the Board of Accountancy. The request is consistent with current planning values and employee benefits selections. *The Governor recommends \$407 less than requested from general revenues, reflective of statewide benefit savings.*

Operations. The request includes \$16,654 from general revenues for all other Board of Accountancy operations, including supply and maintenance costs and contracted legal services that are necessary to support the Board's operations. This is consistent with the revised request and the enacted budget, and reflects historical expenditures for these items. *The Governor recommends funding as requested.*

Boards for Design Professionals

Salaries and Benefits. The Department requests \$197,076 from general revenues to fund salaries and benefits for the authorized 2.0 full-time equivalent positions in the Boards for Design Professionals. The request is \$6,042 more than enacted, and is consistent with FY 2014 planning values and current employee benefits selections. *The Governor recommends \$1,987 less than requested from general revenues, reflective of statewide benefit savings.*

Operations. The request includes \$58,765 from general revenues for all other Boards for Design Professionals operations, including contracted stenographic services required for hearings, postage, and miscellaneous office supplies. This is consistent with the revised request and the enacted budget, and reflects historical expenditures for these items. *The Governor recommends funding as requested.*

Department of Labor and Training

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
Expenditures by Program				
Central Management	\$ 1,757,398	\$ 2,158,410	\$ 1,168,097	\$ 1,163,490
Workforce Development Services	31,137,003	38,873,841	30,862,123	32,862,123
Workforce Regulation and Safety	2,994,552	2,962,592	3,122,777	3,027,408
Income Support	616,552,678	588,087,492	483,924,860	484,014,562
Injured Workers Services	8,775,718	9,120,998	9,139,907	9,139,647
Labor Relations Board	386,790	382,834	408,571	393,736
Total	\$ 661,604,139	\$ 641,586,167	\$ 528,626,335	\$ 530,600,966
Expenditures by Category				
Salaries and Benefits	\$ 37,043,417	\$ 38,027,262	\$ 36,530,441	\$ 36,229,636
Contracted Services	3,225,882	5,667,551	3,927,902	3,918,720
Subtotal	\$ 40,269,299	\$ 43,694,813	\$ 40,458,343	\$ 40,148,356
Other State Operations	4,679,434	5,450,685	5,146,935	5,439,559
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	563,646,343	502,552,724	426,792,377	428,792,377
Capital	2,148,450	2,969,629	836,258	828,252
Capital Debt Service	18,572,493	37,600,000	22,500,000	22,500,000
Operating Transfers	32,288,120	49,318,316	32,892,422	32,892,422
Total	\$ 661,604,139	\$ 641,586,167	\$ 528,626,335	\$ 530,600,966
Sources of Funds				
General Revenue	\$ 7,859,170	\$ 8,828,901	\$ 7,955,545	\$ 9,839,061
Federal Aid	111,743,981	94,713,891	39,784,891	39,784,891
Restricted Receipts	36,292,695	60,844,618	43,034,604	43,125,719
Other	505,708,293	477,198,757	437,851,295	437,851,295
Total	\$ 661,604,139	\$ 641,586,167	\$ 528,626,335	\$ 530,600,966
FTE Authorization	462.5	423.0	392.0	392.0

Summary. The Department of Labor and Training requests \$528.6 million from all fund sources, which is \$133.0 million less than enacted. This includes \$0.1 million more from general revenues, \$72.0 million less from federal funds, \$6.7 million more from restricted receipts, and \$68.9 million less from other funds, which include unemployment and temporary disability insurance funds. The request includes 392.0 full-time equivalent positions, which are 70.5 fewer positions than the enacted level and 31.0 fewer than the revised request due to anticipated reductions in federal funding for the unemployment insurance division.

The request is consistent with the Budget Office's general revenue current services target of \$8.0 million. The Department submitted a constrained request that totals \$7.7 million and includes \$0.3 million less from general revenues than the unconstrained request.

The Governor recommends \$530.6 million, including \$9.8 million from general revenues. This is \$2.0 million more than requested, including \$1.9 million from general revenues and \$0.1 million from restricted receipts. He recommends 392.0 full-time equivalent positions, consistent with the request.

Target Issues. The Budget Office provided the Department with a general revenue target of \$7.7 million. The amount includes current service adjustments of \$0.1 million and a 7.0 percent target reduction of \$0.3 million, adjusted for certain exclusions. The constrained budget submitted by the Department equals the target. *The Governor's general revenue recommendation is \$2.1 million above the constrained target and \$1.9 million above current services.*

FY 2014 Budget	Budget Office	Labor and Training	Difference
FY 2013 Enacted	\$ 7,859,170	\$ 7,859,170	\$ -
Current Service Adjustments	96,375	96,375	-
Change to FY 2013 Enacted	\$ 96,375	\$ 96,375	\$ -
FY 2014 Current Service/ Unconstrained Request	\$ 7,955,545	\$ 7,955,545	\$ -
Target Reduction/Initiatives	(250,827)	(250,827)	-
FY 2014 Constrained Target/Request	\$ 7,704,718	\$ 7,704,718	\$ -
<i>Change to FY 2013 Enacted</i>	<i>\$ (154,452)</i>	<i>\$ (154,452)</i>	<i>\$ -</i>

Unemployment Insurance Positions. The Department requests \$11.9 million from all sources, including \$10.8 million from federal funds and \$1.2 million from restricted receipts for salaries and benefits for 148.3 full-time equivalent positions in the unemployment insurance division. This is \$0.5 million more than enacted, including \$0.4 million from federal funds and \$0.2 million from restricted receipts, and 30.0 fewer positions. The request includes no overtime expenses, for which \$250,000 was included in the enacted budget, and contains benefit rates consistent with Budget Office planning values.

In July 2012, the Department laid off 63 people who filled 58.2 full-time equivalent positions because the federal funding for them no longer existed, including 6.0 workforce development services positions and 52.2 unemployment insurance positions. Consistent with the revised request, the Department requests additional federal funding of \$0.4 million for 22.0 senior employment and training interviewers for the unemployment insurance division through September 30, 2013. The Department received sufficient funding for these positions through that date, at which time the positions will become vacant. The request also adds \$1.9 million for 19.6 positions shifted from the workforce development services program as a result of seniority bumps from lay-offs in that division and for the reemployment eligibility assessment program, for which the Department received additional funding.

The Department requests the elimination of 30.0 full-time equivalent positions because of the anticipated reduction in available federal funding for staffing and administrative expenses. This is in addition to the 22.0 restored positions that end on September 30, 2013. The Department has not specifically determined which positions would be eliminated on June 30, 2013, but assumes savings of \$2.8 million from federal funds, which is an average of about \$92,800 per position. These positions would span all areas of the unemployment insurance division, not just the call center. The Department indicates that the request reflects a worst-case-scenario and that if additional funding becomes available, it would eliminate fewer positions, as it did in FY 2012.

As part of the fiscal cliff negotiations, on January 2, 2013, federally funded emergency unemployment compensation benefits were extended through December 28, 2013, which is anticipated to increase the amount of administrative funding available to the state from federal sources. As with other extensions, the Department will likely lay off fewer individuals since additional administrative funding is expected.

The Governor recommends \$97,189 less than requested, including \$87,900 from federal funds and \$9,289 from restricted receipts to reflect statewide benefit savings. The recommendation does not include the impacts of the January 2013 extension.

All Other Salaries and Benefits. The Department requests \$24.6 million from all sources for all other salary and benefit requirements for 243.7 full-time equivalent positions. This includes \$3.4 million from general revenues, \$10.2 million from federal funds, \$6.4 million from restricted receipts and \$4.7 million from temporary disability insurance funds. The request is \$1.1 million less than enacted and includes increases of \$0.1 million from general revenues and reductions of \$0.8 million from federal funds, \$0.2 million from restricted receipts and \$0.2 million from temporary disability insurance funds. The request includes 37.5 fewer positions than the enacted authorization, primarily from staff transferring to the unemployment insurance division.

Consistent with the revised request, the Department shifts 19.6 positions and funding from workforce development services to the unemployment insurance division as a result of seniority bumps from layoffs in that division and for the reemployment eligibility assessment program, for which the Department received additional funding. It also makes other adjustments among remaining programs for a net reduction of 3.3 positions; however, the FY 2014 request also eliminates 1.0 workforce development services position that is included in the revised request. The request includes turnover for approximately 2.0 general revenue funded positions in the workforce regulation and safety program; all other positions are fully funded in the request.

As part of its constrained request, the Department excluded funding and authorization for 2.0 full-time positions in the workforce regulation and safety program for general revenue savings of \$251,691.

The Governor's recommendation is \$0.2 million less than the unconstrained request, including \$40,932 less from general revenues, primarily from statewide benefit savings.

Police and Fire Relief Fund. The Department requests \$4.3 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 \$73,956 less than enacted and consists of \$3.5 million for pension benefits, \$49,867 less than enacted, and \$0.7 million for education benefits, \$24,089 less than enacted. The request eliminates a one-time death benefit of \$129,214 made in FY 2013 and includes 1.1 percent growth related to pensions; for tuition benefits, it assumes no tuition increases and fewer students participating than assumed for the 2012-2013 academic year. *The Governor recommends funding as requested.*

Short - Time Unemployment Compensation. The Department requests \$3.2 million from federal funds for the short-time compensation program, called WorkShare in Rhode Island, which provides a portion of a weekly unemployment insurance payment to eligible individuals whose work hours have been reduced. The program helps employers avoid layoffs by reducing work hours for an entire group of employees rather than layoff some while others continue working full-time.

The Department normally operates this program and the benefits are paid from the Trust Fund, included with all other benefit payments. The Middle Class Tax Relief and Job Creation Act of 2012 was signed by President Obama in February 2012, allowing full federal reimbursement of these benefits, with some limitations. The Department's request reflects the state's initial FY 2013 reimbursement back to February 2012 and acts as a placeholder; the amount the state receives in

reimbursements will likely increase as additional reimbursements are received throughout FY 2013 and FY 2014. This reimbursement is a direct reduction to benefits paid from the Trust Fund. *The Governor recommends funding as requested.*

All Other Unemployment Insurance Benefits. The Department requests \$234.1 million from all fund sources for the payment of all other unemployment insurance benefits, entirely from the Employment Security Trust Fund since federal funding for benefits will expire in FY 2013 on December 29, 2012. This is \$130.3 million less than the enacted budget, including \$72.3 million less from federal stimulus funds and \$58.1 million less from the Trust Fund.

As part of the fiscal cliff negotiations, on January 2, 2013, federally funded emergency unemployment compensation benefits were extended through December 28, 2013, which will increase the amount of benefits paid from federal sources through December 2013. Anticipated expenditures from the Trust Fund should not change. *The Governor's recommendation includes funding as requested and does not reflect the January 2013 extension.*

Loan Repayment. The Department requests \$22.5 million from the Job Development Fund for the payment of the interest and principal on the state's outstanding federal loans for the payment of unemployment insurance benefits. This is \$3.9 million more than enacted and includes \$7.5 million for interest, paid each September, and \$15.0 million towards principal.

The Governor recommends funding as requested and also includes Article 14, which makes several changes to the Job Development Fund assessment on employers for the repayment of the loans. The article reduces the 0.3 percent assessment to 0.25 percent, beginning January 1, 2014, and removes the restriction that it can only be used for principal and interest. It creates a sub-account for the Department to develop and implement a new computer processing system and if there are sufficient funds in the account after making the required interest payment, provides for transfers of \$2.0 million in FY 2013 and \$3.0 million in both FY 2014 and FY 2015 into the sub-account. For tax years 2016 and beyond, the additional 0.25 percent will be at the discretion of the Director and employers will not be charged when there are sufficient funds to pay the principal and interest on the loans. After paying off the federal loans, any funds remaining in this account will be used for benefit payments.

Unemployment Insurance Administration. The Department requests \$2.5 million from all sources for the administration and operations of the unemployment insurance program, excluding salaries and benefits and information technology expenditures. This includes \$1.5 million from federal funds and \$1.0 million from restricted receipts from the Tardy and Interest Fund. The request is \$0.5 million more than enacted, including \$0.1 million less from federal funds and \$0.6 million more from restricted receipts.

The request includes \$1.0 million from restricted receipts for legal expenses and federal expenditures of \$0.4 million for postage and \$0.2 million for stenographic services all related to the high adjudication and appeals claim load. Additional federal expenditures include \$0.3 million for centralized state services, \$0.1 million each for communications system expenses, rental and lease costs, security services, and printing costs, and \$0.2 million for all other operating, including utilities, various maintenance costs and office supplies.

As part of the fiscal cliff negotiations, on January 2, 2013, federally funded emergency unemployment compensation benefits were extended through December 28, 2013, which will likely increase the amount of administrative funding available to the state from federal sources. *The Governor recommends \$185,719 more than requested, including \$87,900 from federal funds and \$97,819 from*

restricted receipts from shifting statewide benefits savings from non-general revenue sources to miscellaneous operating expenses. His recommendation does not include the January 2013 extension.

Trade Readjustment Assistance Programs. The Department requests \$4.0 million from federal Trade Readjustment Assistance Act funds 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 \$1.8 million for the distribution of weekly trade readjustment allowances and \$2.2 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. The request is \$3.2 million less than enacted because fewer workers have been interested and eligible for the programs offered. *The Governor recommends funding as requested.*

Workforce Investment Act Grants. The request includes \$5.4 million from federal Workforce Investment Act funds to support initiatives oriented to youth, adults and dislocated workers. This is \$0.2 million more than enacted and \$3.1 million less than the revised request, which includes funds carried forward from FY 2012. The request is comprised of \$2.6 million for youth programs, or \$20,737 more than enacted, \$1.3 million for dislocated workers or \$37,767 less than enacted, and \$1.5 million for adult programs, or \$207,577 more than enacted. *The Governor recommends funding as requested.*

Human Resource Investment Council Grants. The Department requests \$7.0 million from restricted receipts or \$2.1 million more than enacted to support initiatives of the Governor's Workforce Board through the Human Resource Investment Council. The Department anticipates increased revenues into the fund as the economy improves and employers hire more workers, adjusting grant expenditures accordingly. The grant awards for FY 2014 will be determined in FY 2013. The Council receives primary funding from the Job Development Fund, a 0.21 percent assessment of the employer's payroll tax. *The Governor recommends funding as requested.*

Work Immersion and Apprenticeship Programs. The enacted budget for the Department does not contain any general revenue funding for job training or work preparedness. *The Governor's recommendation includes Article 15 and \$2.0 million from general revenues for the creation of two new employment programs to be administered by the Governor's Workforce Board. This includes a 20-hour per week, 10-week work immersion program where employers are reimbursed half of the cost of the worker during the program and may receive up to 75 percent reimbursement if the individual is hired on a full-time basis upon completion. It also includes development of a non-trade apprenticeship program to be awarded on a competitive basis. He also includes \$1.0 million from general revenues in FY 2013 to begin these programs.*

All Other Workforce Development Grants. The Department requests \$1.0 million from federal funds for three new initiatives which are not included in the enacted budget. The first includes \$0.6 million for a new "On-Ramps to Career Pathways" program which will establish a system to enable low-skilled, low-literacy, and long-term unemployed workers to access those pathways. The second includes \$0.2 million for a workforce data quality initiative, a collaboration of several Departments and the Providence Plan, to expand on current efforts to create an education and workforce data infrastructure that can inform policy and guide future programmatic and resource decisions. The third is a \$0.1 million grant to be used to increase the number of disabled adults served in the netWORKri One-Stop Career Centers. *The Governor recommends funding as requested.*

Workforce Development Services Operations. The Department requests \$1.3 million from all sources for administration and operations of the workforce development services program, excluding

salaries and benefits and information technology expenditures. This includes \$1.2 million from federal funds and \$0.1 million from restricted receipts. The request is \$0.1 million more than enacted from federal funds, primarily for the continued job services program and the new disability employment initiative. Expenditures include \$0.4 million for lease costs and \$0.1 million for security expenses for the netWORKri offices, \$0.2 million for utilities and telecommunications expenses, \$0.2 million for centralized state costs, \$0.1 million for required customer satisfaction surveys, and \$0.3 million for all other expenditures, including postage, insurance and office supplies. *The Governor recommends \$90,931 more than requested, including \$76,578 from federal funds and \$14,353 from restricted receipts from shifting statewide benefit savings from non-general revenue sources to miscellaneous operating expenses.*

Temporary Disability Insurance Benefits. The Department requests \$165.0 million from the Temporary Disability Insurance Fund for the payment of temporary disability insurance benefits that protect eligible workers against wage loss resulting from a non-work related illness or injury. This is \$10.0 million less than enacted and \$5.0 million more than the revised request; the request is based upon the unemployment rate decreasing slightly, and fewer people potentially eligible for this program, combined with increasing medical and pharmacy costs. The Department spent an average of \$167.0 million per year from FY 2007 through FY 2009, but expenditures decreased to an average of \$156.6 million from FY 2010 through FY 2012. *The Governor recommends funding as requested.*

Temporary Disability Insurance Administration. The Department requests \$0.8 million from the Temporary Disability Insurance Fund for administration and operations of the temporary disability insurance program, excluding salaries and benefits and information technology expenditures. Expenses include \$0.4 million for postage and printing, \$0.2 million for telecommunications expenses, and \$0.2 million for all general office and operating expenses, bringing most of the expenses in line with FY 2012 expenditures, which were \$0.2 million above the final appropriation. The request is \$0.3 million more than enacted, reflecting increases for both telecommunications costs related to the new PBX phone system being installed at the Pastore Campus and postage expenses, essentially consistent with the revised request. *The Governor recommends \$38,987 more than requested, shifting statewide benefit savings from non-general revenue sources to miscellaneous operating expenses.*

Senior Community Service Employment. The Department requests \$477,899 from federal funds to support the Senior Community Service Employment Program, which is \$3,081 less than enacted reflecting the anticipated federal award for FY 2014. The Department continues to secure the general revenue match through the vendors. 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 recommends funding as requested.*

Workers' Compensation Administration Fund. The Department requests \$2.3 million from restricted receipts for claims on the Workers' Compensation Administration Fund, formerly known as the Second Injury Fund. This is \$270,000 more than enacted and \$110,000 less than the revised request. The Department assumes slightly decreased utilization with increased costs per case. *The Governor recommends funding as requested.*

[Staff note: This program is closed to new claimants, only 90 claimants remain. They range from 61 to 99 years of age and 53 percent are over 80 years of age. The Department continues to assume that medical costs will continue to increase, but also assumes attrition within the group.]

Workers' Compensation Operations. The Department requests \$2.1 million from restricted receipts, which is \$0.1 million more than enacted for administrative and operating expenses for the Workers' Compensation program, excluding salaries and benefits and information technology expenditures. This includes \$1.7 million for doctors, dentists, nurses, employing a graduate student under a training rotation, and other medical services provided at the Donley Rehabilitation Center, \$0.1 million for printing and postage, \$0.1 million for insurance needs and \$0.2 million for all other general office and operating expenses, including utilities, centralized state services, and office supplies. *The Governor recommends \$38,987 more than requested. The recommendation shifts \$30,094 in statewide benefits savings from non-general revenue sources to miscellaneous operating expenses and includes a savings of \$260 for state automobile insurance.*

Capital Improvements. The Department requests \$0.7 million from Rhode Island Capital Plan funds for ten asset protection projects at the Center General Complex, \$1.2 million less than enacted. This is consistent with the Department's capital budget request, discussed in the Capital Section of this analysis. The Department does not request any funding for the roof replacement project since it is expected to be completed in FY 2013. *The Governor recommends funding as requested.*

Information Technology and Computer Equipment. The Department requests \$2.3 million from all funding sources for information technology expenses departmentwide. The request includes \$40,526 from general revenues, \$1.5 million from federal funds, including \$0.8 million for unemployment insurance operations and \$0.7 million for workforce development services operations, \$0.5 million from restricted receipts, primarily for the workers' compensation program and \$0.2 million from temporary disability insurance funds. The request is \$51,418 more than enacted and \$1.6 million less than the FY 2013 revised request, primarily reflecting the loss of federal unemployment insurance funds for information technology projects, offset by increased workforce development funding primarily for the continued job services program and the new disability employment initiative.

The Governor recommends \$19,615 less from general revenues than requested, primarily for the workforce regulation and safety division. Consistent with his revised recommendation, he reduces expenditures proposed by the Department subsequent to the budget submission in order to keep general revenue expenditures at the enacted level and further reduces maintenance expenses.

Operating Transfers. The Department's request includes \$32.9 million for expenditures classified as "operating transfers," which is \$0.6 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 recommends funding as requested.*

Job Development Fund. The Department requests transferring \$22.5 million for payments on the state's unemployment insurance loans. This is \$3.9 million more than enacted. Funds collected from the 0.3 percent assessment are maintained in the Job Development Fund account, and then transferred to the Employment Security Fund account when making the principal and interest payments. *The Governor recommends funding as requested.*

Transfers to RI Higher Education. The request includes transfers of \$0.5 million from federal funds, \$0.2 million less than enacted to the three Rhode Island institutions of higher education. This includes \$0.4 million or \$0.2 million less from Trade Readjustment Act funding as well as \$0.1 million from the Workforce Investment Act Fund. There have been fewer individuals in the training programs

because of reduced eligibility from the unemployment insurance benefit extensions and increased use of other training programs not hosted by one of these three schools.

The request includes \$0.2 million for programs at the community college, \$0.1 million for the college and \$0.1 million for the university. This is a decrease of \$0.1 million for each school, compared to the enacted budget. The institutions are reimbursed for classes attended by Workforce Investment Act and Trade Adjustment Act clients for training and certificate programs offered by these institutions. *The Governor recommends funding as requested.*

Unemployment Benefits Owed to Other States. The Department's request includes \$8.0 million from the Employment Security Trust Fund for the payment of unemployment insurance benefits to other states, which is \$2.0 million less than enacted, based on year-to-date transactions. 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 recommends funding as requested.*

Unemployment Insurance Administration. The Department requests no transfers to the general fund for information technology and staffing expenses to reflect the remainder of special unemployment insurance administrative funding; it appears the funding will be transferred and spent in FY 2013. The funds must be transferred from the state's account on the federal level to the general fund in order for the Department to spend the funds. The enacted budget includes \$1.9 million for these transfers. *The Governor recommends funding as requested.*

Temporary Disability Insurance Transfers. The request includes \$1.9 million from temporary disability insurance funds transferred to the Department of Revenue to support the employer tax unit and Department of Administration debt service. This is \$0.9 million more than enacted to reflect centralized expenses for facilities management, the Division of Information Technology, and human resources which were inadvertently omitted from the Department's FY 2013 request and the enacted budget. *The Governor recommends funding as requested.*

All Other Operations. The Department requests \$0.3 million, including \$0.2 million from general revenues and \$0.1 million from restricted receipts for all other operations. This is \$50,316 more than enacted, primarily from general revenues. 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 \$3,401 for the Police and Fire Relief program. Expenses include \$0.1 million for postage and printing, \$0.1 million for legal services and \$0.1 million for all other general office expenses, including utilities, security services and vehicle and office equipment maintenance. The Department's general revenue increase in FY 2014 was based upon the increase included in the revised request, which was made in error. The request is \$2,411 more than the revised request, reflecting a one percent increase in expenditures.

As part of its constrained request, the Department adds \$864 for office equipment for the workforce regulation and safety division, the same division in which approximately two positions are being eliminated. It increased these expenditures, reaching the general revenue target exactly, instead of making numerous salary and benefit adjustments to reach the target.

The Governor's recommendation is \$53,420 less than the unconstrained request, including \$55,937 less from general revenues and \$2,517 more from restricted receipts. Consistent with the revised recommendation, he primarily reduces expenditures for the workforce regulation and safety division and Labor Relations Board, bringing expenditures in line with prior years plus his FY 2013

recommendation. The recommendation shifts \$2,517 in statewide benefit savings from non-general revenue sources to miscellaneous operating expenses.

Department of Revenue

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
Expenditures by Program				
Office of Director	\$ 783,388	\$ 953,117	\$ 1,183,020	\$ 1,222,847
Office of Revenue Analysis	538,285	483,865	561,666	528,721
Lottery Division	232,744,968	238,190,597	238,275,005	245,451,858
Division of Municipal Finance	2,564,780	2,375,134	2,525,666	2,351,173
Taxation	21,122,430	20,880,706	21,139,975	21,199,288
Registry of Motor Vehicles	19,715,041	20,097,464	21,325,481	20,716,373
State Aid	56,033,396	61,094,813	63,568,379	69,938,979
Total	\$ 333,502,288	\$ 344,075,696	\$ 348,579,192	\$ 361,409,239
Expenditures by Category				
Salaries and Benefits	\$ 40,094,660	\$ 40,675,907	\$ 45,607,544	\$ 44,209,564
Contracted Services	2,660,252	1,972,853	2,763,907	2,733,907
Subtotal	\$ 42,754,912	\$ 42,648,760	\$ 48,371,451	\$ 46,943,471
Other State Operations	233,481,927	237,403,606	234,126,009	242,113,313
Aid to Local Units of Government	56,033,396	61,094,813	63,568,379	69,938,979
Assistance, Grants, and Benefits	13,650	9,923	14,923	9,923
Capital	913,397	2,206,891	1,456,812	906,812
Capital Debt Service	-	-	-	-
Operating Transfers	305,006	711,703	1,041,618	1,496,741
Total	\$ 333,502,288	\$ 344,075,696	\$ 348,579,192	\$ 361,409,239
Sources of Funds				
General Revenue	\$ 95,342,244	\$ 99,940,996	\$ 104,373,801	\$ 109,976,995
Federal Aid	2,450,709	2,897,330	3,048,651	3,048,651
Restricted Receipts	1,845,255	1,821,849	1,821,886	1,821,886
Other	233,864,080	239,415,521	239,334,854	246,561,707
Total	\$ 333,502,288	\$ 344,075,696	\$ 348,579,192	\$ 361,409,239
FTE Authorization	458.0	489.0	495.0	492.0

Summary. The Department of Revenue requests expenditures of \$348.6 million, \$15.1 million more than enacted from all sources. This includes \$9.0 million more from general revenues, \$0.6 million more from federal funds, \$5.5 million from Lottery funds and \$23,000 less from restricted receipts. The Department requests staffing authorization of 495.0 full-time positions, 37.0 positions more than enacted for new Lottery regulatory staff associated with the expansion of table gaming at Twin River Casino. *The Governor recommends \$361.4 million, which is \$12.8 million more than requested, including \$5.6 million from general revenues. He recommends 492.0 full-time equivalent positions, 34.0 more positions than the authorized level, of which 31.0 are for casino regulation.*

Target Issues. The Budget Office provided the Department with a general revenue target of \$102.6 million. The amount includes current service adjustments of \$10.2 million and a 7.0 percent target reduction, adjusted for certain exclusions, of \$3.0 million.

The budget submitted by the Department is \$1.2 million less than the target, primarily from the exclusion of the license plate reissuance costs that were included in the current service calculation.

The Governor's recommendation is \$7.4 million above the target.

FY 2014 Budget	Budget Office	Department of Revenue	Difference
FY 2013 Enacted	\$ 95,342,244	\$ 95,342,244	\$ -
Current Service Adjustments	10,212,225	8,492,287	(1,719,938)
New Initiatives	-	539,270	539,270
Change to FY 2013 Enacted	\$ 10,212,225	\$ 9,031,557	\$ (1,180,668)
FY 2014 Current Service/Unconstrained Request	\$ 105,554,469	\$ 104,373,801	\$ (1,180,668)
Target Reduction/Initiatives	(2,987,425)	(1,806,757)	1,180,668
FY 2014 Constrained Target/Request	\$ 102,567,044	\$ 102,567,044	\$ -
<i>Change to FY 2013 Enacted</i>	<i>\$ 7,224,800</i>	<i>\$ 7,224,800</i>	<i>\$ -</i>

Office of the Director

Chief of Strategic Planning & Monitoring. Consistent with the revised request, the Department requests \$169,527 for 1.0 new position in the Office of the Director. The Department would transfer 1.0 unfunded vacancy from the Division of Motor Vehicles to hire a Chief of Strategic Planning and Monitoring. The Department indicates a need for an administrative officer who reports to the Director. The Department indicates that the position was filled as of the December 1, 2012 pay period. *The Governor recommends the requested funding; he also includes this in his FY 2013 revised budget.*

Internal Audit Position. The Department requests \$104,402 to fund a Senior Internal Auditor, who would be responsible for the oversight of balances, transactions, audits and other financial statements within the Department. The Department notes it would utilize 1.0 unfunded vacancy from the Division of Taxation. The position is also requested in the FY 2013 revised request. The Department indicates that the position was filled as of the December 1, 2012 pay period. *The Governor recommends the requested funding; he also includes this in his FY 2013 revised budget.*

Chief Financial Officer. The Department requests \$76,623 to fund 40.0 percent of the salary and benefits of its Chief Financial Officer. The Chief Financial Officer currently serves the same role for both the Department of Revenue and the Department of Administration. Previously, the Department of Administration has funded the position entirely. The Department continues to believe it does not need its own Chief Financial Officer. *The Governor recommends \$122,588 and 1.0 new full-time equivalent position to provide a Chief Financial Officer to serve the Department exclusively.*

All Other Operations. The Department requests \$832,468 from general revenues, which is \$49,080 more than enacted, to fund the remaining 6.0 full-time positions and all other operations. This includes \$42,876 for the upgrade of a Senior Legal Counsel to Deputy Chief of Legal Services. An internal desk audit determined that the occupant of the Senior Legal Counsel position has been given responsibilities and has been performing tasks at a level appropriate to a Deputy Chief of Legal Services. Also included in this request is \$3,650 more for legal representation on behalf of the state in cases in which the state may receive funds as a result of tobacco securitization settlements. The request also includes \$2,554 more for office equipment, maintenance and out-of-state travel. *The Governor recommends \$6,138 less than requested to reflect statewide benefit savings.*

Office of Revenue Analysis

Sales and Use Tax Simulation Model. The FY 2014 request includes \$30,000 from general revenues for a Sales and Use Tax Simulation Model, consistent with the enacted budget. The model would assist the Office in analyzing the impact of potential changes in tax policy. While the product is typically updated biennially, the funding for FY 2014 would allow the Office to investigate additional forecasting models.

The constrained budget eliminates the funding for the Sales and Use Tax Simulation Model. The Department indicates that the elimination of the model for FY 2014 would be consistent with its typical biennial updating. *The Governor includes the reduction proposed in the constrained request.*

All Other Operations. The Department requests \$561,666 from general revenues for staffing and operations expenses for the Office and its 4.0 full-time positions. This is \$23,381 more than enacted, including \$20,381 for salaries and benefits to upgrade two positions and incorporate current service adjustments to benefit costs consistent with Budget Office instructions. It also includes \$3,000 for conference travel expenses. *The Governor includes the requested funding adjusted for \$2,945 from statewide benefit savings.*

Lottery Division

Table Gaming Regulation. In anticipation of the November 6, 2012 referenda on table gaming at both Twin River and Newport Grand Casinos, the Department assumed a need to fund staffing, operation and equipment at both facilities. However, with the failure of the referendum for Newport Grand, the Department altered its original request for \$5.4 million and 37.0 new full-time equivalent positions to reflect changes in projected need. The Department's updated request is \$4.7 million from Lottery funds, with 31.0 new full-time equivalent positions.

The updated request includes \$3.4 million from Lottery funds for 31.0 new full-time equivalent positions, estimated to be hired by February 24, 2013, with the exception of the Legal Counsel and the Director of Casino Operations, which have an estimated hiring date of January 13, 2013. The Department further requests \$1.2 million from Lottery funds for reimbursements to the State Police for 8.0 full-time equivalent positions, who will work with casino security managers in supporting table gaming security and in pursuing criminal investigations. The request also reflects \$50,000 from Lottery funds for training and cellular phones and two-way radios for new personnel.

The Governor recommends \$4.3 million from Lottery funds. This includes \$3.0 million to fund 31.0 full-time equivalent positions, which include personnel for management, security and internal controls, and compliance and oversight. It also includes \$1.2 million for reimbursement to the State Police for 8.0 officers and \$84,901 for equipment, travel and educational expenses.

All Other Operations. The Department requests \$224.7 million from Lottery funds, or \$168,372 more than enacted, for all other Lottery operations. The request would support 53.0 full-time positions within the Lottery Division, the enacted authorization. The increase primarily reflects updated benefits consistent with the Budget Office planning values. As of December 2012, the Division had 49.0 of its 53.0 authorized positions filled. The request also includes the enacted level of \$219.1 million for lottery commission payments. Under current law, revenues generated from video lottery terminals at Newport Grand and Twin River Casinos are allocated to the City of Newport, Town of Lincoln, video lottery retailers, technology providers of video lottery technology, the Narragansett Indian Tribe and the two casinos, net of the state's share of the revenue.

The Governor recommends \$8.3 million more from commission payments and \$40,131 less for salaries and benefits to reflect additional turnover and statewide benefit savings.

Division of Municipal Finance

Human Resources Coordinator. Consistent with the revised request, the Department requests \$122,257 from general revenues to hire a Human Resources Coordinator. The position is currently on loan from the Department of Administration. The Department indicates that the coordinator will assist with the hire and placement of employees in the communities. *The Governor recommends funding as requested.*

Actuarial and Legal Services. The Department requests \$280,000 from general revenues, or \$300,000 less than enacted, for legal services related to the state oversight of financially distressed cities and towns. This reflects anticipated expenditures.

The FY 2014 constrained request includes a further reduction of \$193,000 from general revenues. This request includes \$183,000 less for legal services and \$10,000 less for financial services. *The Governor recommends funding consistent with the unconstrained request.*

All Other Salaries and Benefits. The Department requests \$1.9 million for all other salaries and benefits, which is \$141,629 more from general revenues than enacted, to fund salaries and benefits for 16.0 full-time positions. The increase primarily reflects step increases, projected turnover and updated benefits consistent with the Budget Office planning values. As of December 2012, 11.0 of the Division's 17.0 authorized positions were filled.

The Governor recommends \$143,917 less than requested of which \$12,260 is from statewide benefit savings and the remainder is from increased turnover savings from holding positions vacant.

Other Operating Expenditures. The Department's request includes \$63,576 for all other operating expenditures which is \$3,000 less than the enacted level to reflect exclusion of printing costs for the directory of municipal officials that is printed in odd fiscal year. The total includes \$40,590 for computer supplies and equipment and \$10,000 from general revenues for reimbursement to Newport and Jamestown for members of the fire and police departments and rescue personnel when using the bridge in the course of duty. The individuals are reimbursed by the municipality and the municipality is reimbursed by the state.

The Governor recommends \$25,576 less for computers based on historical spending needs and reducing toll reimbursements by \$5,000 based on year-to-date spending. Both adjustments are consistent with his revisions to the FY 2013 budget.

Local Aid

Payment in Lieu of Taxes. The Department requests \$41.7 million to fund the Payment in Lieu of Taxes program fully, at the current allowance by law of 27.0 percent, \$8.6 million more than enacted. This program reimburses cities and towns for property taxes that would have been due on real property owned by nonprofit institutions that by state law are exempt from taxation. They include nonprofit hospitals, state-owned hospitals, veterans' residential facilities or correctional facilities. Fully funded reimbursement is 27.0 percent of the forgone tax, though current law allows for a ratable reduction if the full amount is not appropriated. The Budget Office current service adjustment included \$8.6

million to increase funding for this program. *The Governor recommends the enacted level which equates to 20.8 percent of the authorized value.*

Property Revaluation Program. The Department requests \$0.5 million from general revenues to reimburse communities conducting scheduled property revaluations or statistical updates in FY 2014. This is \$1.1 million less than enacted to reflect anticipated expenses. Expenditures fluctuate annually; they were \$1.5 million in FY 2010; \$0.7 million in FY 2011; and \$1.6 million in FY 2012. Communities scheduled to conduct full revaluations in FY 2014 are Barrington, Cranston and East Greenwich. Communities scheduled to conduct statistical updates in FY 2014 are Exeter, Hopkinton, Narragansett, Newport and Tiverton. *The Governor recommends funding as requested.*

Distressed Communities Relief Fund. The Department requests the enacted amount of \$10.4 million to level fund the Distressed Communities Relief program in FY 2014. This program was established in 1990 under Rhode Island General Law 45-13-12, to provide assistance to the communities with the highest property tax burdens relative to the wealth of their 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 Governor recommends an additional \$5.0 million. His revised recommendation also includes an additional \$5.0 million for FY 2013.*

Redistribution of Property Tax Relief Credit. The Department's constrained request proposes the elimination of the property tax relief credit program for low income residents. The program would be maintained for the elderly and disabled. The Department estimates that the elimination would yield \$7.4 million in general revenue receipts. As a part of the same proposal, the Department would double the funding for the Distressed Community Relief Fund from \$10.4 million to \$20.8 million. Offsetting the cost of increasing funding, the Department indicates the estimated \$7.4 million in additional revenue generated from the narrowing of the property tax relief credit would be applied to the expansion of the fund. *The Governor does not recommend the elimination of the tax credit for low-income residents. The Governor adopts increased funding to distressed communities as noted above.*

Motor Vehicle Excise Tax Program. The Department requests the enacted amount of \$10.0 million to level fund the Motor Vehicle Excise Tax program in FY 2014, consistent with the FY 2013 enacted budget. The 2010 Assembly enacted legislation mandating a \$500 exemption from the assessed value applied to property taxes on motor vehicles and trailers. The state reimburses municipalities the amount of taxes lost from the exemption, 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 in the prior fiscal year. It also allows 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 recommends funding as enacted.*

Municipal Incentive Aid. The Governor proposes a new Municipal Incentive Aid program that, based on population, would distribute funding to municipalities that do not have locally-administered pension plans and those with plans who adhere to certain criteria. Communities with these plans must have submitted approved funding improvement plans if they are required to and if they are not required to, they must be making 100 percent of their annual required contribution. *The Governor recommends \$10.0 million from general revenues for FY 2014.*

Division of Taxation

Tax Amnesty. The 2012 General Assembly funded \$0.3 million from general revenues in one-time expenses for a 75-day tax amnesty in effect from September 1 to November 15, 2012. The funding was budgeted as follows: \$150,000 for media services, \$100,000 for temporary staffing and \$50,000 for postage and printing. The Department excludes these costs as they are one-time expenses. *The Governor excludes the funding as requested.*

Special Investigative Unit. The Department's constrained request proposes the creation of a Special Investigations Unit within the Division of Taxation. The unit would be comprised of 9.0 full time positions, 7.0 of which would be existing positions and 2.0 of which would be new. The unit would carry out criminal tax enforcement investigations and identify fraudulent tax returns. The Department has estimated that the unit could yield \$2.1 million in revenues for FY 2014, assuming the unit is working during the entire fiscal year. However, the Department indicates the unit would be functional approximately six months into FY 2014, which would reduce the estimated net revenue yield to \$1.1 million. The cost for the 2.0 new positions is not reflected in the unconstrained or constrained budget. *The Governor recommends \$176,000 and adds 2.0 new positions. His budget assumes \$1.3 million in additional revenue from this initiative.*

Outside Collection Agencies. The Department proposes that the Division of Taxation contracts with collection agencies to collect debts from non-residents of the state. The Department estimates that currently there are 11,554 non-residents owing \$28.9 million in outstanding debt to the state. As per Rhode Island General Law 35-3-14 (d), the director of administration has the authority to contract with attorneys to collect delinquent taxes for the tax administrator and agree to a fee as compensation for collecting the delinquencies. Based on the experience of other states, the Department believes that contracting with outside collection agencies would yield \$0.8 million. *The Governor recommends the proposal as requested and assumes \$750,000 in new revenue will be generated in FY 2014.*

Salaries and Benefits. The Department requests \$18.9 million from all sources of funds for salary and benefit costs for 207.0 full-time positions. This includes \$389,099 more than enacted, including \$468,571 more from general revenues. The increase primarily reflects updated benefits consistent with the Budget Office planning values and step increases offset by projected turnover savings equivalent to eleven positions based on an average salary of roughly \$57,300. As of December 2012, the Division had 195.0 positions filled. The Department's request includes the transfer of 1.0 unfunded vacancy from the Division to the Office of the Director.

In its constrained request, the Department proposes savings of \$1.2 million less from general revenues, from the elimination of 17.0 tax administrators. The Department notes that these administrators carry out field audits and direct collections and are high revenue generating positions. The Department projects that the elimination could potentially reduce revenue yield by \$7.1 to \$9.2 million.

The Governor recommends \$141,881 less than the unconstrained request to reflect statewide benefit savings.

All Other Operations. The Department requests \$2.3 million, which is \$71,554 less than enacted, for all other operations. This includes \$4,258 less from general revenues. Among the changes are \$67,500 less for indirect cost recovery, \$60,000 less for printing services, and \$9,000 less in computer equipment. These reductions are offset by an increase of \$3,300 for a lease for copy machines. *The Governor includes the requested funding and adds \$25,194 from statewide benefit savings from non-general revenues sources shifted to miscellaneous operating expenses.*

Division of Motor Vehicles

Computer Modernization Project Maintenance. The Department requests \$0.6 million from general revenues for maintenance costs related to the Modernization System capital project. The Department indicates that the requested amount will be necessary immediately after the system becomes operational. The FY 2013 enacted budget contains no funding for maintenance costs as the system is still being developed. *The Governor recommends funding as requested.*

Motor Vehicle Modernization Project. Consistent with the FY 2013 revised request, the Department requests \$466,280 from general revenues, or \$86,840 less than enacted, to reflect a reduction in contracted database administrators related to the Motor Vehicle Modernization System capital project. The adjustment appears to be based on the anticipated number of hours worked by the administrators contracted for FY 2013. The Department notes that expenses for the contractors are capitalized until the completion of the Modernization System project. *The Governor recommends funding as requested.*

Validation Stickers. The Department's constrained budget proposes savings of \$280,500 from general revenues from the elimination of validation stickers issued to Rhode Island motorists. The estimated savings include \$275,000 in printing costs and \$5,500 in mailing costs. The Department indicates that the state may also be able to streamline its registration process for additional savings that are not assumed in this proposal. The Department cites a 2010 study issued by the Commonwealth of Pennsylvania Department of Transportation recommending the elimination of validation stickers on several grounds, among them that it removes the possibility of stolen or forged stickers. While the Department indicates the elimination of stickers may prevent law enforcement officials from identifying vehicles without valid registration, the Department believes that installing police vehicles with laptops with interactive technology may partially mitigate this disadvantage. *The Governor recommends the proposal as requested.*

Accident Reports. The Department's constrained budget proposes the elimination of state accident reports currently required by law for savings of \$11,500 in postage from discontinued notification. The Department estimates that the revenue loss from eliminating the accident report would be \$287,000. The Department indicates that motorists often fail to file the state report because they mistake a local police report for the state report. Failure to file, however, can result in suspension of license and a reinstatement fee of \$150. The Department indicates the confusion that results from the requirement and redundancy of the report justifies the elimination of the report. *The Governor recommends funding as requested, but the Governor's budget inadvertently fails to account for the \$287,000 revenue loss.*

Elimination of Drivers' Manuals. The Department's constrained budget proposes the elimination of printed drivers' manuals currently available in English and Spanish for savings of \$15,000 in printing costs. The Department indicates that the manuals would be available online for printing. The Department notes that Massachusetts makes its manual available online but charges \$5.00 for each printed copy. *The Governor recommends the proposal as requested.*

Capitol Police Detail. Similar to the revised request, the Department requests \$181,280, or \$80,260 less than the enacted level from general revenues for personnel adjustments for Capitol Police detail at the Registry of Motor Vehicles. The request reflects projected expenses for officers currently assigned to the Registry.

The FY 2014 constrained request includes a reduction of \$22,000. *The Governor recommends funding consistent with the unconstrained request.*

Salaries and Benefits. The Department requests \$13.6 million from all sources for 170.0 full-time positions. The request is \$412,665 or 3.0 percent more than enacted, and staffing consistent with the enacted and revised budgets. All but \$1,123 of the increase is from general revenues. The increase primarily reflects benefits adjustments offset by projected turnover. The request includes \$0.3 million for overtime, or \$0.1 million more than enacted. As of December 2012, the Department had 153.0 filled full-time equivalent positions. *The Governor recommends \$351,493 less than requested, of which \$351,234 is from general revenues. The recommendation reflects increased turnover savings of \$126,000 with the remainder from statewide benefit savings.*

Commercial Vehicle Information Systems and Networks. The Department requests \$1.0 million from federal funds, or \$0.9 million more than enacted, to implement elements of the Commercial Vehicle Information Systems and Networks. Similar in focus to the Commercial Driver's License Projects, the program attempts to track individual commercial drivers by linking them to a single nationwide network. By fitting vehicles with scannable transponders, law enforcement officers may more easily identify the credentials and safety performance of commercial drivers. *The Governor recommends funding as requested.*

Performance and Registration Information Systems Management. The Department requests \$35,955 from federal funds for the Performance and Registration Information Systems Management project for implementing more stringent identification standards for commercial motor carriers. The objective of the program is to require motor carriers to improve their safety conditions by funding states to collect, identify and maintain United States Department of Transportation numbers on motor carriers. This grant is part of a multi-year grant for which the Department has received funding in prior years for other similar type projects. *The Governor recommends funding as requested.*

Commercial Drivers License. The Department requests \$0.2 million, which is \$0.2 million less from federal funds than enacted for the Commercial Driver's License project based on anticipated grant awards. The program, authorized by the federal Safe, Accountable, Flexible, Efficient Transportation Equity Act of 2005, is part of an effort by the federal government to establish a national network of commercial vehicles, which links automated testing scores of commercial drivers to their driving records. This grant is part of a multi-year grant for which the Department has received funding in prior years for other similar type projects. *The Governor recommends funding as requested.*

All Other Operations. The Department requests \$5.1 million from all sources, \$28,920 more than enacted for all other operations. This includes \$103,920 more than enacted from general revenues offset by \$75,000 less from federal funds. Included within the general revenue request is an additional payment of \$64,000 to a contractor as well as \$20,000 for an upgrade to the phone system at the Registry of Motor Vehicles to enhance service. The general revenue request also includes anticipated overhead and office expenses.

The FY 2014 constrained request includes \$12,608 less for janitorial services. *The Governor recommends funding consistent with the unconstrained request with a \$615 adjustment related to statewide benefit savings.*

License Plate Reissuance. The Department requests a two-year delay in reissuing new fully reflective license plates as required under Rhode Island General Law 31-3-33. The Department indicates the two-year delay would allow time to identify effective business processes for the distribution of the plates and work with Correctional Industries and the Department of Public Safety on finding appropriate production methods. The Department indicates that if the delay is not enacted, the new license plates would require a capital investment of \$5.5 million over three years. This was previously

delayed for two years as the prior requirement was September 1, 2011. *The Governor recommends delaying the license plate reissuance and includes Section 1, Article 6 to accomplish this.*

Sale of Bulk Information. The Department's constrained budget proposes the sale of bulk data to companies that seek to identify drivers' registration numbers for the enforcement of parking and toll violations. Four companies ACS, Complus, Net Solutions and Law Enforcement Solutions have requested to purchase bulk data from the Division of Motor Vehicles. Two other companies have expressed interest in purchasing bulk data. The Department indicates that the search for information requested by these companies is protected the Federal Driver Privacy Protection Act (DPPA). The Department indicates that revenue will be derived from each computerized access, or "hit," of records in the Division's database. The Department assumes 29,000 hits per month, or 348,000 hits annually. With an assumed charge of \$1 per hit, these sales would yield approximately \$348,000. *The Governor does not recommend this proposal.*

International Fuel Tax Agreement. The Department's request contains information on upcoming interstate changes to the International Fuel Tax Agreement. The International Fuel Tax Agreement is a compact between the 48 lower states and all Canadian provinces that simplifies the reporting of fuel use by motor carriers and the collection of fuel taxes. Participating carriers file quarterly fuel tax reports, which are used to determine a net tax or refund to carriers. Currently, the State of New York collects revenue on behalf of Rhode Island and other states. However, New York is considering discontinuing this role. If Rhode Island were to administer its own program, the Department projects the state would bear a high but undetermined cost. Given the uncertainty the request does not include an estimate of the proposed cost. *The Governor does not recommend changes relative to this issue.*

Legislature

	FY 2013	FY 2013	FY 2014	FY 2014
	Enacted	Revised	Request	Recommended
Expenditures by Program				
General Assembly	\$ 5,131,717	\$ 6,728,645	\$ 5,431,195	\$ 5,367,686
Fiscal Advisory Staff	1,678,830	1,682,519	1,720,712	1,712,414
Legislative Council	5,051,932	4,595,862	4,735,564	4,692,327
Joint Comm. on Legislative Affairs	21,642,507	23,834,819	21,632,258	21,493,079
Office of the Auditor General	5,325,332	5,058,071	5,332,387	5,312,142
Special Legislative Commissions	13,900	13,900	13,900	13,900
Total	\$ 38,844,218	\$ 41,913,816	\$ 38,866,016	\$ 38,591,548
Expenditures by Category				
Salaries and Benefits	\$ 33,033,478	\$ 31,483,632	\$ 32,944,120	\$ 32,661,678
Contracted Services	538,850	1,117,350	577,850	577,850
Subtotal	\$ 33,572,328	\$ 32,600,982	\$ 33,521,970	\$ 33,239,528
Other State Operations	2,616,390	3,640,834	2,774,546	2,782,520
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	2,300,000	2,300,000	2,300,000	2,300,000
Capital	355,500	3,372,000	269,500	269,500
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 38,844,218	\$ 41,913,816	\$ 38,866,016	\$ 38,591,548
Sources of Funds				
General Revenue	\$ 37,217,044	\$ 40,388,233	\$ 37,261,401	\$ 36,986,933
Federal Aid	-	-	-	-
Restricted Receipts	1,627,174	1,525,583	1,604,615	1,604,615
Other	-	-	-	-
Total	\$ 38,844,218	\$ 41,913,816	\$ 38,866,016	\$ 38,591,548
FTE Authorization	298.5	298.5	298.5	298.5

Summary. The Legislature estimates FY 2014 expenditures of \$38.9 million and 298.5 full-time equivalent positions. This includes \$37.3 million from general revenues and \$1.6 million from restricted receipts and includes funding for statewide benefit adjustments.

The Governor recommends \$0.3 million less from general revenues than requested. This includes \$274,468 less in statewide benefit savings and \$703 to reflect a rebate to the state's auto liability insurance policy. He also shifts \$8,677 in restricted receipt benefit savings to miscellaneous operating expenses.

Office of the Lieutenant Governor

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 1,065,132	\$ 1,062,212	\$ 1,113,011	\$ 1,100,193
Contracted Services	750	750	750	750
Subtotal	\$ 1,065,882	\$ 1,062,962	\$ 1,113,761	\$ 1,100,943
Other State Operations	25,310	25,538	26,066	23,805
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	1,500	1,250	1,500	1,250
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 1,092,692	\$ 1,089,750	\$ 1,141,327	\$ 1,125,998
Sources of Funds				
General Revenue	\$ 962,955	\$ 958,311	\$ 1,001,609	\$ 986,890
Federal Aid	129,737	131,439	139,718	139,108
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 1,092,692	\$ 1,089,750	\$ 1,141,327	\$ 1,125,998
FTE Authorization	8.0	8.0	8.0	8.0

Summary. The Office of the Lieutenant Governor requests expenditures of \$1.1 million for FY 2014, \$48,635 more than enacted, including \$38,654 more from general revenues, and the authorized level of staffing. *The Governor recommends \$1.1 million from all funds, which is \$33,306 more than enacted and \$15,329 less than requested. He recommends staffing consistent with the authorized level.*

Target Issues. The Budget Office provided the Office with a general revenue target of \$919,861. The amount includes current service adjustments of \$26,143 and a 7.0 percent target reduction of \$69,237. The Office's constrained budget is \$728 below the target reduction. *The Governor's budget is \$67,029 above the target.*

	Budget Office	Lieutenant Governor		Difference
FY 2014 Budget				
FY 2013 Enacted	\$ 962,955	\$ 962,955	\$	-
Current Service Adjustments	26,143	38,654		12,511
Change to FY 2013 Enacted	\$ 26,143	\$ 38,654	\$	12,511
FY 2014 Current Service/ Unconstrained Request	\$ 989,098	\$ 1,001,609	\$	12,511
Target Reduction/Initiatives	(69,237)	(82,476)		(13,239)
FY 2014 Constrained Target/Request	\$ 919,861	\$ 919,133	\$	(728)
<i>Change to FY 2013 Enacted</i>	<i>\$ (43,094)</i>	<i>\$ (43,822)</i>	<i>\$</i>	<i>(728)</i>

Affordable Care Act. The Patient Protection and Affordable Care Act requires states to have a new mechanism for purchasing health insurance coverage called exchanges, established by January 1, 2014.

The Office of the Lieutenant Governor is coordinating these efforts in conjunction with the Office of the Health Insurance Commissioner, the Executive Office of Health and Human Services, the Department of Administration and the Office of the Governor. The Office requests FY 2014 expenditures of \$139,718 from federal sources or \$9,981 more than enacted for staffing costs for 1.3 full-time equivalent positions that provide support services to the Healthcare Reform Commission. This is for step increases and benefit rate changes to reflect FY 2014 planning values consistent with Budget Office instructions.

The Governor recommends \$139,108, which is \$610 less than requested. This includes savings of \$1,302 from salaries and benefits to reflect the costs of positions allocation to this fund and a shift of \$692 to unidentified operating expenses.

Other Staffing and Operations. The Office requests \$1.0 million, \$38,654 more general revenues than enacted for all other staffing and operating expenditures. This includes step increases and benefit rate changes to reflect FY 2014 planning values consistent with Budget Office instructions. The request also includes \$12,511 more than the current service, largely attributed to the reclassification of a position and step increases for several other positions. As of pay period ending November 17, 2012, the Office had no vacancies. Operating expenditures reflect an increase of \$756 for maintenance of a copy machine.

As part of its constrained budget, the Office proposes to lay off an executive secretary position for a general revenue savings of \$79,476 and decreases operating costs by \$3,000, including printing and various computer supplies.

The Governor recommends \$14,719 less than requested. This includes statewide savings of \$4,935, consisting of \$4,857 from statewide benefits and \$78 for vehicle insurance, and \$9,862 less for all other expenditures primarily to correct the Office's Social Security calculation.

Office of Secretary of State

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
Expenditures by Program				
Administration	\$ 1,907,105	\$ 1,996,377	\$ 2,012,168	\$ 2,078,542
Corporations	2,068,731	2,087,321	2,160,807	2,152,424
State Archives	584,454	572,433	591,316	581,636
Elections	1,900,552	1,751,671	1,313,244	1,262,821
State Library	598,381	601,201	607,267	611,318
Office of Public Information	358,884	368,485	365,407	361,023
Total	\$ 7,418,107	\$ 7,377,488	\$ 7,050,209	\$ 7,047,764
Expenditures by Category				
Salaries and Benefits	\$ 5,150,026	\$ 5,102,991	\$ 5,385,914	\$ 5,445,507
Contracted Services	251,600	207,425	144,350	142,425
Subtotal	\$ 5,401,626	\$ 5,310,416	\$ 5,530,264	\$ 5,587,932
Other State Operations	1,781,271	1,807,885	1,271,833	1,211,720
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	135,611	135,611	135,611	135,611
Capital	99,599	123,576	112,501	112,501
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 7,418,107	\$ 7,377,488	\$ 7,050,209	\$ 7,047,764
Sources of Funds				
General Revenue	\$ 6,913,038	\$ 6,893,325	\$ 6,600,278	\$ 6,597,833
Federal Aid	-	2,566	-	-
Restricted Receipts	505,069	481,597	449,931	449,931
Other	-	-	-	-
Total	\$ 7,418,107	\$ 7,377,488	\$ 7,050,209	\$ 7,047,764
FTE Authorization	57.0	57.0	57.0	57.0

Summary. The Secretary of State requests FY 2014 expenditures of \$7.1 million, which is \$0.4 million less than the FY 2013 enacted budget. The request includes \$0.3 million less from general revenues and \$0.1 million less from restricted receipts. The request includes 57.0 full-time equivalent positions, consistent with the enacted authorization. *The Governor recommends \$7.0 million from all sources, including \$6.6 million from general revenues and \$0.4 million from restricted receipts. This is \$2,445 less from general revenues than requested and includes the requested level of 57.0 positions.*

Target Issues. The Budget Office provided the Office of the Secretary of State with a general revenue target of \$6.2 million. The amount includes current service adjustments of \$0.3 million and a 7.0 percent target reduction of \$0.4 million. The Office of the Secretary of State did not submit a constrained budget request. The Office's budget is \$0.4 million above the target. *The Governor's budget is \$0.4 million above the target.*

FY 2014 Budget	Secretary of		
	Budget Office	State	Difference
FY 2013 Enacted	\$ 6,913,038	\$ 6,913,038	\$ -
Current Service Adjustments	(340,142)	(312,760)	27,382
Change to FY 2013 Enacted	\$ (340,142)	\$ (312,760)	\$ 27,382
FY 2014 Current Service/Unconstrained Request	\$ 6,572,896	\$ 6,600,278	\$ 27,382
Target Reduction/Initiatives	(421,410)	-	421,410
FY 2014 Constrained Target/Request	\$ 6,151,486	\$ 6,600,278	\$ 448,792
<i>Change to FY 2013 Enacted</i>	\$ (761,552)	\$ (312,760)	\$ 448,792

Referenda Expenses. The request includes no general revenues for expenses relating to ballot referenda, which are a biennial expense, incurred only in the on-years in the two-year election cycle. The enacted budget includes \$155,000 for legal counsel, translator, printing and postage expenses. *The Governor recommends funding as requested.*

Election Expenses. The Secretary of State and the Board of Elections request \$1.9 million from general revenues, which is \$0.5 million less than enacted for election expenses, including salaries and benefits. These amounts exclude the referenda expenses noted above. The Secretary of State and the Board of Elections are requesting no federal funding for FY 2014 and do not anticipate receiving additional Help America Vote Act funds. *The Governor recommends \$1.8 million from general revenues, \$0.1 million less than requested.*

The Secretary of State requests \$1.3 million in expenditures from general revenues, which is \$0.4 million less than enacted. This includes \$456,000 less for printing expenses to reflect that FY 2014 is an off-year in the two-year election cycle. The request is \$0.1 million more than the Office's spending in FY 2012, the last off-year. *The Governor recommends \$50,423 less than requested including reductions of \$30,100 for postage expenses and \$4,950 for printing expenses primarily to reflect anticipated expenditures for absentee ballot applications.*

The Secretary of State's request includes \$65,781 more for salaries and benefits in the Elections and Civics Division, which is authorized for 7.0 full-time equivalent positions and currently has two vacancies, including a director of elections and an administrative assistant. The request reflects roughly \$50,000 more for the restoration of turnover to reflect anticipated staffing costs for positions in the division. The remaining increase of \$15,781 reflects benefit rate changes consistent with the Budget Office instructions. *The Governor recommends \$5,858 less than requested from general revenues including \$4,095 in additional turnover savings and \$1,763 from statewide benefit savings.*

The Board of Elections requests \$604,209 from general revenues for costs associated with the preparation and execution of election activities, including salaries and benefits, which is \$27,680 less than enacted. This includes \$120,000 less for voting equipment and supplies and \$50,000 less for printing expenses to reflect that FY 2014 is an off-year in the two-year election cycle. The Board requests the enacted amount of \$80,000 for legal services; however, its spending on legal services for the last two completed fiscal years was only \$28,439 in FY 2011 and \$52,058 in FY 2012. *The Governor recommends \$61,500 less than requested, primarily for legal services based on actual expenditures from recent fiscal years.*

State Archives. The Secretary of State requests \$591,316, or \$6,862 more than enacted for the operation of the state archives, which is funded primarily by the Historical Records Trust Fund. This includes \$62,000 more than enacted from general revenues and \$55,138 less from restricted receipts. The State Archives expenditures are expected to exceed available Historical Records Trust Fund receipts, and the Office is requesting the additional general revenues for rental payments for the

Archives. The Office requested the same level of general revenue appropriation in its FY 2013 revised request. *The Governor recommends \$9,680 less than requested. This includes \$2,423 from statewide benefit savings and also includes other reductions to better reflect anticipated operating expenditures.*

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 requests expenditures of \$881,293, which is \$15,779 less than the enacted budget. This includes \$486,202 for 4.8 full-time equivalent positions, or \$23,833 more than enacted. *The Governor recommends \$11,836 less than requested primarily to reflect statewide benefit savings.*

Other Salaries and Benefits. Excluding the elections and state archives divisions mentioned above and the Records Center, the Office requests \$4.4 million from general revenues, or \$0.2 million more than enacted for salary and benefit expenses for the 41.9 remaining full-time equivalent positions. The request includes \$115,059 more for current service adjustments to benefits and approximately \$46,550 appears to be from the restoration of turnover. The Office included no turnover savings in its request. However, the request appears to be understated because the Office inadvertently understated the salary for a position in the Administration Division by \$48,082.

The Office subsequently requested an additional \$75,222 to correctly reflect the salary and associated benefit costs for the position in Administration, noted above.

The Governor recommends funding largely consistent with the Office's revisions to its FY 2014 request. The recommendation corrects the compensation for the position in Administration and makes other adjustments to benefits, primarily to reflect the statewide savings.

State House Tours. Consistent with its revised request, the Office's request includes \$12,750 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 are at the request of General Assembly members and accommodate the various educational institutions throughout the state. 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 an average of \$12,198 from FY 2007 through FY 2012. Since FY 2009, the Office requested funding for this item, but neither the Governor nor the Assembly provided the funding. *The Governor recommends funding as requested.*

Rhode Island Government Owner's Manual. The Office requests no funds 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 \$15,050 in the FY 2013 enacted budget for printing the manual. *The Governor recommends funding as requested.*

Community Service Grants. The Office requests funding as enacted for the three community service grants it administers. This includes \$121,620 for the Rhode Island Historical Society, \$9,619 for the Museum of Work and Culture, and \$3,396 for the Newport Historical Society. *The Governor recommends funding as requested.*

All Other Operations. The Office of the Secretary of State requests \$600,704 from general revenues for all other operations, or \$53,239 more than enacted. The primary causes of this increase are the Office is requesting \$13,513 more for completing the work to consolidate printers and fax machines into multi-function copy machines and \$19,639 more than enacted for telephone charges. The Office,

which indicates it is in the process of adding call groups and adding a second operator's phone, to be used as a backup, requested the same level of appropriation for telephone charges in its FY 2013 revised request. *The Governor recommends \$9,798 less than requested. This includes a reduction of \$2,687 to reflect that telephone lines no longer needed by the Office will likely be cancelled in FY 2013.*

Office of the General Treasurer

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
Expenditures by Program				
General Treasurer	\$ 2,664,055	\$ 2,640,126	\$ 2,702,652	\$ 2,693,216
Unclaimed Property	20,733,930	30,405,046	18,300,592	18,552,116
Employees' Retirement System	12,024,051	9,974,156	12,011,472	11,666,065
Crime Victim Compensation	2,149,524	2,131,790	2,150,166	2,149,088
Subtotal	\$ 37,571,560	\$ 45,151,118	\$ 35,164,882	\$ 35,060,485
Expenditures by Category				
Salaries and Benefits	\$ 8,402,449	\$ 8,172,758	\$ 8,986,223	\$ 8,772,038
Contracted Services	3,107,694	3,244,015	3,328,550	3,214,550
Subtotal	\$ 11,510,143	\$ 11,416,773	\$ 12,314,773	\$ 11,986,588
Other State Operations	20,086,932	29,670,220	17,891,284	18,115,072
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	1,888,000	1,888,000	1,888,000	1,888,000
Capital	4,086,485	2,176,125	3,070,825	3,070,825
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 37,571,560	\$ 45,151,118	\$ 35,164,882	\$ 35,060,485
Sources of Funds				
General Revenue	\$ 2,542,115	\$ 2,582,801	\$ 2,628,377	\$ 2,354,692
Federal Aid	1,159,712	1,099,497	1,130,422	1,130,422
Restricted Receipts	33,618,221	41,252,232	31,171,360	31,346,448
Other	251,512	216,588	234,723	228,923
Total	\$ 37,571,560	\$ 45,151,118	\$ 35,164,882	\$ 35,060,485
FTE Authorization	82.0	82.0	85.0	83.0

Summary. The Office requests unconstrained expenditures of \$35.2 million, which is \$2.4 million less than enacted. This includes \$0.1 million more from general revenues. The Office requests 85.0 full-time equivalent positions, which is 3.0 more than authorized. The Office also submitted a constrained request that totals \$2.4 million from general revenues and includes \$0.3 million less from general revenues than the unconstrained request.

The Governor recommends \$35.1 million from all funds. This is \$2.5 million less than enacted and \$0.1 million less than requested. General revenues are \$0.2 million less than enacted and \$0.3 million less than requested. He recommends 83.0 full-time equivalent positions, which is 1.0 more than authorized.

Target Issues. The Budget Office provided the Office with a general revenue target of \$2.5 million. The amount includes current service adjustments of \$105,829 and a 7.0 percent target reduction of \$185,356. The Assembly committed general revenue funding for FY 2012 and FY 2013 to fund the Treasurer's costs associated with administering the new defined contribution pension plan until plan

participant administrative fees are able to generate enough restricted receipt revenue to support the Treasurer's administration costs.

The target failed to remove the general revenue funding for FY 2014, and the Office has indicated that it is requesting general revenues as part of its unconstrained request because of that.

The constrained budget submitted by the agency is \$103,182 below the target. The constrained budget request recognizes the availability and use of restricted receipt funds to support the administration of the defined contribution plan and removes the \$0.3 million from general revenues. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$0.1 million less than the target.*

FY 2014 Budget	Budget Office	Treasurer	Difference
FY 2013 Enacted	\$ 2,542,115	\$ 2,542,115	\$ -
Current Service Adjustments	105,829	105,829	-
<i>Change to FY 2013 Enacted</i>	\$ 105,829	\$ 105,829	\$ -
FY 2014 Current Service/ Unconstrained Request	\$ 2,647,944	\$ 2,647,944	\$ -
Target Reduction/Initiatives	(185,356)	(288,538)	(103,182)
FY 2014 Constrained Target/Request	\$ 2,462,588	\$ 2,359,406	\$ (103,182)
<i>Change to FY 2013 Enacted</i>	\$ (79,527)	\$ (182,709)	\$ (103,182)

Unclaimed Property Transfer to General Fund. The Office requests \$9.3 million for the transfer from unclaimed property to the state, \$1.4 million more than enacted. Transfers of unclaimed property to the state are shown as expenditures in the Office's operating budget. Although this represents the agency's estimate, the transfer is adopted by the Revenue Estimating Conference that meets in November and May and expenditures must reflect the estimate. *The Governor recommends a transfer of \$9.6 million, consistent with the November estimate.*

Unclaimed Property Claims. The Office requests \$8.0 million for payment of unpaid property claims, which is \$5.5 million less than enacted to reflect traditional claims activity. The FY 2013 estimate included additional claims based on the receipt of one-time revenues. Although this represents the agency's estimate, these expenditures will be based on the estimate adopted by the Revenue Estimating Conference that meets in November and May. *The Governor recommends claims of \$8.5 million, consistent with the November estimate.*

Unclaimed Property Change in Liability. The Office requests an increase of \$1.8 million in the amount of revenues set aside for future claims liability. Although this represents the agency's estimate, these expenditures will be based on the estimate adopted by the Revenue Estimating Conference that meets in November and May. *The Governor further decreases the set aside by \$0.4 million to reflect the November estimate.*

Unclaimed Property Auditors. The Office requests \$0.4 million, which is \$0.2 million less than enacted for auditor expenses for the unclaimed property program to reflect anticipated expenditures. The unclaimed property program contracts with audit firms to recover unclaimed property from insurance companies, banks and other businesses. *The Governor recommends \$0.1 million less than requested based on testimony given at the November Revenue Estimating Conference that expenses were going to be less than originally projected.*

Crime Victim Compensation. The FY 2014 request includes the enacted level of \$1.7 million for crime victim compensation claims. The program pays claims from restricted receipts and federal grant

awards. Restricted monies come from fees collected by the state courts. Federal funds come from the Victims of Violent Crimes program administered by the United States Department of Justice. *The Governor recommends funding as requested.*

Retirement System Computer Upgrades. The FY 2014 budget request for \$3.0 million is \$1.0 million less than enacted from retirement fund administration restricted receipts for a new computer system. The Retirement program is planning a major overhaul of its membership benefit database, the Anchor System. The current system is over ten years old and does not adequately address the program's operational needs. The Office is considering the upgrade due to major advancements in computer system capabilities over the past several years for public and private retiree programs.

The current system is a stand-alone system, utilizing outsourced technical support. The existing system was custom designed for Rhode Island's mix of state retirees, judges and state police with differing benefit structures based on periodic changes to law, in addition to several municipal-worker and teacher plans, all with different benefit structures. The current system, when initially selected, moved the system from a paper-based system to an advanced computer system, utilizing the best technology available at that time. *The Governor recommends funding as requested.*

Retirement System Information Technology. The Office requests \$130,000 more from retirement system administration restricted receipts for additional information technology system support services for the current retirement system computer system, Anchor. As the existing system ages, the Office has indicated that the cost of maintaining it increases. The system currently has a maintenance contract that expires in 2015. The System also pays for ad hoc services that are not part of the contract such as special security patches, disaster recovery testing and functionality or programming changes. *The Governor recommends funding as requested.*

Retirement System Actuaries. The request includes \$0.5 million from retirement fund administration restricted receipts, which is \$0.2 million more than enacted for actuarial costs. The additional cost will fund an experience study as part of the June 30, 2013 valuation. The Retirement System conducts an experience study every three years to evaluate the appropriateness of assumptions. The actuaries use the system's own experience where relevant and credible data is available. It uses population or general economic data such as inflation for other assumptions. The assumption changes are incorporated in future annual valuations that determine the rate required to support the defined benefit portion of the pension system. Rhode Island usually conducts an experience study every three years; however, the timing is at the discretion of the Board. *The Governor recommends funding as requested.*

Retirement System Auditors. The Office requests \$0.3 million from retirement fund administration restricted receipts for audit services, which is \$0.1 million more than enacted. The additional funding will be used to audit the payroll contributions from all municipal plan sponsors. *The Governor recommends funding as requested.*

Retirement System Fiduciary Insurance. The request includes \$154,500 from retirement fund administration restricted receipts for the procurement of fiduciary liability insurance for Retirement System board members for FY 2013. This is consistent with the enacted budget. *The Governor recommends removing the funding based on the Board's decision to delay procurement based on cost concerns.*

Defined Contribution Plan Administration. A major component of the new pension system is a defined contribution plan for all non-public safety state employees, teachers and municipal general

employees. The enacted budget includes \$0.3 million from general revenues for FY 2013 to pay for the Treasurer's expenses associated with administering the new defined contribution plan. The Assembly committed general revenue funding for FY 2012 and FY 2013 until plan participant administrative fees were able to generate enough restricted receipt revenue to support the Treasurer's administration costs.

The unconstrained budget request maintains the general revenue funding. The Budget Office current service estimates for FY 2014 neglected to remove the general revenue funding, and the Office has indicated that it is requesting general revenues as part of its unconstrained request because of that.

The constrained budget request recognizes the receipt and expenditure of restricted receipt funds to support the administration of the defined contribution plan and removes the \$0.3 million from general revenues. *The Governor removes the general revenue funding consistent with the constrained request and recommends \$22,000 less than requested from restricted receipts based on anticipated revenues.*

Retirement System New Positions. The FY 2014 request includes authorization for 3.0 new full-time equivalent positions and \$0.4 million from retirement fund administrative restricted receipts for 4.0 new Retirement System positions. The request includes authorization for 3.0 new positions and also reflects the transfer of 1.0 position from treasury operations to the Retirement System. The request assumes funding for a new operations manager, junior counselor and two staff accountants for approximately 11.5 months for FY 2014. *The Governor recommends authorization of 1.0 new full-time position and funding as requested. The intention is that the other new positions will be filled within the existing position authorization based on current vacancies.*

Other Salaries and Benefits. Excluding the positions mentioned above, the Office requests \$8.4 million for all other salaries and benefits for FY 2014. This is \$0.2 million more than enacted and includes \$0.1 million more from general revenues. The request includes turnover savings of \$187,871 which is equal to 1.5 vacant positions. The Office had 10.0 vacant positions at the time of the budget submission but has indicated that it plans to fill most of them by the end of the fiscal year. The FY 2014 request also reallocates personnel expenditures across program and source of funds. *The Governor's recommendation is \$0.2 million less than requested, including \$0.2 million in additional turnover savings and \$11,244 from statewide benefit savings.*

Other Operating Adjustments. The Office requests \$2.5 million for all other operating expenses, which is \$34,170 more than enacted including \$14,771 more from general revenues. Savings in buildings and ground maintenance are offset by additional record center expenses necessitated by the limited storage space in the new location in Warwick and planned computer upgrades and staff training expenses. Minor adjustments were made in various other office expenditures and contracted services.

The Governor recommends \$26,932 more than requested including \$6,530 more from general revenues. General revenues increase primarily to fund the second year of a three-year lease for a new vehicle for the business processing unit for bank deposits and other courier services. The recommendation also shifts \$12,816 in statewide benefit savings from non-general revenue sources to miscellaneous operating expenses. Savings in out-of-state travel are partially offset by increases in postage for the Retirement System.

Rhode Island Board of Elections

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 1,239,597	\$ 1,222,469	\$ 1,164,762	\$ 1,137,415
Contracted Services	362,845	90,876	503,857	171,788
Subtotal	\$ 1,602,442	\$ 1,313,345	\$ 1,668,619	\$ 1,309,203
Other State Operations	349,674	608,478	179,644	430,158
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	-	-	-	-
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 1,952,116	\$ 1,921,823	\$ 1,848,263	\$ 1,739,361
Sources of Funds				
General Revenue	\$ 1,952,116	\$ 1,921,823	\$ 1,848,263	\$ 1,739,361
Federal Aid	-	-	-	-
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 1,952,116	\$ 1,921,823	\$ 1,848,263	\$ 1,739,361
FTE Authorization	11.0	11.0	11.0	11.0

Summary. The Rhode Island Board of Elections requests \$1.8 million from general revenues, \$0.1 million less than enacted. The Board requests 11.0 full-time equivalent positions, consistent with the enacted authorization. The Board of Elections did not submit a constrained budget request.

The Governor recommends \$1.7 million from general revenues, which is \$0.2 million less than enacted and \$0.1 million less than requested. He includes 11.0 positions, consistent with the request.

Target Issues. The Budget Office provided the Board with a general revenue target of \$1.5 million. The amount includes current service adjustments of \$0.4 million and a seven percent target reduction of \$0.1 million.

	Budget Office	Board of Elections	Difference
FY 2014 Budget			
FY 2013 Enacted	\$ 1,952,116	\$ 1,952,116	\$ -
Current Service Adjustments	(408,359)	(103,853)	304,506
Change to FY 2013 Enacted	\$ (408,359)	\$ (103,853)	\$ 304,506
FY 2014 Current Service/Unconstrained Request	\$ 1,543,757	\$ 1,848,263	\$ 304,506
Target Reduction/Initiatives	(89,025)	-	89,025
FY 2014 Constrained Target/Request	\$ 1,454,732	\$ 1,848,263	\$ 393,531
Change to FY 2013 Enacted	\$ (497,384)	\$ (103,853)	\$ 393,531

The Board's budget is \$0.4 million above the target. *The Governor's budget is \$0.3 million above the target.*

Board Member Compensation. The Board of Elections requests \$54,782 for salaries and benefits for its seven members in FY 2014, which is \$16,782 more than enacted. Each member of the Board receives an annual salary of \$7,000 and the state pays certain payroll taxes, but members do not receive benefits. Currently only five of the seven members of the Board accept a salary. *The Governor recommends funding consistent with the enacted budget.*

Seasonal Staff. The Board of Elections is not requesting funding for seasonal staff to reflect that FY 2014 is an off-year in the two-year election cycle, during which fewer resources are needed. The FY 2013 enacted budget includes \$120,000 for seasonal staff for the November 2012 election. *The Governor recommends funding as requested.*

Other Salaries and Benefits. The Board of Elections requests \$1.1 million, or \$28,383 more than enacted from general revenues for salaries and benefits to fully fund 11.0 full-time equivalent positions for FY 2014. It appears the Board should have included \$11,012 more in its request for Social Security taxes, based on salaries requested and the current rates. Additionally it appears that the Board did not include employee co-payments when calculating medical insurance expenses. *The Governor recommends \$10,565 less than requested which reflects corrections to employee benefit calculations and statewide benefit savings.*

Electronic Reporting System. The Board of Elections requests \$150,000 to modify its electronic reporting system to comply with the Disclosure of Political Contributions and Expenditures law (Chapter 446 of the Rhode Island Public Laws of 2012), primarily the provisions requiring that individuals, businesses and political action committees making independent expenditures or electioneering communications file additional electronic reports to the Board in certain instances. The Board indicates the vendor which currently administers its electronic reporting and tracking system provided the \$150,000 estimate based on its experience with a similar reporting system in another state. *The Governor recommends funding as requested.*

All Other Election Expenses. The Board of Elections and the Office of the Secretary of State request FY 2014 expenditures of \$1.1 million from general revenues for all other costs associated with the preparation and execution of general election activities, excluding salaries and benefits. Combined, this is \$0.8 million less than the FY 2013 enacted budget, which was an on-year in the two-year election cycle. The Board of Elections and the Secretary of State are requesting no federal funding for FY 2014 and do not anticipate receiving additional Help America Vote Act funds. *The Governor recommends \$1.0 million from general revenues, \$0.1 million less than requested.*

The Board of Elections requests \$454,209 from general revenues for costs associated with the preparation and execution of election activities, excluding salaries and benefits, which is \$0.2 million less than enacted. This includes \$120,000 less for voting equipment and supplies and \$50,000 less for printing expenses to reflect that FY 2014 is an off-year in the two-year election cycle. The Board requests the enacted amount of \$80,000 for legal services; however, its spending on legal services for the last two completed fiscal years was only \$28,439 in FY 2011 and \$52,058 in FY 2012. *The Governor recommends \$61,500 less than requested, primarily for legal services based on actual expenditures from recent fiscal years.*

The Secretary of State requests \$0.7 million in expenditures from general revenues, which is \$0.7 million less than enacted. This includes \$0.5 million less for printing expenses and \$0.1 million less

for envelopes and other materials for primary and general elections. The request amount of \$674,517 is \$19,867 more than the Office's spending in FY 2012, the last off-year in the two-year election cycle. The Secretary of State is not requesting funding for referenda costs, which are a biennial expense, incurred only in the on-years. *The Governor recommends \$44,565 less than requested including reductions of \$30,500 for postage expenses and \$4,950 for printing expenses primarily to reflect anticipated expenditures for absentee ballot applications.*

All Other Operations. The Board of Elections requests \$79,292 from general revenues for all other operations, which is \$1,338 less than enacted. Most of the requested amounts appear to be based on the Board's actual spending in FY 2012. *The Governor recommends \$20,055 less than requested to more closely reflect actual expenditures from recent fiscal years.*

Rhode Island Ethics Commission

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Requested	FY 2014 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 1,337,258	\$ 1,337,996	\$ 1,383,371	\$ 1,377,281
Contracted Services	42,750	32,750	34,500	31,500
Subtotal	\$ 1,380,008	\$ 1,370,746	\$ 1,417,871	\$ 1,408,781
Other State Operations	170,755	156,295	167,755	162,305
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	7,118	7,118	7,118	6,118
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 1,557,881	\$ 1,534,159	\$ 1,592,744	\$ 1,577,204
Sources of Funds				
General Revenue	\$ 1,557,881	\$ 1,534,159	\$ 1,592,744	\$ 1,577,204
Federal Aid	-	-	-	-
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 1,557,881	\$ 1,534,159	\$ 1,592,744	\$ 1,577,204
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 \$34,863 more than enacted. The Commission requests 12.0 full-time equivalent positions, the authorized level. The Commission also submitted a constrained request that totals \$1,486,856 and includes \$105,888 less from general revenues and 2.0 fewer full-time equivalent positions than its unconstrained request. *The Governor recommends the authorized level of full-time equivalent positions and \$1.6 million from general revenues, which is \$19,323 more than enacted and \$15,540 less than the unconstrained request.*

Target Issues. The Budget Office provided the Ethics Commission with a general revenue target of \$1,486,876. The amount includes current service adjustments of \$32,857 and a 7.0 percent target reduction of \$103,862 that excludes the Commission's lease.

	Ethics		
FY 2014 Budget	Budget Office	Commission	Difference
FY 2013 Enacted	\$ 1,557,881	\$ 1,557,881	\$ -
Current Service Adjustments	32,857	34,863	2,006
Change to FY 2013 Enacted	\$ 32,857	\$ 34,863	\$ 2,006
FY 2014 Current Service/Unconstrained Request	\$ 1,590,738	\$ 1,592,744	\$ 2,006
Target Reduction/Initiatives*	(103,862)	(105,888)	(2,026)
FY 2014 Constrained Target/Request	\$ 1,486,876	\$ 1,486,856	\$ (20)
<i>Change to FY 2013 Enacted</i>	<i>\$(71,005)</i>	<i>\$(71,025)</i>	<i>\$(20)</i>

Staffing. The Commission requests \$1.4 million from general revenues for salary and benefit expenses for the authorized 12.0 full-time equivalent positions. The request reflects an increase of \$46,113 or 3.4 percent more than enacted for salary adjustments and benefit changes. This request is consistent with FY 2014 planning values and the agency's assumptions regarding employee benefit selections. The request assumes no turnover savings, which is consistent with the enacted budget.

As part of its constrained request, the Commission requests elimination of its Administrative Assistant and Research Aide positions. The agency's request assumes that this staffing reduction will decrease personnel expenditures by \$96,438 compared to the unconstrained request. The Commission notes that the suggested elimination of the two members of its administrative staff will have a significantly negative impact on its ability to fulfill its statutory obligations in an efficient and timely manner. It appears the Commission's request understates the value of the two positions and their elimination would produce \$122,703 in savings.

The Governor recommends \$1.4 million from general revenues for 12.0 full-time equivalent positions. He includes \$6,090 less than the unconstrained request to reflect statewide benefit savings.

Operations. The Commission requests \$209,373 from general revenues for all other operations which is \$11,250 less than enacted. The request includes a \$10,000 decrease in contracted outside legal services, reflective of historical expenditure rates. The Commission additionally requests a decrease in funds for operating expenses, including for postage, advertising, and utility costs. It should be noted that the Commission historically overestimates its operations need in the budget request. Though it appears the request is reflective of its prior over-estimation, it is still more than historical expenditures for these items. The request includes an increase of \$1,750 from general revenues for information technology contracted services, associated with the new online filing system for financial disclosure forms.

As part of its constrained request, the Commission requests \$9,450 of further general revenue reductions from its state operations. The request does not indicate that such a reduction in operations expenses will have an impact on its ability to perform its statutory obligations. *The Governor recommends \$0.2 million for all other Commission operations, which is \$20,700 less than enacted, and includes reductions proposed in the constrained request.*

Office of the Governor

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
Expenditures by Program				
Central Management	\$ 4,418,290	\$ 4,493,513	\$ 4,518,176	\$ 4,493,513
Rhode Island Health Benefits Exchange	22,163,245	-	23,667,069	-
Total	\$ 26,581,535	\$ 4,493,513	\$ 28,185,245	\$ 4,493,513
Expenditures by Category				
Salaries and Benefits	\$ 4,914,752	\$ 3,984,598	\$ 5,038,135	\$ 3,984,598
Contracted Services	20,696,834	700	22,197,534	700
Subtotal	\$ 25,611,586	\$ 3,985,298	\$ 27,235,669	\$ 3,985,298
Other State Operations	629,828	234,215	605,523	234,215
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	250,000	250,000	250,000	250,000
Capital	90,121	24,000	94,053	24,000
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 26,581,535	\$ 4,493,513	\$ 28,185,245	\$ 4,493,513
Sources of Funds				
General Revenue	\$ 4,418,290	\$ 4,493,513	\$ 4,518,176	\$ 4,493,513
Federal Aid	22,163,245	-	22,167,069	-
Restricted Receipts	-	-	1,500,000	-
Other	-	-	-	-
Total	\$ 26,581,535	\$ 4,493,513	\$ 28,185,245	\$ 4,493,513
FTE Authorization	45.0	45.0	45.0	45.0

Summary. The Office of the Governor requests FY 2014 expenditures totaling \$28.2 million from all funds and 45.0 full-time positions. This is \$1.6 million more than enacted and staffing consistent with the authorized level.

The Governor recommends general revenue expenditures of \$4.5 million and staffing consistent with the authorized level. The recommendation reflects the transfer of the Health Benefits Exchange and its 6.0 positions to the Department of Administration, and adds 6.0 new positions to the Office staff roster.

Target Issues. The Budget Office provided the Office with a general revenue target of \$4.2 million. The amount includes current service adjustments of \$0.1 million and a 7.0 percent target reduction of \$0.3 million. The Office submitted a constrained budget that is equivalent to the unconstrained budget and exceeded the target level by \$0.3 million. *The Governor's budget is \$0.3 million above the target.*

FY 2014 Budget	Office of the		
	Budget Office	Governor	Difference
FY 2013 Enacted	\$ 4,418,290	\$ 4,418,290	\$ -
Current Service Adjustments	104,595	99,886	(4,709)
Change to FY 2013 Enacted	\$ 104,595	\$ 99,886	\$ (4,709)
FY 2014 Current Service/ Unconstrained Request	\$ 4,522,885	\$ 4,518,176	\$ (4,709)
Target Reduction/Initiatives	(299,102)	-	299,102
FY 2014 Constrained Target/Request	\$ 4,223,783	\$ 4,518,176	\$ 294,393
<i>Change to FY 2013 Enacted</i>	<i>\$ (194,507)</i>	<i>\$ 99,886</i>	<i>\$ 294,393</i>

RI Health Benefits Exchange. In September 2011, the Governor issued an executive order to establish the Rhode Island Health Benefits Exchange as the centrally accountable office for operational and financial implementation, including policy development. The creation of the Exchange avoided federal intervention had the state not done so by January 1, 2013. The Exchange will report to the Board of the Rhode Island Health Benefits Exchange and will work with the Department of Health, the Office of the Health Insurance Commissioner and the Office of the Lieutenant Governor.

The Office requests FY 2014 expenditures of \$23.7 million, \$1.5 million more than enacted from federal and restricted sources to support the implementation of the Affordable Care Act. This includes an additional \$3,824 for salary and benefit adjustments. Based on staff's calculation, it appears that benefit costs are understated. The Office is staffed with 6.0 positions and as of the pay period ending December 29, 2012, all of the positions were filled. The request does not assume any turnover savings, consistent with the enacted and revised budgets. It includes new expenditures of \$1.5 million from restricted receipts, the revenue stream is unknown. *The budget reflects the transfer of the Health Benefits Exchange funding and the 6.0 positions to the Department of Administration.*

Office of the Governor - Staffing. The Office requests FY 2014 expenditures of \$4.0 million from general revenues to support staffing of 39.0 full-time positions. This is \$0.1 million more than enacted and staffing consistent with the authorized level. It assumes \$0.3 million in turnover savings, \$0.2 million more than enacted and is \$0.2 million less than the revised request. As of the pay period ending December 29, 2012, the Office had 3.5 positions vacant. Based on staff's calculation, it appears that the amount budgeted for benefits are slightly understated.

The Governor recommends \$23,882 less than requested to reflect statewide benefits savings. His budget adds 6.0 positions to the Office staffing roster and does not add resources to fund them.

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 recommends funding as requested.*

All Other Operations. The Office requests \$0.3 million from general revenues for all other operating costs, \$19,673 less than enacted, primarily for various dues including the National Governors Association and the Coalition of Northeastern Governors. It also includes an adjustment for a lease payment for a new vehicle that the Office purchased in 2011. The request is \$15,854 less than FY 2013 anticipated expenditures. *The Governor concurs, with the exception of providing \$781 less to reflect a statewide savings from vehicle insurance.*

Rhode Island Commission for Human Rights

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 1,223,719	\$ 1,198,827	\$ 1,225,266	\$ 1,231,503
Contracted Services	5,790	5,331	5,331	5,331
Subtotal	\$ 1,229,509	\$ 1,204,158	\$ 1,230,597	\$ 1,236,834
Other State Operations	234,251	235,659	220,110	222,589
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	-	-	-	-
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 1,463,760	\$ 1,439,817	\$ 1,450,707	\$ 1,459,423
Sources of Funds				
General Revenue	\$ 1,137,768	\$ 1,133,129	\$ 1,192,069	\$ 1,150,785
Federal Aid	325,992	306,688	258,638	308,638
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 1,463,760	\$ 1,439,817	\$ 1,450,707	\$ 1,459,423
FTE Authorization	14.5	14.5	14.5	14.5

Summary. The Commission for Human Rights requests \$1.5 million from all sources and the authorized level of 14.5 full-time equivalent positions for its unconstrained, current services request. This is \$13,053 less than enacted, including \$54,301 more from general revenues. The Commission also submitted a constrained request that totals \$1.1 million from general revenues and is \$70,291 less than the unconstrained request. *The Governor recommends \$1.5 million from all funds and 14.5 positions. This is \$4,337 less than enacted.*

Target Issues. The Budget Office provided the Commission with a general revenue target of \$1,121,778. The amount includes current service adjustments of \$54,301 and a seven percent target reduction of \$70,291.

	Budget Office	Commission for Human Rights	Difference
FY 2014 Budget			
FY 2013 Enacted	\$ 1,137,768	\$ 1,137,768	\$ -
Current Service Adjustments	54,301	54,301	-
Change to FY 2013 Enacted	\$ 54,301	\$ 54,301	\$ -
FY 2014 Current Service/Unconstrained Request	\$ 1,192,069	\$ 1,192,069	\$ -
Target Reduction/Initiatives	(70,291)	(70,291)	-
FY 2014 Constrained Target/Request	\$ 1,121,778	\$ 1,121,778	\$ -
Change to FY 2013 Enacted	\$ (15,990)	\$ (15,990)	\$ -

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 recommendation is \$29,007 above the Budget Office target.*

Federal Receipts. The Commission's budget assumes that federal receipts available to be spent in FY 2014 total \$258,638. The budget includes expenses totaling \$325,992 leaving a deficit of \$67,354 for FY 2014. It should be noted the Commission's constrained budget assumes that an additional \$42,767 would be available from federal receipts. This assumes that federal fund expenses cannot be shifted to general revenues in the constrained request to realize a federal receipt surplus at the end of the year. As a result, the deficit is reduced from \$67,354 to \$24,587. *The Governor's recommendation includes \$308,638 from federal sources, leaving a shortfall of \$17,354, which is offset by available receipts anticipated from a carry forward balance.*

Salaries and Benefits. The Commission requests \$1.2 million from all sources to support all salaries and updated benefit rates based on the Budget Office planning values. This is \$1,547 more than enacted, including \$23,651 more from general revenues and \$22,104 less from federal funds. The request includes a step increase and a shift of payroll expenses from anticipated federal receipts to general revenues.

The Commission proposes a 1.5 full-time position reduction in its FY 2014 constrained request for savings of \$70,291 to meet the Budget Office general revenue target. This assumes funding 13.0 full-time equivalent positions since this proposal would also result in a reduction of anticipated receipts that supports 0.5 full-time position. The constrained request also assumes federal expenses above the enacted level based on available receipts anticipated from federal resources.

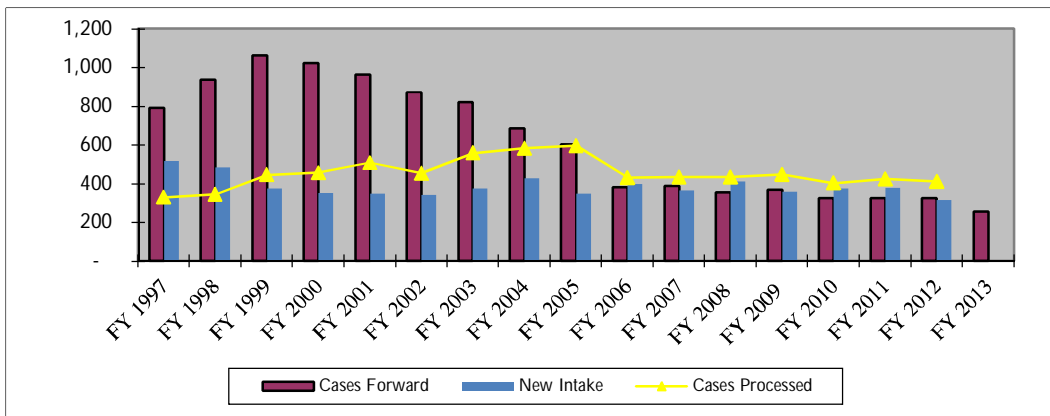
The Governor includes \$7,784 more than enacted from all sources, which is \$6,237 more than the unconstrained request, including \$41,284 less from general revenues. The general revenue reduction includes \$33,560 in additional turnover and \$7,724 from statewide benefit savings. His recommendation excludes the requested shift of payroll expenses from anticipated federal receipts to general revenues.

Other Operations. The Commission requests \$225,441 from all sources for all other operations, \$14,600 less than enacted. This includes \$30,650 more from general revenues and \$45,250 less from federal funds to reflect a shift of operating expenses based on available receipts anticipated from federal sources. The request also includes added costs for traveling, delivery services and utilities, which are offset by reductions from general operations based on historical spending. FY 2012 expenses were \$232,396. *The Governor recommends \$2,479 more than requested to reflect statewide benefit savings from federal sources.*

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 in FY 1999 reached a new high of 1,061 cases. However, as the result of two additional federally funded positions, the Commission was able to process an average of 511 cases per year from FY 2000 through FY 2004. During FY 2003, the Commission was able to process 582 cases, of which, 506 were closed, more than any other year in the Commission's 55-year history. In FY 2004, federal funding was exhausted and the 2.0 full-time equivalent positions were eliminated.

The Commission entered FY 2010 with a backlog of 323 unprocessed cases and intake of 375 new cases, and was able to close 402 cases, reducing its backlog to 296 cases. In FY 2011, the Commission intake of 378 new cases was offset by 422 closed cases with 323 cases forwarded to FY

2012. For FY 2012, the Commission intake of 314 new cases was offset by 411 closed cases with 255 cases forwarded to FY 2013. The Commission reports that with the ability to maintain the full staffing level of 14.5 full-time equivalent positions, the backlog reduction trend is expected to continue, ensuring timely due process for both complainants and defendants.



Public Utilities Commission

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 5,554,738	\$ 5,527,898	\$ 5,937,500	\$ 5,867,694
Contracted Services	1,717,243	1,717,243	1,717,243	1,717,243
Subtotal	\$ 7,271,981	\$ 7,245,141	\$ 7,654,743	\$ 7,584,937
Other State Operations	915,390	1,156,462	913,733	951,109
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	337	337	337	337
Capital	59,000	88,000	33,000	33,000
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 8,246,708	\$ 8,489,940	\$ 8,601,813	\$ 8,569,383
Sources of Funds				
General Revenue	\$ -	\$ -	\$ -	\$ -
Federal Aid	321,795	348,421	166,818	166,818
Restricted Receipts	7,924,913	8,141,519	8,434,995	8,402,565
Other	-	-	-	-
Total	\$ 8,246,708	\$ 8,489,940	\$ 8,601,813	\$ 8,569,383
FTE Authorization	47.0	48.0	49.0	49.0

Summary. The Public Utilities Commission requests FY 2014 expenditures of \$8.6 million, which is \$0.4 million more than enacted, including \$510,082 more from restricted receipts and \$154,977 less 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 requests 49.0 full-time equivalent positions, 2.0 positions more than enacted. *The Governor recommends \$8.6 million from all sources, which is \$32,430 less than requested from restricted receipts. He includes 49.0 full-time equivalent positions, which is 2.0 more than the current authorized level.*

Target Issues. The Public Utilities Commission does not receive general revenue funding and was not required to meet a target reduction set by the State Budget Office.

Investigative Auditor Position. The Commission requests \$108,231 from restricted receipts for 1.0 new full-time equivalent investigative auditor position for FY 2014. The Commission anticipates filling this position as of January 1, 2013 and has therefore included the position in its FY 2013 revised request. This position is intended to help address a current and projected backlog within the Auditing/Accounting Section of the Division of Public Utilities and Carriers. The Commission reports that due to a lack of adequate staffing, its regulatory scope is limited, specific to the Commission's statutory obligation to audit taxicab companies operating in the state. *The Governor recommends funding as requested. This position is also included in his revised recommendation for FY 2013.*

Consumer Agent Position. The Commission requests \$68,182 from restricted receipts for a new consumer agent position for FY 2014. If approved, this position will help address a current and projected backlog within the consumer section of the Division of Public Utilities and Carriers. During the first quarter of FY 2013, the Division experienced an increase in consumer related billing issues, service quality concerns and termination proceedings. The largest activity increase experienced by the Commission's consumer section was in electric and gas petitions, which increased approximately 560 percent. Percentage increases were made using the activity levels of FY 2011, since the data for FY 2012 is not yet made available by the Division. *The Governor recommends funding as requested.*

Stimulus Positions. The Commission requests \$133,927 less than enacted from federal funds for two full-time equivalent positions. The enacted budget supports these positions through American Recovery and Reinvestment Act funds granted to the Commission for FY 2011. These positions were created to help the Commission establish renewable energy and green technology standards in Rhode Island. Federal funding for these positions will expire on October 31, 2013. The Commission's request includes an initiative to add these two positions to the agency on a permanent basis, to be funded from its restricted receipts which are generated through billings to the regulated utilities. This is further explained under "Staffing Reorganization" in the next section. *The Governor recommends \$376 less than requested, reflective of statewide benefit savings.*

Staffing Reorganization. The Commission requests \$186,432 more than enacted from all funds for the reorganization and realignment of its staff. The request includes \$37,423 more than enacted from restricted receipts for the reclassification of two positions, creating two new classified positions to replace one unclassified and one classified, and the upgrade of one position. These changes are intended to establish consistency with Rhode Island General Law 39-1-19 which states that the Commission's employees "shall be in the classified service." It should be noted that this statute additionally empowers the Commission to employ unclassified personnel as necessary.

The request also includes \$149,009 from restricted receipts for the creation of two full-time equivalent positions to replace two full-time positions currently funded by the American Recovery and Reinvestment Act. The Commission believes retaining these positions is necessary and requests their permanent funding from its restricted receipts which are generated through billings to the regulated utilities. The Commission would be filling the requested positions with the staff members who occupied the previous positions.

The Governor recommends \$32,194 less than requested, including the requested personnel upgrade and the two requested full-time equivalent positions upon the expiration of American Recovery and Reinvestment Act funding in October 2013. He does not recommend the two requested position reclassifications.

All Other Salaries and Benefits. The Commission requests \$5.5 million from all sources for all other salary and benefit expenses for the remaining 42.0 positions. This is \$153,844 more than enacted. The request assumes \$139,488 of turnover savings, which represents approximately 1.8 full-time equivalent positions. The enacted budget did not include any turnover savings. The Commission's request is consistent with current planning values and employee benefits selections. *The Governor recommends \$37,236 less than requested from all sources to reflect statewide benefit savings.*

Public Utilities Reserve Account. The Commission requests the enacted amount of \$1.1 million from restricted receipts 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 recommends funding as requested.*

All Other Operations. The Commission requests \$1.5 million from all sources for all other expenditures. The request is \$27,657 less than enacted, which includes \$26,400 less from restricted receipts and \$1,257 less from federal funds, primarily due to reductions in vehicle, office expenses, and the expiration of American Recovery and Reinvestment Act funding in October, 2013. While the request is essentially consistent with the enacted budget, it is inconsistent with historical expenditures, which have been significantly lower than enacted. *The Governor recommends \$37,376 more than requested, including \$38,118 more in statewide benefit savings from non-general revenue sources shifted to miscellaneous operating expenses and \$742 less for state fleet insurance.*

Office of Health and Human Services

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
Expenditures by Program				
Central Management	\$ 101,678,567	\$ 106,889,369	\$ 116,870,076	\$ 117,688,401
Medical Assistance	1,650,693,517	1,615,558,597	1,603,260,194	1,742,673,697
Total	\$1,752,372,084	\$1,722,447,966	\$1,720,130,270	\$1,860,362,098
Expenditures by Category				
Salaries and Benefits	\$ 18,689,943	\$ 20,038,266	\$ 23,966,767	\$ 23,545,789
Contracted Services	47,424,906	42,157,506	49,517,267	49,688,357
Subtotal	\$ 66,114,849	\$ 62,195,772	\$ 73,484,034	\$ 73,234,146
Other State Operations	4,242,047	6,116,032	5,690,350	5,771,782
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	1,681,925,476	1,648,368,401	1,635,663,452	1,774,062,236
Capital	89,712	5,767,761	5,292,434	7,293,934
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$1,752,372,084	\$1,722,447,966	\$1,720,130,270	\$1,860,362,098
Sources of Funds				
General Revenue	\$ 825,065,703	\$ 801,380,770	\$ 822,471,021	\$ 851,008,592
Federal Aid	914,833,795	907,825,366	885,156,099	999,356,222
Restricted Receipts	12,472,586	13,241,830	12,503,150	9,997,284
Other	-	-	-	-
Total	\$1,752,372,084	\$1,722,447,966	\$1,720,130,270	\$1,860,362,098
FTE Authorization	168.0	169.0	195.0	194.0

Summary. The Office requests \$1,720.1 million from all sources including \$822.5 million from general revenues, \$885.2 million from federal funds and \$12.5 million from restricted receipts and a staffing level of 195.0. The request is \$32.2 million less than enacted, including \$2.6 million less from general revenues, \$29.7 million less from federal funds offset by \$30,565 more from restricted receipts and 195.0 positions, 27.0 more than the current authorized level.

The request includes \$14.4 million more from general revenues to adjust for the updated Medicaid rate of 50.11 percent for federal fiscal year 2014 or a blended rate for state fiscal year 2014 of 50.4 percent, lowered from the state fiscal year 2013 rate of 51.48 percent.

The Office did not request a current services budget; however, if the savings initiatives were excluded from its budget submission, the Office's FY 2014 general revenue request would total \$887.3 million, or \$62.2 million more than enacted.

The Governor recommends \$1,860.4 million from all funds, including \$851.0 million from general revenues and 194.0 positions. His recommendation is \$108.0 million more than enacted and \$140.2 million more than requested. This includes \$25.9 million more than enacted and \$28.5 million more than requested from

general revenues. He includes \$69.8 million in federal funds to expand Medicaid benefits to certain childless, non-disabled adults available under the Patient Protection and Affordable Care Act.

Target Issues. The Budget Office provided the Office with a general revenue target of \$821,621,161. The amount includes current service adjustments of \$58,398,298 and a seven percent target reduction of \$61,842,840.

FY 2014 Budget	Office of Health &		
	Budget Office	Human Services	Difference
FY 2013 Enacted	\$ 825,065,703	\$ 825,065,703	\$ -
Current Service Adjustments	58,398,298	58,398,298	-
Change to FY 2013 Enacted	\$ 58,398,298	\$ 58,398,298	\$ -
FY 2014 Current Service/Unconstrained Request	\$ 883,464,001	\$ 883,464,001	\$ -
Target Reduction/Initiatives	(61,842,480)	(60,992,981)	849,499
FY 2014 Constrained Target/Request	\$ 821,621,521	\$ 822,471,020	\$ 849,499
Change to FY 2013 Enacted	\$ (3,444,182)	\$ (2,594,683)	\$ 849,499

The constrained budget submitted by the agency is \$849,499 above the target. The proposals to achieve the reductions are noted among the items described where appropriate. *The Governor's recommendation is \$29.4 million above the target.*

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 2013 guidelines are shown in the following table.

Percent of Federal Poverty Level based on Annual Income									
Family Size	100%	133%	138%	150%	175%	180%	185%	200%	250%
1	\$ 11,490	\$ 15,282	\$ 15,856	\$ 17,235	\$20,108	\$20,682	\$ 21,257	\$ 22,980	\$ 28,725
2	15,510	20,628	21,404	23,265	27,143	27,918	28,694	31,020	38,775
3	19,530	25,975	26,951	29,295	34,178	35,154	36,131	39,060	48,825
4	23,550	31,322	32,499	35,325	41,213	42,390	43,568	47,100	58,875
5	27,570	36,668	38,047	41,355	48,248	49,626	51,005	55,140	68,925
6	31,590	42,015	43,594	47,385	55,283	56,862	58,442	63,180	78,975
7	35,610	47,361	49,142	53,415	62,318	64,098	65,879	71,220	89,025
8	39,630	52,708	54,689	59,445	69,353	71,334	73,316	79,260	99,075

For families with more than 8 members, add \$4,020 for each additional member for the 100 percent calculation.

Medicaid Expenses - State/National Comparison. The following table compares national and state 2009 Medicaid spending using the Centers for Medicare and Medicaid Services 2010 Actuarial Report on the Financial Outlook for Medicaid and information from the state's Executive Office of Health and Human Services. By percentage, Rhode Island's enrollment of children and parents (the state's RItE Care population) is lower than the national average. 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 Executive Office of Health and 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 Executive Office of Health and Human Services, as well as the Departments of Human Services, Behavioral Healthcare, Developmental Disabilities, and Hospitals, and Children, Youth and Families.

Enrollment and expenses for the aged population are 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 Office of Health and Human Services and the Department of Human Services' Division of 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	24.0	77,872	48.9%	44.5%	\$ 68,400	\$ 228.3	20.0%	13.4%	\$2,848	\$2,932
Children	11.4	39,190	23.2%	22.4%	46,800	172.5	14.0%	10.2%	4,123	4,402
Adults	9.0	40,763	18.3%	23.3%	148,400	871.1	44.0%	51.3%	16,563	21,371
Blind/Disabled	4.8	17,312	9.8%	9.9%	74,600	425.5	22.0%	25.1%	15,678	28,541
Aged	Total	49.1 175,137	100%	100%	\$338,100	\$1,697.4	100%	100%	\$6,890	\$9,692

*Source: Centers for Medicare and Medicaid Services 2010 Actuarial Report on the Financial Outlook for Medicaid and the Office of Health and Human Services; *in millions*

Patient Protection and Affordable Care Act. Title II of the Patient Protection and Affordable Care Act expands eligibility for Medicaid to lower income persons and assumes federal responsibility for much of the cost of this expansion. Beginning on January 1, 2014, all children, parents and childless adults who are not entitled to Medicare and who have family incomes up to 138 percent of poverty will become eligible for Medicaid. Between 2014 and 2016, the federal government will pay 100 percent of the cost of covering newly-eligible individuals. In 2017 and 2018, states that initially covered less of the newly-eligible population will receive more assistance than states that covered at least some non-elderly, non-pregnant adults. States will be required to maintain the same income eligibility levels through December 31, 2013 for all adults, and this requirement would be extended through September 30, 2019 for children currently in Medicaid. *The Governor includes Article 19 to provide Medicaid benefits to childless, non-disabled adults between the ages of 19 and 64 who meet the income threshold.*

Medical Assistance

The Caseload Estimating Conference met on November 5, 2012 and based on current law, set the FY 2014 medical assistance expenditures at \$1,665.1 million, including \$834.9 million from general revenues, which is \$32.8 million more than enacted from all sources and \$35.3 million more from general revenues. The Office submits a FY 2014 constrained request of \$1,548.3 million, of which \$792.0 million is from general revenues, that is \$48.1 million less than enacted from all sources and \$7.6 million less from general revenues. The request is \$80.9 million less than the adopted estimate, including \$42.9 million less from general revenues.

The estimate includes general revenue increases of \$14.3 million for an updated Medicaid rate of 50.4 percent, \$3.5 million for the pharmacy clawback payment and \$2.0 million to backfill the loss of receipts collected through the children's health account which is a direct offset to state funds.

The Governor recommends \$1,732.7 million, including \$820.9 million from general revenues. His recommendation is \$58.5 million more from all sources than the November caseload estimate, including \$14.0 million less from general revenues and \$72.6 million more from federal funds. His savings initiatives are discussed separately by program.

The following table itemizes medical assistance expenditures in FY 2011 and FY 2012, as enacted by the 2012 Assembly, adopted by the caseload estimators and recommended by the Governor. Each category is discussed separately.

Medical Assistance	FY 2011 Spent	FY 2012 Spent	FY 2013 Enacted	FY 2013 Gov. Rec.	FY 2014 Nov. CEC	FY 2014 Gov. Rec.
Hospitals						
Regular Payments	\$ 125.2	\$ 92.1	\$ 95.2	\$ 92.6	\$ 94.2	\$ 91.8
DSH Payments	122.2	126.9	127.7	127.7	129.8	129.8
Total	\$ 247.4	\$ 219.0	\$ 222.9	\$ 220.3	\$ 224.0	\$ 221.6
Long Term Care						
Nursing and Hospice Care	\$ 334.9	\$ 347.4	\$ 358.5	\$ 364.0	\$ 383.0	\$ 375.2
Home and Community Care	68.6	73.1	74.1	76.1	79.4	79.4
Total	\$ 403.4	\$ 420.5	\$ 432.6	\$ 432.6	\$ 462.4	\$ 454.6
Managed Care						
Rlte Care	\$ 504.3	\$ 482.1	\$ 489.1	\$ 477.3	\$ 494.4	\$ 494.8
Rlte Share	10.0	14.3	15.1	13.8	14.2	14.2
Fee For Service	73.5	62.1	91.5	85.0	93.2	93.2
Total	\$ 587.8	\$ 558.5	\$ 595.7	\$ 595.7	\$ 601.8	\$ 602.2
Rhody Health	\$ 176.9	\$ 175.6	\$ 209.7	\$ 191.4	\$ 201.7	\$ 198.8
Pharmacy	\$ 1.3	\$ (2.3)	\$ 3.9	\$ 2.8	\$ 3.0	\$ 3.0
Pharmacy Part D Clawback	\$ 36.4	\$ 47.4	\$ 49.7	\$ 50.2	\$ 53.2	\$ 53.2
Other Medical Services	\$ 123.5	\$ 115.8	\$ 117.8	\$ 115.8	\$ 119.0	\$ 190.3
Federal Funds	\$ 937.6	\$ 783.2	\$ 821.2	\$ 809.6	\$ 821.2	\$ 893.7
General Revenues	630.5	741.5	799.6	775.1	834.9	820.9
Restricted Receipts	8.7	9.8	11.5	11.9	9.0	9.0
Total*	\$ 1,576.9	\$ 1,534.5	\$ 1,632.3	\$ 1,596.6	\$ 1,665.1	\$ 1,723.7

* Expenditures in millions

Hospitals

The November Caseload Estimating Conference estimate includes hospital expenses totaling \$224.0 million, \$110.0 million from general revenues. It includes \$94.2 million for direct medical services and \$129.8 million for uncompensated care payments to community hospitals. *The Governor recommends \$221.6 million, including \$108.8 million from general revenues for hospital expenses. His recommendation is \$2.4 million less than the caseload estimate.*

Hospitals. The November Caseload Estimating Conference estimate includes FY 2014 expenditures at \$94.2 million, including \$46.7 million from general revenues. The expenditures in the estimate are \$1.0 million less than enacted for projected expenses, including \$0.5 million more from general revenues and \$1.5 million less from federal funds. The estimate also includes the \$11.8 million upper payment limit reimbursement made to the community hospitals.

The Department's FY 2014 request is \$8.0 million less than the conference estimate, including \$4.2 million less from general revenues.

The Governor recommends \$2.4 million less than the caseload estimate for total funding of \$101.0 million for the community hospitals, including \$1.2 million less from general revenues. He includes a proposal to freeze hospital rates paid through the fee-for-service and managed care programs, discussed separately.

Target - Inpatient and Outpatient Rate Eliminations. The Office's budget proposes savings of \$10.5 million from all sources, including \$5.2 million from general revenues, from eliminating the projected hospital inpatient and outpatient rate increases for FY 2014. This requires a statutory change and a category II change under the global waiver. The savings assume that the hospital would receive a 3.1 percent rate increase to the inpatient rate and 2.1 percent to the outpatient rate.

It should be noted that if this proposal is accepted, it could potentially increase the separate outpatient upper payment limit reimbursement made by the state to more closely align Medicaid payments with Medicare rates.

The Governor includes Article 19 to freeze the hospital rates to FY 2013 levels and includes savings of \$10.5 million, including \$5.2 million in hospital expenses, including \$2.4 million in the fee-for-services program, \$5.8 million in the Rlte Care program and \$2.3 million in Rhody Health. He also includes the necessary resolution to make the change through the global waiver.

Disproportionate Share Payments to Hospitals. The Caseload Estimating Conference includes \$129.8 million from all sources for the disproportionate share payments for uncompensated care costs to the hospitals. This includes \$63.3 million from general revenues and \$66.5 million from federal funds and is \$2.1 million more than the enacted budget. Funding is provided to Eleanor Slater Hospital and the state's community hospitals through the Office of Health and Human Services' budget. The Department's request includes the enacted level of \$127.7 million from all funds, but shifts \$1.2 million from federal funds to general revenues to account for the updated Medicaid match rate and does not reflect the caseload estimate. However, the conference estimate is based upon Department testimony and provides a more updated approximation of the payment.

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 recommends funding consistent with the caseload estimate and includes Article 12 to make an FY 2015 payment that does not exceed \$128.3 million.*

Hospital Uncompensated Care	FY 2013 Enacted	FY 2014 Nov CEC	FY 2014 Gov. Rec.	Gov. Change to Enacted
Community Hospitals				
State	\$ 60,425,276	\$ 62,551,019	\$ 62,551,018	\$ 2,125,742
Federal	65,741,612	65,748,981	65,748,982	7,370
Subtotal	\$ 126,166,888	\$ 128,300,000	\$ 128,300,000	\$ 2,133,112
Eleanor Slater Hospital				
State	\$ 738,333	\$ 755,118	\$ 755,119	\$ 16,786
Federal	810,508	793,723	793,722	(16,786)
Subtotal	\$ 1,548,841	\$ 1,548,841	\$ 1,548,841	\$ 1,548,841
Upper Payment Limit				
State	5,708,256	\$ 5,708,256	\$ 5,708,256	\$ -
Federal	6,056,493	6,056,493	6,056,493	-
Subtotal	\$ 11,764,749	\$ 11,764,749	\$ 11,764,749	\$ -
Total	\$ 139,480,478	\$ 141,613,590	\$ 141,613,590	\$ 2,133,112

Upper Payment Limit Reimbursements. The enacted budget includes \$11.8 million from all sources, \$5.7 million from general revenues to make the outpatient upper payment limit reimbursement to the state's community hospitals. The caseload estimate and the Department's request

include the payment for FY 2014.

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 recommends funding as requested.*

Target - Upper Payment Limit Reimbursements Cap. The Office proposes savings of \$10.6 million from all sources, including \$5.2 million from general revenues from limiting the upper payment limit reimbursement to ten percent of the payment. It should be noted that the base year for the payment is updated annually so a payment made in FY 2013 uses an FY 2011 base and an FY 2014 payment will use an FY 2012 base. The Department's proposal uses the FY 2013 payment so any update to the payment will alter the proposed savings. *The Governor does not recommend this proposal.*

Hospital License Fee. The Assembly included Section 1 of Article 21 of 2012-H 7323 Substitute A, as amended, which set the FY 2013 licensing fee at 5.35 percent based on 2011 revenues for all hospitals, including the state-run Eleanor Slater Hospital, except for South County Hospital and Westerly Hospital which will pay a lower 3.37 percent fee, subject to federal approval of a waiver. *The Governor includes Article 13 which extends the hospital licensing fee in FY 2014 consistent with the enacted rate. The licensing fee appears annually in the Appropriations Act.*

FY 2014 Hospital License Fee	FY 2013 Enacted	FY 2014 Gov. Rec.	Change to Enacted
Revenues			
<i>Base Year</i>	<i>2011</i>	<i>2011</i>	
<i>Tax Rate</i>	<i>5.35%</i>	<i>5.35%</i>	
Community Hospital License Fee	\$ 139,495,615	\$ 139,495,615	\$ -
Washington County Hospitals Waiver	(3,508,717)	(3,508,717)	-
Subtotal Licensing fee	\$ 135,986,898	\$ 135,986,898	\$ -
Slater License Fee	5,269,740	5,269,740	-
Total	\$ 141,256,637	\$ 141,256,637	\$ -

Long Term Care

Long Term Care. The Caseload Estimating Conference estimate includes long term care expenses at \$462.4 million, of which \$229.4 million is from general revenues. This includes \$383.0 million for nursing facilities and hospice care and \$79.4 million for home and community care. This is \$29.8 million more than the enacted budget, including \$19.4 million more from general revenues.

The Office's request is \$11.3 million more than enacted, including \$9.7 million more from general revenues and \$18.5 million less than the conference estimate of which \$9.8 million is general revenues.

The Governor includes \$454.6 million from all sources for long term care expenses, including \$225.5 million from general revenues. His recommendation is \$7.8 million less than the conference estimate, including \$3.9 million less from general revenues.

Nursing Facilities and Hospice Care. The Caseload Estimating Conference estimate includes FY 2014 expenditures of \$383.0 million, of which \$190.0 million is from general revenues for the state's 84 nursing facilities. It is \$24.5 million more than enacted from all sources and \$16.0 million more from general revenues for updated caseload and an annual cost adjustment. The Office's request adds \$5.9 million to the enacted budget, including \$6.2 million from general revenues for an updated Medicaid rate. The conference estimate is \$18.6 million higher than the Office's request of which \$9.7 million is from general revenues. *The Governor recommends funding consistent with the conference estimate.*

Target - Nursing Facilities Rates. The Office's budget includes savings of \$8.5 million, of which \$4.2 million is from general revenues, from eliminating the October 1, 2013 rate increase for the nursing facilities.

The Governor includes Article 19 to eliminate the FY 2014 rate increase and assumes savings of \$7.8 million, including \$3.9 million from general revenues. The savings is \$0.7 million less than the Department proposed based on updated projections based on the November conference estimate for nursing home costs.

Integration of Medicare and Medicaid. The enacted budget directs the Department 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 Department will 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. The budget does not include any savings from this contract.

The Department submitted an application to the Centers for Medicare and Medicaid Services in May 2012 and is in the process of issuing the letters of interest from managed care plans. *The Governor's recommended budget does not make any adjustments from this initiative.*

Home and Community Care. The November Caseload Estimating Conference estimate includes \$79.4 million for home and community care expenses, including \$39.4 million from general revenues in the FY 2014 estimate. This includes \$5.3 million more from all sources of which \$3.4 million is from general revenues.

The Office's request is \$5.4 million more than enacted, including \$3.4 million more from general revenues. The conference estimate is \$0.1 million less than the Office's request from all sources. *The Governor recommends funding consistent with the November caseload estimate.*

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 contracts 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 FY 2013 enacted budget includes savings of \$0.4 million, including \$0.2 million from general revenues from assuming the Office 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. The November estimate continues to assume the savings. *The Governor recommends funding consistent with the November caseload estimate.*

Managed Care

The Caseload Estimating Conference estimate includes managed care expenses of \$601.8 million, which is \$6.1 million more than enacted, including \$6.8 million more from general revenues. The estimate includes \$290.2 million from general revenues and \$311.6 million from federal funds and includes Rlte Care expenses at \$494.4 million, Rlte Share at \$14.2 million and fee-for-service expenses at \$93.2 million; a discussion of each follows.

The November estimate is \$6.1 million more than enacted and \$24.9 million more than the Office's request, including \$11.2 million more from general revenues. The Office's request is \$18.8 million less the enacted budget, including \$4.4 million less from general revenues and does not reflect the adopted estimate.

The Governor recommends \$602.2 million for managed care expenses, including \$284.4 million from general revenues. His recommendation is \$0.4 million more than the conference estimate and he includes several proposals impacting program expenses, discussed separately.

Rlte Care. The Caseload Estimating Conference estimated Rlte Care expenditures at \$494.4 million including \$245.2 million from general revenues. This is \$5.3 million more than enacted, including \$2.6 million more from general revenues, based on updated growth and average per member per month costs.

Currently, children up to age 19 are eligible for Rlte 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 \$48,825 a year. Parents are included in the coverage if the household income is at or below 175 percent or \$34,178 annually for a family of three. Coverage is also provided to children with special health care needs. The number of enrollees in Rlte Care in November 2012 is 137,483 including foster children and children with special health care needs.

The Governor includes \$494.8 million from all sources, including \$244.9 million from general revenues. His recommendation is \$0.4 million more than the conference estimate, his program changes are discussed separately.

Target - Rlte Care Parents at 133 Percent. The Office's budget includes savings of \$22.5 million, of which \$11.2 million is general revenues, from lowering the eligibility threshold for parents receiving Rlte Care benefits from 175 percent of poverty to 133 percent of poverty.

This change will eliminate coverage to approximately 7,000 parents. The savings from this proposal are based on passage of the budget by February 1, 2013 for implementation on July 1, 2013. Based on a July 1 passage, the change could be implemented by October 1, 2013 for savings of \$16.9 million, including \$8.7 million from general revenues. *The Governor does not recommend this proposal.*

Target - Pharmacy Benefits. The Office's budget includes savings of \$38.8 million from eliminating pharmacy benefits to adults, including those up to 133 percent of poverty receiving benefits through the Rlte Care program. This includes savings of \$11.1 million in the Rlte Care program of which \$5.5 million is from general revenues. Pharmacy benefits are not a mandatory Medicaid benefit; the state chooses to provide this benefit to its Medicaid population. This proposal requires a state

statutory change and federal approval of a category II Medicaid global waiver change by February 1, 2013.

It should be noted the savings are based on the number of individuals remaining in the program after assuming the parent's threshold is reduced to 133 percent of poverty. *The Governor does not recommend this proposal.*

Target - Managed Care Capitated Payments. The state pays a monthly capitated payment to both Neighborhood Health and United Healthcare to provide medical benefits for its RIte Care and Rhody Health enrollees. The state also negotiates a risk share/gain share agreement within the payment system to offset any losses or gains the state may incur with the managed care plans during the reconciliation process. The Office proposes savings of \$19.5 million, including \$9.7 million from general revenues from reducing the managed care capitation payments by 2.75 percent. This includes savings of \$13.0 million, of which \$6.5 million is from general revenues, in the RIte Care program.

The FY 2013 enacted budget includes savings from a 4.14 percent reduction based on updated experience. The Department reported that recent reconciliations indicated that growth in the actual cost experience of providing medical coverage for this population had fallen below the trends assumed in the capitation payments and projected price inflators. This is also consistent with the November conference estimate which lowered FY 2013 spending by \$25.7 million in the RIte Care program.

The Governor includes savings of \$8.9 million from lowering the rate paid to the managed care plans by 1.4 percent from the adopted November estimate for savings of \$6.0 million, including \$3.0 million in the RIte Care program. The rates are negotiated annually and the next resetting is for the July 1, 2013 through June 30, 2014.

Affordable Care Act – Primary Care. The Patient Protection and Affordable Care Act requires states to reimburse family medicine, general internal medicine, pediatric medicine, and related subspecialists reimbursed through Medicaid to make payment for these services at Medicare levels in calendar years 2013 and 2014. The increase is entirely federally funded. *The Governor adds \$17.0 million in federal funds for this requirement, including \$12.1 million in the RIte Care program.*

RIte Share. The Caseload Estimating Conference estimate includes RIte Share expenditures of \$14.2 million, including \$7.0 million from general revenues. This is \$0.9 million less than enacted, including \$0.4 million less from general revenues, based on decreased utilization. The Office's request is consistent with the enacted budget and does not reflect the adopted 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 participants if the coverage is similar to the cost and services offered through RIte Care. Until October 1, 2011, the state also paid the co-pays and deductibles for prescriptions and doctor's visits when the charges exceed the amount that the employer's insurance will pay. *The Governor recommends funding consistent with the caseload conference.*

Fee-Based Managed Care. The Caseload Estimating Conference estimate includes FY 2014 fee-based managed care expenditures of \$93.2 million from all sources, of which \$46.2 million is general revenues. The estimate is \$1.7 million more than enacted, including \$0.8 million more from general revenues from shifting some expenses from RIte Care to fee-based managed care and increased transportation expenditures. Fee-based managed care provides additional services to those in the

contracted managed care system. The Office's request is consistent with the enacted budget and does not reflect the adopted estimate. *The Governor's recommendation is consistent with the caseload estimate.*

Dental Benefits. The FY 2013 enacted budget includes a one-time \$1.8 million payment from the Neighborhood Health Plan of Rhode Island to offset the cost of providing adult dental benefits that were to be eliminated as part of the Governor's FY 2013 recommended budget. The Assembly recognized the additional revenue in FY 2013 to support the benefit; however, while the revenues are no longer available for use, the adult dental benefits continue to be funded in FY 2014.

The Assembly also passed Section 2 of Article 19 of 2012-H 7323, Substitute A as amended, to direct the Executive Office of Health and Human Services to provide a report to the Chairpersons of the House and Senate Finance Committees by January 1, 2013 that analyzes and evaluates the current dental benefits program for Medicaid eligible individuals and includes the number of recipients, types of services provided, reimbursement rates and the settings. The report shall also examine the opportunities for improved quality, access and value of potential partnerships with private entities and shall propose a five-year plan for dental services for Medicaid eligible adults. As of January 1, 2013, the report has not been submitted. *The Governor's budget is consistent with the caseload estimate that provides the dental benefits, and the revenue estimate that no longer includes the \$1.8 million payment.*

Rhody Health

Rhody Health. The Caseload Estimating Conference estimate includes expenditures of \$201.7 million from all sources, including \$100.8 million from general revenues for the program for FY 2014. This is \$8.0 million less than enacted, including \$2.0 million less from general revenues. The Office's request is \$19.0 million less than the enacted budget, including \$7.4 million less from general revenues. The Office includes two savings proposals discussed separately.

The Governor's recommendation is \$2.9 million less than the conference estimate for funding of \$198.8 million. He includes \$98.2 million from general revenues, \$2.6 million less than the conference estimate. He includes several initiatives, discussed separately.

Target - Managed Care Capitated Payments. The state pays a monthly capitated payment to both Neighborhood Health and United Healthcare to provide medical benefits for its RItE Care and Rhody Health enrollees. The state also negotiates a risk share/gain share agreement within the payment system to offset any losses or gains the state may incur with the managed care plans during the reconciliation process. The Office proposes savings of \$19.5 million, including \$9.7 million from general revenues from reducing the managed care capitation payments by 2.75 percent. This includes savings of \$6.5 million, of which \$3.2 million is from general revenues, in the Rhody Health program.

The FY 2013 enacted budget includes savings from a 4.14 percent reduction based on updated experience. The Department reported that recent reconciliations indicated that growth in the actual cost experience of providing medical coverage for this population had fallen below the trends assumed in the capitation payments and projected price inflators. This is also consistent with the November conference estimate which lowered FY 2013 spending by \$19.5 million in the Rhody Health program.

The Governor includes savings of \$8.9 million from lowering the rates paid to the managed care plans by 1.4 percent from the adopted November estimate for savings of \$2.9 million, including \$1.4 million in the Rhody Health. The rates are negotiated annually and the next resetting is for the July 1, 2013 through June 30, 2014.

Affordable Care Act – Primary Care. The Patient Protection and Affordable Care Act requires states to reimburse family medicine, general internal medicine, pediatric medicine, and related subspecialists reimbursed through Medicaid to make payment for these services at Medicare levels in calendar years 2013 and 2014. The increase is entirely federally funded. *The Governor adds \$17.0 million in federal funds for this requirement, including \$2.4 million in the Rhody Health program.*

Target - Pharmacy Benefits. The Office's budget includes savings of \$38.8 million from eliminating pharmacy benefits to adults, including those up to 133 percent of poverty receiving benefits through the Rlthe Care program. This includes savings of \$22.9 million in the Rhody Health Program, of which \$11.3 million is from general revenues. Pharmacy benefits are not a mandatory Medicaid benefit, the state chooses to provide this benefit to its Medicaid population. This proposal requires a state statutory change and federal approval of a category II change to the state's Medicaid global waiver by February 1, 2013. *The Governor does not recommend this proposal.*

Pharmacy

The Caseload Estimating Conference estimate includes pharmacy expenses of \$56.2 million; this is \$2.5 million more than enacted. This includes direct pharmacy costs and the state's estimated Medicare Part D clawback payment. The Department's request is consistent with the enacted budget and does not reflect the adopted estimate. Pharmacy costs also include psychotropic medicines for the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals' Medicaid eligible behavioral health clients. *The Governor recommends funding consistent with the conference estimate.*

Pharmacy. The Caseload Estimating Conference estimate includes FY 2014 pharmacy expenditures of \$3.0 million, of which \$2.1 million is from general revenues. This is \$1.0 million less than enacted, including \$0.5 million less from general revenues. Elderly and disabled individuals who are not enrolled in Rhody Health receive this fee-for-service pharmacy benefit. The caseload estimate separates the actual pharmacy costs for fee-for-service clients and the state's payment for the Medicare Part D clawback. The Office's budget includes a savings initiative, discussed below. *The Governor recommends funding consistent with the conference estimate.*

Target - Pharmacy Benefits. The Office's budget includes savings of \$38.8 million from eliminating pharmacy benefits to adults and those with disabilities. This includes savings of \$4.8 million of which \$2.4 million is from general revenues in the fee-for-service program. Pharmacy benefits are not a mandatory Medicaid benefit, the state chooses to provide this benefit to its Medicaid population. This proposal requires a state statutory change and federal approval of a category II change to the Medicaid global waiver by February 1, 2013 to achieve the projected savings. *The Governor does not recommend this proposal.*

Medicare Drug Benefit - Part D Clawback. The Caseload Estimating Conference estimate includes the state payment for the Medicare Part D clawback provision at \$53.2 million, \$3.5 million more than enacted. The Office's request is \$2.5 million more than the enacted and \$1.0 million less than the conference estimate. 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 do pay a \$1 co-payment for generic drugs or \$3 co-payment for brand names. *The Governor recommends funding consistent with the conference 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 includes expenditures for other medical services at \$119.0 million, which includes \$49.1 million from general revenues. The estimate is \$1.2 million more than the enacted budget, including \$5.4 million more from general revenues. The Office's FY 2014 request is \$10.7 million less than enacted and \$11.9 million less than the conference estimate and includes several savings initiatives, each discussed separately. It should be noted that of the \$5.7 million in added general revenues, \$2.5 million is from the loss of revenue in the children's health account, which is a direct offset to state costs, also discussed separately.

The Governor recommends \$190.3 million from all sources, including \$48.6 million from general revenues for other medical services. His recommendation is \$71.3 million more than the conference estimate, including \$72.3 million in federal funds for two actions available through the Affordable Care Act. He also assumes savings of \$0.1 million, \$0.5 million from general revenues from expanding the number of post-payment surveillance utilization reviews.

Affordable Care Act – Medical Benefits to Certain Childless Adults. The Affordable Care Act allows states to expand Medicaid funded benefits to childless, non-disabled adults ages 19 to 64 with annual incomes at or below 133 percent of federal poverty starting January 1, 2014. The benefits will be entirely federally funded through January 1, 2017 when the rate incrementally decreases to 90 percent on January 1, 2020. The act allows states to disregard five percent of an individual's income making the threshold 138 percent of poverty. *The Governor includes Article 19 to provide the coverage and adds \$69.8 million from federal funds for the benefits.*

Affordable Care Act – Primary Care Payments. The Patient Protection and Affordable Care Act requires states to reimburse family medicine, general internal medicine, pediatric medicine, and related subspecialists reimbursed through Medicaid to make payment for these services at Medicare levels in calendar years 2013 and 2014. The increase is entirely federally funded. *The Governor adds \$17.0 million in federal funds for this requirement, including \$2.5 million in the other medical services program.*

Medical Assistance Recoveries. The Department's Medicaid recovery unit recoups payments from Medicaid providers for overpayment, third party liability, estate recoveries and utilization reviews. *The Governor includes savings of \$1.0 million from all funds, including \$0.5 million from general revenues from using a real-time predictive modeling initiative to transition from the current post-payment model of recovery. He includes \$2.0 million from all funds, including \$0.2 million from general revenues for enhancement to the Medicaid management information system for these changes.*

Target - Katie Beckett Services. The Office includes savings of \$20.5 million, of which \$10.2 million from general revenues from eliminating optional Medicaid services to children requiring an

institutional level of care in its FY 2014 request. It has not included any additional costs from children moving from a home setting to a hospital or nursing home. The savings are based on General Assembly approval by at least February 1, 2013 in order to eliminate the program on July 1, 2013. The Office also reports that federal maintenance of effort requirements under the Affordable Care Act may prevent the state from making this change and could possibly impact the state's ability to leverage Medicaid for its cost not otherwise matchable (CNOM) programs through the global waiver. *The Governor does not recommend this proposal.*

Children's Health Account. The enacted budget includes \$11.5 million from restricted receipts, which provide direct general revenue savings, for the children's health account. Every insurance provider that delivers certain services to children with special health care needs receives an assessment equivalent to the amount paid by the Office of Health and Human Services for those services, not to exceed \$7,500 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 services within it. The November caseload estimate lowers the receipts by \$2.5 million to \$9.0 million in FY 2014. *The Governor recommends funding consistent with the caseload estimate.*

Health Homes Phase I – CEDARR. The enacted budget includes general revenue savings of \$1.3 million from providing 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 for two years. The November caseload estimate adds back the funding since the two year eligibility has ended.

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 recommends funding consistent with the caseload estimate.*

Central Management

Staffing. The Office's request adds 27.0 positions to its current authorized level for total staffing of 195.0 positions in the executive office. Consistent with the revised request, the Office adds 22.0 new positions and adds a new legal position for an individual from the Department of Administration. The new positions include 7.0 for the Unified Health Infrastructure Project, an Associate Director of Management Services to oversee program audit and oversight activities, 5.0 clerk positions, 4.0 rate analysts, and 5.0 administrator and policy positions.

The FY 2014 request also transfers the current chief financial officer positions for the Departments of Human Services, Health, Behavioral Healthcare, Developmental Disabilities and Hospitals, and Children, Youth and Families to the executive office, discussed below. *The Governor includes the requested positions.*

Chief Financial Officers Transfer to Executive Office. The FY 2014 budget request adds \$0.7 million from general revenues to transfer four chief financial officer positions from the Departments of Human Services, Behavioral Healthcare, Developmental Disabilities and Hospitals, Health, and

Children, Youth and Families to the Executive Office of Health and Human Services. Three of the positions are filled; however, it appears that the budget overfunds one position by approximately \$11,000. *The Governor recommends the transfer and correctly funds the positions.*

Strategic Plan. The Office is reorganizing its current staffing and adding personnel for its responsibilities under the Affordable Care Act and the Unified Health Infrastructure Project. Its request does not include any funding to develop a strategic plan for these changes. *The Governor includes \$0.2 million from all sources, including \$0.1 million from general revenues for the Office to develop a strategic plan for its operations and organizational structure. As noted, the Governor includes the staffing increase and funds the Unified Health Infrastructure Project as requested by the Office.*

Unified Health Infrastructure Project. The Office requests \$20.3 million from all sources, including \$3.6 million from general revenues for the Unified Health Infrastructure Project. This is \$11.3 million more than enacted, including \$2.7 million more from general revenues. This includes \$0.8 million to support seven new positions. Funding also supports system upgrades and contractors.

The Department has received approval from the Centers for Medicare and Medicaid Services to implement the nine-year \$235.9 million project that includes \$162.6 million from Medicaid matched by \$73.3 million from general revenues. *The Governor recommends funding as requested with the exception of savings from the statewide benefits changes.*

Predictive Modeling Initiative. The Office currently uses a post-payment review process for its Medicaid payments allowing it to recoup any overpayments or incorrect claims payments from its vendors.

The Governor recommends \$2.0 million from all funds, including \$0.2 million from general revenues for enhancements to the Medicaid management information system to incorporate the use of real-time predictive modeling of Medicaid claims allowing the Office to disqualify claims before being paid and disqualifying Medicaid providers. It is anticipated that the state can realize the 90 percent match for the technology changes. It should be noted that the Governor's recommendation includes \$1.0 million in savings from these program changes, including \$0.5 million from general revenues for a net state savings of \$0.3 million.

Currentcare. The Rhode Island Quality Institute has partnered with the State of Rhode Island to develop Currentcare, Rhode Island's electronic health information exchange, an electronic network that gives medical professionals access to their patients' health information. The Office's FY 2014 request includes \$0.6 million from general revenues to be matched with \$1.8 million from Medicaid for the \$1 per member/per month cost for medical assistance recipients in the exchange. *The Governor recommends funding as requested.*

Electronic Health Records. In July 2011, the Department began the Electronic Health Records Incentive program where eligible medical providers and acute care hospitals with at least 30 percent and 10 percent of Medicaid patients in the prior calendar year, respectively, may be eligible for these incentive payments to adopt and upgrade certified health records technology. All incentive payments to providers and hospitals are paid with federal funds. The Office includes the enacted level of \$13.7 million from federal funds to support the electronic health records initiative. *The Governor recommends funding as requested.*

HIV Treatment Services. The Office's request includes \$12.3 million from all sources, including \$2.6 million from general revenues for HIV services and administration. The request is \$86,592 more than enacted from federal funds. This includes adding one position and decreasing funding to AIDS Care Ocean State and Rhode Island Project AIDS; however, the Office reports that this adjustment was made in error.

It should be noted that with the implementation of federal health care reform, uninsured individuals will have access to health insurance that covers the medical benefits portion of the program. *The Governor recommends \$1.0 million less than requested including \$0.5 million less from general revenues and assumes that 25 percent of the drug costs paid by the state will now be covered through the expansion of health care benefits beginning January 1, 2014.*

The budget continues to include \$2.9 million, of which \$1.5 million is from general revenues to support the program; however it appears that based on the \$4.0 million request for the Medicaid funded drug benefit, the savings may be greater.

Early Intervention Services. The Department requests \$7.5 million from all sources for early intervention activities, including \$5.3 million for treatment services and \$2.2 million for administrative costs. This includes \$4.5 million for Medicaid eligible activities covered under the global waiver. *The Governor adds \$0.3 million more from all sources, including \$0.2 million from general revenues for Medicaid funded treatment activities.*

Medicaid Administration Operations. Excluding other adjustments, the Office requests \$50.8 million from all sources, including \$15.2 million from general revenues for medical administration operations. This is \$1.2 million more than enacted including \$0.3 million more from general revenues in FY 2014. This includes increased staffing costs offset by reduced operating and contracting costs. Medicaid administration activities also include Rte Care and Rte Share contracted administrative activities, early intervention services, claiming costs and other operating expenses. The Office has also negotiated a new contract with HP Enterprises for claiming and administration activities in the Medicaid program. *The Governor recommends funding as requested with the exception of savings from the statewide benefits changes.*

Central Administration Expenses. Excluding other adjustments, the Office requests \$9.4 million, including \$8.4 million from general revenues for central administration operations. This is \$1.6 million more from all sources, including \$1.5 million more from general revenues. The request includes \$1.4 million more for new positions and staffing upgrades of which \$1.3 million is from general revenues. *The Governor includes the new positions but not the staffing upgrades and including savings from the statewide benefits changes.*

Race to the Top Funding. The Office requests \$537,780 from federal Race to Top funds to be used in FY 2014. This is \$225,780 more than enacted and \$399,458 more than the revised request. The Office reports that FY 2013 funds will be used to pilot the assessment which the Rhode Island Department of Education is developing with two of the 13 early intervention providers. At this time there is no contract but the Office is working with state purchasing. This assessment would be in addition to the activities currently conducted by the early intervention providers. *The Governor recommends funding as requested.*

Office Relocation. The Office does not request any funding to rent space in Providence for its staff. It should be noted that the Office's revised request includes \$138,322 from all sources, including \$69,161 from general revenues. On December 4, 2012, the State Properties Committee gave the Office permission to develop and issue a request for proposals to determine what lease options are

available and what the cost would be to the state. *The Governor's recommended budget does not include funding for office space.*

Health Care Planning and Accountability Advisory Council. The Office's request eliminates the \$150,000 from general revenues in the enacted budget that was used to support the health care planning and accountability advisory council. The support activities include research and reporting related to the council's objective to develop ongoing assessments of the state's health care needs and health care system. *The Governor recommends funding as requested.*

Nursing Facilities Penalty Receipts. The Office requests \$65,000 from restricted receipts, or \$5,000 more than enacted, collected from penalties levied against nursing homes for violations. *The Governor recommends funding as requested.*

Special Education. The Office requests \$650,100 more than enacted from Medicaid funds for total payments of \$25.0 million to reflect updated costs for special education services provided and paid for by local education agencies for which the state leverages Medicaid matching funds. The request is consistent with the revised request and FY 2012 spending. *The Governor recommends funding as requested.*

2013-H 5127

The Governor recommends legislation that affects implementation and operation for some of the Office's programs. These are included as articles in the Governor's FY 2014 recommended budget and are summarized below.

Article 12. Hospital Uncompensated Care. Article 12 extends the uncompensated care payments to the community hospitals with the state making a payment for FY 2015 that does not exceed \$128.3 million.

Article 13. Hospital Licensing Fee. This article extends the hospital licensing fee in FY 2014 at a rate of 5.35 percent on net patient services revenue for the hospital fiscal year ending on or after September 30, 2011 for all community hospitals except South County and Westerly which, subject to federal approval, will be assessed a 3.37 percent license fee. It includes the due date for filing returns and making the payment.

Revenue from the two-tiered fee will be \$141.3 million including \$136.0 million from community hospital payments and \$5.3 million from state payments for Eleanor Slater Hospital. This article appears annually in the Appropriations Act.

Article 19. Medical Assistance. Article 19 extends Medicaid funded benefits to childless, non-disabled adults, ages 19 to 64, with incomes at or below 138 percent of poverty beginning January 1, 2014 consistent with the Affordable Care Act. It also freezes the rates paid to hospitals in both the managed care and fee-for-service systems at the FY 2013 enacted level and eliminates the scheduled October 1, 2013 nursing home rate increase.

The article makes provisions for the December 31, 2013 expiration of the Rhode Island Consumer Choice Global Waiver to allow the Office of Health and Human Services to apply for an extension or renewal of the global waiver or apply for any new waiver or waivers that at a minimum provide for continuation of any waiver authority that the state had before the global waiver.

Article 20. Medicaid Global Waiver Resolution. Article 20 is a resolution to notify the Assembly and seek approval to make changes to the Medicaid global waiver for programs under the Office of Health and Human Services. The change allows the state Medicaid agency to eliminate the scheduled rate increases for nursing facilities and hospitals in FY 2014, continue the phase-in of the Medicaid integrated care initiative for adults, and allows the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals to make rate changes to certain rehabilitation services to promote employment first initiatives and support a housing first program.

The article also allows the Office to make any necessary changes under the global waiver for the optional programs that provide specified services to individuals who are not Medicaid eligible, referred to as the costs not otherwise matchable programs. This action will allow the Office to update income eligibility requirements for the newly expanded Medicaid population who, now having access to medical benefits, will no longer require services under the optional programs.

Department of Children, Youth and Families

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
Expenditures by Program				
Central Management	\$ 7,229,954	\$ 7,226,970	\$ 7,237,563	\$ 7,101,746
Child Welfare	157,843,677	164,606,146	167,138,529	165,655,085
Juvenile Corrections	32,451,700	28,270,433	28,733,930	27,747,612
Children's Behavioral Health	18,897,665	12,799,999	12,050,327	10,619,123
High Education Opportunity Grants	200,000	200,000	200,000	200,000
Total	\$ 216,622,996	\$ 213,103,548	\$ 215,360,349	\$ 211,323,566
Expenditures by Category				
Salaries and Benefits	\$ 69,203,135	\$ 67,225,422	\$ 71,079,383	\$ 69,795,780
Contracted Services	5,209,525	4,761,519	4,431,840	4,283,833
Subtotal	\$ 74,412,660	\$ 71,986,941	\$ 75,511,223	\$ 74,079,613
Other State Operations	7,750,801	7,299,495	7,481,661	6,729,118
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	131,688,535	129,999,597	129,473,860	128,802,230
Capital	2,771,000	3,817,515	2,893,605	1,712,605
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 216,622,996	\$ 213,103,548	\$ 215,360,349	\$ 211,323,566
Sources of Funds				
General Revenue	\$ 152,586,452	\$ 151,997,086	\$ 155,036,618	\$ 152,926,991
Federal Aid	58,440,291	55,105,897	54,973,552	54,192,405
Restricted Receipts	2,825,253	2,538,664	2,579,179	2,614,170
Other	2,771,000	3,461,901	2,771,000	1,590,000
Total	\$ 216,622,996	\$ 213,103,548	\$ 215,360,349	\$ 211,323,566
FTE Authorization	665.5	671.5	669.5	670.5

Summary. The Department of Children, Youth and Families requests \$215.4 million from all funds, including \$155.0 million from general revenues, \$55.0 million from federal funds, \$2.8 million from other funds, \$2.6 million from restricted receipts and 669.5 full-time equivalent positions, which is 4.0 less than enacted.

The Governor recommends \$211.3 million which is \$4.0 million less than requested. He recommends \$152.9 million from general revenues, which is \$0.3 million more than enacted and \$2.1 million less than requested. This also includes \$0.8 million less from federal funds, \$34,991 less from restricted receipts and \$1.2 million less from Rhode Island Capital Plan funds. He recommends 670.5 full-time equivalent positions, which is 1.0 more than requested and 5.0 more than enacted

Target Issues. The Budget Office provided the Department with a general revenue target of \$146.0 million. The amount includes current service adjustments of \$4.2 million and a 7.0 percent target reduction of \$10.8 million.

FY 2014 Budget	Budget Office	Children, Youth and Families	Difference
FY 2013 Enacted	\$ 152,586,452	\$ 152,586,452	\$ -
Current Service Adjustments	4,177,724	2,450,166	(1,727,558)
Change to FY 2013 Enacted	\$ 4,177,724	\$ 2,450,166	\$ (1,727,558)
FY 2014 Current Service/ Unconstrained Request	\$ 156,764,176	\$ 155,036,618	\$ (1,727,558)
Target Reduction/Initiatives	(10,756,755)	(9,029,604)	1,727,151
FY 2014 Constrained Target/Request	\$ 146,007,421	\$ 146,007,014	\$ (407)
<i>Change to FY 2013 Enacted</i>	\$ (6,579,031)	\$ (6,579,438)	\$ (407)

The constrained budget submitted by the agency is \$407 below the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$6.9 million more than the constrained request.*

Staffing

Central Management - New Positions. The Department requests \$867,996 more than enacted from general revenues for 7.0 new positions in central management. These include 1.0 associate director of child welfare, 1.0 assistant director, 1.0 administrator of family and adult services, 1.0 principal community program liaison, 1.0 chief human services policy systems specialist, and 2.0 senior word processing typists to manage services associated with the System of Care. *The Governor recommends funding as requested.*

Children's Behavioral Health - New Positions. The Department requests \$493,149 from federal funds for 4.0 new positions in the children's behavioral health program to be funded with a grant from the Substance Abuse Mental Health Services Administration. These positions include 1.0 chief business officer, 2.0 human services policy systems specialists and 1.0 assistant administrator. *The Governor recommends \$535,136 which is \$41,987 more than requested to reflect 1.0 additional information services technician and adjustments to salaries and benefits for the new positions.*

Child Welfare - New Positions. The Department requests \$228,280 including \$150,588 from general revenues and \$77,693 from federal Race to the Top funds for 1.0 community service coordinator and 1.0 licensing aide. The Department appears to exceed the federal funds available through the Race to the Top grant by \$0.2 million because it includes positions that would cost \$0.5 million per year but only has \$0.3 million from Race to the Top funds available for salaries and benefits. The enacted budget included 4.0 positions associated with this grant. *The Governor recommends funding as requested.*

Other Child Welfare Positions. The Department requests \$41.0 million from all sources including \$24.4 million from general revenues and \$16.5 million from federal funds for all other staffing costs in the child welfare program. This is \$1.2 million more than enacted including \$1.1 million more from general revenues and \$0.1 million more from federal funds. The request reflects benefit adjustments consistent with Budget Office planning values and increases overtime expenses by \$1.1 million including \$0.7 million from general revenues and \$0.4 million from federal funds. The request includes 383.0 full-time equivalent positions which is 0.5 more than enacted and includes 1.0 new community service coordinator position offset by the elimination of 0.5 chief case worker supervisor position. *The Governor recommends \$741,616 less than requested including \$300,888 less from general revenues to reflect reductions to overtime and statewide savings.*

Other Behavioral Health Positions. The Department requests \$3.4 million from all sources including \$1.6 million from general revenues and \$1.8 million from federal funds for staffing costs in the

children's behavioral health program. This is \$0.2 million more than enacted including \$0.2 million less from general revenues and \$0.5 million less from federal funds. The request reflects benefit adjustments consistent with Budget Office planning values. *The Governor recommends \$14,617 less than requested including \$9,485 less from general revenues to reflect statewide savings.*

Other Central Management Positions. The Department requests \$4.0 million from all sources including \$2.4 million from general revenues and \$1.6 million from federal funds for all other staffing costs in the central management program. This is \$0.1 million less than enacted including \$0.3 million less from general revenues and \$0.2 million less from federal funds for the remaining 37.0 positions and temporary services. The Department shifts 1.0 chief financial officer to the Office of Health and Human Services. *The Governor recommends \$145,788 less than requested including \$135,310 less from general revenues to reflect statewide savings.*

Juvenile Corrections Positions. The Department requests \$23.3 million from all sources including \$23.0 million from general revenues and \$0.3 million from federal funds for staffing costs including 220.5 positions and temporary staffing costs in the juvenile corrections program, reflecting 7.5 fewer positions for the training school. This is \$36,000 more than enacted including \$26,047 less from general revenues and \$62,047 more than enacted from federal funds. The request reflects benefit adjustments consistent with Budget Office planning values. This also includes \$0.2 million more than enacted, including \$0.1 million more from general revenues and \$0.1 million more from federal funds for temporary educational services at the training school including barber instruction. As of January 28, 2013, the Department averaged 106 youth at the training school which is significantly lower than the cap of 160, and reduces the need for overtime and staffing.

The Governor recommends \$0.5 million less than requested primarily from general revenues to reflect reductions to overtime as the result of a reduced census at the training school and statewide savings. As of January 28, 2013, there were 106 youth on grounds at the training school.

Placements

System of Care

The Department of Children, Youth and Families requests \$71.9 million from all sources including \$54.9 million from general revenues, \$15.3 million from federal funds, and \$1.7 million from restricted receipts for the System of Care. This includes \$0.8 million more from general revenues, \$0.3 million less from federal funds, and the enacted level of restricted receipts. As of July 1, 2012, the Department initiated Phase 2 of the System of Care transformation in an effort to both reduce the cost of out of home placements and to better identify children and families in need of services. The System of Care contract is divided between two lead networks, the Rhode Island Care Management Network and the Ocean State Care Management Network. The networks provide a wraparound approach to client services and identifying an appropriate level of care for youth. The Department indicates that the long term goal of the System of Care is to reduce the number of children and families receiving services, maintain uniform rates paid by the Department to providers, and reduce client recidivism by better identifying appropriate services at intake.

System of Care - Residential Placements. The Department requests \$34.3 million from general revenues for residential services provided through the System of Care. This includes \$0.5 million more from general revenues according to the funding formula for education services for children in residential placements in the two care management networks. Residential services provided through the System of Care include high end residential treatment, emergency shelters, group homes,

independent living programs, semi-independent living programs, and foster care through private agencies. These services are not eligible for federal reimbursement as a result of lack of Medicaid eligible services or the family's level of income. The Department bases expenditure estimates on the number of youth in residential placement each July. In July 2012, there were 554 youths receiving care in a residential setting.

The Governor recommends \$0.2 million less than requested to reflect reductions to contracts for providers included in the System of Care. It should be noted that the Department indicated that the rate reduction would not necessarily apply to System of Care providers and that it is currently exploring possible savings through all service provider contracts.

Target – Provider Rate Reduction. The Department's constrained request reduces funding for the System of Care by 4.5 percent or \$6.9 million from general revenues. The Department indicates that this would include an 8.0 percent rate reduction, effective July 1, 2013. Providers affected by the rate cut would be the two lead agencies included in the System of Care and services not included in the System of Care. *The Governor does not recommend the provider rate reduction.*

System of Care - Title IV-E Eligible. The Department requests \$4.8 million from all sources including \$2.4 million from general revenues and \$2.5 million from federal funds for services eligible for Title IV-E reimbursement within the System of Care. This is \$0.1 million less than enacted including \$24,921 less from general revenues and \$0.1 million less from federal funds for services provided to children and families through the two care management networks.

Services eligible for Title IV-E reimbursement provided through the System of Care include residential services, foster care, and adoption assistance. The Department assumes that approximately 18 percent of all youth receiving foster care services, 8.4 percent of youth in group homes, 5.9 percent of youth in emergency shelters, 5.4 percent of children in residential treatment centers, 4.0 percent of youth in independent living programs, and 0.8 percent of youth in independent living will receive Title IV-E eligible services. The Department has consistently overestimated Title IV-E reimbursement for residential, adoption assistance, and guardianship assistance. *The Governor recommends funding as requested.*

System of Care - Medicaid Eligible. The Department requests \$18.0 million from all sources including \$8.9 million from general revenues and \$9.3 million from federal funds for services eligible for Medicaid reimbursement within the System of Care. This is \$0.1 million less than enacted including \$0.1 million more from general revenues and \$0.2 million less from federal funds for services provided to children and families through the two care management networks.

Residential services provided through the System of Care include high end residential treatment, emergency shelters, group homes, independent living programs, semi-independent living programs, and foster care through private agencies. In order to be eligible for Medicaid reimbursement, placements must provide a medical service such as an on-site counselor. The Department assumes that 49.2 percent of youth in residential treatment centers, 42.6 percent of youth placed in group homes, and 42.3 percent of youth in independent living programs, 37.3 percent of youth in semi-independent living programs, and 4.5 percent of youth in foster care will receive Medicaid eligible services. *The Governor recommends funding as requested.*

System of Care - 18 to 21 Year Olds. The Department requests the enacted level of \$8.1 million from all sources including \$6.8 million from general revenues and \$1.3 million from federal funds for services to 18 to 21 year olds within the System of Care. Residential services for 18 to 21 year olds

provided through the System of Care include, high end residential treatment, group homes, independent living programs, semi-independent living programs, and foster care through private agencies. In order to be eligible for Medicaid reimbursement, placements must provide a medical service such as an on-site counselor. *The Governor recommends funding as requested.*

System of Care - Community Based Services. The Department requests \$5.0 million from all sources including \$2.5 million from general revenues and \$2.5 million more from federal funds for community based services eligible for the Medicaid Global Waiver provided through the System of Care. This is \$0.3 million more than enacted and includes \$0.2 million more from general revenues and \$0.1 million more from federal funds for services provided to children and families through the two care management networks. As of January 2013, the Department provided services to an average of 483 children through the Medicaid global waiver. *The Governor recommends funding as requested.*

Non System of Care Placements

For the FY 2013 revised and the FY 2014 requests, the Department shifts assistance and grants from child welfare, children's behavioral health, and juvenile corrections into specific System of Care accounts in order to better track specific System of Care expenditures. The majority of residential services have been shifted to the System of Care.

Residential Placements. The Department requests \$18.3 million including \$13.4 million from general revenues and \$4.8 million from federal funds for placements and residential services outside of the System of Care. The Department's request includes \$0.5 million less from general revenues and \$3.4 million less than enacted from federal funds to reflect adjustments to available Title IV-E funds. The Department indicates that it overestimated the amount of federal reimbursement for services in the enacted budget. This is the result of expanded use of community based services and other services that are not eligible for federal reimbursement and the demographics of the children being placed in care.

The Department assumes that 49.2 percent of youth in residential treatment centers, 42.6 percent of youth placed in group homes, 42.3 percent of youth in independent living programs, 37.3 percent of youth in semi-independent living programs, and 4.5 percent of youth in foster care will receive Medicaid eligible services.

The Governor recommends \$17.8 million including \$0.2 million less from general revenues to reflect the claiming Parenting with Love and Limits program through the Medicaid rehabilitation option. Parenting with Love and Limits is an eight to fourteen week program including family and individual therapy with licensed clinicians intended to reduce residential recidivism for children returning from out of home placement.

Bradley Group Home Rate Reduction. The Department includes the enacted level of \$4.7 million for services provided through Bradley Hospital group homes. The Department's request does not include an adjustment to services. The hospital operates group homes located in East Greenwich, Rumford, North Providence and Warwick and offers residential services to severely emotionally disturbed youth. In FY 2012, the average per diem rate for children at Bradley group homes was approximately \$438 per day for a total cost of \$4.7 million. These services are eligible for Medicaid reimbursement. *The Governor recommends an 11.0 percent rate reduction for total savings of \$0.5 million including \$250,000 less from general revenues and \$265,000 less from federal funds.*

Foster Care and Adoption. The Department requests \$22.7 million including \$16.0 million from general revenues and \$6.7 million from federal funds for foster care and adoption incentive services not included in the System of Care. This includes \$0.8 million more than enacted including \$0.9

million more from general revenues and \$0.1 million less from federal funds. The Department indicates that the cost of the foster care programs that are not reimbursed with federal funds has increased and Title IV-E reimbursable services have been reduced by approximately 5.0 percent. Foster care placements average 1,124 at the end of the first quarter in FY 2013; however, this includes children placed throughout the System of Care as well. *The Governor recommends funding as requested.*

Family Service Units/Child Protective Services. The Department requests \$36,272 from general revenues for home based therapeutic services provided through Child Protective Services. This is \$82,343 less for the four family service units and for child protective services. This represents a reduction in home based therapeutic services provided through child protective services that are now available through the System of Care. The family service units are located in Providence, Bristol and Wakefield. The majority of services provided through the family service regions were shifted to the System of Care. *The Governor recommends funding as requested.*

18 to 21 Year Olds. The Department requests \$6.5 million including \$4.3 million from general revenues and \$2.2 million from federal funds for services to 18 to 21 year olds. This includes \$0.2 million more than enacted including \$0.5 million more from general revenues and \$0.3 million less from federal funds. The Department has continued to reduce services to this population since FY 2008. In FY 2012, the Department provided services to an average of 234 youth per month; 259 were served at the end of FY 2010, and 276 in FY 2009. As of January 2013, there were 53 youth between the ages of 18 and 21 being served by the Department. *The Governor recommends funding as requested.*

Independence Program. The Department requests \$0.6 million from federal funds for the Chafee Foster Care Independence program, which is \$30,467 more than enacted to reflect available federal funds. This is a multiyear grant that can be used in FY 2014. This program provides services to youth between the ages of 16 and 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 Governor recommends funding as requested.*

Community Based Services. The Department requests \$6.6 million from all sources, including \$2.5 million from general revenues, and \$4.1 million from federal funds for community based services. This is \$365,896 less than enacted including \$362,154 less from general revenues. General revenue savings are the result of many of the services being duplicated in the System of Care, such as home based services. *The Governor recommends funding as requested.*

Community Service Grants. The Department requests the enacted level of \$160,256 from general revenues for community service grants. *The Governor recommends funding as requested.*

Juvenile Corrections

Training School Services. The Department requests \$1.9 million from general revenues for services provided to youth at the Rhode Island Training School. This is \$49,932 less than enacted and reflects Medicaid services shifted to the System of Care for placements outside of the training school. The Department indicates that it continues to reduce expenditures in the juvenile justice program such as medical, counseling, and other residential services. The Department has renegotiated a contract with Rhode Island Hospital and it plans to spend \$1.5 million for medical services, which is \$0.2 million

less than it spent in FY 2012. The enacted budget includes \$1.2 million for medical services at the training school. *The Governor recommends funding as requested.*

Probation and Parole. The Department's request eliminates \$35,604 from federal Substance Abuse Block grant funds for services provided to youth who are released from the training school and require some period of supervision in a community based program while on probation and parole. The grant was not renewed for FY 2014. As of the end of the first quarter in FY 2013, there was an average of 716 youth involved with juvenile probation and parole, which is 70 less than the average in FY 2012. The majority of these services were shifted to the System of Care; however, the Juvenile Corrections program is still responsible for some of the education costs. *The Governor recommends funding as requested.*

Juvenile Corrections – Operations. The Department requests \$2.6 million for all other operations within the juvenile corrections program including \$1.6 million from general revenues and \$1.0 from federal funds. This is \$100,293 less than enacted including \$28,498 less from general revenues and \$71,795 less from federal funds. The Department has indicated that the request is based on a revised assessment of available federal grants and revised spending projections for various expenses, including design, maintenance and repairs to the training school, and staff training. *The Governor recommends \$5,409 less than requested primarily from federal funds to reflect a planned reduction in operation expenses as a result of a lower census at the training school. This is offset by \$9,106 from the state fleet revolving fund for a pick-up truck for use at the training school.*

Target – Training School Education. As part of its constrained budget, the Department requests to further reduce general revenue expenditures by \$2.1 million from requiring cities and towns to pay for the education of juveniles at the training school, North American Family Institute and Ocean Tides. Based on FY 2014 projections, this proposal would save approximately 7.1 percent of the total costs at the training school. The Department would begin charging local education agencies approximately \$13,000 per year as an annual tuition payment for 161 youthful offenders. Education expenses are primarily salaries and benefits; operating expenses account for approximately \$0.3 million of total expenses. *The Governor does not recommend this initiative.*

Other Operations

Accreditation. The Department's current service request excludes \$450,000 provided in the enacted budget for accreditation expenses. The Department indicates that it has been in consultation with the Council on Accreditation and has received an initial assessment of the steps necessary to receive accreditation, however will not spend \$0.5 million appropriated in FY 2013 for these activities and intends to identify an alternative funding source with the Budget Office.

Legislation passed by the 2011 Assembly requires the Department to submit an accreditation plan to the Governor, 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 Department did not meet this deadline. *The Governor excludes funding as requested.*

Regional Office Consolidation. The Department excludes \$0.2 million from general revenues that were in the enacted budget for the cost of rent at the North Kingstown regional office that was located at Ten Rod Road in North Kingstown. The Department moved this office into a state-owned facility at the Stedman Complex in Wakefield. The Department also maintains offices in Providence and Bristol

that it utilizes as office space and visiting areas that are accessible for parents and families with children in state care. *The Governor recommends a further reduction of \$0.3 million from general revenues to reflect the closing of the Bristol regional office in FY 2014. This would leave regional offices in Wakefield and Providence; however, the Department would be able to use facilities within the care management networks for family visitation and meetings.*

Social Worker Training. The Department requests \$0.8 million including \$0.3 million from general revenues and \$0.5 million from federal funds for social worker training at the Rhode Island College Child Welfare Institute and the University of Rhode Island. This is \$221,159 less than enacted including \$50,000 more from general revenues and \$271,159 less than enacted from federal funds. The Department requests additional funds for staff training inadvertently omitted in the FY 2013 enacted budget. The Department appears to replace \$0.3 million from unavailable federal Title IV-E funds with \$0.3 million from federal grant funds from the Positive Education Partnership grant that was used to fund training in FY 2012 and is requested for FY 2013. It is unclear whether the Department is able to use these federal funds for social worker training. *The Governor recommends funding as requested.*

System of Care Network Upgrades. The Department requests \$1.5 million including \$0.8 million from general revenues and \$0.7 million from federal funds for contracted information technology services to upgrade network and billing with the System of Care. This is \$112,227 more from general revenues and \$273,684 less from federal funds. *The Governor recommends funding as requested.*

Consulting Contract. The Department requests \$0.2 million from Title IV-E for the contract with Public Consulting Group. This is \$0.4 million less than enacted from federal funds for assistance in applying for federal grants and waivers and other financial services. The Department is currently working with the agency to apply for a Title IV-E waiver. This appears to underfund the contract. *The Governor recommends funding as requested.*

All Other Operations. Excluding other adjustments, the Department requests \$6.5 million including \$5.7 million from general revenues and \$0.8 million from federal funds for all other operations within the Department. This is \$41,454 more than enacted, including \$0.2 million less from general revenues \$0.2 million less from federal funds, and \$41 less from restricted receipts. The adjustment is the result of revised spending projections based on actual experiences for the past two years for financial services, security services, staff training and rental and lease costs of buildings and vehicles.

The Governor recommends \$0.5 million less than requested including \$0.3 million less from general revenues. This includes \$0.2 million less for mileage expenses, and \$0.2 million in savings for other operations. The recommendation also shifts \$0.1 million in statewide savings from non-general revenue sources to miscellaneous operating expenses.

Capital. The Department requests the enacted level of funding from Rhode Island Capital Plan funds. Specific project information is included in the Capital Budget Section of this report. *The Governor recommends \$1.2 million less than requested to reflect projects to be completed in FY 2013.*

Department of Health

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
Expenditures by Program				
Central Management	\$ 13,114,905	\$ 13,649,697	\$ 13,223,800	\$ 13,430,137
Comm. & Family Health & Equity	68,679,059	73,831,083	70,539,593	70,323,083
Environmental & Health Service Reg.	19,214,219	19,269,518	20,115,565	19,671,876
Health Laboratories	8,105,266	7,916,846	8,017,979	7,816,720
Infectious Disease and Epidemiology	5,093,875	4,711,369	4,831,531	4,832,632
Public Health Information	2,850,445	4,851,599	2,759,180	2,469,624
State Medical Examiner	2,464,314	2,521,734	2,386,912	2,528,977
Total	\$ 119,522,083	\$ 126,751,846	\$ 121,874,560	\$ 121,073,049
Expenditures by Category				
Salaries and Benefits	\$ 50,007,483	\$ 47,882,688	\$ 50,286,498	\$ 49,744,806
Contracted Services	10,244,634	13,055,422	9,267,671	9,078,874
Subtotal	\$ 60,252,117	\$ 60,938,110	\$ 59,554,169	\$ 58,823,680
Other State Operations	44,106,686	47,057,854	47,840,754	47,777,956
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	14,048,163	17,434,115	13,443,370	13,444,646
Capital	1,115,117	1,321,767	1,036,267	1,026,767
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 119,522,083	\$ 126,751,846	\$ 121,874,560	\$ 121,073,049
Sources of Funds				
General Revenue	\$ 24,821,836	\$ 24,721,722	\$ 25,913,896	\$ 24,900,291
Federal Aid	65,015,651	70,391,194	62,085,045	62,004,542
Restricted Receipts	29,512,596	31,512,619	33,840,309	34,132,906
Other	172,000	126,311	35,310	35,310
Total	\$ 119,522,083	\$ 126,751,846	\$ 121,874,560	\$ 121,073,049
FTE Authorization	497.3	498.0	493.3	494.1

Summary. The Department of Health requests \$121.9 million from all sources, including \$25.9 million from general revenues, \$62.1 million from federal funds, \$33.8 million from restricted receipts and \$35,310 from other funds. The request is \$2.4 million more than enacted, including \$1.1 million from general revenues and includes 493.3 positions, which is 4.0 fewer than the enacted authorization.

The Governor recommends expenditures of \$121.1 million from all sources, including \$62.0 million from federal funds, \$34.1 million from restricted receipts, \$24.9 million from general revenues, and \$35,310 from other funds. This is \$1.6 million more than enacted and \$0.8 million less than requested, primarily from general revenues. The recommendation includes 494.1 full-time equivalent positions, 0.8 more than requested.

Target. The Budget Office provided the Department of Health with a general revenue target of \$24.2 million. The amount includes current service adjustments of \$1.0 million, restoration of \$150,000 of turnover savings included in the enacted budget, and a 7.0 percent target reduction of \$1.8 million. The constrained budget submitted by the agency is \$10,688 below the Budget Office target. The Department's proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's general revenue recommendation is \$0.7 million more than the target.*

FY 2014 Budget	Budget Office	Health	Difference
FY 2013 Enacted	\$ 24,821,836	\$ 24,821,836	\$ -
Current Service Adjustments	1,181,057	1,092,060	(88,997)
Change to FY 2013 Enacted	\$ 1,181,057	\$ 1,092,060	\$ (88,997)
FY 2014 Current Service	\$ 26,002,893	\$ 25,913,896	\$ (88,997)
Target Reduction/Initiatives	(1,792,792)	(1,714,483)	78,309
FY 2014 Constrained Target/Request	\$ 24,210,101	\$ 24,199,413	\$ (10,688)
<i>Change to FY 2013 Enacted</i>	\$ (611,735)	\$ (622,423)	\$ (10,688)

Staffing. The Department's request includes 493.3 full-time equivalent positions, eliminating 3.0 positions in FY 2014 and transferring 1.0 position to the Office of Health and Human Services. 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 table 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. For each program, the request adds and eliminates whole positions, increases and decreases parts of positions and shifts positions among programs. This is a result of using available sources, timing of federal grants and general revenue funding availability.

Programs	FY 2013 Enacted	FY 2013 Gov. Rev.	FY 2014 Request	Req. to Enacted	Constrain Request	Constrain to Request	FY 2014 Rec.	Gov. to Enacted	Gov. to Request
Central Management	87.0	95.8	94.9	7.9	98.1	3.2	99.1	12.1	4.2
Community Family Health & Equity	151.9	143.0	141.0	(10.9)	140.2	(0.8)	140.1	(11.8)	(0.9)
Environmental & Health Service Reg	132.4	137.0	139.3	6.8	137.3	(2.0)	137.1	4.7	(2.2)
Health Laboratories	56.4	59.8	59.5	3.1	55.5	(4.0)	59.5	3.1	-
Infectious Disease and Epidemiology	30.3	26.5	26.4	(4.0)	24.4	(2.0)	26.3	(4.0)	(0.1)
Public Health Information	23.9	22.4	19.9	(4.0)	18.5	(1.4)	18.5	(5.4)	(1.4)
State Medical Examiner	15.4	13.5	12.5	(2.9)	12.5	-	13.5	(1.9)	1.0
Changes to Enacted	497.3	498.0	493.3	(4.0)	486.3	(7.0)	494.1	(3.2)	0.8

The request includes turnover savings of \$3.7 million from maintaining approximately 36 vacant positions for the full year, which is \$2.4 million more than the enacted budget. The majority of the savings are in central management, while increases and decreases in the remaining programs essentially net to zero. The increase in central management is the result of the Department shifting vacancies to a central location until new purposes or funding sources can be found for them.

The enacted budget includes the conversion of 39.0 individuals contracted through Adil into full-time equivalent positions. The Department indicates that it now intends to convert 34.0 individuals to positions. As of January 2, 2013, only five have been hired as state employees, while 29.0 positions are in the process of being approved and advertised. This issue is discussed separately.

As part of its constrained budget, the Department includes a net reduction of 7.0 positions, which includes program reductions to eliminate 9.4 positions and makes other adjustments to existing positions, which add a net of 2.4 full-time equivalent positions.

The Governor's recommendation includes 494.1 full-time equivalent positions, which is 3.2 less than the enacted authorization and 0.8 more than requested. The Governor shifted positions among programs, removed authorization for several positions included in the constrained request, and adds 1.0 position inadvertently omitted from the Medical Examiner's Office. He includes \$49.7 million from all sources for salaries and benefits, which is \$0.3 million more than requested.

Adil Conversion. The enacted budget includes the conversion of 39.0 individuals contracted through Adil to become full-time state employees, leaving 9.0 contracted Adil individuals. As of January 2, 2013, only five have been hired as state employees, while 29.0 positions are in the process of being approved and advertised. Because of delays and changes in federal grants, the number of positions the Department will convert has been reduced to 34.0 and the Department will also maintain 2.0 Adil individuals as contracted employees. However, neither of the Department's requests includes a reduction in the position authorization.

The requests include the funding for the converted Adil staff with the salaries and benefits of the other state positions, but because of delays in filling these positions, the expenses have been paid from contracted services, since these individuals remain contracted until the conversion occurs. The Department could not verify or provide details about the program location of the converted Adil positions, which grant or service programs the individuals would be working on or expected date of hire, since people and positions are moved around so frequently at the Department.

The Department has determined that some of the planned conversions can no longer be done because the federal funding for the grant has been reduced or eliminated; however, the Department tried to fill the positions that would be funded with federal funds and restricted receipts first and then use federal or restricted sources to cover the general revenues expenses for the remaining conversions.

It also appears that the Department of Administration eliminated the Adil positions that were supposed to be converted from the new contract it just signed with Adil since the positions were to have been filled, but the position conversion has not yet occurred, which may leave the Department short-handed. However, the Administration has indicated it will assist the Department in filling these positions as quickly as possible.

The Governor's recommendation does not make any changes to the request regarding the number of conversions or shifting the funding from salaries and benefits to contracted services to reflect the delays.

Community, Family Health and Equity

Blood Lead Poisoning Prevention. The Department requests \$15,873 from general revenues and \$44,185 from federal funds for the blood lead testing program, which is part of the Healthy Homes and Environment division. The request is \$0.6 million less than enacted from federal funds, including \$545,235 for salaries and benefits and \$50,779 for operations. It also eliminates 1.0 unspecified full-time equivalent position, which reflects several individuals working part-time and not one specific individual or position. At least four full-time equivalent positions perform this work though much of the work is done with staff that perform other duties within the division, such as radon or asbestos testing services, and the staff will be re-assigned to other grants. Federal funding for the program ended in FY 2012; however, the Department received a donation of \$0.5 million from Providence Water Supply, deposited as restricted receipts for FY 2013, which the Department anticipates utilizing during that year.

The program provides state staff to investigate complaints and inquiries about lead poisoning, arrange inspections when elevated blood lead levels are found, makes referrals for case management and provides follow up after the inspection to ensure the lead abatement was completed and the individual's blood lead level has returned to a reasonable level. The Department pays for childhood lead inspections, which are often Medicaid reimbursable; it conducted approximately 50 inspections in FY 2012, down from 100 in prior years because fewer children are registering elevated lead levels. The actual blood lead testing appears in the Health Lab section, but the support services are within this program. The Department spent \$0.9 million for this program in FY 2011 and \$0.6 million in FY 2012. The requested \$60,058 includes \$32,093 for lead inspections that are matched by Medicaid and \$27,965 for environmental services and medical supplies related to the adult blood lead program. *The Governor recommends funding as requested and eliminates the authorization for one position.*

All Other Salaries and Benefits. The Department requests \$14.8 million from all sources for salaries and benefits for 141.0 full-time equivalent positions in the Community, Family Health and Equity program. The request is \$0.5 million less than enacted from all sources including \$36,788 more from general revenues and \$1.3 million less from federal funds, primarily from stimulus programs ending and \$0.7 million more from restricted receipts. The request includes turnover savings of \$0.4 million from maintaining approximately 6.5 vacancies, adjustments to numerous positions, as well as the net transfer of 9.9 positions to other programs within the Department. *The Governor recommends \$65,040 less than requested, including \$9,448 less from general revenues to reflect statewide benefit savings.*

Target – Maternal/Child Health Block Grant Staffing. In its constrained request, the Department reduces salary and benefit expenses by \$42,110 and eliminates authorization for 0.4 positions from federal maternal/child health block grant funds. The Department indicated that this reduction was made to make the funds available for other projects or programs that has experienced a reduction, but has not specified which one. *The Governor's recommendation does not include the reductions included in the constrained request.*

Target - Hospital Association of Rhode Island. In its constrained request, the Department eliminates \$32,373 from general revenues used for department staffing and operating expenses related to a contract with the Hospital Association of Rhode Island, which has a performance measurement software program that the Department would like to utilize in addition to data collections regarding emergency services and emergency systems in the state's hospitals. The enacted budget includes \$31,576 and the request includes \$32,373, with an increase for benefit adjustments. *The Governor's recommendation removes the funding for related to the Hospital Association of Rhode Island, consistent with the constrained request.*

Target – Minority Health Program. In its constrained request, the Department reduces general revenue expenses by \$85,001, including \$54,598 for salaries and benefits and \$30,403 for grants. This eliminates the authorization for 0.4 positions. The Department indicated that reductions had to be made to reach the target and this reduction had less of an impact than others, though it did not quantify the impact. *The Governor's recommendation reduces expenditures by \$55,488 for staffing expenses and eliminates the 0.4 position authorization; he does not concur with the grant reduction.*

Infant and Early Childhood Home Visits. The Department requests \$4.5 million from federal funds for the initiative that focuses on promoting good health habits, primarily for low income pregnant women, others, 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 request is \$0.6 million less than enacted to reflect updated

estimates for grant awards and expenditures, reflecting a reduction from the expected stimulus grants. *The Governor's recommendation is \$3,232 more than requested to reflect the shift of statewide benefit savings to miscellaneous operating expenses.*

HIV Prevention. The Department requests \$1.3 million from federal funds, which is \$42,729 more than enacted to continue and strengthen effective human immunodeficiency virus (HIV) and acquired immunodeficiency syndrome (AIDS) surveillance programs to effect, maintain, measure and evaluate the extent of HIV/AIDS incidence and prevalence throughout the United States. Funds are used to provide information for targeting and implementing HIV prevention activities.

The Department indicates that it intends to transfer the HIV prevention services to the Infectious Disease and Epidemiology division because the activities more closely align, but the request does not reflect the transfer of the positions or funding to the other division. *The Governor's recommendation is \$10,313 more than requested to reflect the shift of statewide benefit savings to miscellaneous operating expenses.*

Immunizations. The Department requests \$37.2 million from all sources for immunization expenses, which is \$4.0 million more than enacted. The increased restricted receipt expenditures for child and adult immunizations are based on vaccine purchasing projections while decreased federal funds are based on the anticipated amount of free vaccines provided by the Centers for Disease Control and Prevention's federal immunization program. *The Governor's recommendation is \$21,088 more than requested to reflect the shift of statewide benefit savings from non-general revenue sources to miscellaneous operating expenses.*

Race to the Top. The Department requests \$0.1 million from federal Race to the Top funds for FY 2014, excluding salaries and benefits. The Department's request includes \$35,000 for consultant services and \$44,130 for operating, such as postage, office supplies and communications expenses. The enacted budget included \$0.3 million for salaries and benefits only. In December 2011, the state was awarded \$50.0 million from federal Race to the Top funds to be used to improve education for pre-school students. This grant will involve multiple human service agencies and the Department of Elementary and Secondary Education with funding allocated over four years. *The Governor's recommendation is \$1,648 more than requested to reflect the shift of statewide benefit savings from non-general revenue sources to miscellaneous operating expenses.*

Health Promotion and Wellness. The Department requests \$2.4 million for all other expenses related to health promotion and wellness, including \$0.2 million from general revenues and \$2.2 million from federal funds. The request includes \$1.2 million for chronic disease prevention services, \$0.3 million for tobacco cessation and control, \$0.3 million for obesity and nutrition services, \$0.3 million for suicide prevention, \$0.1 million for rape prevention, \$0.1 million for violence and injury prevention and \$0.1 million for all other programs and services.

This is \$0.9 million less than enacted, including \$11,183 more from general revenues. The Department requests \$0.1 million more from federal funds and the additional general revenues for using additional contracted services for tobacco control programs but includes \$0.8 million less from federal sources for contracted and temporary services from almost every other grant program, to reflect utilizing fewer Adil and other contracted staff as the Department realigns its contracted and state staff, and lower information technology expenses, since staffing levels are lower, which is relatively consistent with the revised request. The request includes \$0.1 million less for all other operating expenditures, including mileage, printing and postage, and office supplies. *The Governor's*

recommendation includes \$15,905 more than requested to reflect statewide benefit savings from federal sources shifted to miscellaneous operating expenses.

Cancer Screening. The Department requests \$73,218 from general revenues for cancer screening services. This is \$153,980 less than enacted, including \$24,368 less from general revenues from reducing expenditures matched by Medicaid because of lower utilization. The Department spent \$24,369 in FY 2102 and the revised request includes \$73,218. The request eliminates \$0.1 million from federal funds for the comprehensive cancer screening program because significantly fewer individuals have been eligible for the Medicaid match program and the Department indicates it requires significant work for small returns. The request does not include the enacted level of \$20,000 from donations for the women's cancer screening program, since the donations received were just for FY 2012 and FY 2013 and the funds will all be spent in FY 2013.

As part of its constrained request, the Department eliminates the remaining \$73,218 from general revenues for this program. The Department has determined that due to lower utilization related to the eligibility criteria for the program, the program does not provide the anticipated savings and requires more resources than it saves.

The Governor does not include any funding for this program in FY 2014, consistent with the constrained request.

Wise Women Program. The request includes the enacted amount of \$60,000 from general revenues, which is given to six test centers to test women with heart problems. This partially funds the costs of the program, which is carried out through the community health centers.

The Department eliminates this funding in its constrained request. The Department indicates it costs closer to \$500,000 to run the six centers and that the \$60,000 is not sufficient for the program. *The Governor includes \$60,000, consistent with the unconstrained request.*

All Other Operations. The Department requests \$9.9 million from all sources for all other community, family health and equity program operations, including \$0.3 million from general revenues. The request is \$0.6 million more than enacted, including of \$22,304 more from general revenues. The request includes \$0.3 million more for grant expenditures, primarily from the maternal/child health block grant, to reflect anticipated awards and updated expenditures. It includes \$0.1 million less for the active and safe commuting program with the Department of Transportation, \$0.1 million more for oral health activities, reflecting updated grant awards and consistent with the revised request, it includes \$125,000 from both federal funds and restricted receipts for student loan payments to eligible doctors and physicians who qualify by residing and practicing in the state for at least two years after graduation and certification.

The Governor's recommendation is \$467 less than requested, including \$3,844 less from general revenues. He reduces grant expenditures from the preventive block grant by \$42,112 and computer and office supplies expenses in several programs by \$3,844 and adds \$45,489 in statewide benefit savings from non-general revenues sources shifted to miscellaneous operating expenses.

Environmental and Health Services Regulations

Salaries and Benefits. The Department requests expenditures of \$14.9 million from all sources for salaries and benefits for 139.3 full-time equivalent positions in the environmental and health services regulations program. The request includes \$9.2 million from general revenues, \$3.8 million from federal funds, and \$1.9 million from restricted receipts and is \$1.3 million more than enacted from all

sources. The request restores turnover savings of \$0.3 million included in the enacted budget to fill approximately 3.0 positions and makes various adjustments to staffing levels for a net increase of 6.9 positions transferred from other programs.

The 2012 Assembly included \$0.5 million from general revenues for 6.0 additional food inspector positions, 3.0 positions to be filled on October 1, 2012, and 3.0 positions filled on April 1, 2013, and the Budget Office target includes \$0.2 million for the annualized salary and benefit costs for these positions. However, the request includes the same amount for just salary increases because once the individuals are trained and pass certification requirements, the union contract stipulates that the individuals are promoted from a grade 23 to a grade 27, with the corresponding increase in pay. This was not included in the Budget Office current service adjustment.

The Governor recommends \$20,492 less than requested, including \$63,147 less from general revenues. The recommendation shifts staffing costs to restricted receipts and reflects statewide benefit savings.

Target - Health Services Regulations. As part of its constrained request, the Department reduces expenditures for health services regulations by \$341,914 from all sources and authorization for 2.0 positions, which are currently vacant. This includes \$258,582 less from general revenues and \$83,332 less from restricted receipts, of which \$175,638 for contracted employees and operations, and \$166,276 is for the 2.0 positions. *The Governor's recommendation removes the funding and authorization for 2.2 positions, which is 0.2 positions more than requested.*

Target - Shifting Staffing to Restricted Sources. As part of its constrained request, the Department proposes to shift staffing expenses from general revenues to restricted receipts for managed care utilizing funds that were made available from other reductions. This includes a reduction of general revenues of \$164,500 and an increase of restricted receipts of \$164,037 for a net reduction of \$463. *The Governor recommends \$6,582 less than requested to reflect statewide benefit savings.*

Licensing and Regulation. The Department requests \$0.1 million from restricted receipts, \$39,334 less than enacted to support licensing and regulation services. Consistent with the revised request, it includes reductions for miscellaneous operating expenses, instead of utilizing the restricted receipts elsewhere in the division; however, this brings expenses below the FY 2012 levels, primarily from reductions to office supplies and maintenance of computer and office equipment, which don't normally decrease in price.

The Department issues licenses and provides regulations for numerous professional services, including hearing aid dealers, athletic trainers, tanning salons, swimming pool operators, and health care facilities, research institutions and industrial organizations that use or possess radioactive materials. The revenues from these licenses are used towards the staffing expenses and operating costs for the workers in the field to perform their duties. The related expenses are shown throughout the division and funded from restricted receipts.

The Governor's recommendation is \$17,271 less than requested; it reduces expenditures for contracted temporary services and staff training, and adds \$3,561 from statewide benefit savings from restricted sources to miscellaneous operating expenses.

Food Protection. The Department requests \$444,671 from all sources for operations of food protection programs, excluding salaries and benefits. This includes \$75,173 from general revenues and \$369,498 from federal funds and is \$168,300 less than enacted from federal funds, primarily for the beach assessment and coastal health program.

As part of its constrained request, the Department reduces operating expenses for food protection by \$64,604 from all sources, including \$6,708 from general revenues for protection and sanitation services and \$57,896 from federal funds for food inspections. The Department indicated it would use existing office equipment and supplies to minimize FY 2014 purchases.

The Governor's recommendation includes \$8,074 more from federal funds than the constrained request, to reflect benefit savings from non-general revenue sources shifted to miscellaneous operating expenses.

All Other Operations. Excluding all other changes, the Department requests \$4.7 million from all sources for all other operations in the environmental and health services regulations program, including \$0.8 million from general revenues. The request includes \$2.0 million for drinking water quality, \$1.4 million for health professionals' regulation, \$1.0 million for facilities regulation and managed care and \$0.3 million for all other programs and services.

The request is \$0.2 million less than enacted, including \$60,634 more from general revenues with reductions of \$0.3 million from federal funds and \$9,640 from restricted receipts. The general revenue increase reflects computer and information technology expenses related to administering the regulations for the state's health professionals that were not made in FY 2012 because of delays, but planned for FY 2013 and FY 2014. Consistent with the revised request, reduced federal funds reflect the transfer of funding for contracted staff to fill state positions, in addition to revised awards and expenditures for most of the grants, including state homeland security, lab improvement act, and children partnership grants. Reduced restricted receipts for managed care regulation are consistent with the requested increase for staffing expenses, which reduces the need for these clerical services.

The Governor recommends \$437 less than requested, including \$30,528 more from general revenues. This includes additional operating expenses for the food inspectors and reductions to restricted receipt expenditures for legal contracts, medical and clerical services, and insurance costs.

Health Laboratory

Breathalyzer Program. The Department requests \$154,780 from general revenues for salaries and benefits for 2.0 positions and operations related to the breathalyzer unit, which is \$839 more than enacted for staffing costs and shifts \$3,084 from operations for increased staffing expenses. The breathalyzer program assists police in drunken driving investigations through officer training, testimony and certification of breath analysis instrumentation. Effective prosecution of drunk drivers relies on unequivocal demonstration that the person charged was in fact under the influence of alcohol above the legal limit, which requires periodic demonstration that the breath analyzing instruments are functioning and being operated properly.

As part of its constrained request, the Department eliminates this program. These services are not available in the private sector and in order for this program to continue, funding must be provided from another source. Not funding this program would make investigating and prosecuting driving under the influence cases more difficult for police officers, impacting state and municipal police departments as well as the Office of the Attorney General. In addition, the officers and instruments must be tested periodically to retain certification.

The Governor recommends \$680 less than requested, including \$469 less for state fleet expenditures and \$211 less to reflect statewide benefit savings.

Blood Lead Testing. The Department requests \$0.3 million from general revenues for the blood lead testing program, including \$223,799 for salaries and benefits for 2.0 positions and \$42,650 for operations. The request is \$4,182 more than enacted and shifts operating expenses towards the increased staffing costs. Federal funding for this program has been eliminated. The Department tests about 17,000 children's blood specimens annually for children ages one through five as part of the universal lead screening program and are mandated by state law to be performed at the State Lab.

As part of its constrained request, the Department reduces general revenue expenditures for the blood lead program by \$215,552 by privatizing the lab operations. This includes reductions of \$172,902 for salaries and benefits for 2.0 positions and \$42,650 for training and operations. Blood lead testing is available in the private sector; however, the Department currently pays for the testing for uninsured individuals. Under this proposal, insurance providers or individuals would pay for the costs of the tests.

The Governor recommends \$4,563 less funding from general revenues than requested, including \$2,400 less for training services and \$2,163 less to reflect statewide benefit savings. He does not recommend privatizing the lab operations.

1.0 Position Elimination. The Department's request eliminates 1.0 assistant supervising data entry operator for FY 2014 for savings of \$0.1 million from general revenues. The Department indicates it reshuffled all of the work and duties of the lab and the related staff, deciding to eliminate one position in which funding would not be available in FY 2014. *The Governor's recommendation includes eliminating funding and authorization for one position, consistent with the request.*

All Other Salaries and Benefits. The Department requests \$5.7 million from all sources for salaries and benefits for 55.5 full-time equivalent positions for the Health Laboratory, including \$4.5 million from general revenues and \$1.3 million from federal funds. This is \$0.4 million more than enacted, including \$0.3 million more from general revenues. The request includes turnover savings from assuming one vacancy for the full year, consistent with the enacted budget and makes various adjustments to staffing levels for a net increase of 4.1 positions transferred from other programs. *The Governor recommends \$40,476 less than requested, including \$31,152 from general revenues to reflect statewide benefit savings.*

Food Emergency Response. The Department requests \$66,000, \$106,500 less than enacted from federal funds for equipment, supplies, personnel, training and facility upgrades to Food Emergency Response Laboratory Network (FERN) microbiological laboratories in Rhode Island. The Department anticipates level funding of the annual \$66,000 award, and indicates that the enacted budget was based on a request that included unspent funds carried forward into FY 2013. *The Governor's recommendation is \$1,112 more than requested from shifting statewide benefit savings from non-general revenue sources to miscellaneous operating expenses.*

All Other Operations. The Department requests \$1.5 million from all sources for all other operations in the Health Laboratory program, including \$1.4 million from general revenues and \$0.1 million from federal funds. The request includes \$0.6 million for biological sciences, \$0.4 million for forensic sciences, \$0.1 million for environmental sciences and \$0.4 million for the director's office and centralized costs.

This is \$0.2 million less than what was spent in FY 2012 and is \$0.3 million less than enacted, including \$0.1 million less from general revenues and \$0.2 million less from federal funds. Consistent

with the revised request, general revenue reductions include billing services and computer software and hardware expenditures related to toxicology, environmental lab services and lab administration; however, it appears these reductions are requested to utilize the general revenues for the Division's staffing needs. Federal fund reductions include engineering and medical services related to forensic casework DNA backlog processing, since the backlog has been reduced. *The Governor includes \$7,121 more than requested to reflect statewide benefit savings from non-general revenue sources shifted to miscellaneous operating expenses.*

Target – ARRA Infectious Diseases Grant. As part of its constrained request, the Department proposes the elimination of \$16,187 from federal stimulus funds for infectious diseases. The reduction includes \$12,000 for centralized state information technology services and \$4,187 for administrative and audit fees. The Department has not provided an explanation for this decrease. *The Governor recommends the reduction, consistent with the constrained request.*

Target – Highway Safety. As part of its constrained request, the Department proposes the reduction of \$13,500 from federal funds for highway safety programs, including expenditures for furniture and travel. The Department has not provided an explanation for this decrease. *The Governor recommends a reduction of \$12,526 from the enacted level, which is \$974 more than the constrained request.*

Target – Drinking Water. As part of its constrained request, the Department proposes reducing general revenue expenditures by \$106,620 for supplies for the pesticides and chemistry water programs, citing available restricted receipt funding from the drinking water special surveillance project; however, the constrained request does not increased restricted receipts to account for the transfer of expenses. *The Governor's recommendation includes these reductions, consistent with the constrained request.*

Target – Lab Administration. As part of its constrained request, the Department proposes reducing general revenue expenditures by \$28,440 by bringing billing and accounts receivable services provided by third party for environmental laboratory water testing in-house. The Department's current contract expires soon and it has already posted requests for proposals for new contracts, which the Department hopes will be less expensive. If the services need to be performed in-house, the Department indicates that there will be savings from eliminating the contract, but does not include the additional staffing expenses that are required. *The Governor's recommendation includes \$28,440 less, consistent with the constrained request.*

Infectious Disease and Epidemiology

Salaries and Benefits. The Department requests expenditures of \$2.9 million from all sources for salary and benefit expenses for 26.4 full-time equivalent positions for the Infectious Disease and Epidemiology program. This is \$0.2 million less than enacted, including \$0.1 million more from general revenues and \$0.3 million less from federal funds. The request includes turnover savings for approximately one position for one-quarter of the year, adjustments upward and down to numerous positions and reflects the net transfer of 4.0 positions out to other programs within the Department. *The Governor's recommendation is \$16,228 less than requested, including \$7,064 less from general revenues to reflect statewide benefit savings.*

Target – Direct Observation Therapy Staffing. As part of its constrained request, the Department eliminates staffing expenditures of \$125,113, including \$124,115 from general revenues and authorization for 2.0 full-time equivalent positions that provide direct observation therapy to individuals with tuberculosis. The constrained request shifts \$50,000 from federal staffing expenses to

a grant for tuberculosis control, which is still available and reduces expenditures by \$998. In this program, staff members provide direct services to individuals who have been treated for tuberculosis by observing the individuals taking their medications on schedule and following the prescribed directions for recovery, ensuring individuals complete their treatment cycles. Failure to take medicines on schedule or complete treatment properly can result in drug resistance or the need for more medication for the individual and poses a public health threat as tuberculosis is communicable. Services will not be completely eliminated, but no longer be provided at the current level, forcing the Department to limit services to those individuals least likely to abide by the prescribed regimen. *The Governor does not recommend eliminating this funding or authorization for this program.*

Communicable Diseases. The Department requests FY 2014 expenditures of \$0.6 million for communicable disease treatment and prevention, which is \$0.1 million less than enacted from general revenues. Consistent with the revised request, it includes \$50,000 less for the Miriam Hospital TB Clinic to reflect a reduction for the contract the state has with the hospital for treatment of tuberculosis at the first signs. The Department and the hospital have been working with the community to provide another treatment option for patients with a latent tuberculosis infection. It also shifts \$22,598 for insurance and travel expenses to be supported by restricted receipts in central management. It appears that these general revenue reductions are, at least in part, being used to pay for the increased general revenue funded staffing expenditures. *The Governor recommends funding as requested.*

All Other Operations. The Department requests expenditures of \$1.4 million from all sources, \$14,290 more than enacted for all other Infectious Disease and Epidemiology operations. This includes \$78,120 more for Epidemiology and Lab Capacity through the Affordable Care Act, revisions to disease prevention grants to reflect actual awards for FY 2014, as well as a reduction in the expenses eligible for Medicaid administrative reimbursement. *The Governor's recommendation is \$58,734 more than requested from federal funds, including additional grant funding of \$50,000 for tuberculosis control, \$9,164 more from shifting statewide benefit savings from non-general revenue sources to miscellaneous operating expenses and \$430 less for centralized state fleet expenses.*

Target – Medical Supply Reserves. As part of its constrained request, the Department proposes a reduction in the purchase of medical and office supplies for general revenue savings of \$41,405. The Department indicates that this eliminates the reserves it sets aside to handle outbreaks or epidemics and that funding will no longer be available if medications or supplies need to be purchased. *The Governor's recommendation includes \$41,405 in savings, consistent with the constrained request.*

Public Health Information

1.0 Position Elimination. The Department's request eliminates 1.0 health policy analyst for savings of \$0.1 million from general revenues because the funding for this position will not be available in FY 2014. Under union rules, this individual may assume another position which would be equal or lower than the current grade, but would receive the current pay level, thus it may not save as much as proposed if the individual assumes a position that is currently at a lower pay level. The displaced individual may also follow this process, displacing another individual, and so on, potentially diminishing the true value of the savings with each individual. *The Governor recommends eliminating the funding and authorization for one position, consistent with the request.*

All Other Salaries and Benefits. The Department requests \$2.0 million from all sources for salary and benefit expenses for 19.9 full-time equivalent positions for the Public Health Information program. This is \$40,156 more than enacted including \$0.2 million from general revenues. The request includes turnover for less than one position, makes various adjustments to staffing levels for a net decrease of

3.0 positions transferred to other programs. *The Governor's recommendation is \$13,705 less than requested, including \$11,090 less from general revenues to reflect statewide benefit savings.*

Target – Health Policy and Planning Program. As part of its constrained request, the Department reduces general revenue funded expenses by \$195,416, including \$185,416 for salaries and benefits and \$10,000 for contracted clerical services, related to the elimination of 1.4 positions. These positions manage, analyze and report on data collected from surveys of adults, youth and special populations. The individuals also manage the data systems, generate program reports and perform program evaluation. *The Governor's recommendation includes \$185,416 less from general revenues from eliminating authorization and funding for 1.4 general revenue funded positions; the individuals will be transferred to programs supported with federal or restricted sources. This is \$10,000 more than the constrained request from not eliminating the contracted services.*

Electronic Health Records. The Department requests \$0.1 million from federal stimulus funds for electronic health record tracking for the KidsNet system, an electronic child immunization records system, excluding salaries and benefits. This is \$0.2 million less than enacted to reflect utilization of all remaining grant funds, which must be spent by August 2013. The request includes a reduction for contracted services from converting one contracted person to a state position and reductions to the reimbursements made to physicians when they integrate their systems with the KidsNet system and stop using a paper-based system. Funding is used to update birth and death data, as well as to enhance the interoperability of records among municipal, state and federal agencies. *The Governor's recommendation is \$103 more than requested to reflect the shift in statewide benefit savings from non-general revenue sources to miscellaneous operating expenses.*

Behavioral Health Survey. The Department requests \$175,000 more than enacted from federal funds for the risk behavior survey, excluding salaries and benefits. This increase reflects additional funding awarded for the program and the request includes additional funding for contracted examiners. Since 1997, the state has received funding for this program, which measures health risk behaviors among adults 18 years and older. *The Governor recommends funding as requested.*

Measuring Quality in Hospital Care. Consistent with the enacted budget, the Department requests \$56,050 from general revenues for the measuring quality in hospital care program, including \$53,000 for contracted training expenses and \$3,050 for software agreements and postage.

As part of its constrained request, the Department eliminates these expenses for general revenue savings of \$56,050. *The Governor's recommendation is \$3,050 less than requested from eliminating expenditures for software maintenance and postage. He does not concur with the constrained request.*

All Other Operations. The Department requests expenditures of \$0.4 million from all sources, including \$198,580 from general revenues for all other public health information operations. This is \$26,680 more than enacted and includes \$13,000 less from general revenues offset by \$39,680 more from federal funds. General revenue savings reflect an \$8,000 reduction for a vital records contract and shifts expenditures of \$5,000 to federal sources while other federal fund increases include printing, maintenance, and office supplies for vital records services, consistent with the revised request. The request is \$120,075 less than the \$0.6 million spent in FY 2012 for all of these expenditures; federal funding for vital records services overall has been decreasing and the enacted budget assumes a larger reduction than was realized, though expenditures for vital records remain \$0.1 million below the FY 2012 spent level. *The Governor's recommendation is \$2,512 more than requested from federal funds to reflect benefit savings from non-general revenue sources shifted to miscellaneous operating expenses.*

Target – Vital Records. As part of its constrained request, the Department eliminates operating expenses of \$90,000 from general revenues, including \$82,000 for computer software maintenance agreements and \$8,000 for printing. It appears that the restricted receipt increase in central management of \$90,000 is a shift of these expenses to that account; however, the restricted receipt increase includes \$8,000 for security services instead of printing expenses. *The Governor's recommendation does reduce expenditures by \$90,000, and increases restricted receipts in central management, consistent with the constrained request.*

Medical Examiner's Office

Salaries and Benefits. The Department's request totals \$2.0 million from all sources for salary and benefit expenses for 12.5 full-time equivalent positions in the Medical Examiner's Office. This is \$152,901 more than enacted, including \$18,241 less from general revenues, \$3,240 more from federal funds and \$167,898 more from restricted receipts. The request includes 2.9 fewer positions than enacted, which is 1.0 fewer position than the revised request and includes turnover for 1.0 full-time equivalent position for one quarter of the year.

Consistent with the revised request, the request uses restricted receipt indirect cost recovery funds to support 2.0 positions; these expenses would otherwise be funded from general revenues. The Department began using these funds for 2.0 positions late in FY 2012 after the budget request was submitted, thus these expenses are shown as general revenues in the enacted budget, but as restricted receipts in the request. With the general revenues savings created by the transfer, the Department has fully staffed forensic pathologists for FY 2014 and uses the remaining reduction from the enacted level to fund additional operating expenditures, discussed separately.

The Governor's recommendation is \$0.2 million more than requested, primarily from general revenues. He adds authorization and funding of \$65,797 for a senior word processing typist that was inadvertently omitted from the request, which the Department anticipates filling in FY 2013. Consistent with the revised request, he includes \$85,000 for overtime and \$20,000 for holiday pay expenses that were not included in the enacted budget or request, and \$10,200 less to reflect statewide benefit savings.

Contract Medical Examiners. The Department requests FY 2014 expenditures of \$245,000 from all sources for contract medical examiner expenses, including \$200,000 from general revenues and \$45,000 from federal funds. This is \$107,750 less than enacted, including \$82,750 less from general revenues. Consistent with the revised request, the Department reduces these expenditures to remain below its enacted general revenue appropriation for the division, but is not certain that the savings are attainable. The request uses the general revenue savings to fund additional operating expenses, as discussed later.

The Department spent \$0.4 million in FY 2011 and \$0.5 million in FY 2012, which was \$75,486 more than the final appropriation because of staffing vacancies, causing the need for contracted forensic pathologists to increase. The Department indicates that it has fully staffed all forensic pathologists in FY 2013, including the Chief Medical Examiner, reducing the need for contracted medical examiners in FY 2014; however, the request is \$258,006 less than what was spent in FY 2012, and \$45,000 less than the revised request, which is a significant reduction, considering the state pays \$1,100 per examination to contracted doctors and examiners.

As part of its constrained request, the Department requests further reductions of \$18,723 from general revenues for contracted medical examiners. This reduction was offered just to reach the general

revenue target and does not reflect savings that are likely to be achieved. *The Governor recommends \$18,723 less than requested, consistent with the constrained request.*

All Other Operations. The Department requests expenditures of \$0.3 million from all sources, including \$221,120 from general revenues and \$49,375 from federal funds for all other Medical Examiner Office operations. This is \$45,345 more than enacted from all funds reflecting increased costs for insurance and medical supplies because malpractice insurance premiums have increased along with the estimated caseload, which increases costs for livery, exam supplies and histology testing. The request includes \$97,800 for medical supplies, \$50,000 for insurance and \$122,695 for all other expenses, including utilities, postage and printing and supplies. Consistent with the revised request, general revenue expenditure reductions from staffing and contracted services are used to pay for the increased operating expenditures. *The Governor's recommendation is \$191 more than requested, including \$293 less from general revenues for statewide state fleet expenses and \$484 more from federal funds to reflect the shift in benefit savings from non-general revenue sources to miscellaneous operating expenses.*

Central Management

1.0 Position Transfer to OHHS. The Department requests transferring authorization and funding for the Assistant Director of Financial and Central Management to the Office of Health and Human Services, per the request of the Office. This includes \$0.2 million from restricted receipts and 1.0 full-time equivalent position. *The Governor recommends shifting the funding and authorization to the Office, as requested.*

All Other Salaries and Benefits. The Department requests \$7.4 million from all sources for salaries and benefits for 94.9 full-time equivalent positions in central management, including \$0.6 million from general revenues. This is \$0.1 million more than enacted, including \$0.1 million less from general revenues and \$0.2 million more from restricted receipts. The request includes turnover savings of \$2.6 million from maintaining approximately 32 vacancies, increases and reductions to numerous positions as well as the net transfer of 8.9 positions to central management from other programs within the Department. *The Governor recommends \$0.1 million more than requested, including \$3,102 less from general revenues. Consistent with his revised recommendation, he adds authorization and \$0.1 million from restricted receipts for a public information officer that was transferred to the Emergency Management Agency back to the Department. The recommendation includes \$46,469 less to reflect statewide benefit savings.*

Target – Staffing Adjustments. As part of its constrained request, the Department includes an additional \$0.4 million in turnover savings but makes staffing adjustments for a net increase of 3.2 positions; it appears to be shifting positions to central management, but does not include funding for them. *The Governor's recommendation includes 3.2 positions more than requested, but does not appear to include funding for them.*

Target – Shift Expenses to Restricted Receipts. As part of its constrained request, the Department adds expenses of \$72,912 from the restricted receipt indirect cost recovery account. This includes staffing reductions of \$57,491, and adds \$90,000 for security and information technology services that appear to be transferred from the vital records program in addition to \$40,403 for contracted training and clerical services. *The Governor concurs with the constrained request.*

Bioterrorism. The Department requests FY 2014 expenditures of \$4.6 million from federal funds for bioterrorism preparedness. This is \$0.6 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's recommendation is \$25,126 more than requested, including \$25,360 more to reflect the shift in benefit savings from non-general revenue sources to miscellaneous operating expenses and \$234 less for centralized state fleet expenses.*

Pandemic Flu. The Department's request eliminates the enacted level of \$0.3 million from federal funds for pandemic flu responses, including H1N1 activities, because the program is no longer funded by the federal government. Funding was used to strengthen the ability of the Department of Health and partner organizations to detect, contain and manage public health threats and emergencies. *The Governor recommends funding as requested.*

Community Service Grants. The Department requests \$391,585 from general revenues for 10 community service grants administered through the Department of Health. This is consistent with the enacted level and includes grants to agencies providing services related to AIDS, hepatitis, cancer, the Rhode Island Blood Center and community health centers. *The Governor recommends funding as requested.*

All Other Operations. The Department requests \$0.5 million from all sources for all other operations in central management, including \$22,767 from general revenues. This is \$0.3 million less than enacted, including \$2,900 less from general revenues, \$261,379 less from restricted receipts and \$8,500 more from federal funds. The request includes \$100,000 for the strengthening public health infrastructure project.

Consistent with the revised request, the reduction from restricted receipts reflects the transfer of indirect cost recovery funds budgeted for miscellaneous expenses to fund salary and benefit expenses for 2.0 positions in the Medical Examiner's Office. The Department spent \$0.8 million from all sources in FY 2012 for these expenses, including \$0.6 million from restricted receipts. It appears that the request may bring estimated expenditures below a practical level, since the expenditure reduction was for the purpose of funding staff, and not because of realized reductions in expenses.

The Governor's recommendation is \$29,340 more than requested to reflect statewide benefit savings from non-general revenue sources shifted to miscellaneous operating expenses.

Target – Office Expenses. As part of its constrained request, the Department reduces operating expenditures for the Director's office by \$3,000. *The Governor's recommendation includes funding consistent with the constrained request.*

Department of Human Services

	FY 2013 Enacted	FY 20123 Revised	FY 2014 Request	FY 2014 Recommended
Expenditures by Program				
Central Management	\$ 10,889,439	\$ 11,093,399	\$ 11,116,117	\$ 10,767,711
Child Support Enforcement	8,339,468	8,408,391	8,478,233	8,465,570
Individual and Family Support	144,806,506	160,299,881	155,252,706	167,252,297
Veterans' Affairs	28,887,693	31,276,188	30,944,580	30,315,184
Health Care Quality, Financing and Purchasing	17,838,116	16,732,457	19,917,390	19,571,120
Supplemental Security Income	18,240,600	18,561,212	18,240,600	18,791,147
Rhode Island Works	89,867,120	90,187,965	89,867,120	92,687,467
State Funded Programs	301,707,222	301,277,002	301,829,353	300,876,793
Elderly Affairs	29,679,848	28,803,380	29,962,422	27,627,392
Total	\$ 650,256,012	\$ 666,639,875	\$ 665,608,521	\$ 676,354,681
Expenditures by Category				
Salaries and Benefits	\$ 86,644,550	\$ 85,494,296	\$ 91,572,948	\$ 90,930,892
Contracted Services	15,406,289	17,257,026	17,984,962	17,376,303
Subtotal	\$ 102,050,839	\$ 102,751,322	\$ 109,557,910	\$ 108,307,195
Other State Operations	19,355,411	19,567,251	17,746,667	18,803,960
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	520,519,494	533,643,697	530,029,483	540,517,342
Capital	2,237,621	4,654,117	2,025,540	2,536,083
Capital Debt Service	-	-	-	-
Operating Transfers	6,092,647	6,023,488	6,248,921	6,190,101
Total	\$ 650,256,012	\$ 666,639,875	\$ 665,608,521	\$ 676,354,681
Sources of Funds				
General Revenue	\$ 97,023,967	\$ 96,845,266	\$ 101,177,513	\$ 99,520,764
Federal Aid	539,731,758	553,002,562	548,662,761	562,754,777
Restricted Receipts	9,111,103	12,213,022	11,122,437	9,598,776
Other	4,389,184	4,579,025	4,645,810	4,480,364
Total	\$ 650,256,012	\$ 666,639,875	\$ 665,608,521	\$ 676,354,681
FTE Authorization	940.7	946.6	977.8	974.6

Summary. The Department of Human Services requests \$665.6 million, or \$15.4 million more than enacted, including \$4.2 million more from general revenues, \$8.9 million more from federal funds, \$2.0 million more from restricted receipts and \$0.3 million more from other funds. The Department also requests 977.8 full-time-equivalent positions, 37.1 more than enacted. The general revenue request is \$0.6 million more than the Budget Office's general revenue current services target of \$100.6 million.

The Governor recommends \$676.4 million from all sources, including \$99.5 million from general revenues. This is \$10.7 million more than requested, including \$1.7 million less from general

revenues, of which \$0.3 million is for statewide benefits savings. He includes 974.6 full-time equivalent positions, which is 3.2 less than requested.

Target. The Budget Office provided the Department with a general revenue target of \$93.8 million. The amount includes current service adjustments of \$3.6 million and a 7.0 percent target reduction of \$6.8 million, adjusted for certain exclusions. The constrained budget submitted by the Department exceeds the target by \$0.8 million. *The Governor's recommendation is \$5.7 million above the target.*

FY 2014 Budget	Budget Office	Human Services	Difference
FY 2013 Enacted	\$ 97,023,967	\$ 97,023,967	\$ -
Current Service Adjustments	3,551,412	4,153,546	602,134
Change to FY 2013 Enacted	\$ 3,551,412	\$ 4,153,546	\$ 602,134
FY 2014 Current Services	\$ 100,575,379	\$ 101,177,513	\$ 602,134
Target Reduction/Initiatives	(6,774,917)	(6,538,372)	236,545
FY 2014 Recommendation/Request	\$ 93,800,462	\$ 94,639,141	\$ 838,679
<i>Change to FY 2013 Enacted</i>	<i>\$ (3,223,505)</i>	<i>\$ (2,384,826)</i>	<i>\$ 838,679</i>

Staffing. The Department requests 977.8 full-time equivalent positions in FY 2014, which is 37.1 more than enacted and 12.0 more than the revised request. Consistent with the revised request, this includes authorization for 2.0 central management positions, 6.0 unified health infrastructure project positions, 4.0 supplemental nutrition assistance positions, 4.0 Medicaid eligibility positions, 4.0 individual and family support positions for Rhode Island Works and child care, 3.5 positions for new grants, 1.2 positions for weatherization assistance, 1.0 elderly affairs position, and eliminates 0.6 position at the Veterans' Home. The request includes 12.0 additional positions for the unified health infrastructure project, for a total of 18.0 positions for the project.

Staffing	Central Mgmt.	Child Support	Individual & Family Support	Health Care Eligibility	Elderly Affairs	Veterans Affairs	Total
<i>FY 2013 Enacted</i>	<i>60.0</i>	<i>61.0</i>	<i>457.5</i>	<i>93.0</i>	<i>30.0</i>	<i>239.2</i>	<i>940.7</i>
IFS, Works, Child Care, Medicaid			4.0	4.0			8.0
New Grants			3.5				3.5
Veterans' Affairs						(0.6)	(0.6)
Elderly Affairs					1.0		1.0
UHIP				18.0			18.0
SNAP Field Staff			4.0				4.0
Weatherization			1.2				1.2
Transfer to OHHS	(1.0)						(1.0)
Quality / Fraud ETs	3.0		-				3.0
<i>Sum of Changes</i>	<i>2.0</i>	<i>-</i>	<i>12.7</i>	<i>22.0</i>	<i>1.0</i>	<i>(0.6)</i>	<i>37.1</i>
FY 2104 Request	62.0	61.0	470.2	115.0	31.0	238.6	977.8
Change to Enacted	2.0	-	12.7	22.0	1.0	(0.6)	37.1
FY 2014 Gov. Rec.	60.0	61.0	469.0	115.0	31.0	238.6	974.6
Change to Request	(2.0)	-	(1.2)	-	-	-	(3.2)

Consistent with the revised request, the FY 2014 request assumes all new positions will be filled for at least 85 percent of the fiscal year and assumes 90 and 100 percent for several positions; however, the revised request also assumes these positions will be filled, thus the turnover assumptions do not appear to make sense for FY 2014. However, the Department calculates turnover for whole workgroups and divisions, not by exact position, so turnover is more evenly spread among all positions instead of specific ones. The request assumes the use of additional turnover savings to fund these new positions. The Department has

maintained an average of 810.1 filled positions through pay period ending December 15, 2012, which is 130.6 fewer than authorized; the enacted budget includes turnover for approximately 89 positions, leaving about 42 funded, but vacant positions in the enacted authorization.

The Department requests \$91.6 million for all salary and benefit expenses, including \$42.4 million from general revenues, \$48.2 million from federal funds and \$0.9 million from restricted receipts. This is \$4.9 million more than enacted, including increases of \$2.5 million from general revenues, \$2.0 million from federal funds and \$0.4 million from restricted receipts. This represents a 5.7 percent increase in funding along with a 3.9 percent increase in the authorized number of positions. The request inadvertently omits holiday pay for Veterans Affairs, underfunding the staffing needs by \$0.4 million, including \$0.3 million from general revenues and also inadvertently reduces federal funding for Medicaid administration by \$126,199 in the Division of Elderly Affairs.

As part of its constrained request, the Department increases staffing expenses by \$0.8 million from federal funds. The constrained request assumes that by eliminating the general public assistance program, the general revenue funded positions will be transferred to partially or fully federal funded programs, including Medicaid administration, Rhode Island Works and supplemental nutrition assistance programs. It should be noted that general revenues would be needed for 50 percent of the funding for these positions and the request includes the general revenues for all of the positions in the Rhode Island Works program.

The Governor includes 974.6 positions, which is 33.9 more than enacted and 3.2 less than requested. He includes 2.0 fewer positions in central management, and 1.2 fewer in the individual and family support program. He adds the 18.0 requested positions for the unified health infrastructure project, transfers the chief financial officer to the Office of Health and Human Services and does not concur with the changes included in the Department's constrained request.

Medicaid Expenses - State/National Comparison. The following table compares national and state 2009 Medicaid spending using the Centers for Medicare and Medicaid Services 2010 Actuarial Report on the Financial Outlook for Medicaid and information from the state's Executive Office of Health and Human Services. By percentage, Rhode Island's enrollment of children and parents (the state's RItE Care population) is lower than the national average. 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 Executive Office of Health and Human Services' budget.

Medicaid Expenses	Enrollees		Percent of Enrollees		Expenses*		Percent of Expenses		Cost Per Enrollee	
	US*	RI	US	RI	US	RI	US	RI	US	RI
Population	24.0	77,872	48.9%	44.5%	\$ 68,400	\$ 228.3	20.0%	13.4%	\$2,848	\$2,932
Children	11.4	39,190	23.2%	22.4%	46,800	172.5	14.0%	10.2%	4,123	4,402
Adults	9.0	40,763	18.3%	23.3%	148,400	871.1	44.0%	51.3%	16,563	21,371
Blind/Disabled	4.8	17,312	9.8%	9.9%	74,600	425.5	22.0%	25.1%	15,678	28,541
Aged										
Total	49.1	175,137	100%	100%	\$338,100	\$1,697.4	100%	100%	\$6,890	\$9,692

*Source: Centers for Medicare and Medicaid Services 2010 Actuarial Report on the Financial Outlook for Medicaid and the Office of Health and Human Services; *in millions*

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 Office of Health and 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 Office of Health and Human Services and Department of Human Services' Division of Elderly Affairs.

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 2013 guidelines are as follows.

Percent of Federal Poverty Level based on Annual Income										
Family Size	100%	133%	135%	133%	138%	150%	175%	185%	235%	250%
1	\$ 11,490	\$ 15,282	\$ 15,512	\$ 15,282	\$ 15,856	\$ 17,235	\$ 20,108	\$ 21,257	\$ 27,002	\$ 28,725
2	15,510	20,628	20,939	20,628	21,404	23,265	27,143	28,694	36,449	38,775
3	19,530	25,975	26,366	25,975	26,951	29,295	34,178	36,131	45,896	48,825
4	23,550	31,322	31,793	31,322	32,499	35,325	41,213	43,568	55,343	58,875
5	27,570	36,668	37,220	36,668	38,047	41,355	48,248	51,005	64,790	68,925
6	31,590	42,015	42,647	42,015	43,594	47,385	55,283	58,442	74,237	78,975
7	35,610	47,361	48,074	47,361	49,142	53,415	62,318	65,879	83,684	89,025
8	39,630	52,708	53,501	52,708	54,689	59,445	69,353	73,316	93,131	99,075

For families with more than 8 members, add \$4,020 for each additional member for the 100 percent calculation.

Patient Protection and Affordable Care Act. Title II of the Patient Protection and Affordable Care Act expands eligibility for Medicaid to lower income persons and assumes federal responsibility for much of the cost of this expansion. Beginning on January 1, 2014, all children, parents and childless adults who are not entitled to Medicare and who have family incomes up to 133 percent of federal poverty will become eligible for Medicaid. The Act expands Medicaid coverage to individuals and families up to 138 percent of the federal poverty level; the threshold is 133 percent, but the Act includes a 5 percent disregard, essentially making the Medicaid eligibility threshold 138 percent. Between 2014 and 2016, the federal government will pay 100 percent of the cost of covering newly-eligible individuals. States will be required to maintain the same income eligibility levels through December 31, 2013 for all adults, and this requirement would be extended through September 30, 2019 for children currently in Medicaid. *The Governor includes general revenue savings of \$1.2 million throughout the Department from health care reform.*

Cash Assistance Programs

The Caseload Estimating Conference estimate includes \$112.8 million from all sources, including \$30.6 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 caseload estimate is \$1.5 million more than enacted, including \$0.4 million more from general revenues. Consistent with the revised request, the Department's request is consistent with the enacted level for cash assistance and does not reflect the estimate adopted at the November caseload conference.

The Governor recommends \$114.0 million from all sources, including \$30.6 million from general revenues, which is \$1.2 million more than the caseload estimate because of his proposed subsidized employment program and shift of Medicaid expenses related to the Affordable Care Act, discussed separately.

The following table itemizes cash assistance expenditures as enacted by the 2012 Assembly, adopted by the caseload estimators, and recommended by the Governor, along with comparable data for FY 2011 and FY 2012. Each category is discussed separately.

Cash Assistance	FY 2011 Spent	FY 2012 Spent	FY 2013 Enacted	FY 2013 Gov. Rev.	FY 2014 Nov. CEC	FY 2014 Gov. Rec.
Rhode Island Works						
Persons	15,797	16,000	16,100	16,195	16,300	16,300
Monthly Cost per Person	\$ 187.93	\$ 190.05	\$ 192.00	\$ 190.00	\$ 191.00	\$ 191.00
General Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Funds	39.0	40.1	40.8	40.8	41.3	41.3
Total Costs*	\$ 39.0	\$ 40.1	\$ 40.8	\$ 40.8	\$ 41.3	\$ 41.3
Child Care						
Subsidies	6,906	6,777	6,840	6,985	7,055	7,055
Annual Cost per Subsidy	\$ 7,064	\$ 7,066	\$ 7,150	\$ 7,070	\$ 7,077	\$ 7,289
General Revenue	\$ 9.3	\$ 9.7	\$ 9.7	\$ 9.7	\$ 9.7	\$ 9.7
Federal Funds	39.5	38.7	39.4	39.7	40.3	41.8
Total Costs*	\$ 48.7	\$ 48.3	\$ 49.0	\$ 49.4	\$ 49.9	\$ 51.4
SSI						
Persons	32,997	33,398	33,800	33,260	33,677	33,677
Monthly Cost per Person	\$ 47.41	\$ 46.05	\$ 44.75	\$ 46.35	\$ 46.35	\$ 46.35
Total Costs/General Revenues*	\$ 20.9	\$ 18.6	\$ 18.2	\$ 18.6	\$ 18.8	\$ 18.8
SSI Transition/Bridge						
Persons	591	622	650	575	585	585
Monthly Cost per Person	\$ 100.19	\$ 115.41	\$ 109.40	\$ 109.00	\$ 109.03	\$ 109.03
General Revenues	\$ 2.0	\$ 2.6	\$ 2.4	\$ 2.1	\$ 2.2	\$ 2.1
Federal Funds	1.0	0.4	0.8	0.6	0.7	0.4
Total Costs*	\$ 3.0	\$ 3.0	\$ 3.2	\$ 2.7	\$ 2.8	\$ 2.5
General Revenue	32.3	30.8	30.3	30.3	30.6	30.6
Federal Funds	79.4	79.2	81.0	81.2	82.2	83.4
Total Cash Assistance*	\$ 111.7	\$ 110.0	\$ 111.3	\$ 111.5	\$ 112.8	\$ 114.0

*Expenditures in millions

Maintenance of Effort Requirement. The Department is required to spend \$60.4 million from general revenues as its maintenance of effort requirement for the \$95.0 million temporary assistance to needy families' block grant, assuming it meets its work participation rates. The state has separate one-parent and two-parent participation rates, but receives the penalty if either rate is not met. For Rhode Island, this increases by \$4.0 million to \$64.4 million if one or both of the work participation rates are not met. The state has not met its 90 percent two-parent participation rate, so it must maintain the higher maintenance of effort.

Work participation rates are the percent of qualified parents that are participating in work, work-like activities or the individualized employment plan. Almost all individuals receiving Rhode Island Works are required to immediately enter into individualized employment plans, which can include job search and readiness, vocational or adult education, on-the-job training and subsidized employment. The Department has not met its 90 percent two-parent work participation rate, which requires one parent to engage in work activities for 35 hours a week, because families who are in non-compliance with their work plan remain on the active caseload. The rules and regulations call for individuals and families to be sanctioned and have benefits reduced or eliminated when they are not in compliance with the individual employment plan, miss appointments, or refuse or quit employment.

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 higher \$64.4 million requirement will be met. *The Governor's budget assumes the state meets its maintenance of effort requirements for the block grant funding.*

Rhode Island Works. The November Caseload Estimating Conference estimate includes program expenditures of \$41.3 million entirely from federal funds. The estimate increased the monthly caseload by 200 cases to a level of 16,300. The cost per case is estimated to decrease by \$1.00 to a \$191.00 monthly cost per person. The estimated program expenditures are \$0.4 million more than the enacted budget, including \$0.3 million from the increased caseload, \$0.2 million more for transportation expenses along with \$5,000 more for both clothing and supportive services. Consistent with the revised request, the Department's request is consistent with the enacted level for the Rhode Island Works program and does not reflect the November estimate. *The Governor recommends funding consistent with the caseload estimate.*

Subsidized Employment Program. The Department does not currently operate subsidized employment or on-the-job training programs for Rhode Island Works clients. The Department spent \$2.4 million from emergency temporary assistance to needy families block grant funds as part of the American Recovery and Reinvestment Act of 2009 for subsidized employment; that program ended on September 30, 2010.

The Governor's recommendation includes \$3.0 million from federal temporary assistance to needy families block grant funds, including \$1.5 million for wage reimbursements to employers who participate in the program and, if needed, transportation expenses for the worker, and also \$1.5 million for additional subsidized child care expenses, since increased hours of work will typically require additional childcare services.

[Staff Note: Budget Office documents had referenced allowing participants to earn up to 225 percent of poverty and still receive child care while enrolled in this program, but the Office subsequently confirmed that the 225 percent provision is not part of the official recommendation. The Department has been in discussions with the Governor's Office and other stakeholders to develop a comprehensive program. The funding in the recommendation is a place holder, and the Department plans to develop the details of the program during FY 2013 in preparation of taking action in FY 2014.]

Child Care. The November Caseload Estimating Conference estimate includes caseload child care expenditures of \$49.9 million, of which \$9.7 million is from general revenues. This is \$0.9 million more federal funds than enacted, reflecting 195 additional child care subsidies for a monthly level of 7,055 and decreased the annual cost per subsidy by \$73 to \$7,077 for FY 2014. The Department's request is consistent with the enacted level for the child care program. *The Governor recommends funding consistent with the caseload estimate.*

Supplemental Security Income Payments. The November Caseload Estimating Conference estimate includes FY 2014 direct supplemental security income expenditures at \$18.7 million from general revenues, or \$0.6 million more than enacted. The caseload decreased by 123 persons to a monthly level of 33,677. Estimators increased the monthly cost per person by \$1.60 to \$46.35. The Department's request is consistent with the enacted level and does not reflect the conference estimate. *The Governor recommends funding consistent with the caseload estimate.*

The following table includes the separate categories and monthly payments, effective January 1, 2013. There will be a 1.7 percent cost-of-living adjustment, effective January 1, 2013, which will increase the federal portion of the payment. The increase is reflected in the following table.

Supplemental Security Income Payments	Beginning 1-1-2012			Beginning 1-1-2013		
	State	Federal	Total	State	Federal	Total
Individual Living Alone	\$ 39.92	\$ 698.00	\$ 737.92	\$ 39.92	\$ 710.00	\$ 749.92
Couple Living Alone	\$ 79.38	\$ 1,048.00	\$ 1,127.38	\$ 79.38	\$ 1,066.00	\$ 1,145.38
Individual Living with Others	\$ 51.92	\$ 465.34	\$ 517.26	\$ 51.92	\$ 473.34	\$ 525.26
Couple Living with Others	\$ 97.30	\$ 698.67	\$ 795.97	\$ 97.30	\$ 710.67	\$ 807.97
Supportive Residential Care	\$ 300.00	\$ 698.00	\$ 998.00	\$ 300.00	\$ 710.00	\$ 1,010.00
Resident in Assisted Living	\$ 332.00	\$ 698.00	\$ 1,030.00	\$ 332.00	\$ 710.00	\$ 1,042.00
Supplement	\$ 20.00	\$ 30.00	\$ 50.00	\$ 20.00	\$ 30.00	\$ 50.00

Supplemental Security Income Transaction Fees. The November Caseload Estimating Conference estimate includes \$60,000 from general revenues for the payment of transaction fees in FY 2014, primarily for individuals residing in an assisted living residence, which is \$30,000 less than enacted and \$2,000 less than the estimate for FY 2013. The Department's request is consistent with the enacted level and does not reflect the conference estimate. The state makes its portion of the payments directly to the clients in most categories; for individuals in assisted living residences, the state still pays a transaction fee for the federal government to make the state's payment. *The Governor recommends funding consistent with the caseload estimate.*

Additional State Supplemental Payment. The Department requests the enacted level of \$250,000 from general revenues for additional state supplemental payments of \$206 per month to individuals who receive the state supplemental security income payment and live in a state licensed assisted living facility that is not eligible to receive Medicaid.

The 2011 Assembly enacted legislation that reduced the payment for all residents in assisted living facilities from \$538 to the state's federally required minimum payment of \$332, effective October 1, 2011. This applied to residents in both Medicaid and non-Medicaid funded facilities to pay for room and board expenses. For most individuals in Medicaid funded facilities, the monthly payment offset costs that were shifted to Medicaid, saving state funds. For those in non-Medicaid funded facilities, it was a reduction to the individual and a loss to the facility. The 2012 Assembly adopted legislation in Article 18 of the appropriations act to provide an additional \$206 a month to individuals who, on or after July 1, 2012, receive the state supplemental security income payment and reside in a state licensed assisted living facility that is not eligible to receive Medicaid. *The Governor recommends funding as requested.*

Supplemental Security Income Transition/Bridge Program. The November Caseload Estimating Conference estimates expenditures for the supplemental security income transition/bridge program, otherwise known as the general public assistance program, at \$2.8 million, including \$2.2 million from general revenues. This is \$0.3 million less than enacted from all sources, including \$0.2 million less from general revenues. The estimate includes \$0.8 million for cash payments, \$1.3 million for medical expenses and \$0.8 million for burials. The estimate decreases the projected number of persons by 65 for a level of 585, and medical costs by \$265,000 and reduces the monthly cost per person from \$109.40 to \$109.03. The Department's request adds \$122,131, including \$77,521 from general revenues to account for the federal medical assistance percentage rate for FY 2014; it does not reflect the conference estimate. This program is designed for individuals who maintain an active application for the supplemental security income program.

As part of its constrained request, the Department eliminates the general public assistance program, except to limit burials to \$925 each burial for up to 600 burials per year. This is estimated to save

\$2.9 million from all sources, including \$2.1 million from general revenues. The constrained request also shifts staff members currently working on the general public assistance program to the Rhode Island Works and supplemental nutrition assistance programs and to Medical assistance administration. This is estimated to save an additional \$0.7 million from general revenues by shifting the salary and benefit expenses for these positions to partial or complete federal funding. The required general revenues for the match for these positions remain in the Rhode Island Works program in the Department's request.

The Governor's recommendation is \$487,500 less the caseload estimate, including \$241,800 from general revenues by assuming that 75 percent of the individuals receiving services will be eligible for 100 percent federally funded Medicaid, beginning January 1, 2014. The recommendation is 37.5 percent lower than the caseload estimate since it assumes three-quarters of the people for half of the year. He does not concur with the provisions of the constrained request.

Hardship Payments. The Department requests the enacted level of \$210,000 from general revenues for hardship contingency payments; the director of the Department may provide for these payments. The program provides temporary support to persons who do not qualify for the supplemental security income or Rhode Island Works programs. *The Governor recommends funding as requested.*

Cash Assistance Administration

1.0 Rhode Island Works Administration Position. Consistent with the revised request, the Department requests authorization and funding of \$0.1 million for 1.0 full-time equivalent Supervising Eligibility Technician to assist in the field offices with applications and eligibility determinations for the Rhode Island Works program. The request includes \$49,788 from both general revenues and federal funds and assumes the position will be filled for 90 percent of the fiscal year; the revised request assumes the position would be filled in FY 2013, though the position remains vacant, as of December 7, 2012. *The Governor recommends funding as requested and includes authorization for the position.*

Rhode Island Works Program Administration – All Other Staffing. The Department requests \$10.5 million for salary and benefit expenses for Rhode Island Works administration. This includes \$3.8 million from general revenues and \$7.5 million from federal funds. This is \$0.6 million more than enacted, including \$0.2 million more from general revenues and \$0.4 million more from federal funds. The request includes \$0.5 million for overtime expenses, \$0.1 million less than enacted, assumes filling approximately five vacancies and includes benefit rates consistent with FY 2014 planning values.

As part of its constrained budget request, the Department increases staffing expenses by \$0.2 million from federal funds. The request assumes that by eliminating the general public assistance program, the general revenue funded positions will be transferred to partially or fully federally funded programs, including Medicaid administration, Rhode Island Works and supplemental nutrition assistance programs. This increase represents one-quarter of the savings. It should be noted that general revenues would be needed for 50 percent of the funding for these positions and the request includes the general revenues for all of the positions in the Rhode Island Works account.

The Governor recommends \$0.1 million less than requested, including \$34,960 less from general revenues. This includes \$31,250 in additional turnover and \$73,949 less to reflect statewide benefits savings. He does not concur with the constrained request.

Rhode Island Works Grants. The Department requests grant expenditures of \$8.6 million from all sources for training and work activities for program recipients. This includes \$4,457 from general revenues and \$8.6 million from federal funds and is \$2.0 million more than enacted, including \$187 less from general revenues and reflects the use of available federal block grant funds carried forward from prior years. The Department entered into contracts for on-the-job training grants, plans to fund contracts to improve its clients' life skills and job readiness, and has plans for training and guidance to help workers improve their ability to work with families of disabled individuals. *The Governor recommends funding as requested.*

Rhode Island Works Program Administration - Other Operations. The Department requests \$4.1 million for Rhode Island Works program administration expenses, which is \$1.1 million less than enacted and \$1.0 million less than the revised request. This includes \$0.5 million from general revenues, \$0.2 million less than enacted and \$3.6 million from federal funds, \$1.0 million less than enacted. Operating expenses include \$1.7 million for the rental and security costs for the satellite offices, \$1.5 million for the InRhodes eligibility system contract, \$0.3 million for postal and printing expenses, \$0.3 million for interpreters and translators and \$0.2 million for the monthly fee to charge the electronic benefit cards for the Rhode Island Works recipients. It also includes \$0.1 million for other office expenses, which is \$0.9 million less than enacted. The request appears to shift \$1.0 million from operating expenses to grant expenditures; however, the Department indicates it inadvertently omitted at least \$0.2 million in expenses, intending to request expenditures closer to the FY 2012 spent level of \$4.3 million from all sources.

The Governor recommends \$1.3 million more than requested from federal funds, including \$1.2 million in additional operating expenses that the Department inadvertently omitted and additional operating expenses related to the expanded subsidized employment program. His recommendation also includes \$62,079 more in statewide benefit savings from federal sources shifted to miscellaneous operating expenses.

1.0 New Child Care Administration Supervisor. The Department requests \$0.1 million for 1.0 new supervisor position for FY 2014, consistent with the revised request. This includes \$49,788 from both general revenues and federal funds and assumes the position will be vacant for 10 percent of the year. The revised request assumes the position will be filled in FY 2013, though the position remains vacant as of December 7, 2012. *The Governor recommends funding as requested.*

Child Care Administration - All Other Staffing. The Department requests \$1.6 million from all funds for salary and benefit expenses for child care administration. The request includes \$0.8 million from both general revenues and federal funds, and is \$0.1 million more than enacted, including \$3,055 less from general revenues and \$83,663 more from federal funds. The request includes \$85,000 for overtime expenses and benefit rates consistent with FY 2014 planning values. *The Governor recommends \$13,653 less than requested from all sources, including \$7,047 less from general revenues to reflect statewide benefits savings.*

Child Care Administration - Operations. The Department requests \$2.6 million for child care administration expenditures, including \$0.2 million from general revenues and \$2.4 million from federal funds. The request is \$69,602 more than enacted, including \$681 more from general revenues and \$68,921 more from federal child care development funding. The request includes \$0.6 million for the InRhodes contract, which is \$42,721 more than enacted and \$189,000 for postage and printing, which is \$85,500 more than enacted. It includes the enacted level of \$1.7 million for grant expenditures, \$70,000 for interpreters and translators, \$81,281 for other contracted management consultants and includes \$3,875 for all other administrative expenses, which is \$58,619 less than

enacted. *The Governor's recommendation is \$61,891 more from federal funds than requested, including \$55,285 for audit fees and office supplies and \$6,606 in statewide savings from federal sources shifted to miscellaneous operating expenses.*

SSI Supplemental Payment Administration. The Department requests \$859,749 from general revenues, which is \$15,234 more than enacted, for 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 \$305,249 for 3.0 full-time equivalent positions, which is \$35,735 more than enacted. Consistent with the revised request, increased expenditures include \$5,000 for overtime, which was not included in the enacted budget, and filling a supervisory position in FY 2013. The request assumes the three positions are fully funded with benefit rates consistent with Budget Office instructions for FY 2014. The request includes \$302,500 for operational expenditures, including \$100,000 for the InRhodes eligibility system, which is \$20,501 less than enacted, and the enacted levels of \$105,500 for mail and bank processing expenses, \$65,000 for office supplies, \$12,000 for printing, \$10,000 for legal expenses, and \$10,000 for lease costs related to the field offices. The request utilizes savings in operating expenditures towards the additional staffing expenses. *The Governor's recommendation is \$2,402 less than requested to reflect statewide benefits savings.*

Division of Veterans' Affairs

Veterans' Affairs – Staffing. The Department requests \$23.9 million from all funds for salaries and benefits for 238.6 positions, including \$17.4 million from general revenues and \$6.5 million from federal funds. The request is \$1.2 million more than enacted, including \$1.4 million more from general revenues and 0.6 full-time equivalent positions less than the enacted authorization. It includes benefit rates consistent with Budget Office planning values for FY 2014 and \$1.0 million for overtime expenses, which is \$0.3 million less than enacted and consistent with the revised request.

Consistent with the revised request, changes to the enacted budget include filling 8.0 positions and then backfilling 10.0 temporary positions in FY 2013, which will lead to savings from reduced nursing pool costs in FY 2014 while an assistant administrator was also hired in November 2012 to be the budget person. The request assumes the 9.0 new positions and 26.0 temporary positions will be filled before the start of FY 2014; however, subsequent to the request, the Department indicated construction delays would also delay the hiring of the 35.0 new positions until the first quarter of FY 2014.

The Department inadvertently excludes holiday pay for the employees who work at the 24-hour state-run Veterans' Home and as a result its revised request is underfunded by \$0.4 million from all sources, including \$0.3 million from general revenues.

The Governor recommends \$0.2 million more than requested, including \$0.1 million more from general revenues. This includes \$1.2 million more for overtime, for a total of \$2.2 million for overtime costs and he adds \$0.4 million for holiday pay. The remaining reduction reflects \$1.2 million from increasing turnover and \$0.2 million from statewide benefits savings.

Veterans' Affairs – Medical and Operational Expenses. The Department requests \$4.7 million from all sources for operating expenses at the Veterans' Home, including \$3.9 million from general revenues, \$26,536 from federal funds and \$0.8 million from restricted receipts. The request is \$0.3 million more than enacted, including \$0.3 million more from general revenues and \$0.1 million less from restricted receipts. The request includes \$0.5 million for pharmaceuticals, \$0.5 million for medical services, \$0.9 million for contracts for doctors, dentists and nurses and \$65,000 for laboratory testing. The request also contains \$0.9 million for food and food service contracts, \$0.5 million for janitorial contracts and supplies, \$0.2 million for maintenance and repairs of the buildings and

equipment, \$0.2 million for laundry services, \$0.2 million for centralized state services and utility expenses, \$0.1 million for information technology expenditures, and \$0.8 million for all other expenses related to operations at the Veterans' Home, including \$60,000 for a new handicap van.

The Governor recommends \$0.4 million less than requested, including \$0.2 million less from both general revenues and restricted receipts and \$49,979 more from federal funds. The recommendation includes \$0.3 million more from contracted nurses and reductions of \$0.2 million for medical supplies and pharmaceuticals, \$0.1 million for linen and laundry services, \$0.1 million for building maintenance, \$0.1 million for computer supplies and equipment and \$0.3 million for other supplies and operating expenses.

New Veterans' Home Design. The Department requests \$1.4 million from all sources, including \$0.4 million from federal funds and \$0.9 million from restricted receipts for architectural and engineering expenses related to a new Veterans' Home. This is \$1.1 million more than enacted and \$0.6 million more than the capital budget request and changes the funding source from Rhode Island Capital Plan funds to federal and restricted sources. The enacted budget does not include any funding for planning or construction of a new Veterans' Home. *The Governor does not recommend any pay-go sources of funding in the Department's operating budget for the new Home, but does include expenditures from general obligation bond proceeds for the new Home, beginning with \$8.0 million in FY 2014.*

Veterans' Cemetery. The Department requests \$470,607 from all funds, including \$385,607 from federal funds and \$85,000 from restricted receipts for the Veterans' Cemetery in Exeter. The request is \$414,393 less than enacted from federal funds, reflecting delayed expenditures related to the federal National Cemetery Administration grant award for the repair and restoration of burial fields. The grant totals \$1.3 million and the Department originally planned to spread the award equally over three years, beginning in FY 2012, though no funds have been spent through December 2012; the work will be done in conjunction with regular operations. The request also includes the enacted level of \$85,000 for the purchase of four lawn mowers and two utility vehicles for maintenance services at the Cemetery through the Memorial Fund.

Subsequent to submitting the request, the Department indicated that there had been additional delays related to the National Cemetery Administration award. It indicated that only part of the \$800,000 award allocated for FY 2013 would be spent in FY 2013 and the remainder would be spent in FY 2014, in addition to the FY 2014 allocation of \$0.4 million; however, the amount was not yet known. *The Governor recommends funding as requested.*

Capital Projects. The Department requests \$520,000 from restricted receipts for capital projects at the Veterans' Home. This is \$80,000 less enacted, including \$515,000 less from federal funds for the columbarium project and \$435,000 more from restricted receipts for nursing wing renovations at the Veterans' Home. Consistent with the revised request, the Department does not request funding for the columbarium project since the Department has not yet received the federal funds, though it may receive them at any time; the approved capital plan includes \$445,000 for FY 2014 for this project. The request adds \$435,000 from restricted receipts for completion of the wing renovations, which are budgeted for completion in FY 2013, but experienced delays. All projects are described in the Capital Budget Section of this publication.

The Governor's recommendation is \$0.7 million more than requested and includes \$445,000 from federal funds for the columbarium and \$0.3 million from restricted receipts for renovations at the Home that have been delayed from FY 2013 but will be completed in FY 2014.

Division of Elderly Affairs

Pharmaceutical Assistance to the Elderly. The Department requests \$390,647 from restricted receipts for the pharmaceutical assistance program for FY 2014, which is \$46,256 less than enacted. The request includes \$200,000 for rebates, which is \$149,000 less than enacted, \$100,000 for the contract to process point-of-sale discounts for program members that was not included in the enacted budget and \$90,647 for salaries and benefits, which is \$3,228 more than enacted. The request includes no funding for operating expenditures, eliminating the enacted level of \$484 for these expenses.

For FY 2012 and FY 2013, the Department used the surplus restricted receipt rebate funds in lieu of general revenues; however, there is not sufficient funding in the restricted account for FY 2014 also, thus the current services estimate from the Budget Office includes restoring \$264,298 from general revenues. The request does not include sufficient funding to operate the program, plus there are not sufficient restricted receipts available to cover the requested expenses in FY 2014. The request does not include general revenues in FY 2014 for this program; the general revenues included for the current services adjustment were used elsewhere in the request.

As part of its constrained request, the Department proposes eliminating the program, for restricted receipt savings of \$300,000. The Department indicates that federal health care reform has superseded the program and its revenue source as they currently exist and the program has diminished significantly in recent years. This change would require repealing a section of general law and personnel assigned to this program will be reassigned to other activities in the division.

The Governor recommends \$86,163 less than the unconstrained request, including \$174,484 more from general revenues and \$260,647 less from restricted receipts. He shifts funding used to pay rebates to program participants from restricted receipts to general revenues, adds \$30,000 more for the contract for making the point-of-sale discounts and reduces salary and benefit expenses by \$90,647.

Home and Community Care Medicaid Waiver Services. The Department requests \$11.1 million from all sources, including \$5.5 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 \$0.8 million more than enacted, including \$0.5 million more from general revenues and \$0.3 million from federal funds to reflect an anticipated increase in utilization of home and community care services.

This program funds eligible individuals who are either in an assisted living facility or receiving home care services, though the individuals continue to need a nursing home level of care. The Department indicated that the program has grown by about ten percent annually 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 request represents a 7.8 percent increase; however it is inconsistent with the FY 2014 Medicaid match rate, requiring approximately \$15,500 in additional general revenues.

As part of its constrained request, the Department requests a cap on services, which creates a waiting list and a 15 percent provider rate reduction for savings of \$0.2 million, including \$40,000 from general revenues. This is consistent with the corrective action plan proposed for the revised request, though it was determined the corrective action plan was not necessary; however, it appears the federal fund savings is an error that overstates the anticipated savings. *The Governor's recommendation includes \$31,349 less from federal funds to adjust for the Medicaid match rate and does not include the reduction in the constrained request.*

Home Care Services. The Department requests \$3.1 million from all sources, including \$1.5 million from general revenues for the home care services program. This is \$0.2 million more than enacted, including \$0.1 million from both general revenues and federal funds to reflect a 7.8 percent increase in program utilization.

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 \$13,963 for individuals and \$18,913 for couples per year. Level 2 covers individuals and couples earning at or below 200 percent of federal poverty or less than \$22,340 and \$30,260 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.

As part of its constrained request, the Department proposes to increase the client portion of the co-pay and limiting program growth to 10 percent of the FY 2012 service utilization, for estimated savings of \$0.2 million from all funds, including \$0.1 million from general revenues. The client co-pay would increase from \$4.50 to \$5.00 for level 1 clients and from \$7.50 to \$8.00 for level 2 clients.

The Governor's recommendation is \$0.9 million less than requested from all sources, including \$0.5 million less from general revenues by assuming that 60 percent of the individuals currently receiving services will be eligible for 100 percent federally funded Medicaid, beginning January 1, 2014. The recommendation does not assume co-pay increases.

Adult Day Care Services. The Department's request includes \$2.6 million from all sources, including \$1.3 million from both general revenues and federal funds for the adult day care services program. This is \$0.2 million or 7.8 percent more than the enacted level, including \$117,420 more from general revenues.

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 \$13,963 for individuals and \$18,913 for couples per year. Level 2 covers individuals and couples earning at or below 200 percent of federal poverty or less than \$22,340 and \$30,260 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.

As part of its constrained request, the Department proposes to increase the client portion of the co-pay and limiting program growth to 10 percent of the FY 2012 service utilization, for estimated savings of \$0.4 million from all funds, including \$0.2 million from general revenues. The client co-pay would increase from \$7.00 to \$7.50 for level 1 clients and from \$11.50 to \$13.00 for level 2 clients.

The Governor's recommendation is \$0.8 million less than requested, including \$0.4 million less from general revenues by assuming that 60 percent of the individuals currently receiving services will be eligible for 100 percent federally funded Medicaid, beginning January 1, 2014. The recommendation does not assume co-pay increases.

Case Management Services. The Department's request includes \$0.9 million from all sources, including \$0.4 million from general revenues for elder case management. This is \$64,562 more than enacted from all sources, including \$40,434 from general revenues, representing a 7.8 percent increase. 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 to remain at home as long as possible.

As part of its constrained request, the Department proposes to cap case management activities at 10 percent below the FY 2013 levels for savings of \$47,283, including \$23,453 from general revenues. This would impact eligible clients and other case management programs at both the state and local levels.

The Governor's recommendation is \$153,996 less than requested, including \$75,859 less from general revenues. This includes reductions of \$152,918 from all sources by assuming that 60 percent of the individuals receiving services will be eligible for 100 percent federally funded Medicaid, beginning January 1, 2014. The recommendation also includes \$1,079 less from federal funds to adjust for the Medicaid match rate.

Volunteer Guardianship Program. The Department requests the enacted level of \$81,512 from general revenues for the volunteer guardianship program which is a legal arrangement through which the guardian is authorized to make certain decisions, such as health care, residence and relationship decisions, for the client after being appointed as a Good Samaritan Guardian by a Probate Court Judge. Cornerstone Adult Services manages the program and trains volunteers to help cognitively impaired elders while volunteer lawyers handle the Probate Court papers and hearings needed to appoint volunteer guardians. This program began in 2001.

As part of its constrained request, the Department requests eliminating this program for general revenue savings of \$81,512. *The Governor recommends the enacted level of \$81,512 and does not recommend elimination of this program.*

Medicare Outreach and Enrollment Assistance Grants. Consistent with the revised request, the Department's request eliminates the enacted level of \$158,965 from federal funds for Medicare Outreach and Enrollment Assistance grants because the federal government discontinued funding for this program. These grants were available through the Medicare Improvements for Patients and Providers Act and the purpose was 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. These programs were for people with limited income and resources that pay some monthly premiums, annual deductibles, and prescription co-payments related to a Medicare prescription drug plan. *The Governor recommends funding as requested.*

Aging and Disability Resource Center. The Department requests \$86,823 from federal funds, which is \$0.3 million less than enacted, for the Aging and Disability Resource Center, 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. The federal government no longer funds one of the two grants and reduced the second grant; the Department's request includes all available funding for the center for FY 2014. *The Governor's recommendation adds \$109,608 from federal Money Follows the Person grant funds received by the Department for a project that will end in FY 2014.*

Title III B Older Americans Act Grants. The Department requests \$2.0 million from federal funds for the Older Americans Act Title III Part B grants, which is \$310 less than enacted and consistent with the revised request. 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, including as salaries of staff providing direct services to elders. *The Governor recommends funding as requested.*

Nutrition and Meals Services. The Department requests \$2.8 million from federal funds for all nutrition and meals services, including \$0.8 million for home delivered meals through Meals on Wheels and \$2.0 million for congregate meal sites. The request is \$0.4 million less than enacted, primarily for congregate meals because of federal reductions to the two grants.

As part of its constrained request, the Department requests eliminating the funding from one of the two congregate meal grants, for federal fund savings of \$449,440; however, the Department subsequently indicated that this reduction was done in error and the funding would be available for FY 2014. *The Governor recommends funding as requested and does not concur with the constrained request.*

All Other Programs. The Department requests \$1.6 million from all sources, including \$0.4 million from general revenues and \$1.6 million from federal funds for all other program services. This is \$0.3 million less than enacted level, including \$19,366 less from general revenues, to reflect grant reductions, primarily for respite services, family caregiver support, and the senior companion program. Consistent with the revised request, it also inadvertently reduces the federal portion of Medicaid administrative funding by \$87,000. These programs and grants include the senior Medicare patrol project, health information and counseling, disease prevention, family care giver support, Rhode Island respite, senior companion program, in-home services for the elderly, and ombudsman. *Consistent with his revised recommendation, the Governor includes \$94,645 less than requested from general revenues to reflect the corresponding reduction to the federal Medicaid administrative funding that was reduced in the request to reflect prior year spending.*

1.0 Money Follows the Person Position. The request includes an individual previously assigned to the Office of Health and Human Services to temporarily assist the Aging and Disability Resource Center through the end of FY 2014 with supplemental funding related to the money follows the person initiative. The request includes \$13,210 from federal funds for the position, equivalent to about two months, and the Division indicates it does not require a general revenue match. *The Governor recommends funding as requested.*

All Other Staffing. The Department requests \$3.1 million from all sources, including \$1.2 million from general revenues and \$1.9 million from federal funds for all salaries and benefits for 30.0 full-time equivalent positions. This is \$0.2 million more than enacted, primarily from general revenues and consistent with the enacted authorization. This includes benefit rates consistent with Budget Office planning values for FY 2014 and assumes all positions will be funded and filled. Consistent with the revised request, it includes \$0.1 million from federal funds for a staff member from elsewhere in the Department to fill a temporary position for the senior Medicare patrol project through FY 2014.

As part of its constrained request, the Department increases federal Title III staffing expenditures by \$157,499 to reflect shifting resources from other sources and grants.

The Governor recommends \$69,341 more than requested, including \$7,011 less from general revenues. He adds \$84,611 from Title III funding for social services and recommends \$15,270 less to reflect statewide benefits savings.

Indirect Cost Recovery Rate. The request includes \$397,091 to support miscellaneous operating expenses in the Division of Elderly Affairs. The Department is in coordination with the Office of Health and Human Services to negotiate a federal indirect cost recovery rate that will offset state funded program costs. The Department continues to assume the savings but had not yet applied for the rate.

The Governor removes the restricted receipt funding since the funds are not likely to be recovered. Since it does not appear that these funds are dedicated to particular expenditures, he does not adjust general revenues.

Other Operations. The Department requests \$432,466 from all sources for operating expenses, including \$0.2 million from both general revenues and federal funds. This is \$55,842 less than enacted, including \$18,829 more from general revenues. This includes \$124,633 for information technology and computer expenses, \$91,669 for travel expenses related to the transport of clients, \$76,606 for printing and postage and \$139,858 for all other operating expenses, including centralized state services, interpreter services and utilities. It should be noted that expenditures were \$256,367 in FY 2010, \$295,254 in FY 2011, \$273,616 in FY 2012, and the FY 2013 revised request includes \$478,701.

As part of its constrained request, the Department makes several adjustments for a net increase of \$22,055 from federal funds. The Department eliminates audit fees for two Title III grants, totaling \$290, and increases funding for the health information and counseling program by \$23,345. The Department indicates that federal fund increases reflected shifting funds from other sources and grants.

The Governor recommends \$47,398 less than requested, including \$87,979 less from general revenues. It reduces general revenue funded computer licensing and equipment expenses for the administrative office to more closely align with prior years expenditures. The recommendation adds \$25,286 for advertising and other office expenses, primarily from the health information and counseling grant and \$14,295 in statewide benefits savings from federal sources to miscellaneous operating expenses.

Medical Assistance Administration

18.0 New Positions for Unified Health Infrastructure Project. The Department requests \$1.8 million from all sources for 18.0 new positions related to the unified health infrastructure project, including \$0.2 million from general revenues and \$1.6 million from federal funds. The revised request includes \$0.6 million for 6.0 new positions to perform training and application testing and they will be required to learn about the Department and its eligibility system in order to perform unit and regression testing. The 12.0 additional positions will be assigned to the training unit for the new integrated eligibility system and support the field workers transition to the new system.

The project is a joint venture between the Department, Office of Health and Human Services, and the new health insurance exchange to create smoother transitions for individuals, whom upon entering their personal information are not eligible for the exchange, can seamlessly enroll in Medicaid or other assistance without calling a different office and re-entering their information. *The Governor recommends \$1,468 less from general revenues than requested to reflect statewide benefits savings and shifts \$13,208 in benefit savings from federal sources to miscellaneous operating expenses.*

4.0 New Positions for Medical Assistance Administration. Consistent with the revised request, the Department requests \$0.4 million, including \$0.2 million from both general revenues and federal funds for 4.0 new Medicaid administration positions, including 1.0 administrator, 1.0 supervising eligibility technician and 2.0 eligibility technicians. The request assumes the positions will be filled for 85 percent of the fiscal year; however, the revised request assumes the positions would be filled in FY 2013, though the positions remain vacant, as of December 7, 2012. It appears the Department is using turnover savings from other positions in the program to fund these positions. *The Governor recommends funding as requested and includes the authorization for the positions.*

Medical Assistance Administration – All Other Staffing. The Department requests \$13.2 million from all sources for salaries and benefits for medical services operations. This includes \$6.5 million from general revenues and \$6.7 million from federal funds and is \$0.3 million less than enacted for 93.0 full-time equivalent positions. The request includes \$0.9 million for overtime, \$150,000 less than

enacted, utilizes benefit rates consistent with FY 2014 planning values and uses turnover savings from maintaining approximately 3.0 vacancies to fund the 4.0 new positions, discussed previously.

As part of its constrained budget request, the Department increases staffing expenses by \$0.3 million from federal funds. The request assumes that by eliminating the general public assistance program, the general revenue funded positions will be transferred to partially or fully federally funded programs, including Medicaid administration, Rhode Island Works and supplemental nutrition assistance programs. This increase represents one half of the savings. It should be noted that general revenues would be needed for 50 percent of the funding for these positions and the request includes the general revenues for all of the positions in the Rhode Island Works program.

The Governor recommends \$0.4 million less from all sources, including \$0.2 million less from both general revenues and federal funds to reflect \$0.3 million in additional turnover and \$0.1 million from statewide benefits savings. He does not concur with the constrained request.

Medical Assistance Administration – Other Operations. The Department requests \$4.5 million from all sources, or \$0.2 million more than enacted for expenditures related to the other operations of the medical benefits program. This includes \$1.6 million from general revenues and \$2.9 million from federal funds, and is \$0.1 million more than enacted from both sources. The request includes \$1.6 million for the InRhodes eligibility system contract for processing medical assistance applications, which is \$0.2 million more than enacted. Consistent with the enacted budget, the request includes \$0.9 million for audit expenses, \$0.7 million for lease and security costs for the field offices, \$0.7 million for printing and postage, \$0.1 million for interpreter services, and \$0.5 million for maintenance, utilities, office supplies and all other operating expenses. *The Governor recommends \$51,428 more from federal funds to reflect the shift of statewide benefit savings from federal sources to miscellaneous operating expenses.*

Other Programs

Child Support Enforcement. The Department requests \$8.5 million from all sources for expenditures related to child support enforcement. This includes \$2.4 million from general revenues and \$6.1 million from federal funds and is \$138,765 more than enacted, including \$77,116 more from general revenues. It includes \$5.0 million for salaries and benefits for 61.0 positions, which is \$82,485 more than enacted and includes benefit rates consistent with FY 2014 planning values. The request includes \$55,000 for overtime expenditures and assumes turnover for approximately two additional positions for FY 2014. The Department requests \$3.5 million for all operating expenses, which is \$56,280 more than enacted and consistent with the revised request. The request includes \$1.6 million for the InRhodes eligibility and benefit payment systems, \$0.6 million for lease and security costs, \$0.5 million for constable services, \$0.4 million for postage and printing, and \$0.4 million for all other operating expenditures. *The Governor's recommendation includes \$12,663 less from general revenues than requested to reflect statewide benefits savings and shifts \$24,580 in statewide benefits savings from federal sources to miscellaneous operating expenses.*

Women, Infants and Children Nutrition Program. The Department requests \$25.7 million from federal funds for administration and benefits expenses in the Women, Infants and Children program. This is \$0.3 million less from administrative funds and includes the enacted level of \$19.4 million for benefit payments. From administrative funds, the request includes \$1.2 million or \$12,213 less for salaries and benefits for 12.0 full-time equivalent positions and assumes turnover savings from approximately 1.0 position for half the year. It also includes \$4.2 million for the various vendors in the field who issue the benefit vouchers to recipients, \$440,000 for information technology and claims

processing, \$295,000 for temporary and management services, \$50,000 for computer and equipment purchases and maintenance, and \$97,500 for all other operating expenses, including printing, audit fees and office supplies. *The Governor recommends \$6,820 less than requested, including \$6,820 inadvertently requested for the payment of deferred furlough days and shifts \$7,504 in medical benefit savings from federal revenue sources to miscellaneous operating expenses.*

Supplemental Nutrition Assistance Program - Benefits. Consistent with the revised request, the Department requests the enacted level of \$298.2 million from federal funds for direct benefit payments for the Supplemental Nutrition Assistance program in FY 2013. The Department spent \$289.9 million for benefits in FY 2012. *The Governor recommends funding as requested.*

4.0 New Supplemental Nutrition Assistance Program Positions. Consistent with the revised request, the Department requests \$0.3 million from all sources and authorization for 4.0 new positions, 1.0 assistant administrator and 3.0 eligibility technicians. This includes \$0.2 million from both general revenues and federal funds and assumes the positions will be filled for 85 percent of the fiscal year; the revised request assumes the positions would be filled in FY 2013, though the positions remain vacant as of December 7, 2012. *The Governor recommends funding as requested.*

Supplemental Nutrition Assistance Program – All Other Staffing. The Department requests \$11.3 million from all funds for all other salaries and benefits for supplemental nutrition assistance program administration. This is \$0.4 million more than enacted and includes \$5.5 million from general revenues and \$5.6 million from federal funds. The request includes \$0.8 million for overtime expenses, which is \$0.1 million less than enacted and benefit rates consistent with FY 2014 planning values. The Department adds and also eliminates a number of positions within the program, but the net result was an increase of 4.0 positions, discussed previously.

As part of its constrained budget request, the Department increases staffing expenses by \$0.2 million from federal funds. The request assumes that by eliminating the general public assistance program, the general revenue funded positions will be transferred to partially or fully federally funded programs, including Medicaid administration, Rhode Island Works and supplemental nutrition assistance programs. This increase represents one quarter of the savings. It should be noted that general revenues would be needed for 50 percent of the funding for these positions and the request includes the general revenues for all of the positions in the Rhode Island Works program.

The Governor recommends \$93,082 less than requested, including \$46,541 less from general revenues to reflect statewide benefits savings.

Supplemental Nutrition Assistance Program - Other Operations. The Department requests \$7.0 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 \$0.3 million more than enacted, including \$4,769 more from general revenues, \$32,087 more from federal funds and includes \$256,626 from other funds, which are not included in the enacted budget. The request includes the enacted level of \$100,000 for the outreach program through University of Rhode Island, \$2.1 million for administrative grants to participating vendors, \$1.4 million for the InRhodes eligibility system and \$1.3 million for the electronic benefit cards. Other expenditures include \$0.8 million for printing and postage expenses, \$0.6 million for lease and security costs, \$0.3 million from a new federal technology improvement grant to be used for document imaging and to help individuals who cannot access a field office, and \$0.2 million for all other operating expenditures.

The request includes \$256,626 from available bonus funding for half of the state's penalty from the federal Food and Nutrition Services unit that oversees the program. Rhode Island had claims error rates above the national average benchmark for two federal fiscal years and was assessed a penalty of \$519,038; the penalty must be paid from general revenues that are not matched by federal funds, but the state has available bonus funding from prior years which can be used in lieu of general revenues. Currently, the state is only being assessed half of the penalty, which it must spend towards improving the system to prevent future high error rates. If the state can improve error rates to the satisfaction of the federal agency, it will not be assessed the remainder of the penalty.

As part of its constrained request, the Department eliminates the \$100,000 award for the outreach program through the University of Rhode Island. 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 program uses these funds to secure additional federal funds.

The Governor recommends \$0.6 million more than requested, including \$0.7 million more from federal funds, \$0.1 million less from other funds and the enacted level of general revenues. The recommendation adds \$0.5 million to restore indirect cost recovery expenditures and audit fees to the enacted level. The recommendation adds \$150,636 from federal funds, which represents the remainder of the grant award from FY 2013 to continue an employment and training program where clients receive employment services from certain community agencies. The Department received the award after the request was submitted and the community agencies provide the required match.

The recommendation also includes \$106,606 less towards the state's penalty from the federal Food and Nutrition Services unit. The Governor includes the \$259,000 payment in the revised recommendation and the \$150,000 he includes for FY 2014 is the remaining balance in the bonus fund account. The Department needs the money in FY 2013 to begin improving the system to prevent future high error rates, to avoid future penalties. His recommendation also adds \$46,541 to miscellaneous operating expenses made available from statewide benefits savings. His recommendation does not eliminate the funding for the outreach program, as proposed in the constrained request.

Low Income Home Energy Assistance Program. The Department requests \$31.8 million from federal funds, including grant funds of \$31.2 million, \$0.1 million for operating expenses and \$0.5 million for staffing expenses. This is \$13.7 million more than enacted, which the Department indicated was an error in overstating the available grant funding. The request includes \$31.2 million for benefit payments, though it intended to include \$18.3 million for payments, \$0.5 million for salaries and benefits, which is \$0.1 million less than enacted from shifting staffing expenses to the weatherization assistance program and \$0.1 million for all operating expenses.

This 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 37,000 low income households and awards range from \$300 to \$450 depending on income level. *The Governor recommends \$9,250 more requested for audit fees and shifts \$3,668 in benefit savings from federal sources to miscellaneous operating expenses.*

Weatherization Assistance Program. The Department requests \$8.4 million, including \$1.1 million from federal funds and \$7.3 million from restricted receipts for the weatherization assistance program. This is \$1.0 million more than enacted, including \$0.2 million from federal funds and \$0.8 million from restricted receipts. The request includes \$8.0 million for grants and services, including \$7.0 million from demand side management funds, and \$41,649 for operating expenses. It includes \$0.4 million for salaries

and benefits, which is \$0.3 million more than enacted from adding 1.0 new position that is currently vacant but assumed filled in the request and the transfer of funding for 1.0 position from the low income home energy assistance program. Consistent with the revised request, the request inadvertently increases the staffing authorization by 0.2 positions, though it does not include funding for this.

The weatherization assistance 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 2011 Assembly enacted legislation to transfer this program from the Office of Energy Resources within the Department of Administration to the Department of Human Services, effective July 1, 2012. *The Governor recommends \$1 less from federal funds than requested and shifts \$2,704 in statewide benefit savings from non-general revenue sources to miscellaneous operating expenses. He does not include the 0.2 position increase.*

Race to the Top. The Department requests \$0.6 million from federal Race to the Top funds. This is \$6.5 million less than enacted, primarily from grant expenditures of \$6.7 million that were inadvertently omitted in the FY 2014 request. The request includes \$0.3 million for salaries and benefits, which is \$0.1 million more than enacted and includes an additional 0.5 position. It also includes \$0.2 million for contracted work, which is \$0.1 million more than enacted, and \$0.1 million for operating expenses, consistent with the enacted level.

In December 2011, the state was awarded \$50.0 million from federal Race to the Top funds to be used to improve education for pre-school students. This grant will involve multiple human service agencies and the Department of Elementary and Secondary Education with funding allocated over four years. *The Governor recommends \$9.2 million more than requested for grant expenditures, reflecting anticipated available funding in FY 2014 and shifts \$2,824 in statewide benefit savings from federal sources to miscellaneous operating expenses.*

Paratransit Services for the Elderly. The Department requests \$6.6 million from all sources for elderly transportation services, including \$2.0 million from general revenues, \$0.5 million from federal funds and \$4.2 million from the Department's one-cent share of the gas tax. This is \$185,277 more than enacted from general revenues, consistent with the revised request. The state leverages Medicaid funds under the global waiver for certain transportation expenses that were previously state only and requests \$29,003 more for these expenses. However, beginning in FY 2012, there has been an increase in the number of riders who are not Medicaid eligible and the request includes \$156,274 more from general revenues for these riders. The Department spent \$6.5 million in FY 2011, \$6.7 million in FY 2012, and the FY 2013 revised and FY 2014 requests include \$6.6 million, thus it appears that the requests will not be sufficient.

As part of its constrained request, the Department proposes to eliminate transportation services for Medicaid eligible seniors and non-Medicaid elderly and disabled persons to non-Medicaid covered sites for savings of \$2.4 million, including \$2.0 million from general revenues. Medicaid clients would still be eligible for transportation to Medicaid covered services by RIde van, taxi or through private, non-emergency transportation companies. This requires a change in the general laws and would negatively impact clients who rely on these transportation services, but also Rhode Island Public Transit Authority and RIde since many clients may switch to Americans with Disabilities Act complementary paratransit service through RIde, adding expenses to that agency's budget.

The Governor's recommendation is \$159,014 less than requested, including \$49,706 less from general revenues. This includes \$58,820 less from gas tax revenues. It also includes \$0.1 million less from

assuming that half of the individuals receiving Medicaid services will be eligible for 100 percent federally funded Medicaid, beginning January 1, 2014.

Community Services Block Grant. The Department requests \$4.4 million from federal funds for expenses related to the community service block grant, including salaries and benefits. This is \$61,474 more than enacted for salary and benefit expenses, more closely aligning them to the FY 2012 spent level by funding a position that was filled in FY 2012, but had been assumed vacant in FY 2013. The request includes the enacted level of \$4.3 million for direct grants awarded to the state's nine community action agencies and \$9,738 for all other operating expenditures, consistent with the enacted budget. *The Governor recommends funding as requested and shifts \$620 in statewide benefits savings from federal sources to miscellaneous operating expenses.*

Head Start. The Department requests the enacted level of \$0.8 million from general revenues to support the local Head Start agencies. Head Start is a federally funded program that provides services to 2,432 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.

As part of its constrained request, the Department requests a 20 percent reduction to the payment the state makes to Head Start, for general revenue savings of \$160,000. General revenue funding provided to Head Start counts towards the Department's maintenance of effort requirement for the temporary assistance to needy families block grant. *The Governor recommends funding as requested.*

Community Service Grants. The Department requests the enacted level of \$2.6 million from general revenues to support over 100 social service agencies and community organizations throughout the state. This includes the community service grants related to the Division of Elderly Affairs. Since the Central Falls YMCA Community Center closed, it will not receive the FY 2013 award of \$3,611; the request does not reflect this closure. *The Governor recommends funding as requested.*

Community Health Centers. The Department requests \$1.3 million, including \$0.7 million from both general revenues and federal funds to support uncompensated health care expenses at the state's 12 community health centers. The request is \$97,663 more than enacted from all sources, including \$61,990 more from general revenues and \$35,673 more from federal funds. This represents a 7.2 percent increase for expenses, and adjusts for the reduced Medicaid match rate in FY 2014. The state is able to leverage Medicaid for this activity through the global waiver and the funding is distributed among the health centers that provide medical services at 24 clinics throughout Rhode Island.

As part of its constrained request, the Department includes eliminating this program and the corresponding payments, for savings of \$1.3 million, including \$0.7 million from general revenues.

The Governor's recommendation is \$337,279 less than requested, including \$167,324 less from general revenues by assuming that half of the individuals receiving services will be eligible for 100 percent federally funded Medicaid, beginning January 1, 2014. The recommendation is 25 percent lower than the request since it assumes half of the people for half of the year.

Crossroads Rhode Island. The Department requests \$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 and the FY 2013 revised request. Crossroads Rhode Island is the largest homeless services organization in Rhode Island that provides 24-hour assistance, seven days a week. *The Governor recommends funding as requested.*

Work Support Strategies Grant. The request includes \$420,509 for a second Work Support Strategies grant from the Urban Institute. The first grant, for FY 2012, was for \$250,000 and the second grant is a three-year grant for \$1.3 million, beginning March 2012. The Department requests \$420,000 to be spent in FY 2013 in the revised request and \$420,509 to be spent in FY 2014. The request includes \$75,000 for information technology and computer expenses, and \$0.1 million for miscellaneous costs. It includes \$0.2 million for 2.0 new positions while the grant is available and assumes these positions will be filled for the entire year. However, the request appears to include approximately \$20,000 more than would be needed for the 2.0 positions the Department identified, including the costs of benefits. *The Governor recommends \$2,883 less than requested, including \$2,374 to reflect statewide benefits savings and \$509 for miscellaneous operating expenses.*

Workforce Innovation Fund. The Department requests \$101,265 from federal funds for 1.0 new Program Services Officer to work with the Department of Labor and Training on a new program called On-Ramps to Career Pathways, which will undertake systems reform in two main areas. The first, building on existing work done by the Governor's Workforce Board, will establish three to four career pathways and align and integrate a range of public funding streams and programs along those pathways; and the second will create an On-Ramps system to those pathways to enable low-skilled, low-literacy, and long-term unemployed workers to successfully access those pathways and in turn, access the private-sector training and experience needed to gain greater economic stability.

The only funding included for the Department of Human Services is for the 1.0 staff person and the request assumes turnover for about one month, consistent with the revised request; however, as of December 7, 2012, the position has not been filled. *The Governor recommends funding as requested and shifts \$816 in statewide benefits savings from federal sources to miscellaneous operating expenses.*

New Central Management Positions. Consistent with the revised request, the Department requests \$0.1 million from all sources for a total 2.0 new positions in the Central Management program. This includes \$0.1 million from both general revenues and restricted receipts for a quality control review supervisor and a social case worker for the quality and fraud units. The request includes funding for the supervisor for 90 percent of the fiscal year and the case worker for 85 percent of the year; however, the revised request assumes these positions will be filled in FY 2013, but as of December 7, 2012, the positions are not yet filled. The request also includes 1.0 additional social case worker but does not include any funding and transfers \$0.2 million and authorization for the chief financial officer to the Office of Health and Human Services. The request shifts \$61,251 from restricted receipt funding for operations to cover some of the staffing costs and uses turnover savings from other positions in the program for the remainder of the expenses for these positions. *The Governor recommends funding and authorization as requested.*

Central Management – All Other Staffing and Operations. The Department requests \$2.3 million from all sources for all other staffing and operations related to central management, including \$1.6 million from general revenues, \$0.3 million from federal funds and \$0.4 million from restricted receipts. This is \$64,304 less than enacted, including \$38,112 more from general revenues. The Department requests \$2.0 million for staffing expenses for 60.0 full-time equivalent positions, which is \$0.2 million less than enacted. The request utilizes benefit rates consistent with FY 2014 planning values and uses turnover savings from maintaining approximately 1.5 vacancies to fund the 2.0 new positions, discussed previously. The Department requests \$252,176 for all other operations, which is \$33,477 less than enacted. It includes \$207,124 from federal funds for the emergency food assistance program, \$19,259 for communications expenses, \$6,262 for travel expenses, and \$19,531 for all other expenses. *The Governor recommends \$8,528 less from general revenues than requested to reflect statewide benefits savings, shifts \$4,347 in*

benefits savings from non-general revenue sources to miscellaneous operating expenses and reduces restricted receipt salary and benefit expenses by an additional \$2,599.

Disabilities Determination Unit Positions. The Department's request includes \$4.4 million from federal funds for disability determination unit positions. This is \$0.6 million less than enacted and includes \$0.3 million less for overtime and \$0.5 million in additional turnover for approximately five positions and benefit rates consistent with FY 2014 planning values. The federal Social Security Administration put a freeze on hiring during FY 2013, limiting overtime and not allowing the states to fill vacant positions; the request assumes the freeze will continue into FY 2014. *The Governor's recommendation is \$32,190 less than requested to reflect statewide benefits savings.*

Office of Rehabilitation Services – Other Staffing and Operations. The Department requests \$25.0 million from all sources for all other staffing and operations for the Office of Rehabilitation Services, including \$4.4 million from general revenues, \$20.4 million from federal funds and \$0.2 million from restricted receipts. This is \$0.4 million less than enacted, primarily from federal funds, and includes \$22,781 more from general revenues and the enacted level of restricted receipts. The request includes \$7.8 million for staffing costs, which is \$0.3 million less than enacted from assuming turnover savings from maintaining approximately four additional vacancies, even though positions are typically at least 78 percent federally funded. The Office also did not fill a senior caseworker supervisor position that was recently vacated from a retirement, instead utilizing existing staff using the three-day rule.

The Department requests \$17.2 million to support operations, which is \$0.1 million less than enacted. The request includes \$5.3 million for rehabilitation services, \$2.4 million for medical services and supplies for individuals applying for disability, \$1.1 million for education and training programs, and \$0.7 million for grant awards within the vocational rehabilitation program. The request also includes \$2.5 million for contracted temporary clerical services to assist with processing applications because of staffing reductions, \$1.3 million for leasing the offices at 40 Fountain Street in Providence, \$0.9 million for home modification, personal care services and social services for the blind, and \$2.9 million for all other operating expenditures, such as utilities, postage, printing and audit fees.

As part of its constrained request, the Department proposes eliminating three programs for savings of \$0.9 million, including \$0.4 million from general revenues and \$0.5 million from federal funds. This includes the home modification, personal care attendant and social services for the blind programs for which the state leverages Medicaid funding and which have been proposed for elimination in the past.

The Governor's recommendation is \$0.2 million less than requested, including \$0.1 million less from general revenues. This includes \$0.2 million in savings by assuming that half of the individuals receiving services will be eligible for 100 percent federally funded Medicaid, beginning January 1, 2014. The recommendation assumes half of the people for half of the year and that 75 percent of home modification services will be covered by Medicaid and 100 percent of personal care attendants and social services for the blind will be covered. The Governor recommends \$14,366 less from general revenues to reflect statewide benefits savings and shifts \$40,747 in benefits savings from federal sources to miscellaneous operating expenses.

2.0 New Individual and Family Support Positions. The request includes authorization for 2.0 new positions and funding of \$0.2 million from all sources, primarily from general revenues. This includes an Associate Director, completely funded from general revenues and a Supervising Eligibility Technician, funded from both general revenues and federal funds. The request assumes turnover for 15 percent of the fiscal year for the Associate Director, though the position will be filed in January

2013, and assumes the Supervising Eligibility Technician position will be vacant for 10 percent of the fiscal year; that position has not yet been filled.

The Governor's recommendation is \$0.1 million less than requested. He recommends \$0.1 million from general revenues and authorization for one Administrator of Financial Management at a lower grade than the requested Assistant Director, keeping the position in line with deputy level positions in similar sized agencies. His recommendation does not include funding or authorization for the Supervising Eligibility Technician.

Individual and Family Support - All Other Staffing and Operations. The Department requests \$3.8 million from all sources for all other staffing and operations for individual and family support, including \$0.6 million from general revenues and \$3.2 million from federal funds. This is \$0.2 million less than enacted, including \$0.1 million less from both sources and from both staffing and operations. The Department requests \$1.3 million for staffing expenses, including \$40,000 for overtime, benefit rates consistent with FY 2014 planning values and turnover savings of \$0.3 million from maintaining approximately 3.0 additional vacancies in FY 2014 to fund the 2.0 new positions, discussed separately. The Department requests \$2.5 million for all other expenditures, which include \$0.8 million for grants for family violence prevention, \$0.9 million for family and adult services, \$0.5 million for emergency shelter grants, \$0.2 million for refugee services and administration, and \$1,125 for the toy lending library.

The Governor recommends \$0.1 million more than requested, including \$50,408 more from general revenues. This includes \$0.1 million to reduce turnover savings and \$12,550 more for refugee services. It also reduces general revenues by \$3,038 to reflect statewide benefits savings and shifts \$7,430 in benefits savings from non-general revenue sources to miscellaneous operating expenses.

Capital - Blind Vending Facilities. The Department requests \$165,000 from Rhode Island Capital Plan funds for the ongoing construction and renovation of statewide vending facilities, consistent with the enacted level and FY 2013 revised request. There are currently 18 facilities that operate under the name COFFEE PLUS. Staff is trained through the Department's Office of Rehabilitative Services. *The Governor recommends funding as requested.*

Dept. of Behavioral Healthcare, Developmental Disabilities & Hospitals

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
Expenditures by Program				
Central Management	\$ 1,159,154	\$ 1,185,601	\$ 1,271,360	\$ 1,245,491
Services for the Dev. Disabled	224,409,200	223,467,593	224,951,150	221,130,290
Hosp. & Comm. System Support	4,782,738	4,745,398	7,300,324	4,050,702
Hospital & Comm. Rehab. Services	104,438,790	107,086,062	123,338,429	116,490,863
Behavioral Healthcare Services	110,881,262	95,136,224	111,854,208	101,619,008
Total	\$ 445,671,144	\$ 431,620,878	\$ 468,715,471	\$ 444,536,354
Expenditures by Category				
Salaries and Benefits	\$ 120,614,335	\$ 125,468,269	\$ 128,734,903	\$ 122,206,230
Contracted Services	1,124,257	1,564,176	1,322,312	1,263,639
Subtotal	\$ 121,738,592	\$ 127,032,445	\$ 130,057,215	\$ 123,469,869
Other State Operations	11,860,700	12,886,449	(121,483,581)	(115,024,215)
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	299,212,880	283,503,661	438,038,617	424,908,885
Capital	12,858,972	8,198,323	22,103,220	11,181,815
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 445,671,144	\$ 431,620,878	\$ 468,715,471	\$ 444,536,354
Sources of Funds				
General Revenue	\$ 193,137,995	\$ 193,234,700	\$ 210,417,806	\$ 206,649,055
Federal Aid	234,125,964	223,479,713	231,001,713	220,109,814
Restricted Receipts	7,188,834	7,177,366	7,260,321	7,137,054
Other	11,218,351	7,729,099	20,035,631	10,640,431
Total	\$ 445,671,144	\$ 431,620,878	\$ 468,715,471	\$ 444,536,354
FTE Authorization	1,383.2	1,424.4	1,423.4	1,423.4

Summary. The Department requests \$468.7 million from all sources including \$210.4 million from general revenues, \$231.0 million from federal funds, \$20.0 million from Rhode Island Capital Plan funds and \$7.3 million from restricted receipts in its FY 2014 request. The request is \$23.0 million more than the FY 2013 enacted budget and includes \$17.3 million more from general revenues, \$8.8 million more from Rhode Island Capital Plan funds, \$0.1 million more from restricted receipts and \$3.1 million less from federal funds.

The Department's budget presentation for the two 24 hour state-run programs, Eleanor Slater Hospital and the Rhode Island Community Living and Supports Program, has been changed. The Department has programmed costs for these two programs in restricted receipts and increased its projected spending in grants which is offset by credits in operating expenses.

The Governor recommends \$1.1 million more than enacted and \$24.2 million less than requested from all sources, including \$13.5 million more than enacted and \$3.8 million less than requested from general revenues. He includes the additional positions.

Target Issues. The Budget Office provided the Department with a general revenue target of \$195,692,263. The amount includes current service adjustments of \$17,114,047 and a seven percent target reduction of \$14,559,779.

FY 2014 Budget	Budget Office	Dept. of BHDDH	Difference
FY 2013 Enacted	\$ 193,137,995	\$ 193,137,995	\$ -
Current Service Adjustments	17,114,047	17,279,811	165,764
Change to FY 2013 Enacted	\$ 17,114,047	\$ 17,279,811	\$ 165,764
FY 2014 Current Service/Unconstrained Request	\$ 210,252,042	\$ 210,417,806	\$ 165,764
Target Reduction/Initiatives	(14,559,779)	(14,601,239)	(41,460)
FY 2014 Constrained Target/Request	\$ 195,692,263	\$ 195,816,567	\$ 124,304
<i>Change to FY 2013 Enacted</i>	\$ 2,554,268	\$ 2,678,572	\$ 124,304

The constrained budget submitted by the Department is \$124,304 above the target. The proposals to achieve the reductions are noted among the items described where appropriate. The Department also adds back \$250,000 in savings from leaving positions vacant and \$141,435 in general revenue savings from using federal funds available from retirement changes that were both taken by the 2012 Assembly in the FY 2013 enacted budget. These two items were included in the Department's projected current service adjustments provided by the State Budget Office in July 2012. *The Governor's budget is \$11.0 million above the target.*

Medicaid Expenses - State/National Comparison. The following table compares national and state 2009 Medicaid spending using the Centers for Medicare and Medicaid Services 2010 Actuarial Report on the Financial Outlook for Medicaid and information from the state's Executive Office of Health and Human Services. By percentage, Rhode Island's enrollment of children and parents (the state's RItE Care population) is lower than the national average. 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 Executive Office of Health and 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 Executive Office of Health and Human Services, as well as the Departments of Human Services, Behavioral Healthcare, Developmental Disabilities and Hospitals and Children, Youth and Families.

Enrollment and expenses for the aged population are 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 Office of Health and Human Services and the Department of Human Services' Division of 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	24.0	77,872	48.9%	44.5%	\$ 68,400	\$ 228.3	20.0%	13.4%	\$2,848	\$2,932
Children	11.4	39,190	23.2%	22.4%	46,800	172.5	14.0%	10.2%	4,123	4,402
Adults	9.0	40,763	18.3%	23.3%	148,400	871.1	44.0%	51.3%	16,563	21,371
Blind/Disabled	4.8	17,312	9.8%	9.9%	74,600	425.5	22.0%	25.1%	15,678	28,541
Aged	Total	49.1 175,137	100%	100%	\$338,100	\$1,697.4	100%	100%	\$6,890	\$9,692

*Source: Centers for Medicare and Medicaid Services 2010 Actuarial Report on the Financial Outlook for Medicaid and the Office of Health and Human Services; *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 Office of Health and Human Services.

Departmentwide

Capital Projects. The Department requests \$22.4 million from Rhode Island Capital Plan and Medicaid funds for capital projects which is \$10.3 million more than enacted. The Capital Budget section of this analysis includes project descriptions. *The Governor recommends \$0.5 million less than enacted and \$10.9 million less than requested from Rhode Island Capital Plan funds.*

New Positions. The Department requests 40.2 new positions in FY 2014 in the Divisions of Developmental Disabilities and Hospital and Rehabilitation Services. This is consistent with the revised request. The positions are discussed separately in the analysis for the respective programs. As noted in the revised section, as of the December 15th payroll report, the Department has 176.0 vacant positions which would indicate that it is not necessary to raise the authorized cap. The positions are not funded in the FY 2014 request.

The positions are eliminated in the constrained request. *The Governor recommends the additional positions.*

Patient Protection and Affordable Care Act. Title II of the Patient Protection and Affordable Care Act expands eligibility for Medicaid to lower income persons and assumes federal responsibility for much of the cost of this expansion. Beginning on January 1, 2014, all children, parents and childless adults who are not entitled to Medicare and who have family incomes up to 133 percent of federal poverty will become eligible for Medicaid. The Act expands Medicaid coverage to individuals and families up to 138 percent of the federal poverty level; the threshold is 133 percent, but the Act includes a 5 percent disregard, essentially making the Medicaid eligibility threshold 138 percent. Between 2014 and 2016, the federal government will pay 100 percent of the cost of covering newly-eligible individuals. States will be required to maintain the same income eligibility levels through December 31, 2013 for all adults, and this requirement would be extended through September 30, 2019 for children currently in Medicaid.

This change could have a significant impact on currently uninsured or underinsured individuals who receive services through the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals.

The Governor includes general revenue savings of \$2.2 million in behavioral healthcare and developmental disability programs from health care reform. There appears to be discrepancies between supporting documentation provided by the Office of Health and Human Services and the changes among programs to achieve the savings. The Budget Office has indicated that it will be submitting amendments to correct any discrepancies which will not have an impact on the overall savings.

Division of Developmental Disabilities

Summary. The state provides residential, day programming, family supports or medical services to support adults with developmental disabilities. As of November 2011 there are 4,191 individuals receiving services through either the state-run system or through community based providers. This includes approximately 3,644 individuals receiving direct residential/day programming and/or family supports. There are also approximately 550 individuals who do not receive direct services but receive case management services from the division. The Department's request includes \$225.0 million from all sources, \$109.3 million from general revenues for the program to support adults with developmental disabilities in its FY 2014 request, \$0.5 million more than enacted, including \$4.0 million more from general revenues.

The Department's constrained request includes savings of \$13.7 million from all sources, including \$6.1 million from general revenues from five proposals in the developmental disability system, each discussed separately.

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 provides the services through four separate programs: privately operated and state-run residential, day and supportive services funded by Medicaid, day program and supportive services funded by Medicaid through the rehabilitation option, day program and supportive services that are Medicaid funded through the Rhode Island Consumer Choice 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 31 homes, has a capacity to hold 234 patients and represents 7.0 percent of the residential caseload. Three of the 31 homes are 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 Governor recommends \$221.1 million from all sources, including \$108.0 million from general revenues to support the division. He includes \$3.2 million less than enacted, including \$2.8 million more from general revenues to include an updated Medicaid rate and \$3.8 million less than requested of which \$1.3 million is general revenues.

Monthly Caseload Report. Rhode Island General Law 22.1-22-39 requires that the Department 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 is to be submitted in any format required by the house and senate fiscal advisors. As of January 2013 the Department has not submitted any monthly caseload reports for FY 2013.

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 Office of Health and Human Services' budget. In addition approximately 66 percent of the developmentally disabled adults are eligible for Medicare because they are a dependent child of a Medicare recipient so they are considered to be dual eligible.

Project Sustainability Management Contract. The Department requests \$414,890 from all sources for the management contract with Burns and Associates to manage Project Sustainability. This is \$0.2 million more than enacted and \$0.2 million less than the revised request.

Burns & Associates is a health care consulting firm that specializes in assisting state governments and private entities develop customized approaches to the financing and delivery of health care and human services. The specialties include strategic planning, financial model development, evaluation and audit, rate setting, and support of operations of health care programs. Burns and Associates principals have been involved in public programs in 18 states from conceptualization, financing, implementation, and subsequent evaluation. *The Governor recommends funding as requested.*

Privately Operated Community Programs. The Department requests \$177.6 million including \$87.8 million from general revenues for privately provided residential, day and family support programs provided through the state's Medicaid global waiver in its current services request. This is \$0.5 million more than enacted, including \$2.1 million more from general revenues and \$1.6 million less from federal funds for the updated Medicaid rate.

The Department's constrained request includes savings of \$13.7 million from all sources, including \$6.1 million from general revenues from five proposals in the developmental disabilities system. The request adds \$10.5 million for services provided through the privately operated system from four proposals: the closure of 26 currently state-run group homes to be turned over to the community providers adding \$14.9 million, \$3.1 million for the potential impact of the Affordable Care Act offset by a \$7.0 million rate reduction to the same providers and savings of \$0.4 million from an employment first initiative. Each initiative is discussed separately.

The Governor recommends \$177.2 million from all sources, including \$87.7 million from general revenues. This is consistent with Department's current services request with the exception of \$0.4 million in savings from the implementing the employment first initiative.

Target – Employment First Initiative. The Department proposes savings of \$0.4 million from all sources, including \$0.2 million from general revenues from an employment first initiative for adults with developmental disabilities. The Department reports it will attempt to promote changes in the area of employment by providing a delivery of services that shifts from the current facility-based work settings, such as club house models and day programs, to community-based, integrated work settings. *The Governor includes this initiative and assumes the requested savings.*

Target – Affordable Care Act. The Department’s constrained request includes \$3.1 million more than the unconstrained request, including \$1.5 million more from general revenues to support services for adults with developmental disabilities based on implementation of federal health care reform. The Department anticipates new applicants in the developmental disabilities system based on individuals applying for assistance through the medical benefits program.

The Governor does not provide additional funding and instead includes savings of \$1.2 million, including \$0.6 million from general revenues assuming that the day programming services will be considered habilitative and be covered under health care reform. As noted it appears there are discrepancies between supporting documents for health care reform savings between programs that may require correction.

Target - RICLAS Homes to Private Providers. The Department’s constrained budget includes savings of \$7.1 million from all sources, of which \$3.5 million is from general revenues from turning over 26 homes, supporting approximately 200 residents, to the community agencies. The Department adds \$14.9 million to the enacted budget supporting services through the privately operated system for adults with developmental disabilities for this action. This is also discussed and further explained in the state operated section of the analysis. *The Governor does not recommend this proposal.*

Target - Rate Reduction. The Department also proposes savings of \$7.1 million, including \$3.5 million from general revenues from a direct care rate reduction through project sustainability. *The Governor does not recommend this proposal.*

Rhode Island Community Living and Supports Program. There are 31 state run group homes which provide overnight care, of which three are special needs facilities that have the capacity to provide residential services to 225 clients. As of July 19, 2012 there were 212 clients in the state-run facility with 13 vacancies. The Department has established a policy that clients would be admitted into the state-run system in emergency situations only.

The Department’s current service request includes \$33.3 million for these clients from all funds, which equates to a daily rate of \$447.15, or \$163,122 annually. The request is \$0.1 million less from all sources, adding \$1.7 million from general revenues to adjust for the updated Medicaid rate.

Budget Presentation. The Governor’s FY 2014 recommended budget at the state-run program for adults with developmental disabilities totals \$32.4 million, including \$15.2 million from general revenues. His budget aggregates spending formerly allocated to specific categories into grants and shows negative expenses in operating categories in order to treat expenses similar to how the state pays for externally provided services. This prevents a transparent accounting of actual expenses.

The Department’s constrained request includes savings of \$24.1 million, including \$11.2 million from general revenues from two proposals: closing 26 state run homes and shifting costs to the less expensive privately operated system and closing two of the three special needs facilities. Each proposal is discussed separately.

The Governor’s budget is \$0.1 million less than the unconstrained requested from federal funds and does not appear to include any savings for the statewide benefit changes of \$0.3 million in restricted receipts. He does not recommend the two proposals.

The following table shows FY 2011 and FY 2012 actual expenses, FY 2013 enacted and the Governor's recommended budget for the state run group home system. It is followed by one that aggregates his budget for categories other than staffing to allow for a more meaningful comparison.

RICLAS	FY 2011 Spent	FY 2012 Spent	FY 2013 Enacted	FY 2014 Gov Rec	Chge to Enacted
Salaries and Benefits	\$ 32,682,167	\$ 31,968,482	\$30,152,134	\$ 29,732,037	\$ (420,097)
Operating Expenses	2,699,266	2,400,845	2,356,540	(28,927,383)	(31,283,923)
Contracted Services	102,986	78,707	108,286	56,262	(52,024)
Capital Purchases	1,892	749	1,080	11,077	9,997
Operating Transfer	(1,072,454)	2,909,882	-	-	-
Assistance and Grants	1,460,722	(843,259)	811,011	31,533,680	30,722,669
Total	\$ 35,874,579	\$ 36,515,406	\$33,429,051	\$ 32,405,673	\$ (1,023,378)

RICLAS	FY 2011 Spent	FY 2012 Spent	FY 2013 Enacted	FY 2014 Gov Rec	Chge to Enacted
Salaries and Benefits	\$ 32,682,167	\$ 31,968,482	\$30,152,134	\$ 29,732,037	\$ (420,097)
All Other Expenses	3,192,412	4,546,924	3,276,917	2,673,636	(603,281)
Total	\$ 35,874,579	\$ 36,515,406	\$33,429,051	\$ 32,405,673	\$ (1,023,378)

Current Services - State Operated Program. The Department requests \$33.3 million from all sources, including \$15.6 million from general revenues, to support operations in the state-run system in FY 2014. The Department's budget presentation for the two 24 hour state-run programs, Eleanor Slater Hospital and the Rhode Island Community Living and Supports Program (RICLAS) has changed. The Department has programmed costs for these two programs in restricted receipts and increased its projected spending in grants which is offset by credits in operating expenses. The Department reports that the budget was submitted in this manner because of the on-going issues with "net budgeting."

The Department adds 4.4 positions in its FY 2014 request; however, does not fund the positions. The Department adds \$1.8 million to the enacted budget for staffing costs at the state-run program for adults with developmental disabilities. This includes \$3.0 million more for overtime, \$0.1 million more for temporary staff offset by \$1.4 million less for staffing costs. The request funds 413.7 positions, leaving 33.7 vacant and includes adjustments consistent with updated benefit rates based on Budget Office planning values. The remaining state-run costs include medical benefits, expenses to operate the dental clinic and other operating expenses.

The Governor reduces funding by \$0.1 million from federal funds and appears to include savings from statewide benefit savings in restricted receipts. He does not adjust general revenues from this change.

State Operated System Dental and Medical Services. The Department requests \$0.5 million from all funds to provide medical services to individuals in the state run system, of which \$0.2 million is from general revenues. Consistent with the revised request, the Department includes \$0.2 million more for contracted nursing services to backfill the loss of staff nurses in the state run program.

This includes operating the dental clinic that is located in the basement of the Virks building at the Pastore Center and staffed by contracted employees. The individuals receiving dental care through the clinic have their medical benefits paid through the Department of Human Services' budget and have access to dental care through the fee-for-service system. *The Governor includes \$0.4 million for these expenses.*

State Operated System Client Revenue. The Department requests the enacted level of \$1.8 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's constrained budget downsizes the state-run system and adjusts the client revenue accordingly by reducing the restricted receipts by \$1.3 million for receipts of \$452,750 for those in the remaining group homes. *The Governor includes \$1.7 million from client revenue, \$123,267 less than enacted and requested based on updated projections.*

Target – Downsize RICLAS. The Department's constrained budget proposes downsizing the state-run system to operate two group homes and two special care facilities and assumes that the private providers will take over the operation of 26 state operated group homes. The Department includes savings of \$7.0 million from all sources, of which \$3.5 million is from general revenues, for program savings from downsizing the state-run system. The budget reduces costs in the state-run system by \$21.9 million from all sources, including \$10.8 million from general revenues offset by the increase in payments to private providers. It should be noted that the Department assumes the private providers would also continue to employ the current state employees but does not include any separation costs in its budget.

The Department also reports that the private providers are at times not willing to take some individuals who require residential services. In FY 2012 there were three individuals who could not find placement in a privately operated home. *The Governor does not recommend this proposal.*

Target – Close Special Needs Facility. The Department proposes savings of \$0.8 million, including \$0.4 million from general revenues from closing one of the three special care facilities in the state-run system. The savings do not include shifting costs to other state supported institutions such as nursing homes or the state-run Eleanor Slater Hospital.

There are three special care facilities that have between 15 and 18 licensed beds. Individuals in the facilities, as reported by the Department, have a high level of medical need and these facilities bridge the gap between a residential group home placement and a nursing facility. The Department indicates that the state could potentially be part of an Olmstead action for moving individuals unnecessarily from a community setting to an institutional one; however, a nursing home placement would be warranted if an individual met the need of that placement. *The Governor does not recommend this proposal.*

Other Medicaid and State Supports

Day Programs - Rehabilitation Option. The Department chooses to provide additional day program services to 140 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 reimbursed with payments made through project sustainability. There is no separate application process for this program. The Department requests \$1.1 million from all sources, \$48,510 less than enacted including \$13,237 less from general revenues in its current services request. The Department's constrained request is \$95,633 less than current services, including \$47,300 less from general revenues for the proposed rate reduction through project sustainability. *The Governor recommends funding consistent with the unconstrained request and does not include the rate reduction.*

Other Medicaid Funded Day Services. The Department requests \$1.1 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 \$0.8 million less than enacted, including \$0.4 million less from general revenues and is consistent with the revised budget and FY 2012 actual expenses.

This program is available to individuals who are not eligible for either the first Medicaid waiver or Medicaid funded services through the rehab option. For those individuals, the state provides day programming services to approximately 180 individuals funded by Medicaid through the global waiver or through the state only program, included in the next section. *The Governor recommends funding as requested.*

Developmental Disabilities Other State Services. The Department requests \$7.8 million for other state services for adults with developmental disabilities, including \$4.7 million from general revenues in its FY 2014 request. This is \$1.0 million more than enacted from all sources, including \$0.5 million more from general revenues. This includes staffing costs in the division as well as state funded services to individuals who are not Medicaid eligible or for services that are ineligible for Medicaid reimbursement.

The Department adds \$19,396 from general revenues in its constrained request to reflect an assumed increase in individuals applying for services based on implementation of health care reform.

Direct services are provided to individuals who are not eligible for Medicaid funded services through any of the three Medicaid waiver programs. Services include one out-of-state placement, parent subsidies and day programming services. *The Governor recommends funding consistent with the unconstrained request with the exception of \$24,108 in general revenue savings from statewide medical benefits.*

Division of Behavioral Health

The Department provides behavioral health services including mental health and substance abuse services to individuals who are Medicaid eligible as the result of a disability and who receive supplemental security income payments through the Department of Human Services. Individuals who do not meet the federal definition of a disability may receive services either through the global waiver or the state only programs.

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 Behavioral Health will receive medical benefits, including physician and rehabilitation services, pharmacy benefits and hospital stays paid through the Executive Office of Health and Human Services' budget.

Community Mental Health Rehabilitation Services Medicaid Option. The Department requests \$63.6 million from all sources, including \$26.9 million from general revenues, 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. This is \$0.5 million less than enacted; however, adds \$10.4 million more from general revenues to backfill the expiration of the enhanced Medicaid rate through the two-year time limited health homes initiative and the updated Medicaid rate. The current services adjustment provided by the Budget Office in July 2012 adds \$11.4 million for the expiration of the health homes initiative.

It should be noted that during the FY 2012 budget process the Department testified that it would not require state funds in FY 2014 to adjust for the loss of the enhanced benefit rate since it was its intent

to use the two-year health homes period to restructure the community based mental health system funding and service delivery to implement a more uniform approach.

The Department's revised budget includes \$51.0 million to support the services, which is \$13.0 million less than enacted and \$9.6 million less than FY 2012 actual spending.

The Department includes \$56.7 million in its constrained request reducing funding for health homes, discussed separately. *The Governor includes \$57.9 million from all sources, including \$26.7 million from general revenues for these community based services. He restores the \$10.4 million from general revenues to adjust for lower federal funds from expiration of the health homes initiative. It should be noted that the Governor's FY 2013 revised recommendation contained much lower program costs for these services. It is unclear what funds are needed in FY 2014 that were not needed in FY 2013.*

Target – Employment First Initiative. The Department proposes savings of \$0.6 million from all sources, including \$0.3 million from general revenues from an employment first initiative for individuals with behavioral healthcare needs.

The Department seeks to promote changes in the area of employment by providing a delivery of services that shifts from the current facility-based work settings, such as club house models and day programs, to community-based, integrated work settings. *The Governor recommends the initiative and savings of \$0.3 million, including \$0.1 million from general revenues.*

Target – Housing First. The Department's constrained request includes \$1.0 million, including \$0.5 million from general revenues from implementing a housing first initiative to expand opportunities to individuals who utilize in-patient psychiatric services. The Department will use funding currently programmed for inpatient psychiatric beds to expand housing opportunities to address psychiatric needs. *The Governor's budget includes savings of \$0.9 million, including \$0.4 million from general revenues from this initiative.*

Substance Abuse Treatment Services Medicaid Option. The Department requests \$5.5 million from all funds, \$2.7 million from general revenues, 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 in its current services request. The request is \$0.9 million less than enacted from all sources, including \$0.4 million less from general revenues. The Department spent \$6.1 million for FY 2007, \$5.9 million for FY 2008, \$4.4 million for FY 2009, \$4.2 million in each FY 2010 and FY 2011, and \$4.8 million for FY 2012 on the treatment services.

The Department's constrained request is \$1.1 million higher than its current services budget, including \$0.5 million more from general revenues, from an initiative discussed below. *The Governor recommends funding consistent with the unconstrained request and does not add resources to expand residential services, discussed below.*

Target – Substance Abuse Residential Services. The Department's constrained budget adds \$1.1 million from all sources, including \$0.5 million from general revenues, to expand residential services to individuals with substance abuse issues. Currently the Department funds some residential services with federal block grant resources; however, this proposal shifts funding to Medicaid allowing the Department to expand services that will now require a general revenue match. The Department has not provided the information for what the newly available federal funds will support, who the providers are for the expanded residential services or how this represents a constrained budget. *The Governor does not recommend funding as requested.*

Other Community Mental Health Treatment Programs - Medicaid. The Department requests \$1.8 million more from all sources, including \$1.0 million from general revenues, for community mental health treatment programs that total \$8.6 million in FY 2014. The individuals are disabled, consistent with the federal definition of a disability, and eligible for Medicaid but not eligible for services through the rehabilitation option.

The request is \$2.3 million more than the revised request and \$1.6 million more than FY 2012 actual expenses. The Department has not provided the information to substantiate the increase in program costs. *The Governor provides \$6.4 million or \$0.4 million less than enacted from all sources. He includes savings from health care reform, discussed separately.*

Target - Affordable Care Act - Mental Health Benefits. The Department's constrained budget includes savings of \$4.7 million from all sources, including \$2.6 million from general revenues from the January 1, 2014 implementation of the Affordable Care Act which will provide benefits to previously uninsured individuals. This includes individuals who receive community based mental health services through the Medicaid global waiver.

It should be noted that with the implementation of federal health care reform the savings proposed by the Department are not from any initiatives but a result of individuals having access to health insurance. The program will not be required. It is not clear why this is not part of a current services budget.

The Governor includes savings of \$1.3 million, including \$0.8 million from general revenues from implementation of health care reform. He assuming that 60 percent of the individuals receiving services will be eligible for 100 percent federally funded Medicaid, beginning January 1, 2014. His recommendation is \$0.5 million less than requested, including \$0.3 million less from general revenues.

Target – Health Homes. The Department's constrained request provides \$5.8 million from federal spending through the health homes initiative, reducing the requested budget by \$5.2 million. *The Governor recommends funding as requested.*

State Only Mental Health Treatment Services. The Department requests the enacted level of \$1.2 million for state only mental health treatment services in its FY 2014 current service request. Services support individuals who are not eligible for Medicaid but can receive outpatient and residential treatment services. The Department's request is consistent with the revised budget but \$0.2 million more than FY 2012 actual expenses.

The Department's constrained request is \$44,762 more than its current services request for health care reform and has not provided a reason for the increase. It should be noted that the Department did not reduce program costs based on savings through the Affordable Care Act. The Department uses the state only program to match the federal block grant. *The Governor includes funding as requested.*

Other Substance Abuse Treatment Services – Medicaid. The Department requests \$3.4 million from all sources for other Medicaid funded substance abuse treatment services in its current services request. This is \$75,183 less from all sources, primarily from federal funds. *The Governor includes funding as requested.*

Target - Medicaid - Affordable Care Act. The Department's constrained request includes savings of \$1.8 million, including \$0.5 million from general revenues for other substance abuse treatment

services from implementation of the Affordable Care Act and assuming individuals will have coverage through the health benefits exchange. As previously noted, with the implementation of federal health care reform the savings proposed by the Department are not from any initiatives but a result of individuals having access to health insurance. Since the program may not be required, it is not clear why this is not part of a current services budget. *The Governor includes savings of \$1.3 million, including \$0.6 million from general revenues by assuming that 60 percent of the individuals receiving services will be eligible for 100 percent federally funded Medicaid, beginning January 1, 2014.*

State Only Substance Abuse Treatment Services. The Department requests \$0.1 million less from general revenues for total funding of \$4.0 million for state only substance abuse treatment services in its FY 2014 request. Funding supports detoxification, adolescent residential services and prevention and training. *The Governor includes funding as requested.*

Target - Municipal Substance Abuse/Prevention Task Forces. The Department includes general revenue savings of \$232,600 from shifting a portion of the \$1.2 million provided to the municipal substance abuse/prevention task forces to federal funds.

The state currently supports 35 municipal substance abuse prevention task forces, three student assistance program providers, serving 8,700 students in 25 middle and 21 high schools, and 16 agencies providing services to 1,400 families to promote drug free communities and assess, in cooperation with school systems and human services organizations, the extent of the substance abuse problem in its community. *The Governor recommends funding as requested.*

Target – Medicaid Affordable Care Act. The Department’s constrained request includes savings of \$0.7 million from general revenues for state only substance abuse treatment services based on implementation of the Affordable Care Act and assuming individuals will have coverage through the health benefits exchange. It should be noted with the implementation of federal health care reform the savings proposed by the Department are not from any proposals but a result of individuals having access to health insurance. Since the program will not be required, it is not clear why this is not part of a current services budget.

The Department has not provided the information as to what the remaining \$3.1 million in its constrained budget will support or why the state funds should not be reduced by at least an additional \$0.7 million assuming the January 1, 2014 implementation of federal health care reform. *The Governor does not include any savings in the state only program from health care reform.*

Community Medical Assistance Drug Expenses. The Department requests \$1.2 million from all sources, including \$0.6 million from general revenues, for the community medical assistance drug program. This program pays the drug expenses for individuals who are not eligible for Medicaid because they are single and not disabled, not disabled or not eligible for medical benefits through the RIte Care program. The Department decreases expenses by \$99,498 from all sources, including \$24,862 less from general revenues based on projected costs.

It should be noted that with the implementation of health care reform, individuals without access to insurance will have the ability to purchase it and will not require the state program for the pharmaceutical benefit. *The Governor includes savings of \$0.5 million from all sources, including \$0.2 million from general revenues assuming that 60 percent of the individuals receiving services will be eligible for 100 percent federally funded Medicaid, beginning January 1, 2014 and have access to pharmacy benefits through health care reform.*

Methadone Maintenance Treatment Services. The Department requests \$1.9 million from all sources including \$0.9 million from general revenues for methadone maintenance treatment services matched by Medicaid under the global waiver. This is \$0.7 million more than enacted to reflect an increase to reimbursement rates to be consistent with the Medicaid payment.

It should also be noted that methadone maintenance is a covered Medicaid benefit that the state chooses to provide through its state plan. These Medicaid expenses appear in the rehabilitation option program. The individuals in this previously state funded maintenance program are not disabled; however, through the global waiver the state is able to leverage Medicaid for these treatment services. Clients receiving methadone maintenance treatment services through the Medicaid rehabilitation option are eligible for Medicaid funded transportation services. Clients receiving the same services through the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals' budget are not eligible for Medicaid funded transportation. However, it appears that many individuals receive transportation services through the Rhode Island Public Transit Authority at the reduced rate for elderly/disabled riders by submitting a doctor's note indicating that they are disabled. *The Governor's recommendation is \$0.1 million more than requested from all sources, including \$0.1 million from general revenues.*

Target – Methadone Maintenance - Affordable Care Act. The Department's constrained request includes savings of \$1.1 million from all sources, including \$0.5 million less from general revenues from implementation of the Affordable Care Act and assuming individuals will have drug coverage through the health benefits exchange. *The Governor does not include the savings; however it appears that documents submitted separately by the Office of Health and Human Services a reduction should have been taken for health care reform. The Budget Office indicates that it will be submitting the necessary amendments to correct for this change.*

Community Service Grants. The Department requests the enacted level of \$135,148 from general revenues for the Department's five community services grants. *The Governor recommends funding as requested.*

Substance Abuse Capacity Beds. The Department includes the enacted level of \$1.0 million from general revenues for the transition from prison to community program, expanding the number of substance abuse beds for prisoners who were recently paroled but would otherwise remain incarcerated because of a lack of treatment beds. *The Governor recommends funding as requested.*

Substance Abuse Treatment Block Grant. The Department requests the enacted level of \$6.5 million from federal funds for the substance abuse treatment block grant. Funding is awarded to community agencies to support local programs. *The Governor recommends funding as requested.*

Mental Health Block Grant. The Department requests \$1.4 million from the federally funded mental health block grant, \$7,589 less than enacted. Funding supports services provided by the community mental health centers. *The Governor recommends funding as requested.*

Mental Health - Social Services Block Grant. The Department requests \$1.5 million from federal funds, \$0.2 million less than enacted to support mental health services through the social services block grant. The Department is in the process of submitting information about what services are provided and what agencies receive the funding. *The Governor recommends funding as requested.*

Access to Recovery Grant. The Department requests the enacted level of \$3.4 million from federal Access to Recovery funds. 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 the federal poverty level. *The Governor recommends funding as requested.*

State Epidemiological Outcome Workgroup Grant. The Department requests \$145,000 from federal funds for a state epidemiological outcome workgroup grant. The request is \$97,000 less than enacted with funds supporting the coordination, conducting and dissemination of data on substance abuse, mental health and protective factors. *The Governor recommends funding as requested.*

Post-Traumatic Stress Services. The Department's request adds \$132,155 for total funding of \$315,311 from the federally funded to the post-traumatic stress services grant awarded to the Kent Center to function as the pilot program for diversion and court services and the Providence Center for peer supports. *The Governor recommends funding as requested.*

Drug Free Schools Grant. The Department excludes the \$0.1 million included in the enacted budget for the federally funded drug free school program, for which funding has expired. *The Governor recommends funding as requested.*

Salaries and Benefits. The Department requests \$3.9 million from all funds, \$20,977 more than enacted for salaries and benefits to fully fund 37.0 positions in the Division of Behavioral Health and includes benefit adjustments based on Budget Office planning values. *The Governor recommends the requested funding with the exception of \$25,454 from statewide benefit savings, including \$13,513 from general revenues.*

All Other Operations. Excluding all other adjustments in the behavioral health program, the Department requests \$209,000 from all sources for all other operations, \$44,058 less than enacted including \$19,924 more from general revenues in FY 2014. *The Governor adds \$11,941 for miscellaneous operating expenses from newly available federal funds from statewide benefit changes.*

Target – All Other Grants. The Department's constrained request reduces federal funds by \$232,600; however, it has not provided an explanation for this decrease. *The Governor does not recommend this reduction.*

Eleanor Slater Hospital

Hospital Census. The state hospital is a 495-bed licensed facility comprised of two campuses: 306 licensed beds at the main Pastore campus in Cranston, of which 156 are occupied, and 189 licensed beds, of which 123 are occupied, at the Zambarano unit in Burrillville.

The FY 2014 budget of \$123.3 million, including \$52.2 million from general revenues is based on a census of 279 patients and an annual cost per person of \$442,073. This includes capital plan funding. *The Governor includes \$116.6 million and assumes the current census.*

Budget Presentation: The Governor's FY 2014 recommended budget for the hospital totals \$116.9 million, including \$52.1 million from general revenues. His budget aggregates spending formerly allocated to specific categories into grants and shows negative expenses in operating categories in order to treat expenses similar to how the state pays for externally provided services. This prevents a transparent accounting of actual expenses.

Excluding its capital request, the Department adds \$11.4 million, or 11.5 percent, to the enacted budget in FY 2014. The Department adds \$4.6 million for staffing costs, including overtime; however, it also adds \$5.4 million when adjusting for centralized costs paid to the Department of Administration.

The Governor's recommended budget is \$10.5 million or 10.6 percent more than enacted, and appears to include centralized costs noted above.

The following table shows FY 2011 and FY 2012 actual expenses, FY 2013 enacted and the Governor's recommended budget for the state-run hospital. It is followed by one that aggregates his budget for categories other than staffing to allow for a more meaningful comparison.

Eleanor Slater Hospital	FY 2011 Spent	FY 2012 Spent	FY 2013 Enacted	FY 2014 Gov Rec	Gov Chge to Enacted
Salaries and Benefits	\$ 75,877,145	\$ 80,596,536	\$77,421,933	\$ 78,725,494	\$ 1,303,561
Operating Expenses	8,872,343	9,976,036	8,931,078	(86,574,667)	(95,505,745)
Contracted Services	482,397	506,359	478,101	500,392	22,291
Capital Purchases	453,354	70,393	718,253	507,711	(210,542)
Operating Transfer	5,356,064	(2,518,150)	-	-	-
Assistance and Grants	10,031,437	17,577,528	11,364,425	116,256,933	104,892,508
Total	\$101,072,740	\$106,208,702	\$98,913,790	\$109,415,863	\$10,502,073

Eleanor Slater Hospital	FY 2011 Spent	FY 2012 Spent	FY 2013 Enacted	FY 2014 Gov Rec	Gov Chge to Enacted
Salaries and Benefits	\$ 75,877,145	\$ 80,596,536	\$77,421,933	\$ 78,725,494	\$ 1,303,561
All Other Expenses	25,195,595	25,612,166	21,491,857	30,690,369	9,198,512
Total	\$101,072,740	\$106,208,702	\$98,913,790	\$109,415,863	\$10,502,073

Hospital Licensing Fee. The enacted budget includes \$5.7 million from all sources to pay the 5.35 percent fee assessed on state and community hospitals' revenue for the hospital year ending September 30, 2011, including \$2.6 million from general revenues in FY 2013.

The Department's request adds \$0.4 million for a payment of \$6.1 million. It is unclear why this adjustment is being made. *The Governor recommends funding as requested which overfunds the payment to be made to the state by \$0.4 million.*

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 \$4.9 million. The Department's request is \$0.1 million more than enacted for updated billing practices, discussed separately. *The Governor recommends funding as requested.*

Target – Third Party Billing. The Department's constrained request includes \$0.1 million more in third party receipts from updated billing practices. The Department has not provided an explanation as to why this is a new proposal and not part of the Department's general billing practices. The Department includes general revenue savings from the increased receipts. *The Governor's budget includes the savings.*

Hospital Overtime Expenses. The Department requests \$3.8 million more than enacted for total funding of \$5.7 million from all sources for overtime expenses in FY 2014. This is \$6.0 million less than the revised request and \$4.4 million less than overtime expenses for FY 2012. The Department

reports an anticipated decrease in overtime expenses when it fills staffing vacancies. The Department's request for additional staffing is included in the next section. *The Governor's budget includes \$31,940 less than requested for overtime.*

All Other Salaries and Benefits. Excluding the overtime adjustments, the Department requests \$77.3 million from all sources for staffing at the state hospital. This is \$1.8 million more than enacted and includes updated benefit costs based on Budget Office planning values. The request also restores \$250,000 in turnover savings and \$141,435 in general revenue savings from newly available restricted receipts assumed in the enacted budget. The Department adds 37.5 positions at the state hospital, but does not fund them. *The Governor recommends funding as requested with the exception of \$0.6 million in statewide benefit savings from restricted receipts. He does not adjust general revenues for this change.*

Contracted Medical and Other Services. In addition to the funding requested for the employees at the state hospital, the Department also requests \$4.9 million for various contracted services. This is \$43,504 more than enacted from all sources to fund additional medical personnel services including physicians, nurses, speech and physical therapists and other rehabilitative service providers. It is consistent with the revised request and FY 2012 spending. *The Governor recommends funding as requested.*

Other Operations. The Department requests \$11.2 million for all other operations, which is \$0.9 million more than enacted and includes \$0.5 million more for pharmaceuticals and \$0.4 million more for medical supplies. *The Governor adds \$0.6 million for miscellaneous operating expenses available from statewide savings.*

Target – Forensic Unit. The Department's constrained budget includes savings of \$1.1 million from all sources, including \$0.7 million less from general revenues, from reducing the male forensic unit at the Phillippe Pinel Building from 20 to 10 individuals. The population in this unit would include only those who are found not guilty by reason of insanity as defined in Rhode Island General Law Section 40.1-5.3-4 and those from the Department of Corrections who require specialized services as defined in Rhode Island General Law Section 40.1-5.3-6. The Department would retain responsibility for the care and treatment of these individuals per Rhode Island General Law Section 40.1-5.3-1 et. seq.

The proposed change will make available two beds in the adult psychiatric services unit which are currently occupied by patients who are not guilty by reason of insanity and who would be transferred to the forensic unit. The 10-bed capacity will be consistently achieved by utilizing the adult psychiatric services unit for patients who will be transferred there whenever admissions to the forensic unit are required. *The Governor does not recommend this proposal.*

Target – Zambarano Group Home Consolidation – Southwick. The Department's constrained request includes savings of \$0.5 million from all sources from closing one of the four group homes that are licensed as intermediate care facilities. The cost to operate each group home is approximately \$1.0 million from all sources.

The Department reports that closure of one group home could adversely affect the clients residing in that home by disrupting their current environment. This has previously been an initiative. However, residents obtained a court injunction to stop the relocation of the clients and closure of the home. *The Governor recommends the consolidation and includes savings of \$0.8 million, including \$0.4 million from general revenues.*

Target – Laboratory Services. The Department’s constrained budget proposes eliminating laboratory testing services provided through Eleanor Slater hospital to the Departments of Corrections and Children, Youth and Families for savings of \$0.5 million from general revenues and the elimination of two positions. The Department has reported that it has not informed either department of its proposed change. Presumably each would incur additional costs. *The Governor does not recommend this proposal.*

Target – All Other. The Department’s constrained request further reduces federal funds by \$944,166; however, it has not provided an explanation for this decrease. *The Governor’s recommended budget includes this reduction.*

Hospital and Community System Support

Indirect Cost Recovery Receipts. The Department requests \$474,334 from restricted receipts to support 4.0 positions in the division of hospital and community support. The Department is in coordination with the Executive Office of Health and Human Services to negotiate a federal indirect cost recovery rate that will offset state funded program costs. The Department continued to assume the savings but had not yet applied for the rate. The Department spent \$15,000 in restricted receipts in FY 2012 and any staffing expenses were shifted to available general revenues.

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 of Behavioral Healthcare, Developmental Disabilities and Hospitals had not applied for an indirect cost rate. The Office of Health and Human Services is currently coordinating a new cost allocation plan across the five health and human service agencies that will address the indirect rate. *The Governor recommends funding as requested with the exception of \$2,797 less from statewide benefit savings.*

Other Salaries and Benefits. The Department requests \$2.3 million from general revenues, \$0.1 million less than enacted for salaries and benefits, including adjustments based on Budget Office planning values and the transfer of the Department’s chief financial officer position to the Office of Health and Human Services. *The Governor recommends \$14,340 less than requested from general revenues for statewide benefit savings.*

Operations. The Department requests \$80,445 from general revenues which is \$77,545 less than enacted for operations in the home and community system support program. This includes \$53,165 less for operating and \$22,380 less for other services including \$18,000 less for contracted financial services to maintain the billing system. *The Governor adds \$2,797 from restricted receipts available from statewide benefit savings shifted to miscellaneous operating expenses.*

Central Management

Salaries and Benefits. The Department requests \$1.1 million from all sources, including \$0.7 million from general revenues for staffing costs in central management. This is \$165,438 more than enacted and includes fully funding eight positions. The request includes adjustments for updated benefit rates. *The Governor recommends \$25,869 less than requested from general revenues, including \$21,743 less for computer maintenance and other operating expenses and \$4,126 less for statewide benefit savings.*

Other Operations. The Department requests \$186,999 from all sources, including \$184,656 from general revenues for all other operations in the central management program. This is \$53,232 less from all sources, including \$55,005 less from federal funds.

The Department's request includes \$140,679 for operating and other expenses and \$46,320 for contracted services. This includes \$40,000 for services provided by the Department of Corrections which was not spent in FY 2012. The Department reports that the Department of Corrections did not bill for the phone services used to notify staff when a sex offender is residing at Harrington Hall. *The Governor recommends funding as requested.*

Office of the Child Advocate

	FY 2013		FY 2013		FY 2014		FY 2014
	Enacted		Revised		Request		Recommended
Expenditures by Category							
Salaries and Benefits	\$ 641,545	\$	618,309	\$	664,139	\$	636,596
Contracted Services	-		500		-		-
Subtotal	\$ 641,545	\$	618,809	\$	664,139	\$	636,596
Other State Operations	15,027		15,923		16,709		17,552
Aid to Local Units of Government	-		-		-		-
Assistance, Grants, and Benefits	-		-		-		-
Capital	1,000		2,000		2,000		1,000
Capital Debt Service	-		-		-		-
Operating Transfers	-		-		-		-
Total	\$ 657,572	\$	636,732	\$	682,848	\$	655,148
Sources of Funds							
General Revenue	\$ 611,469	\$	590,664	\$	642,851	\$	615,151
Federal Aid	46,103		46,068		39,997		39,997
Restricted Receipts	-		-		-		-
Other	-		-		-		-
Total	\$ 657,572	\$	636,732	\$	682,848	\$	655,148
FTE Authorization	5.8		5.8		5.8		5.8

Summary. The Office of the Child Advocate requests \$682,848 which is \$25,276 more than enacted from all funds. The request includes \$31,382 more from general revenues and \$6,106 less from federal funds. The request also requires the enacted level of 5.8 positions. *The Governor recommends \$655,148, which is \$2,424 less than enacted and \$27,700 less than requested. He recommends \$615,151 from general revenues, which is \$3,682 more than enacted and \$27,700 less than requested.*

Target Issues. The Budget Office provided the Office with a general revenue target of \$585,041. The amount includes current service adjustments of \$17,607 and a 7.0 percent target reduction of \$44,035.

The constrained budget submitted by the agency is \$39,997 below the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommended budget is \$30,110 more than the target.*

FY 2014 Budget		Budget Office		Child Advocate		Difference
FY 2013 Enacted	\$	611,469	\$	611,469	\$	-
Current Service Adjustments		17,607		31,382		13,775
Change to FY 2013 Enacted	\$	17,607	\$	31,382	\$	13,775
FY 2014 Current Service/ Unconstrained Request	\$	629,076	\$	642,851	\$	13,775
Target Reduction/Initiatives		(44,035)		(97,807)		(53,772)
FY 2014 Constrained Target/Request	\$	585,041	\$	545,044	\$	(39,997)
<i>Change to FY 2013 Enacted</i>	<i>\$</i>	<i>(26,428)</i>	<i>\$</i>	<i>(66,425)</i>	<i>\$</i>	<i>(39,997)</i>

Salaries and Benefits. The Office requests \$664,139 for salaries and benefits for its 5.8 enacted positions. This is \$22,594 more than enacted, including \$28,700 more from general revenues and \$6,106 less from federal funds. The Office includes scheduled step increases for two employees and other adjustments consistent with the Budget Office planning values.

The Office's constrained request reduces funding for salaries and benefits by \$97,807 or 17.0 percent to the unconstrained request and \$69,107 to the enacted. This would reduce the salaries for all positions within the Office. This is not a realistic reduction because 3.0 employees are unionized and cannot have their salaries reduced by the level included in the constrained request.

The Governor recommends \$27,543 less than the unconstrained request to reflect updated salary projections and statewide savings.

Other Operations. The Office requests \$18,709, which is \$2,682 more than enacted from general revenues and the enacted level from federal funds for other costs and equipment. The Office requests \$1,450 more than enacted from general revenues for mileage and travel expenses and \$1,232 for a new computer and other adjustments. *The Governor recommends \$157 less than requested, including \$500 less from general revenues.*

Commission on the Deaf and Hard of Hearing

	FY 2013		FY 2013		FY 2014		FY 2014
	Enacted		Revised		Request		Recommended
Expenditures by Category							
Salaries and Benefits	\$ 329,012	\$	319,572	\$	333,045	\$	329,980
Contracted Services	51,634		51,634		52,634		112,634
Subtotal	\$ 380,646	\$	371,206	\$	385,679	\$	442,614
Other State Operations	9,605		10,495		9,995		25,495
Aid to Local Units of Government	-		-		-		-
Assistance, Grants, and Benefits	-		-		-		-
Capital	-		-		500		3,500
Capital Debt Service	-		-		-		-
Operating Transfers	-		-		-		-
Total	\$ 390,251	\$	381,701	\$	396,174	\$	471,609
Sources of Funds							
General Revenue	\$ 390,251	\$	381,701	\$	396,174	\$	391,609
Federal Aid	-		-		-		-
Restricted Receipts	-		-		-		80,000
Other Funds	-		-		-		-
Total	\$ 390,251	\$	381,701	\$	396,174	\$	471,609
FTE Authorization	3.0		3.0		3.0		3.0

Summary. The Commission on the Deaf and Hard of Hearing requests \$396,174 or \$5,923 more than enacted, which is \$4,567 less than the current service target provided by the Budget Office. The Commission also requests the current authorized level of 3.0 positions. *The Governor recommends \$75,435 more than requested including \$4,565 less from general revenues and \$80,000 more from restricted receipts.*

Target Issues. The Budget Office provided the Commission with a general revenue target of \$372,689. The amount included current service adjustments of \$10,490 and a seven percent target reduction of \$28,052.

			Deaf and Hard		Difference
FY 2014 Budget	Budget Office		of Hearing		
FY 2013 Enacted	\$ 390,251	\$	390,251	\$	-
Current Service Adjustments	10,490		5,923		(4,567)
<i>Change to FY 2013 Enacted</i>	<i>10,490</i>	<i>\$</i>	<i>5,923</i>	<i>\$</i>	<i>(4,567)</i>
FY 2014 Current Service/ Unconstrained Request	\$ 400,741	\$	396,174	\$	(4,567)
Target Reduction/Initiatives	(28,052)		(22,425)		5,627
FY 2014 Constrained Target/Request	\$ 372,689	\$	372,749	\$	60
<i>Change to FY 2013 Enacted</i>	<i>(17,562)</i>	<i>\$</i>	<i>(17,502)</i>	<i>\$</i>	<i>60</i>

The constrained budget submitted by the agency is \$60 above the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$18,920 above the target.*

Salaries and Benefits. The Commission requests \$333,045 for salaries and benefits to fully fund its current level of 3.0 positions. This is \$4,033 more than enacted and includes adjustments consistent with the Budget Office planning values. Consistent with the revised request, the budget reflects filling a previously vacant position at a lower cost. *The Governor recommends \$3,065 less from general revenues to reflect statewide savings.*

Translation and Interpreter Services. The Commission requests \$52,634 from general revenues for Communication Access Real Time Translation and emergency interpreter services. This is \$1,000 more than enacted to provide additional interpreter services to individuals serving on a new deaf consumer education committee. The Commission has underspent general revenues intended for these services since FY 2009 and reports that it has not received complaints from constituents regarding the availability of services. Final expenses in FY 2012 were \$48,808.

The Commission's constrained request reduces the enacted budget by \$23,425 by eliminating emergency interpreter services and reducing real time translation services. First responders, hospitals, and officials delivering emergency press conferences would not have access to the emergency referral service. *The Governor recommends funding at the enacted level of \$52,634.*

Emergency and Public Communications. The Commission's request does not include funds for additional emergency and public communications services. *The Governor submitted legislation included in Article 17 of 2013-H 5127 that transfers \$80,000 from restricted receipts annually from the Public Utilities Commission's emergency relay account to fund a new Emergency and Public Communications Program. He recommends \$20,500 for interpreters and translators, \$40,000 for a new contracted employee to manage the program and \$500 for a conference on emergency readiness. The Governor also includes \$19,000 for electronic communications equipment to be installed at state facilities, printing costs associated with advertising, travel, training, and additional computer equipment to accommodate the new contracted employee. The funding from the relay account comes from customer charges, though the article does not propose any fee increases.*

Other Operations. The Commission requests \$10,495, or \$890 more than enacted, from general revenues for all other operating costs, including the registration and travel costs associated with attending conferences, computer software for new computers acquired in September 2011, and other operating costs associated with client services and education. Funding for software was not included in the enacted budget. *The Governor recommends \$500 less than requested for computer equipment.*

Governor's Commission on Disabilities

	FY 2013		FY 2013		FY 2014	FY 2014
	Enacted		Revised		Request	Recommended
Expenditures by Category						
Salaries and Benefits	\$ 395,384	\$	338,961	\$	345,752	\$ 344,732
Contracted Services	7,773		17,200		11,458	11,458
Subtotal	\$ 403,157	\$	356,161	\$	357,210	\$ 356,190
Other State Operations	35,647		54,911		25,420	25,443
Aid to Local Units of Government	-		-		-	-
Assistance, Grants, and Benefits	60,754		134,050		132,560	114,551
Capital	251,881		289,346		489,276	959,152
Capital Debt Service	-		-		-	-
Operating Transfers	-		-		4,384	-
Total	\$ 751,439	\$	834,468	\$	1,008,850	\$ 1,455,336
Sources of Funds						
General Revenue	\$ 371,096	\$	357,498	\$	379,958	\$ 357,711
Federal Aid	120,649		182,291		130,728	129,989
Restricted Receipts	9,694		9,214		8,441	10,365
Other Funds	250,000		285,465		489,723	957,271
Total	\$ 751,439	\$	834,468	\$	1,008,850	\$ 1,455,336
FTE Authorization	4.0		4.0		4.0	4.0

Summary. The Governor's Commission on Disabilities requests \$1,008,850 which is \$257,411 more than enacted from all sources in FY 2014. The request includes \$8,862 more from general revenues, \$10,079 more from federal funds, \$1,253 more from restricted receipts and \$239,723 more from Rhode Island Capital Plan funds and the authorized level of 4.0 positions. *The Governor recommends \$1.5 million from all funds. This is \$0.7 million more than enacted and \$0.4 million more than requested. General revenues are \$13,385 less than enacted and \$22,247 less than requested.*

Target Issues. The Budget Office provided the Commission with a general revenue target of \$379,958. The amount includes current service adjustments of \$8,862 and a seven percent target reduction of \$26,597.

			Commission on		Difference
FY 2014 Budget	Budget Office		Disabilities		
FY 2013 Enacted	\$ 371,096	\$	371,096	\$	-
Current Service Adjustments	8,862		8,862		-
Change to FY 2013 Enacted	\$ 8,862	\$	8,862	\$	-
FY 2014 Current Service/ Unconstrained Request	\$ 379,958	\$	379,958	\$	-
Target Reduction/Initiatives	(26,597)		(26,614)		(17)
FY 2014 Constrained Target/Request	\$ 353,361	\$	353,344	\$	(17)
<i>Change to FY 2013 Enacted</i>	<i>\$(17,735)</i>	<i>\$</i>	<i>(17,752)</i>	<i>\$</i>	<i>(17)</i>

The constrained budget submitted by the agency is \$17 below the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$22,247 below the target.*

Salaries and Benefits. The Commission's unconstrained request includes \$345,752 from all sources for salaries and benefits for its 4.0 full-time equivalent positions, including \$3,439 less from general revenues and \$46,193 less from federal funds to reflect current staffing and a lower level of Help America Vote Act funding in a non-election year. This includes an increase of \$8,862 to reflect statewide benefit adjustments consistent with Budget Office planning values. The Commission does not assume any turnover savings.

The Commission's constrained request shifts \$13,711 of general revenue funded staffing costs to federal New England Americans with Disabilities Act funding available from the reduction to the fellowship program discussed below. *The Governor recommends \$1,020 less than the unconstrained request including \$14,720 less from general revenues to reflect statewide benefit savings and a shift of personnel costs to available federal funds.*

Election Expenses. The Commission requests \$99,005 from federal Help America Vote Act funds, which is \$34,849 more than enacted. Funding supports improved voter access, education, and transportation to polling places for individuals with disabilities. This also includes \$3,547 for 1.0 college fellowship to conduct surveys of polling place accessibility around the state. The FY 2014 request leaves a balance of \$96,335 that can be used in future fiscal years as the state's sole Help America Vote Act grantee funding can be spent at the Commission's discretion through April 2016.

The Commission's constrained request reduces federal funding for election expenses by \$97 and is \$34,752 more than enacted. The constrained request eliminates the cost-of-living adjustment for a new Help America Vote Act fellowship.

The Governor recommends \$90 less than the unconstrained request to reflect available Help America Vote Act funds.

Fellowships. The Commission's unconstrained request includes \$39,013 including \$18,265 from general revenues and \$20,748 from federal funds for eleven fellowships, which is \$28,663 more than enacted. The enacted budget includes 3.0 Mary Brennan Fellowships. New fellowships include 1.0 webmaster, 3.0 employment outreach fellows, 3.0 accessibility fellows, and 1.0 disability business enterprise fellow.

The Commission's constrained request reduces funding for the Mary Brennan fellowship and other fellowships by \$10,847 from general revenues and \$14,462 from federal funds, or 50.0 percent, and is \$2,932 less than enacted. The constrained request maintains the cost-of-living adjustment for the enacted number of fellowships. As noted, the constrained request uses \$13,711 from available federal funds to offset the general revenue reduction to salaries and benefits.

The Governor recommends \$21,101 which is \$17,912 less than the unconstrained requested and includes \$3,547 less from general revenues. He only funds 1.0 new disability business enterprise fellow and 1.0 new outreach and accessibility fellow in addition to the enacted fellowships.

Other Operations. The Commission requests \$35,357 from all sources, which is \$3,808 more than enacted, for all other Commission operations. This includes \$4,386 more from general revenues, \$675 more from federal funds and \$1,253 less from restricted receipts for lease payments for a copier, new

computers, constituent management software, a communications consultant and other minor operating adjustments.

The Commission's constrained request reduces general revenue funding by \$2,056 for other operations and excludes the request for new computers.

The Governor recommends \$2,040 less than the unconstrained request including \$18,159 less from general revenues to reflect a shift of operations expenses to available restricted receipts.

Accessibility Capital Projects. The Commission requests \$489,723 from Rhode Island Capital Plan funds for accessibility renovations to state-owned facilities. This includes \$440,206 for construction, \$46,133 for architectural and engineering services, and \$4,384 for a Rhode Island State Council on the Arts public arts project. The Commission plans to begin renovations of state facilities identified by a comprehensive engineering and accessibility survey completed in FY 2012. Specific project information is included in the Capital Budget Section of this analysis. *The Governor includes \$0.5 million more than requested for new accessibility projects.*

Office of the Mental Health Advocate

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 434,239	\$ 335,911	\$ 477,660	\$ 473,848
Contracted Services	1,800	13,800	1,800	1,800
Subtotal	\$ 436,039	\$ 349,711	\$ 479,460	\$ 475,648
Other State Operations	11,080	10,496	10,496	10,496
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	-	-	-	-
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 447,119	\$ 360,207	\$ 489,956	\$ 486,144
Sources of Funds				
General Revenue	\$ 447,119	\$ 360,207	\$ 489,956	\$ 486,144
Federal Aid	-	-	-	-
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 447,119	\$ 360,207	\$ 489,956	\$ 486,144
FTE Authorization	3.7	3.7	3.7	3.7

Summary. The Office of the Mental Health Advocate requests \$489,956 from general revenues, \$42,837 more than enacted in its unconstrained, current services request. The Office submitted a constrained request that totals \$427,691 and includes \$62,265 less from general revenues than the unconstrained request. The Office also requests the current staffing level of 3.7 positions.

The Governor recommends \$486,144 and the enacted level of 3.7 positions. This is \$39,025 more than enacted, \$3,812 less than requested and \$58,453 more than the constrained request.

Target Issues. The Budget Office provided the Office with a general revenue target of \$427,691. The amount includes current service adjustments of \$12,764 and a seven percent target reduction of \$32,192.

	Budget Office	Mental Health Advocate	Difference
FY 2014 Budget			
FY 2013 Enacted	\$ 447,119	\$ 447,119	\$ -
Current Service Adjustments	12,764	42,837	30,073
Change to FY 2013 Enacted	\$ 12,764	\$ 42,837	\$ 30,073
FY 2014 Current Service/Unconstrained Request	\$ 459,883	\$ 489,956	\$ 30,073
Target Reduction/Initiatives	(32,192)	(62,265)	(30,073)
FY 2014 Constrained Target/Request	\$ 427,691	\$ 427,691	\$ -
<i>Change to FY 2013 Enacted</i>	<i>\$ (19,428)</i>	<i>\$ (19,428)</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 recommendation is \$58,453 above the target.*

Salaries and Benefits. The Office requests \$477,660 for salaries and benefits to fully fund its current level of 3.7 positions. The request is \$43,421 more than enacted and includes adjustments consistent with the Budget Office planning values and also includes updated salary and benefit expenses for the current vacancies.

The Office proposes 40 pay reduction days in its FY 2014 constrained request for savings of \$62,863 to meet the Budget Office general revenue target. *The Governor recommends \$39,609 more than enacted and \$3,812 less than the unconstrained request to reflect statewide benefit adjustments. He does not include the pay reduction days.*

Other Operations. The Office requests \$12,894 for operating costs, \$584 less than enacted, adjusting for various expenses incurred by the Office in its unconstrained request.

The Office's constrained request is \$598 higher than its unconstrained and \$14 more than the enacted budget. The Office meets the Budget Office target from instituting 40 pay reduction days and, based on staffing and benefit adjustments, savings from the reduction days are \$598 higher than the target, which the Office reallocated to various operating expenses. *The Governor recommends funding as requested in the unconstrained request.*

Department of Elementary and Secondary Education

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
Expenditures by Program				
State Aid	\$ 709,832,325	\$ 710,940,198	\$ 745,014,811	\$ 743,314,811
School Housing Aid	74,568,906	72,058,624	71,134,679	71,134,679
Teachers' Retirement	79,768,447	76,911,999	83,423,532	82,514,003
RI School for the Deaf	6,997,839	6,982,055	7,104,517	6,840,373
Central Falls School District	39,705,879	39,705,879	38,188,310	38,188,310
Davies Career & Technical School	17,213,337	20,175,309	17,945,868	17,515,043
Metropolitan Career & Technical School	16,081,589	18,255,577	14,501,577	14,601,577
Administration	254,051,036	263,104,988	251,696,726	251,851,743
Total	\$1,198,219,358	\$1,208,134,629	\$1,229,010,020	\$1,225,960,539
Expenditures by Category				
Salaries and Benefits	\$ 41,623,997	\$ 40,447,494	\$ 41,698,912	\$ 40,961,212
Contracted Services	57,471,052	58,792,206	46,627,840	46,906,513
Subtotal	\$ 99,095,049	\$ 99,239,700	\$ 88,326,752	\$ 87,867,725
Other State Operations	11,450,827	12,712,767	12,704,041	12,461,221
Aid to Local Units of Government	1,062,572,255	1,058,700,214	1,098,831,621	1,096,622,092
Assistance, Grants, and Benefits	18,595,503	23,466,680	21,120,707	21,232,207
Capital	6,505,724	14,015,268	8,026,899	7,777,294
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$1,198,219,358	\$1,208,134,629	\$1,229,010,020	\$1,225,960,539
Sources of Funds				
General Revenue	\$ 935,364,061	\$ 930,213,401	\$ 967,127,076	\$ 964,639,970
Federal Aid	230,760,206	237,992,129	225,114,584	225,746,654
Restricted Receipts	25,643,868	26,584,021	27,658,961	27,658,516
Other	6,451,223	13,345,078	9,109,399	7,915,399
Total	\$1,198,219,358	\$1,208,134,629	\$1,229,010,020	\$1,225,960,539
FTE Authorization				
Administration	169.4	171.4	171.4	171.4
Davies	126.0	126.0	126.0	126.0
School for the Deaf	60.0	60.0	60.0	60.0
Total Authorized Positions	355.4	357.4	357.4	357.4

Summary. The Board of Regents requests \$1,229.0 million from all sources of funds and 357.4 full-time equivalent positions. The staffing request is 2.0 positions more than enacted. General revenues in the unconstrained request total \$967.1 million, which is \$31.8 million over the FY 2013 enacted level.

The 2010 Assembly adopted a funding formula to be effective with the FY 2012 budget; FY 2014 is the third year of the new funding formula. This formula distributes 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 paragraphs below. Group home aid is paid in addition to aid paid through the new funding formula.

The Regents request \$225.1 million in federal spending, which is \$5.6 million less than the enacted budget and reflects the expiration of stimulus and Education Jobs funding. The budget request also includes \$27.7 million from restricted receipts, \$7.9 million from Rhode Island Capital Plan funds and \$1.3 million from duties paid by auctioneers into the Permanent School fund.

The Department also submitted a constrained request that totals \$1,228.5 million, including \$966.6 million from general revenues which is \$0.6 million less than the unconstrained request.

The Governor recommends \$1,226.0 million, which is \$27.7 million more than enacted and \$3.0 million less than requested. He recommends \$964.6 million from general revenues, which is \$29.3 million more than enacted and \$2.5 million less than requested. He fully funds the third year of the funding formula adopted by the 2010 Assembly and provides group home aid consistent with current law requirements.

Federal funds are \$0.6 million more than requested and Rhode Island Capital Plan funds are \$1.2 million less than requested to reflect the Governor's capital budget proposal. He recommends the 2.0 new full-time equivalent positions requested to work on municipal oversight.

Target Issues. The Budget Office provided the Department with a general revenue target of \$966.4 million. The amount includes current service adjustments of \$32.8 million and a 7.0 percent target reduction, adjusted for certain exclusions, of \$1.8 million.

The constrained budget submitted by the agency 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 recommended budget is \$1.7 million less than the target primarily reflecting revisions to group home aid based on current law requirements and reductions to teacher retirement based on updated payroll growth assumptions.*

FY 2014 Budget	Budget Office	ELSEC	Difference
FY 2013 Enacted	\$ 935,364,061	\$ 935,364,061	\$ -
Current Service Adjustments	32,774,527	31,763,015	(1,011,512)
<i>Change to FY 2013 Enacted</i>	<i>\$ 32,774,527</i>	<i>\$ 31,763,015</i>	<i>\$ (1,011,512)</i>
FY 2014 Current Service/ Unconstrained Request	\$ 968,138,588	\$ 967,127,076	\$ (1,011,512)
Target Reduction/Initiatives	(1,757,711)	(554,535)	1,203,176
FY 2014 Constrained Target/Request	\$ 966,380,877	\$ 966,572,541	\$ 191,664
<i>Change to FY 2013 Enacted</i>	<i>\$ 31,016,816</i>	<i>\$ 31,208,480</i>	<i>\$ 191,664</i>

Funding Formula Distribution. The Regents request \$70.5 million for state aid to local school districts, not including Central Falls School District and the Met School. This represents the third year of funding under the education funding formula adopted by the 2010 Assembly. The request is

\$30.3 million more than the enacted level for aid under the formula based on updated data including enrollment and poverty. This is \$0.6 million less than the Budget Office current service calculation.

In its target calculations, the Budget Office included \$30.9 million for aid under the formula. The budget targets included a \$30.9 million increase for the continued implementation of the formula for school districts and charter schools; however, updated information about the opening date of a projected new charter school decreased this amount by \$0.6 million.

However, it should be noted that the Regents granted preliminary approval for the Highlander Charter School to open a high school. The opening of a high school is not assumed in the Regents' education aid proposal. Final approval would have to be granted before the charter school lotteries in March in order to be funded as part of the 2013-2014 school year. *The Governor recommends funding as requested.*

Central Falls School District. The budget includes \$38.2 million from general revenues to support the Central Falls School district for FY 2014. This represents year three of the funding formula and is \$1.5 million less than the enacted amount. This reflects 343 fewer students than the prior year, primarily reflecting a shift to charter schools, and updated poverty data. *The Governor recommends funding as requested.*

Metropolitan Career and Technical School. The budget includes \$11.1 million for the operation of the Metropolitan Career and Technical School for FY 2014. This is \$0.6 million less from general revenues for the third year of the education funding formula. The Met School is funded pursuant to the 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 \$5.7 million from districts that send students to the School upon full phase-in of the formula.

The FY 2014 requested budget includes \$3.5 million for the career and technical categorical fund. The criteria for distribution of these funds is under development, but the School may be eligible to apply for additional funding. *The Governor recommends funding as requested.*

Career and Technical Education Categorical Funding. The Regents request \$3.5 million for career and technical education categorical funding for FY 2014, which is \$0.5 million more than enacted. The funding formula allows for additional resources 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 transform existing programs or create new programs and to help offset costs associated with facilities, equipment maintenance and repairs and supplies. The Department of Elementary and Secondary Education will develop 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.

Preliminary plans for distribution would require eligible schools to submit applications. Staff will use the proposed criteria to judge the merits of the application. The criteria for distribution of these funds are still under development, but the Department indicates plans to ensure that funding can still be spent in the current fiscal year. *The Governor recommends funding as requested.*

Early Childhood Categorical Funding. The Regents request \$2.5 million for early childhood categorical funding as part of the new education funding formula, which is \$1.0 million more than enacted. The funding formula allows for additional resources 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 Governor recommends funding as requested.*

High-Cost Special Education. The Regents request \$1.0 million for high-cost special education students as part of the education funding formula, which is \$0.5 million more than enacted. The education formula allows for additional resources 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 recommends funding as requested.*

Regionalization Bonus Categorical Funding. The Regents request eliminates the \$0.4 million provided in the enacted budget for the two-year regionalization bonus based on current law requirements. The funding formula allows for additional resources 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 Governor recommends funding as requested.*

Transportation Categorical Funding. The Regents request \$3.3 million for transportation categorical funding, which is \$1.1 million more than enacted. The funding formula allows for additional resources 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 and 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 recommends funding as requested.*

Permanent School Fund. The Regents request an additional \$0.3 million and \$1.1 million for FY 2013 and FY 2014, respectively, from the Permanent School Fund to support reform efforts for persistently lowest achieving districts. Funding will be used for professional development and materials among other activities. The enacted budget includes \$0.2 million from the Permanent School Fund for education aid. This is money received in the Fund from duties paid to the state by auctioneers. Prior to the final FY 2012 budget, this money went to the Central Falls School District. The Department requested that the funding be shifted to education so that all the persistently lowest achieving districts may be eligible for some funding. The current balance in the Permanent School Fund is approximately \$2.0 million and the Fund receives between \$75,000 and \$100,000 annually. The FY 2013 revised and FY 2014 requests will draw down the balance for one-time expenditures. Funding will be focused on urban ring and

suburban districts and schools identified for intervention. Schools that are currently receiving large federal grants to support improvement will not be the primary recipients of Permanent School funds. Because this funding will only be available for two years, the Department is requiring fund recipients to provide a local match to ensure that the school and the district share a commitment to the improvement agenda and will continue the work once the Permanent School funds are expended. *The Governor recommends an additional \$0.1 million which is \$1.0 million less than requested based on annual receipts into the Fund.*

Supplemental Retirement Contribution. The Regents' budget excludes the \$1.5 million that was provided in FY 2013 to fund a statutorily required supplemental retirement contribution. Rhode Island General Law, Section 36-10-2(e) requires that for any fiscal year in which the actuarially determined state contribution rate for state employees or teachers is lower than that for the prior fiscal year, the Governor shall include an appropriation to that system equal to 20.0 percent of the rate reduction for the state's contribution rate to be applied to the actuarial accrued liability of the system. Based on pension changes adopted by the 2011 Assembly, the FY 2013 rates were lower than the FY 2012 rate requiring a contribution. The state share for teacher retirement costs was \$1.5 million and was included in the enacted budget. *The Governor removes the funding as requested.*

Teachers' Retirement. The Regents request \$85.0 million to fund the state's share of the employer contribution for teacher retirement costs, an increase of \$5.2 million to the FY 2013 enacted level based on FY 2014 planning values and a 2.0 percent growth in teacher payroll. Teachers contribute 8.75 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. *The Governor recommends \$82.5 million, which is \$0.9 million less than requested, to reflect revisions to payroll growth assumptions based on FY 2012 experience.*

School Housing Aid. The Regents request \$71.1 million from general revenues for school housing aid. This is \$3.4 million less than the FY 2013 enacted level. The Department calculates the actual costs for FY 2014 at the close of FY 2013 because reimbursement begins after projects have been completed. However, through the July 2012 housing aid submission, several districts indicated that some projects will not be complete by June 30, 2013 in order to be eligible for FY 2014 aid.

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 2011 Assembly instituted a three-year moratorium on the approval of new school housing aid projects with exception for projects necessitated by health and safety reasons, effective July 1, 2011 through July 1, 2014. *The Governor recommends funding as requested.*

Group Home Aid. The Regents request \$7.6 million to fund beds for communities hosting group homes, which is \$0.6 million less than enacted based on 40 fewer beds. 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 is paid in addition to aid paid through the funding formula. *The Governor recommends \$450,000 less than requested based on the final bed count as of December 31, 2012 and consistent with current law requirements.*

Statewide Transportation System. The Regents request \$18.1 million from restricted receipts to fund the statewide transportation system, which is \$0.8 million more than the enacted budget. The increase reflects a 3.0 percent increase in the contract for busing services for FY 2014.

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 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 a restricted receipt account. The Commissioner of Elementary and Secondary Education has the authority 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. Some districts are able to transport their non-public students at a cheaper cost than through the statewide system. *The Governor recommends funding as requested.*

Education Telecommunications Access Fund. The Department requests an increase of \$0.7 million from general revenues for the Education Telecommunications Access Fund for total general revenue funding of \$0.7 million and total program funding of \$2.2 million for FY 2014. The Education Telecommunications 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. The FY 2013 enacted budget excluded general revenue funding because of incorrect information that the principal payment on a \$20.0 million information technology bond could be used as state match; it cannot. Because of that, the Regents request that \$0.7 million be provided from general revenues for FY 2014. Its revised request is for \$0.4 million from general revenues for FY 2013.

Prior to FY 2009, general revenue support was used to supplement the program; however, the Department proposed raising the monthly surcharge and eliminating general revenue support as part of the FY 2009 budget process. The 2008 Assembly eliminated general revenue support for the program and maintained the surcharge fee at the same level. The Assembly provided \$350,000 from general revenues to support this program for FY 2011 and FY 2012. For FY 2011, FY 2012 and FY 2013, the Governor increased the assessment on wireless lines in lieu of general revenue support. The General Assembly did not enact the proposed legislation.

The Governor recommends an increase of \$400,000 from general revenues consistent with his revised recommendation, which is \$300,000 less than requested.

Adult Education Grants. The Regents request \$6.1 million for adult education grants for FY 2014. This is \$0.6 million more than enacted and includes an additional \$295,000 from general revenues and \$300,000 from Human Resource Investment Council funds. This would provide a total of \$2.3 million from general revenues and \$3.8 million from Human Resource Investment Council funds. The enacted budget includes \$2.0 million from general revenues for adult education funding. The final FY 2012 budget included \$2.3 million from general revenues. According to the Department, a loss of \$295,000 in general revenue funding will have the negative impact of eliminating adult education services for more than 200 individuals who are in need of basic academic skills, a high school equivalency diploma, or English language skills. It should be noted that the Regents' FY 2013 revised request does not restore the \$295,000.

As part of its constrained request, the Department removes its request for the additional \$295,000 from general revenues. This would provide \$2.0 million from general revenues.

The Governor does not recommend the additional \$0.3 million from general revenues. He does recommend an additional \$0.3 million from Human Resource Investment Council funds.

Vision Services. 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. Districts currently pay one-third of the hourly costs of services provided by the teachers and the orientation specialists and the Department pays the remaining two-thirds. The Regents request the enacted level of \$745,000.

The Governor recommends shifting all expenses for students attending the Rhode Island Vision Services Education Program from the state to local districts over a three-year period for eventual savings to the state of \$745,000; there is savings of \$0.2 million included for FY 2014. Costs will be billed directly to the districts by the Center as they are currently done.

Race to the Top. The Regents request \$23.8 million to work on education reforms funded by the Race to the Top grant. This is \$0.3 million less than enacted based on anticipated expenditures for FY 2014. On August 24, 2010, Rhode Island was notified it would be awarded Race to the Top grant funds. Funds can be spent through September 30, 2014. 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 directly for education aid; most of the remaining funds will be used for consultants and new full-time equivalent positions. *The Governor recommends \$7,631 more than requested to reflect shifting statewide benefit savings from non-general revenue sources to miscellaneous operating expenses.*

Race to the Top – Early Childhood. The Department requests \$2.8 million from Race to the Top – Early Childhood grant funds, which is \$0.6 million less than enacted based on planned expenditure activities for FY 2014. In December 2011, the state was awarded \$50.0 million to be used to improve education for pre-school students. This grant involves multiple human service agencies and the Department of Elementary and Secondary Education with funding allocated over four years beginning in FY 2012. The final FY 2012 budget included \$0.1 million and 13.0 new positions for the Department. As of the end of October, 8.0 of the positions have been filled; the Department anticipates filling the remaining 5.0 positions by the end of the fiscal year. *The Governor recommends \$8,004 more than requested to reflect shifting statewide benefit savings from non-general revenue sources to miscellaneous operating expenses.*

Education Jobs Fund. The Regents' request excludes the \$2.3 million in the enacted budget from federal Education Jobs Funds. All funding had to be spent by September 30, 2012. The state was awarded \$32.9 million in federal Education Jobs Funds to retain and rehire school-based personnel in local education agencies. Funding was distributed to districts based on their share of FY 2011 enacted state aid. The money was used for compensation costs for school-based personnel. *The Governor recommends funding as requested.*

Nutrition Grants. The Regents request authorization to spend \$49.3 million from federal nutrition program funds. This is \$2.9 million more than the enacted level to reflect an increase in school lunch program participation as well as the number of free meals being served. There is also an increase in the number of schools offering the school breakfast program. *The Governor recommends \$3,387 more than requested to reflect shifting statewide benefit savings from non-general revenue sources to miscellaneous operating expenses.*

Special Education Grants. The Regents request authorization to spend \$45.9 million, \$0.7 million more than enacted from federal special education funds based on available carry forward funds. Funds are distributed to 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 recommends \$8,866 more than requested to reflect shifting statewide benefit savings from non-general revenue sources to miscellaneous operating expenses.*

Title I Grants. The Regents request \$53.1 million in federal fund expenditures from Title I funds. This is \$1.9 million more than the enacted level based on available carry forward funds. Title I funds go directly to local schools, where they are used to provide extra help to low-achieving students. *The Governor recommends \$3,120 more than requested to reflect shifting statewide benefit savings from non-general revenue sources to miscellaneous operating expenses.*

Vocational Education Grants. The Regents request \$6.0 million from federal vocational education grants. This is \$0.1 million less than enacted to reflect the vocational rehabilitation grant being moved to the Department of Human Service's office of rehabilitative services during the second quarter of FY 2013. These funds are used to improve vocational educational programs throughout the state. *The Governor's recommendation is \$0.5 million more than enacted and appears to mistakenly retain the vocational rehabilitation grant in the Department of Elementary and Secondary Education's budget.*

Teacher Quality/Professional Development Grants. The Regents request \$13.6 million from federal funds that support teacher quality and professional development. This is \$0.9 million less than enacted to account for a reduction in available federal funds. *The Governor adds \$0.1 million based on available funds.*

Charter School Grants. The request reflects \$1.8 million from a federal charter school grants program that began in FY 2011. This is \$2.2 million less than enacted to reflect the elimination of carry forward funds that were available for FY 2013. 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 are currently three schools with applications before the Department to open for the 2013-2014 school year. These include: Achievement First to open an elementary school in Providence, drawing students from Cranston, North Providence, Providence and Warwick; Nowell Academy to open a high school with locations in Providence and Central Falls, drawing students from all over the state, serving teenage mothers; and Village Green to open a high school in Providence, drawing students statewide with an emphasis on virtual learning. *The Governor recommends funding as requested.*

New Municipal Oversight Positions. The Regents request \$0.3 million and 2.0 new full-time equivalent positions to work on municipal oversight initiatives associated with legislation passed by the 2012 Assembly. These positions will be responsible for the review and analysis of school district financial data, identification of local education agencies considered to be at risk of a year-end deficit or a structural deficit, and monitor for compliance with the Regents' approved budget model and implementation of best practices in school finance and state and federal rules and regulations and generally accepted accounting principles.

As part of its constrained budget request, the Regents remove the funding for these two new positions and request that the legislation requiring the oversight work be repealed. *The Governor recommends the 2.0 new positions, but not the funding. Budget Office supporting documents indicate that the intention is to fund these positions through turnover savings elsewhere in the Department.*

Other Salaries and Benefits. The Department's request includes \$21.3 million for salaries and benefits for the Department's other 169.4 administrative positions. This is \$1.1 million less from all funds including an additional \$0.7 million from general revenues. The large reduction from federal funds reflects a delay in hiring positions to work on the Race to the Top-Early Childhood grant. The request includes benefit adjustments consistent with Budget Office planning values. The request also includes turnover savings of \$0.7 million, which is \$0.4 million more than assumed in the enacted budget. *The Governor recommends \$0.1 million less than requested including \$67,497 less from general revenues to reflect additional turnover and statewide benefit savings.*

Met School Capital. The Regents request \$3.4 million from Rhode Island Capital Plan funds for two projects for the Metropolitan Career and Technical School. This is \$1.0 million less than enacted for the East Bay Campus project based on a revised construction schedule. Since the purchase of the property in the summer of 2011, the Department has solicited bids for a design/build contract for the construction of the school. Bids were received and reviewed and a contract is expected to be issued in the fall of 2012. The current plan is for occupancy in September 2013. *The Governor recommends \$0.1 million more than requested to reflect inclusion of funding for asset protection projects at the Met School consistent with his capital budget recommendations.*

Other Capital. The Regents request \$3.4 million from Rhode Island Capital Plan funds for FY 2014 for capital projects at the state's career and technical centers. This is \$2.3 million more than enacted and includes work at the Cranston, East Providence, Warwick, and Woonsocket schools. The state is making significant repairs and renovations at the career and technical centers in order for the districts to consider taking ownership of the facilities. *The Governor recommends funding as requested.*

Community Service Grants. The enacted budget includes \$0.8 million for 15 community service grants to community organizations. The Department requests the enacted level. *The Governor recommends funding as requested.*

Transition Grant to Channel 36. The 2012 Assembly provided state support to the Rhode Island Public Telecommunications Authority through July 1, 2013. The intention was that the Authority would partner with outside institutions or community groups for operating resources. *The Governor's budget provides \$0.4 million in general revenue support for public television for FY 2014. Funding is intended to be the first year of a two-year plan to assist in the transition from a state agency to control of the Rhode Island PBS Foundation.*

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 \$3.6 million, including a decrease of \$0.3 million from general revenues. Federal funds for all other grants, not noted previously, decrease \$3.2 million above 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 decrease from general revenues reflects reductions in contracted services associated with testing and scoring of the New England Common Assessment Program test and other temporary clerical services. There are also minor reductions in printing, office supplies and equipment, travel, dues and fees and insurance expenses. *The Governor recommends \$40,115 more than requested including \$6,687 less from general revenues. Of the total, \$37,032 reflects shifting statewide benefit savings from non-general revenue sources to miscellaneous operating expenses. Reductions from general revenues were made to mileage allowances, subscriptions and auto insurance.*

Davies Career and Technical School

Funding Formula Adjustment. Beginning with FY 2012, Davies falls under the education funding formula and its state aid is determined by the funding formula calculation just as any other local education agency would. FY 2014 is the third year of the funding formula. 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 Regents request \$16.9 million from all sources of funds to fund the third year of the funding formula. This is \$0.3 million more than enacted including \$0.6 million less from general revenues. The formula assumes that Davies will receive \$3.9 million from local districts once the formula is fully phased-in.

The Governor recommends \$0.1 million less than requested to reflect statewide benefit savings. Its budget should not be reduced by the value of the statewide savings because it gets a single state allocation for the year pursuant to the education funding formula.

Capital. The Regents' request includes \$1.1 million from Rhode Island Capital Plan funds for capital projects at Davies. This is \$0.3 million more than enacted almost entirely for the HVAC project. *The Governor recommends \$0.3 million less from Rhode Island Capital Plan funds for the asset protection project to reflect his recommendation contained in his capital budget.*

Rhode Island School for the Deaf

Salaries and Benefits. The Regents' request contains \$6.1 million in salary and benefit expenditures for the school's 60.0 full-time equivalent positions. This is \$0.5 million more than enacted, including \$0.5 million more from general revenues. This reflects benefit adjustments consistent with Budget Office planning values and includes turnover savings of \$0.1 million which is \$0.2 million less than the turnover savings assumed in the enacted budget. *The Governor recommends additional turnover savings of \$0.2 million and statewide benefit savings of \$38,973.*

Specialized Care Services. Consistent with its revised request, the Regents' request includes \$0.2 million for specialized care contracted services for FY 2014 such as speech pathologists, behavior specialists and personal care attendants. This is \$0.4 million less than enacted, including \$350,000 less from general revenues to reflect anticipated expenditures. The School for the Deaf has defined its core program as one that will support the needs of all students with hearing loss, who are deaf or hard of hearing, and will include teachers of the deaf and core program speech and language support. This has been defined as Level I services and is totally supported by state funding. The school has also defined three other levels of support that are given at the school. The School has a fee service for any/all services that fall outside the core program offered (i.e. Level II, III and IV). Funding for these other levels of service will come directly from each of the districts who have students attending the School for the Deaf. *The Governor recommends funding as requested.*

Other Operating. The Regents' request \$0.8 million for all other operating expenditures, which is \$35,330 less than enacted including \$3,435 more from general revenues for various operating adjustments including utilities and insurance, landscaping and office supplies and equipment. *The Governor recommends \$1,171 less than requested to reflect a rebate to the state's auto liability insurance policy.*

Board of Governors for Higher Education

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
Expenditures by Program				
Board of Governors/Higher Ed.	\$ 10,713,567	\$ 11,078,558	\$ 12,341,218	\$ 12,184,829
University of Rhode Island	711,922,390	716,947,077	739,210,633	729,115,237
Rhode Island College	163,940,749	161,587,667	161,044,847	165,934,290
Community College of RI	145,099,613	147,363,040	152,226,981	151,000,745
Total	\$1,031,676,319	\$1,036,976,342	\$1,064,823,679	\$1,058,235,101
Expenditures by Category				
Salaries and Benefits	\$ 448,875,758	\$ 443,057,289	\$ 454,122,440	\$ 445,025,146
Contracted Services	21,282,132	21,393,288	21,687,981	21,644,316
Subtotal	\$ 470,157,890	\$ 464,450,577	\$ 475,810,421	\$ 466,669,462
Other State Operations	197,974,088	195,310,270	197,131,339	198,358,505
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	285,100,409	284,725,825	294,904,940	294,904,940
Capital	25,733,061	42,177,476	42,845,389	45,667,373
Capital Debt Service	52,640,093	50,312,194	50,988,340	52,634,821
Operating Transfers	70,778	-	3,143,250	-
Total	\$1,031,676,319	\$1,036,976,342	\$1,064,823,679	\$1,058,235,101
Sources of Funds				
General Revenue	\$ 172,456,170	\$ 172,696,230	\$ 187,292,169	\$ 180,892,795
Federal Aid	4,852,615	5,226,649	6,189,983	6,190,306
Restricted Receipts	702,583	702,583	702,583	702,583
Other	853,664,951	858,350,880	870,638,944	870,449,417
Total	\$1,031,676,319	\$1,036,976,342	\$1,064,823,679	\$1,058,235,101
Uses of Funds				
Unrestricted Use Funds	\$ 595,875,037	\$ 587,818,980	\$ 605,446,476	\$ 599,054,802
Restricted Use Funds	435,801,282	449,157,362	459,377,203	459,180,299
Total	\$1,031,676,319	\$1,036,976,342	\$1,064,823,679	\$1,058,235,101
FTE Authorization	3,464.8	3,464.8	3,486.8	3,475.8
<i>Limited to Third Party Funds</i>	<i>776.2</i>	<i>776.2</i>	<i>776.2</i>	<i>776.2</i>
Total Authorized Positions	4,241.0	4,241.0	4,263.0	4,252.0

Summary. The Board requests \$33.1 million of new spending above the FY 2013 enacted budget for FY 2014, including \$14.8 million more in general revenue support, \$6.4 million less from other unrestricted sources and \$24.7 million more from restricted sources. The Board requests total funding from all sources of \$1,064.8 million for FY 2014, which is 3.2 percent growth over the FY 2013 enacted budget. The Board requests \$605.4 million from unrestricted use funds and \$459.4 million from restricted use funds. The unrestricted request represents 3.0 percent growth over FY 2013 revised expenditure projections.

The Governor recommends \$1,058.2 million from all sources, which is 2.6 percent growth over the FY 2013 enacted budget. He includes \$599.1 million in unrestricted use fund expenditures and \$459.2 million in restricted use fund expenditures. He recommends \$180.9 million from general revenues, which is \$8.4 million more than enacted and \$6.4 million less than requested. Of the \$8.4 million increase, \$6.0 million is intended to ensure that no institution raise tuition for FY 2014. He includes language in the appropriations act that requires the institutions to maintain tuition and student financial aid for FY 2014 at the same level as FY 2013 and to maintain the student financial aid ratio to tuition for FY 2014 at the FY 2013 ratio. He intends that the institutions will make the reductions necessary to avoid raising tuition while ensuring that there are no reductions to student aid.

Target Issues. Historically the Board submits a current service budget in addition to the target budget required by the Budget Office. The Budget Office provided the Department with a general revenue target of \$163.6 million. The amount includes current service adjustments of \$1.5 million and a 7.0 percent target reduction, adjusted for certain exclusions, of \$10.3 million.

The constrained budget submitted by the agency is \$1 above the target. The proposals to achieve the reductions are noted among the items described in each institution's section where appropriate.

The Governor's recommendation is \$17.3 million more than the target.

FY 2014 Budget	Budget Office	Higher Education	Difference
FY 2013 Enacted	\$ 172,456,170	\$ 172,456,170	\$ -
Current Service Adjustments	1,450,421	14,835,999	13,385,578
Change to FY 2013 Enacted	\$ 1,450,421	\$ 14,835,999	\$ 13,385,578
FY 2014 Current Service/ Unconstrained Request	\$ 173,906,591	\$ 187,292,169	\$ 13,385,578
Target Reduction/Initiatives	(10,349,655)	(23,735,232)	(13,385,577)
FY 2014 Constrained Target/Request	\$ 163,556,936	\$ 163,556,937	\$ 1
<i>Change to FY 2013 Enacted</i>	\$ (8,899,234)	\$ (8,899,233)	\$ 1

Full-Time Equivalent Positions. The FY 2014 request includes authority for 4,263.0 full-time equivalent positions, provided that 776.2 of those positions would be limited to third-party sources. This is 22.0 more than the enacted level, including 18.0 positions at the University and 4.0 positions at the College. 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. 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.

The Governor recommends 4,252.0 full-time equivalent positions, which is 11.0 more than enacted. This includes 1.0 for the Office of Higher Education, 5.0 faculty positions for the University, 1.0 new position for the Crime Lab, and 4.0 new positions at Rhode Island College.

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 adds \$0.2 million from general revenues. This includes \$0.7 million in additional debt service expenditures on general obligation bonds for the new Rhode Island College art center and University chemistry building projects offset by \$0.4 million in statewide medical benefit savings.

Higher Education Funding. Expenditures in Public Higher Education increased 81.6 percent during the period FY 2003 through FY 2013, which is an annual rate of 8.2 percent. Public Higher Education would grow 87.5 percent if the Board's FY 2014 request were funded, which is an annual rate of 8.8 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 FY 2000 through FY 2006, are again 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 2014 recommendation represents 86.2 percent growth during the period of FY 2003 through FY 2014, which is an annual rate of 7.8 percent.

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 request includes \$605.4 million, of which \$187.3 million is from general revenues. The general revenue portion is \$14.8 million more than the FY 2013 enacted budget; other unrestricted sources decrease \$5.7 million.

The Governor recommends \$599.1 million from unrestricted sources, which is \$3.2 million more than enacted and \$6.4 million less than requested. General revenues are \$8.4 million more than enacted and \$6.4 million less than requested. Of the \$8.4 million increase to the enacted budget, \$6.0 million is intended to ensure that no institution raises tuition for FY 2014.

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 requests restricted budgets of \$459.4 million for FY 2014. This is an increase of \$23.6 million, or 5.4 percent over the enacted FY 2013 level. Compared to the revised allocation, the request is \$17.6 million more.

The Governor recommends \$459.2 million, which is \$23.4 million more than enacted and \$0.2 million less than requested to reflect his capital budget recommendation. The Governor also shifts \$0.6 million in statewide benefit savings to miscellaneous operating expenses.

Salaries and Benefits. The Board requests \$454.1 million for salary and benefit expenditures, of which \$356.5 million is from unrestricted sources and \$97.6 million is from restricted sources. The request represents a \$2.6 million or 0.7 percent increase from the FY 2013 enacted level in unrestricted funding, and a \$2.7 million increase in restricted funding, or 2.8 percent. Compared to the institutions' FY 2013 revised projections, the unrestricted increase is \$8.5 million or 2.5 percent and a \$0.7 million increase in restricted funding, or 0.7 percent. The Board's request includes benefit adjustments consistent with Budget Office planning values and funding for 22.0 new positions.

The Governor recommends \$3.9 million less than enacted and \$9.1 million less than requested. The unrestricted recommendation is \$5.9 million less than enacted and \$8.5 million less than requested. This includes \$2.8 million in statewide benefit savings of which \$0.6 million is from general revenues.

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 were paying 50.0 percent of the cost. The rate for FY 2013 is 2.7 percent of applicable payroll and will remain so until the next actuarial study. An actuarial study will be completed biennially in accordance with state law. *The Governor recommends funding as requested.*

Contracted Services. The Board requests \$21.7 million for contracted services for FY 2014, of which \$11.7 million is from unrestricted sources and \$9.9 million is from restricted sources. This is \$0.4 million more than the FY 2013 enacted budget and \$0.3 million more than the FY 2013 revised allocation. Compared to the revised allocation, unrestricted sources increase \$0.2 million or 1.8 percent and restricted sources increase \$0.1 million or 0.8 percent. *The Governor recommends \$0.4 million more than enacted and \$43,665 less than requested.*

Other Operating Expenses. The Board requests \$197.1 million for other operating expenditures in FY 2014, of which \$81.3 million is from unrestricted sources and \$115.8 million is from restricted sources. This is \$0.8 million less than the FY 2013 enacted operating expenses. Compared to the institutions' FY 2013 revised projections, the unrestricted increase is \$1.4 million, or 1.8 percent and the restricted increase is \$1.8 million or 1.6 percent. *The Governor recommends \$0.4 million more than enacted and \$1.2 million more than requested. This includes shifting \$2.0 million in non-general statewide benefit savings to miscellaneous operating expenses.*

Grants and Scholarships. The Board requests \$294.9 million for total grants and scholarships expenditures for FY 2014, an increase of \$9.8 million, or 3.4 percent over the enacted FY 2013 budget. The unrestricted budget accounts for \$113.4 million, an increase of \$5.0 million, or 4.6 percent. The restricted budget includes \$181.5 million, a 2.7 percent increase of \$4.8 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 \$172.9 million for FY 2014. The unrestricted

portion is \$111.5 million. The restricted portion is \$61.5 million. All federal sources, including Pell grants, account for approximately 32.3 percent of the total.

Total scholarships, grants, waivers and other aid from the three institutions would provide aid equal to 45.1 percent of the tuition and mandatory fees based on the Board's target budget. Revised FY 2013 estimates are for 32.4 percent. For FY 2012, that share was 37.5 percent. Grants also include the Ford Direct Student Loan and Parent Loan programs at the University. The University requests restricted expenditures of \$110.0 million for FY 2014. It began the program in FY 1996 with loans of \$33.8 million. *The Governor recommends funding as requested.*

Capital. The Board requests \$42.8 million in total expenditures for capital outlays and improvements for FY 2014. The request includes \$30.2 million from Rhode Island Capital Plan funds of which \$16.8 million is for asset protection. 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 not consistent with the Board's five-year capital plan request. The College inadvertently excluded \$5.0 million for its infrastructure modernization project from the request. *The Governor recommends \$19.9 million more than enacted and \$0.3 million less than requested correcting the mis-categorization of a capital project as operating expenditure.*

Enrollment. FY 2014 enrollment, based on revised estimates, would be 31,648 full-time equivalent students, which is 0.3 percent lower than the reported FY 2012 level. Among the changes reflected in the Board's FY 2013 revised budget estimates is a decrease of 2.0 percent at the University that includes 279 fewer students and 6.0 percent at the College that includes 450 fewer students. *The Governor's recommendation appears to reflect the Board's enrollment projections.*

Tuition and Fees. The Board's FY 2014 request includes \$381.6 million from tuition and fees. This represents a \$7.0 million, or 1.8 percent decrease in revenues over the FY 2013 enacted level and is \$2.6 million or 0.7 percent more than the revised allocation. The Board instructed the institutions to submit requests with no increase in tuition for FY 2014. The institutions all complied and the University and Community College both indicated in the budget request that they were requesting additional general revenue support in lieu of increasing tuition rates.

As part of its constrained budget request, the College is requesting an increase of 5.0 percent and the Community College is requesting an increase of 7.0 percent. The University does not propose increasing tuition; however, its constrained request does include \$0.5 million more from non-general revenue unrestricted sources.

The Governor's budget assumes the requested revenues. He includes language in Article 1 of the appropriations act that requires the institutions to maintain tuition and student financial aid for FY 2014 at the same level as FY 2013 and to maintain the student financial aid ratio to tuition for FY 2014 at the FY 2013 ratio. He intends that the institutions will make the reductions necessary to avoid raising tuition while ensuring that there are no reductions to student aid.

Office of Higher Education and Public Higher Education System

Office of Higher Education	FY 2013 Enacted	FY 2013 Gov. Rev.	FY 2014 Request	FY 2014 Governor
Expenditures by Category				
Salaries and Benefits	\$ 1,739,298	\$ 1,848,171	\$ 2,042,353	\$ 1,992,720
Contracted Services	1,287,891	1,182,541	996,330	952,665
Subtotal	\$ 3,027,189	\$ 3,030,712	\$ 3,038,683	\$ 2,945,385
Other State Operating	2,473,809	2,452,317	2,551,370	2,488,279
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	5,212,569	5,595,529	6,751,165	6,751,165
Capital	-	-	-	-
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 10,713,567	\$ 11,078,558	\$ 12,341,218	\$ 12,184,829
Sources of Funds				
General Revenue	\$ 5,860,952	\$ 5,851,909	\$ 6,151,235	\$ 5,994,523
Tuition and Fees	-	-	-	-
Other Unrestricted	-	-	-	-
Total Unrestricted	\$ 5,860,952	\$ 5,851,909	\$ 6,151,235	\$ 5,994,523
Restricted	4,852,615	5,226,649	6,189,983	6,190,306
All Sources	\$ 10,713,567	\$ 11,078,558	\$ 12,341,218	\$ 12,184,829
FTE Authorizations				
	15.8	15.8	15.8	16.8
<i>Third-Party Funded Positions</i>	1.0	1.0	1.0	1.0
Total Positions	16.8	16.8	16.8	17.8

Summary. The Board requests \$12.3 million in FY 2014 expenditures from all sources and 16.8 full-time equivalent positions for operations of the Office of Higher Education and funding for system-wide applications. This is \$1.6 million more than the FY 2013 enacted authorization and includes \$0.3 million more from general revenues and \$1.6 million more from restricted sources. Staffing is consistent with the enacted level.

The Governor recommends \$12.2 million, including \$6.0 million from general revenues. This is \$1.5 million more than enacted including \$0.1 million more from general revenues. The Governor recommends 17.8 full-time equivalent positions, which is 1.0 more than authorized. His budget indicates that the new position is for a full-time commissioner position. The 2012 Assembly intended for the Office to fill the full-time commissioner position within its authorized staffing.

Unrestricted Budget. The unrestricted budget accounts for \$6.2 million and 15.8 full-time equivalent positions, which is an increase of \$0.3 million or 4.7 percent to the revised budget request as well as the FY 2013 enacted budget. The funding source is general revenues.

The 2012 Assembly enacted legislation that abolishes the Board of Governors for Higher Education and the Board of Regents, effective January 1, 2013 and creates a new 11 member Rhode Island Board of Education. It also abolishes the Office of Higher Education effective January 1, 2014. The unrestricted budget request does not appear to reflect the abolishment of the Office on January 1, 2014. *The Governor recommends \$6.0 million, which is \$0.1 million more than enacted and \$0.2 million less than requested.*

Full-Time Equivalent Positions. The Office requests 16.8 full-time equivalent positions, which is consistent with the FY 2013 enacted budget. *The Governor recommends 17.8 full-time equivalent positions, which is 1.0 more than authorized. His budget indicates that the new position is for a full-time commissioner position. The 2012 Assembly intended for the Office to fill the full-time commissioner position within its authorized cap.*

Office of Higher Education Changes to Enacted			
	Request	Governor	Difference
Current Year Revisions	\$ -	\$ (9,043)	\$ (9,043)
Full-time Commissioner Position	262,567	262,567	-
Other Salaries and Benefits	(77,698)	(117,953)	(40,255)
Legal Expenses	20,000	5,000	(15,000)
Shepard Building	112,058	112,058	-
Community Service Grants	-	-	-
Internal Audit Contracted Services	(4,420)	(33,085)	(28,665)
Dual Enrollment Program	(254)	(254)	-
All Other Unrestricted Operations	(21,970)	(85,719)	(63,749)
Total	\$ 290,283	\$ 133,571	\$ (156,712)

Current Year Revisions. The revised allocation includes the enacted level from general revenues; however, the Office reduces operating expenditures by \$25,812 and contracted services by \$92,350 in order to increase salaries and benefits by \$118,162. This appears to be common practice for the Office. In both the revised allocation for FY 2011 and FY 2012, the Office reduced operating and contracted service expenditures in order to increase salary and benefit expenditures. The revised allocation includes turnover savings of \$0.3 million, which is equivalent to 3.2 vacant positions based on an average salary per position of \$91,425. It does not include funding for a full-time commissioner. As of the pay period ending December 1, the Office had 4.8 vacant positions. *The Governor's recommendation is \$9,043 less than requested to reflect statewide medical benefit savings.*

Full-time Commissioner Position. The unrestricted budget request includes \$0.3 million for a full-time commissioner position. This assumes a salary of \$200,000. Currently, the President of the Community College of Rhode Island is serving as both the President and a part-time Commissioner of Higher Education. The terms of this contract expire June 30, 2013. *The Governor recommends funding as requested. It should be noted that his budget indicates that the new position he is recommending is for a full-time commissioner position. The 2012 Assembly intended for the Office to fill the full-time position within its authorized staffing.*

Other Salaries and Benefits. The unconstrained unrestricted budget request includes \$1.7 million for salaries and benefits for the 15.8 full-time equivalent positions supported by the unrestricted budget. This is \$0.1 million less than the revised allocation. This includes updated benefit rates consistent with Budget Office planning values and turnover savings of \$0.2 million. Based on an average salary per position of \$97,523, this is equivalent to 2.5 vacant positions. As of the pay period ending December 1, the Office had 4.8 vacancies.

The 2012 Assembly enacted legislation that abolishes the Board of Governors for Higher Education and the Board of Regents, effective January 1, 2013, and creates a new 11 member Rhode Island Board of Education. It also abolishes the Office of Higher Education, effective January 1, 2014. The unrestricted budget request does not appear to reflect the abolishment of the Office on January 1, 2014.

The constrained request increases turnover further and includes \$83,921 less for salaries and benefits, which is equivalent to roughly 0.6 positions. *The Governor recommends \$40,255 less than the unconstrained request to reflect additional turnover and statewide benefit savings.*

Legal Expenses. The unrestricted budget request includes \$30,000 for outside legal expenses which is \$20,000 more than the revised allocation. The Office is anticipating needing these additional resources based on an unfair labor practices lawsuit currently pending.

The constrained budget request removes all funding for outside legal expenses for savings of \$30,000. It appears that these savings may not be achievable if the additional legal work is required. *The Governor recommends \$15,000.*

Shepard Building. The unrestricted budget request includes \$2.3 million for costs associated with parking and operating expenses for the 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. This is \$0.1 million more than the revised allocation. The Office has indicated that the request is an attempt to move the funding allocation for the Shepard Building to one half from the state via general revenues in the Office's budget and the other half from the University's budget. As state funding has declined and the Office has been instructed to submit budget requests with reductions, it has reduced its support for Shepard, which shifts the cost to the University.

The constrained budget request is for a 7.0 percent or \$0.3 million reduction in expenses for the Shepard Building, further shifting costs to the University of Rhode Island. *The Governor recommends funding as requested in the unconstrained request.*

Community Service Grants. The Board requests \$0.7 million for its community service grants consistent with the revised budget request and the enacted level. Community service grants fund various programs that support or promote higher education. This includes \$0.4 million for the College Crusade. *The Governor recommends funding as requested.*

Internal Audit Contracted Services. The unrestricted budget includes \$61,750 for internal audit contracted services. This is \$4,420 less than the revised allocation and \$76,700 less than the enacted budget. This reflects the Office's estimate of projected expenditures at the time of the budget submission based on the internal auditor consultant no longer working for the Office. The Office has one internal auditor on staff as well as a consultant who performs the internal audit work.

The constrained request eliminates the \$57,330 requested for internal audit contracted services. If the contracted services are eliminated, not all of the audit work will get done. *The Governor recommends \$28,665 less than requested in the unconstrained request.*

Dual Enrollment Student Scholarships. The unconstrained request includes \$60,000 to support the dual enrollment program, which is \$254 less than the revised allocation. There is \$60,254 in the enacted budget that is used to subsidize 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.

Funding for this program has decreased from a high of \$360,000 in FY 2011; for FY 2012, there was \$223,000. As agencies have been required to submit constrained budgets over the years, the Office has made reductions to this program.

The Board's constrained request eliminates all state funding for the dual enrollment program student scholarships. The Office has indicated that if this funding is eliminated, approximately 200 students would be affected. *The Governor recommends funding consistent with the unconstrained request.*

All Other Unrestricted Operations. Excluding the items noted previously, the request includes \$0.1 million for all other operating expenditures, which is \$21,970 less than the revised allocation. Savings are in general office supplies and staff training.

The constrained request reduces operating expenditures by an additional \$63,749. Reductions were made in general office and miscellaneous supplies. Based on FY 2012 expenditures, these savings would be achievable. *The Governor recommends funding consistent with the constrained request.*

PeopleSoft Implementation. The Board's unconstrained request includes \$0.9 million for PeopleSoft implementation expenditures consistent with the revised allocation. This provides funding to the institutions for reviewing and revising business practices consistent with the new software. Each year the Office allocates the appropriation among the institutions. This is the 15th year of an ongoing request.

The constrained request includes a 7.0 percent reduction of \$64,066. The reduction would result in a reduction in funding to the institutions. *The Governor recommends \$0.9 million, consistent with the unconstrained request.*

College Access Challenge Grant. The request includes \$2.5 million for the College Access Challenge Grant, which is \$1.0 million more than the enacted budget. This is the third year of funding from this grant. The Office spent \$4,385 in FY 2011 and \$208,759 in FY 2012. The FY 2013 enacted budget includes \$1.5 million. Of the \$2.5 million requested, \$1.5 million is for grants to other institutions that are working on projects specific to access to higher education. *The Governor recommends funding as requested.*

Other Restricted Use Operations. The restricted budget request is for \$3.4 million, which is \$337,368 more than the FY 2013 enacted budget. The restricted budget reflects federal expenditures authority for grants, primarily passed through to the institutions and the College Crusade for Higher Education. *The Governor recommends \$323 more than requested which is the value of the non-general revenue funded statewide benefit savings.*

University of Rhode Island

University of Rhode Island	FY 2013 Enacted	FY 2013 Gov. Rev.	FY 2014 Request	FY 2014 Governor
Expenditures by Category				
Salaries and Benefits	\$ 264,232,857	\$ 263,041,724	\$ 270,660,260	\$ 263,291,072
Contracted Services	15,680,068	15,661,861	15,896,281	15,896,281
Subtotal	\$ 279,912,925	\$ 278,703,585	\$ 286,556,541	\$ 279,187,353
Other State Operating	148,222,167	147,248,334	148,547,994	149,419,279
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	224,516,744	223,770,025	229,677,504	229,677,504
Capital	17,951,465	28,332,294	35,244,514	30,222,287
Capital Debt Service	41,319,089	38,892,839	39,184,080	40,608,814
Operating Transfers	-	-	-	-
Total	\$ 711,922,390	\$ 716,947,077	\$ 739,210,633	\$ 729,115,237
Sources of Funds				
General Revenue	\$ 78,153,096	\$ 78,580,379	\$ 90,771,835	\$ 85,698,666
Tuition and Fees	265,658,214	260,346,380	261,698,823	261,698,823
Other Unrestricted	22,455,908	23,675,931	23,296,553	23,296,553
Total Unrestricted	\$ 366,267,218	\$ 362,602,690	\$ 375,767,211	\$ 370,694,042
Restricted	345,655,172	354,344,387	363,443,422	358,421,195
All Sources	\$ 711,922,390	\$ 716,947,077	\$ 739,210,633	\$ 729,115,237
FTE Authorizations				
	1,857.3	1,857.3	1,875.3	1,863.3
<i>Limited to Third-Party Funds</i>	593.2	593.2	593.2	593.2
Total	2,450.5	2,450.5	2,468.5	2,456.5

Summary. The University requests \$739.2 million and 2,468.5 full-time equivalent positions for FY 2014, an increase of \$27.3 million or 3.8 percent to the FY 2013 enacted budget and an increase of \$28.3 million or 4.0 percent to the revised allocation. General revenues, requested at \$90.8 million, are \$12.6 million more than enacted and the revised allocation. The staffing request includes an increase of 18.0 full-time equivalent positions over the enacted budget assuming that 593.2 of the total positions would be limited to funding from third party sources.

The Governor recommends \$729.1 million, which is \$17.2 million more than enacted and \$10.1 million less than requested. The Governor recommends \$85.7 million from general revenues, which is \$7.5 million more than enacted and \$5.1 million less than requested. He recommends 2,456.5 full-time equivalent positions, which is 6.0 more than enacted.

Tuition and Enrollment. The FY 2014 budget assumes no increase in tuition and fees over the FY 2013 level. The average room and board cost would increase \$162 or 1.4 percent over FY 2013. The University is also projecting a modest increase in enrollment of 52 full-time equivalent students which is 0.4 percent. In-state enrollment is projected to increase by 30 full-time equivalent students and out-of-state enrollment is projected to increase by 22 full-time equivalent students. For FY 2014, the University is projecting that of 14,367 full-time equivalent students, 8,563 or 59.6 percent will be in-state and 5,804 or 40.4 percent will be out-of state.

The University does not request an increase in tuition to meet its constrained budget unlike the College and Community College.

The Governor's budget assumes the requested revenues. He includes language in Article 1 of the appropriations act that requires the institutions to maintain tuition and student financial aid for FY 2014 at the same level as FY 2013 and to maintain the student financial aid ratio to tuition for FY 2014 at the FY 2013 ratio. He intends that the institutions will make the reductions necessary to avoid raising tuition while ensuring that there are no reductions to student aid.

University Undergraduate Tuition and Fees	FY 2013	FY 2014 Approved	Change to FY 2013	FY 2014 Constrains.	Change to Approved
Resident					
Tuition	\$ 10,878	\$ 10,878	\$ -	0.0%	\$ 10,878 \$ - 0.0%
Fees	1,572	1,572	-	0.0%	1,572 - 0.0%
Total	\$ 12,450	\$ 12,450	\$ -	0.0%	\$ 12,450 \$ - 0.0%
Nonresident					
Tuition	\$ 26,444	\$ 26,444	\$ -	0.0%	\$ 26,444 \$ - 0.0%
Fees	1,572	1,572	-	0.0%	1,572 - 0.0%
Total	\$ 28,016	\$ 28,016	\$ -	0.0%	\$ 28,016 \$ - 0.0%
Room and Board					
Average Room	\$ 7,306	\$ 7,406	\$ 100	1.4%	\$ 7,406 \$ - 0.0%
Average Board	4,118	4,180	62	1.5%	4,180 - 0.0%
Average Room and Board	\$ 11,424	\$ 11,586	\$ 162	1.4%	\$ 11,586 \$ - 0.0%
Undergraduate and Graduate Enrollment					
In-State	8,533	8,563	30	0.4%	8,563 - 0.0%
Out-of-State	5,782	5,804	22	0.4%	5,804 - 0.0%
Total	14,315	14,367	52	0.4%	14,367 - 0.0%

Staffing. The request for 2,468.5 full-time equivalent positions is 18.0 more than the enacted level of 2,450.5. The enacted authorization and the request assume that 593.2 of those will be limited to third-party sources. *The Governor recommends 2,456.5 full-time equivalent positions, which is 6.0 more than authorized. This includes 5.0 new faculty positions and 1.2 new positions for the crime lab offset by an unidentified reduction of 0.2 positions.*

Unrestricted Budget Summary. The unrestricted budget accounts for \$375.8 million, which is an increase of \$9.5 million or 2.6 percent to the FY 2013 enacted budget and \$13.6 million or 3.8 percent to the revised allocation. Sources of funds for the increase from the revised budget include \$12.6 million more general revenues, \$1.4 million more from tuition and fees and \$0.4 million less from other institutional resources.

The Budget Office instructed agencies to submit a constrained budget request including a 7.0 percent target reduction, adjusted for certain exclusions. The constrained budget submitted by the University is \$15.7 million less than the unconstrained request including \$16.3 million less from general revenues. The University is not proposing an increase in tuition; however, the constrained request does include \$0.5 million more from non-general revenue unrestricted sources. The proposals to achieve the reductions are noted among the items described below where appropriate.

The Governor recommends \$370.7 million in unrestricted expenditures. This is \$4.4 million more than enacted and \$5.1 million less than requested. General revenues are \$7.5 million more than enacted and \$5.1 million less than requested. He includes language in Article 1 of the appropriations act that requires the institutions to maintain tuition and student financial aid for FY 2014 at the same level as FY 2013 and to maintain the student financial aid ratio to tuition for FY 2014 at the FY 2013 ratio.

He intends that the institutions will make the reductions necessary to avoid raising tuition while ensuring that there are no reductions to student aid.

University of Rhode Island Changes to Enacted			
	Request	Governor	Difference
Current Year Revisions	\$ (4,091,811)	\$ (3,664,528)	\$ 427,283
New Positions	1,800,000	827,177	(972,823)
Other Salaries and Benefits	4,265,155	(865,321)	(5,130,476)
URI Foundation/Alumni Contract	85,870	85,870	-
Student Aid	6,033,222	6,033,222	-
Utilities	88,155	(109,819)	(197,974)
State Crime Lab	349,708	171,668	(178,040)
Community Service Grants	-	-	-
Energy Conservation Debt Service	621,908	621,908	-
All Other Debt Service	(5,864)	858,396	864,260
Other Operating Adjustments	353,650	468,251	114,601
Total	\$ 9,499,993	\$ 4,426,824	\$ (5,073,169)

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. Also, 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 revised unrestricted budget includes the enacted level of general revenues.

The University requests \$359.9 million, \$4.1 million or 1.4 percent less than enacted from tuition and fees including the enacted level of general revenues. The reduction reflects lower enrollment projections than assumed in the enacted budget. The University is projecting FY 2013 enrollment of 14,315, which is a decrease of 279 or 2.0 percent compared to the enrollment assumptions in the FY 2013 enacted budget.

Changes to the enacted budget include \$1.7 million less for salaries and benefits, \$1.2 million less for student aid, and \$1.7 million less for miscellaneous operating expenses. As of the pay period ending December 1, 2012, the University had 47.5 vacancies. Based on an average cost per position of \$105,526, the University would have to have 16.2 positions vacant on the unrestricted side to achieve the savings assumed in the revised allocation. The change in student aid can be seen as a discount to tuition, which is directly related to tuition and fee revenue.

The Governor recommends \$0.4 million more than requested from general revenues to reflect additional general obligation debt service expenditures for the new chemistry building offset by statewide medical benefit savings. He shifts \$0.6 million from non-general revenue statewide medical benefit savings to miscellaneous expenses.

New Staff Positions. Unrestricted expenditures increase \$1.8 million in the request to fund 18.0 new positions. These include 3.0 tenure track faculty positions, 2.0 lecturers and 13.0 staff. The majority of the new staff positions are related to staffing and operating the new pharmacy building.

It is important to note that the FY 2013 enacted budget included savings of \$4.2 million from the University's Retirement Incentive Plan. As proposed, the one-time program would be implemented in the spring of 2012 and would provide the University with an opportunity to realign faculty and non-classified staff to better serve the University by providing a retirement incentive, which would provide a one-time payout of 40.0 percent of salary for those who participated. Eligible faculty and non-classified staff had until March 15, 2012 to signal their intent to participate. The University subsequently submitted a revised plan to the Board of Governors for Higher Education on January 6, 2012, that indicated that there were a total of 246 employees, 152 faculty and 94 non-classified staff that met the requirements of this revised one-time program. The Governor's budget recommended the requested expenditures but did not address the proposal specifically. The Assembly concurred.

The University now indicates that the FY 2013 savings are approximately \$2.0 million and it estimates savings of \$1.4 million for FY 2014 based on the 38 individuals that participated in the Plan. These figures represent the savings after the pay out and the funding for new positions.

The Governor recommends \$0.8 million to fund 5.0 new faculty positions. He does not recommend funding or authorization for the other 13.0 positions.

Other Salaries and Benefits. Excluding the new positions mentioned above, the unrestricted budget includes \$191.6 million for all other salary and benefit expenditures. This is \$4.3 million or 2.3 percent more than the revised allocation. The increase reflects step increases, a number of faculty promotions and salary increases for graduate assistants per the approved contract. No salary increases are budgeted for faculty, non-classified and classified staff. The request also reflects benefit adjustments consistent with Budget Office instructions. Of the 1,857.3 authorized positions, the University had 47.5 vacant positions as of the December 1, 2012 pay period. For FY 2012, the University averaged 1,810.9 filled positions.

The Governor recommends \$5.1 million less than requested. This reflects additional turnover and statewide benefit savings. The Governor intends that the institutions will make the reductions necessary to avoid raising tuition while ensuring that there are no reductions to student aid.

URI Foundation/Alumni Contract. The unrestricted budget request includes \$0.6 million for the fundraising and alumni relations contract with the University of Rhode Island Foundation which is \$85,870 more than the revised allocation. The Foundation is a nonprofit organization, separate and distinct from the University. The University has fee-for-service contracts with the Foundation to provide fundraising services. A new contract was recently negotiated. *The Governor recommends funding as requested.*

Student Aid. The unrestricted budget includes \$94.0 million for student aid, which is \$6.0 million or 6.9 percent greater than the FY 2013 allocation and 21.0 percent greater than FY 2012 expenditures. The additional funding is intended to increase the yield and retention of the freshman class. Student aid can be seen as a discount to the tuition and the expenditure is directly related to tuition and fee revenue. For FY 2014, student aid is estimated to be 33.4 percent of tuition and fee revenue. This has steadily increased over the years. For FY 2010, student aid was 25.6 percent of tuition and fees and grew to 31.2 percent for FY 2013. Student aid requests reflect the University's changing enrollment and diversity goals as well as other institution goals.

Unrestricted student aid and waivers represent 35.8 percent of tuition and fee revenues for FY 2014. Student aid and waivers represented 33.7 percent of tuition and fee revenues for FY 2013, 31.7 percent for FY 2012, 30.5 percent for FY 2011, and 26.7 percent for FY 2010.

The Governor recommends funding as requested. He includes language in Article 1 of the appropriations act that requires the institutions to maintain tuition and student financial aid for FY 2014 at the same level as FY 2013 and to maintain the student financial aid ratio to tuition for FY 2014 at the FY 2013 ratio.

Utilities. The unrestricted budget includes \$7.7 million for utility expenditures. This is \$0.1 million or 1.2 percent more than the FY 2013 revised allocation and \$0.7 million or 9.9 percent more than spent in FY 2012. A portion of the increase is related to new and renovated buildings.

As part of its constrained budget request, the University proposes reducing utility expenditures by \$7.7 million. This reduction does not appear to be realistic. The University has indicated that meeting the constrained target budget is equivalent to a personnel reduction of between 100 and 200 positions depending on which positions are eliminated. Instead of making a reduction to personnel, it appears that the University has applied the reduction to a variety of expenditures that cannot realistically be reduced, such as utilities.

The Governor recommends \$0.2 million less than the unconstrained request. The Governor intends that the institutions will make the reductions necessary to avoid raising tuition while ensuring that there are no reductions to student aid.

State Crime Lab. The unrestricted budget includes \$1.2 million for the State Crime Lab, which is \$0.3 million more than the FY 2013 allocation. The majority of the increase, \$0.3 million, is to replace two laboratory instruments that are approximately \$150,000 each and includes the cost of associated hardware and software systems too. These instruments have a ten-year useful life expectancy. The Crime Lab has indicated that both instruments are an essential part of the laboratory's trace section, which is responsible for analyzing evidence from cases such as arson, assault, hit and run and breaking and entering.

The increase also includes an additional \$47,840 for salaries and benefits. This includes benefit adjustments consistent with Budget Office instructions as well as funding for a part-time criminalist II position and funding for a part time network technician. These increases are offset by a reduction in student help and other temporary payroll.

The constrained budget request reduces general revenues by \$0.4 million and requests that a like amount of funding be provided from an alternate source. The Crime Lab has indicated that a possible alternative source of revenue would be to impose a fee on the agencies which use the laboratory services. The Crime Lab has indicated that this practice was enacted in 1978 legislation but repealed in 1984. The Crime Lab suggested that another option would be to add a dedicated surcharge of 5.0 percent to every insurance property loss policy written in the state. The Crime Lab indicates that any reduction in expenditures would result in the loss of its standing as an accredited laboratory under the guidelines for forensic testing laboratories.

The Governor recommends \$0.2 million less than requested. This includes a reduction of \$140,000 by only replacing one of the two requested lab instruments and additional turnover and statewide benefit savings. He does recommend authorization for 1.2 new positions to address the lab's case backlog including a 0.6 criminalist position and a 0.6 network technician position.

Community Service Grants. The unrestricted budget includes the enacted level of \$0.8 million for its community service grants. Community service grants fund various programs that support or promote higher education. These include the Hope High School Scholarship grant, Italian Cultural Heritage, learning enhancements for adults, minority outreach, Ocean State Center Law, citizen education, senior standard medical information system, Special Olympics and funding for the Jason Project.

The constrained budget includes a \$5,250 or 7.0 percent reduction in the School of Oceanography's Jason Project's \$75,000 grant. The University indicates that it made this reduction because this grant was not held harmless in the Budget Office target calculations. It appears that statewide, the Budget Office treated community service grants differently in the target calculations for each agency. For some agencies, all community service grants were held harmless from the 7.0 percent target reduction. Other agencies did not have any of their community service grants held harmless and in the case of the University of Rhode Island, most grants were held harmless; one was not. *The Governor recommends funding as requested in the unconstrained request.*

Energy Conservation Debt Service. The unrestricted budget request includes an additional \$0.6 million for debt service associated with the University's energy conservation project. The increase is based on the second phase of this project that was authorized by the 2011 Assembly and began in FY 2012. The scope of work for the second phase includes continuation of lighting fixture replacements and motion sensor installations, window replacements, attic insulation and weatherization, HVAC improvements, conversion of electrical heat to gas on the Narragansett Bay Campus and the installation of energy management control systems at various buildings across the University.

The constrained budget request reduces debt service for energy conservation projects by \$621,908. The University has indicated that meeting the constrained target budget is equivalent to a personnel reduction of between 100 and 200 positions depending on which positions are eliminated. Instead of making a reduction to personnel, it appears that the University has applied the reduction to a variety of expenditures that cannot realistically be reduced, such as debt service. *The Governor recommends funding as requested, consistent with the unconstrained request.*

All Other Debt Service. The unrestricted request includes \$22.5 million for all other debt service costs, which is \$5,864 less than the revised allocation. The unrestricted budget funds debt service payments on general obligation bonds and revenue bonds. This is \$4.4 million more than spent in FY 2011 and \$3.1 million more than spent in FY 2012. The increase reflects debt service costs associated with the new chemistry building and the Environmental Biotechnology Building. *The Governor recommends an additional \$0.9 million to reflect updated projections.*

Other Operating Adjustments. Excluding the items noted previously, the unrestricted budget request includes \$53.6 million for all other operating and contracted services expenditures. This is \$0.4 million more than the revised allocation. Of the increase, \$0.1 million is for maintenance and repairs and \$0.1 million is for insurance costs related to new and renovated buildings.

The constrained request reduces operating expenses by \$7.7 million. The University indicates in its budget submission that the 7.0 percent target reduction is equivalent to a personnel reduction of between 100 and 200 positions. It has opted to make other reductions including a significant reduction in unidentified or miscellaneous operating expenses instead.

The Governor recommends \$0.1 million more than requested in the unconstrained request to reflect shifting benefit savings from non-general revenue sources to miscellaneous operating expenses.

Restricted Budget. The restricted budget request is for \$363.4 million, which is a 5.1 percent increase of \$17.8 million over the FY 2013 enacted budget. Compared to the revised allocation, the request is \$14.7 million or 4.2 percent more. The increase to the enacted budget includes \$0.5 million more for salaries and benefits, \$0.3 million more for student aid, \$16.8 million more for capital improvements funded from Rhode Island Capital Plan funds, \$0.1 million more for debt service, and \$1.5 million less for all other contracted and operating expenditures.

The increase in salaries and benefits reflects step increases and benefit adjustments consistent with Budget Office instructions; there are no salary increases. The increases in restricted student aid result from increases in parent and student direct loans, University foundation and alumni association scholarships and loans, and an increase in health profession and nursing loans. These increases are offset by decreases in Pell grants, the national direct student loan program and college work study.

The majority of the \$18.4 million increase to the enacted budget is from Rhode Island Capital Plan funds, \$16.8 million or 91.3 percent. Those projects are described in detail in the *Capital Budget Section* of this analysis.

The Governor recommends \$5.0 million less than requested from Rhode Island Capital Plan funds to reflect his recommendations contained in his capital budget. This includes changes to eight projects that are described in the Capital Budget Section. He also shifts \$0.5 million in statewide benefit savings to miscellaneous operating expenses.

Rhode Island College

Rhode Island College	FY 2013 Enacted	FY 2013 Gov. Rev.	FY 2014 Request	FY 2014 Governor
Expenditures by Category				
Salaries and Benefits	\$ 96,749,180	\$ 93,641,300	\$ 95,709,522	\$ 94,605,227
Contracted Services	2,463,187	2,492,896	2,609,896	2,609,896
Subtotal	\$ 99,212,367	\$ 96,134,196	\$ 98,319,418	\$ 97,215,123
Other State Operating	25,622,848	24,328,111	24,149,947	24,597,438
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	26,441,105	26,154,572	26,339,572	26,339,572
Capital	4,644,799	6,828,921	1,070,479	8,913,729
Capital Debt Service	8,019,630	8,141,867	8,022,181	8,868,428
Operating Transfers	-	-	3,143,250	-
Total	\$ 163,940,749	\$ 161,587,667	\$ 161,044,847	\$ 165,934,290
Sources of Funds				
General Revenue	\$ 41,659,004	\$ 41,653,692	\$ 42,589,131	\$ 42,770,874
Tuition and Fees	69,837,685	65,501,907	65,501,907	65,509,607
Other Unrestricted	6,412,202	6,543,674	6,838,966	6,838,966
Total Unrestricted	\$ 117,908,891	\$ 113,699,273	\$ 114,930,004	\$ 115,119,447
Restricted	46,031,858	47,888,394	46,114,843	50,814,843
All Sources	\$ 163,940,749	\$ 161,587,667	\$ 161,044,847	\$ 165,934,290
FTE Authorizations				
	837.6	837.6	841.6	841.6
<i>Limited to Third-Party Funds</i>	82.0	82.0	82.0	82.0
Total	919.6	919.6	923.6	923.6

Summary. Rhode Island College requests \$161.0 million from all sources and 923.6 full-time equivalent positions, of which 82.0 would be limited to third party sources. This is a decrease of \$2.9 million or 1.8 percent to the FY 2013 enacted budget and an increase of \$1.2 million or 0.8 percent to the revised budget allocation. The staffing request is 4.0 more than the enacted authorization.

The Governor recommends \$165.9 million, which is \$2.0 million more than enacted and \$4.9 million more than requested. The Governor recommends \$42.8 million from general revenues, which is \$1.1 million more than enacted and \$0.2 million more than requested. He recommends 923.6 full-time equivalent positions, which is 4.0 more than enacted.

Tuition and Enrollment. The FY 2014 budget assumes that tuition will remain at the same level as FY 2013 and fees will increase \$4 or 0.4 percent. Room and board increases \$286 or 2.9 percent. The FY 2014 enrollment projections also assume that enrollment will be consistent with FY 2013 enrollment. The College's proposal for meeting the target reduction in its constrained request is to raise tuition 5.0 percent to generate an additional \$3.1 million in tuition revenue to offset a \$3.2 million reduction from general revenues. The 5.0 percent increase reflects a \$378 increase in in-state tuition and a \$912 increase in out-of-state tuition.

The Governor's budget assumes the requested revenues. He includes language in Article 1 of the appropriations act that requires the institutions to maintain tuition and student financial aid for FY 2014 at the same level as FY 2013 and to maintain the student financial aid ratio to tuition for FY

2014 at the FY 2013 ratio. He intends that the institutions will make the reductions necessary to avoid raising tuition while ensuring that there are no reductions to student aid.

College Undergraduate Tuition and Fees	FY 2013	FY 2014 Approved	Change to FY 2013		FY 2014 Constrains.	Change to Approved		
Resident								
Tuition	\$ 6,530	\$ 6,530	\$ -	0.0%	\$ 6,908	\$ 378	5.8%	
Fees	1,068	1,072	4	0.4%	1,072	-	0.0%	
Total	\$ 7,598	\$ 7,602	\$ 4	0.1%	\$ 7,980	\$ 378	5.0%	
Nonresident								
Tuition	\$ 17,228	\$ 17,228	\$ -	0.0%	\$ 18,140	\$ 912	5.3%	
Fees	1,068	1,072	4	0.4%	1,072	-	0.0%	
Total	\$ 18,296	\$ 18,300	\$ 4	0.0%	\$ 19,212	\$ 912	5.0%	
Room and Board								
Average Room	\$ 5,721	\$ 5,887	\$ 166	2.9%	\$ 5,887	\$ -	0.0%	
Average Board	4,110	4,230	120	2.9%	4,230	-	0.0%	
Average Room and Board	\$ 9,831	\$ 10,117	\$ 286	2.9%	\$ 10,117	\$ -	0.0%	
Undergraduate and Graduate Enrollment								
In-State	5,860	5,860	-	0.0%	5,860	-	0.0%	
Out-of-State	830	830	-	0.0%	830	-	0.0%	
Total	6,690	6,690	-	0.0%	6,690	-	0.0%	

Staffing. The request for 923.6 full-time equivalent positions is 4.0 more than the enacted level of 919.6. The enacted authorization and the request assume that 82.0 of those will be limited to third-party sources. *He recommends staffing as requested.*

Unrestricted Budget. The unrestricted budget accounts for \$114.9 million, which is a decrease of \$3.0 million, or 2.6 percent to the enacted budget, and \$1.2 million or 1.1 percent to the revised allocation. Sources of funds for the increase to the revised allocation include \$0.9 million more from general revenues and \$0.3 million more from other unrestricted sources. Expenditures from tuition and fees are consistent with the revised allocation to reflect the same level of enrollment in both years.

The Budget Office instructed agencies to submit a constrained budget request including a 7.0 percent target reduction, adjusted for certain exclusions. The constrained budget submitted by the College is \$80,803 less than the unconstrained request including \$3.2 million less from general revenues. The College's proposal for meeting the target reduction is to raise tuition 5.0 percent to generate an additional \$3.1 million in tuition revenue offset by a reduction of \$3.2 million from general revenues. The proposals to achieve the reductions are noted among the items described below where appropriate.

The Governor recommends \$115.1 million in unrestricted expenditures. This is \$2.8 million less than enacted and \$0.2 million more than requested. General revenues are \$1.1 million more than enacted and \$0.2 million more than requested. He includes language in the appropriations act that requires the institutions to maintain tuition and student financial aid for FY 2014 at the same level as FY 2013 and to maintain the student financial aid ratio to tuition for FY 2014 at the FY 2013 ratio. He intends that the institutions will make the reductions necessary to avoid raising tuition while ensuring that there are no reductions to student aid.

College Changes to Enacted			
	Request	Governor	Difference
Current Year Revisions	\$ (4,204,306)	\$ (4,209,618)	\$ (5,312)
New Staff	200,000	200,000	-
Other Salaries and Benefits	1,087,830	441,952	(645,878)
Student Aid	152,500	152,500	-
Building Maintenance and Repairs	(156,647)	(156,647)	-
Debt Service	(5,994)	718,006	724,000
Other Operating Adjustments	(52,270)	64,363	116,633
Total	\$ (2,978,887)	\$ (2,789,444)	\$ 189,443

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. Also, 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 College requests \$112.1 million, \$4.2 million or 5.6 percent less than enacted from tuition and fees and the enacted level of general revenues. The reduction reflects lower enrollment projections than assumed in the enacted budget. The College is projecting FY 2013 enrollment of 6,690, which is a decrease of 450 or 6.0 percent compared to the enrollment assumptions in the FY 2013 enacted budget.

Changes to the enacted budget include \$2.6 million less in salaries and benefits, \$0.3 million less in student aid, and \$1.4 million less in all other operating expenses. As of the pay period ending December 1, 2012, the College had 30.9 vacant positions. Based on an average cost per position of \$100,267, the College would need 25.8 vacant positions on the unrestricted side to achieve the savings in the revised allocation.

Student aid can be seen as a discount to the tuition, and the expenditures are directly related to tuition and fee revenue. The revised allocation includes \$0.3 million less. The College does add \$0.3 million for computer purchases which reflects the College's stated commitment to improving computers and other technology on the campus. The College also reduces miscellaneous or unidentified operating expenditures by \$2.2 million.

The Governor recommends \$5,312 less from general revenues than requested. This reflects additional general obligation debt service of \$0.1 million for the new art center project offset by statewide medical benefit savings of \$0.1 million. The Governor shifts \$0.2 million in statewide medical benefit savings from non-general sources to miscellaneous operating expenses.

New Staff. Unrestricted expenditures increase \$0.2 million to fund 3.0 new positions. New positions include 2.0 faculty and one professional staff position. One of the faculty positions will be for the

health care administration program. The College has indicated that since this program began in the fall of 2011, enrollment has increased in the program to over 100 majors. The other faculty position will be in the political science department. The new professional staff position is being requested to fulfill a finding by the accrediting body for the School of Social Work. Based on the number of students in field internships, which is approximately 250, a second position is required to support the internship program. *The Governor recommends funding as requested.*

Other Salaries and Benefits. Unrestricted expenditures for all other salaries and benefits total \$79.8 million and are \$1.1 million or 1.4 percent more than the FY 2013 allocation. The majority of the increase reflects benefit adjustments consistent with Budget Office instructions. There are no salary increases assumed. Of its 837.6 authorized positions, the College had 30.9 vacant positions as of the December 1, 2012 pay period. For FY 2012, the College averaged 789.9 filled positions.

As part of its constrained request the College reduces salaries and benefits by \$80,803, which is equivalent to less than one position.

The Governor recommends \$0.6 million less than requested. This includes additional turnover and statewide benefit savings. The Governor intends that the institutions will make the reductions necessary to avoid raising tuition while ensuring that there are no reductions to student aid.

Student Aid. The budget includes \$13.8 million for student aid, which is \$0.2 million or 1.1 percent greater than the FY 2013 allocation and \$0.1 million or 0.8 percent less than FY 2012 expenditures. The requested budget simply aligns expenditures with the revised allocation. Student aid can be seen as a discount to the tuition and the expenditure is directly related to tuition and fee revenue.

Unrestricted student aid and waivers represents 21.0 percent of tuition and fee revenues for FY 2014. Student aid increased 0.3 percent and waivers increased 1.7 percent to the FY 2013 allocation. Student aid and waivers represented 20.8 percent for FY 2013 and FY 2012 and was 20.1 percent for FY 2011.

It should be noted that the College's proposal for meeting the target reduction is to raise tuition 5.0 percent to generate an additional \$3.1 million in tuition revenue offset by a reduction of \$3.2 million from general revenues. Because student aid is directly tied to tuition revenue, it would be expected to see an increase in student aid in the constrained budget based on the additional revenue. However, the College has reported that because of uncertainty with the federal financial aid funding at the time of the budget submission, the director of financial aid recommended no increase. Federal financial aid is reflected in the restricted budget.

The Governor recommends funding as requested. He includes language in the appropriations act that requires the institutions to maintain tuition and student financial aid for FY 2014 at the same level as FY 2013 and to maintain the student financial aid ratio to tuition for FY 2014 at the FY 2013 ratio.

Building Maintenance and Repairs. The unrestricted budget includes \$1.6 million for building maintenance and repairs which is \$0.2 million less than the revised allocation. The College has indicated that these decreases will not affect areas of strategic priority but represent the College's commitment to control costs and improve efficiencies. The FY 2014 request represents a 25.9 percent decrease compared to FY 2012 spending and 36.1 percent less than FY 2011 spending. *The Governor recommends funding as requested.*

Debt Service. The unrestricted request includes \$3.9 million for debt service costs, which is \$5,994 less than the revised allocation. The unrestricted budget funds debt service payments on general obligation bonds and revenue bonds. *The Governor recommends \$0.7 million more than requested for general obligation debt service for the new art center project.*

Other Operating Adjustments. Excluding the items noted previously, the unrestricted budget includes \$14.0 million for all other operating expenditures, which is \$52,270 less than the revised allocation. This reflects elimination of \$200,000 requested as a one-time expense for FY 2013 for the purchase of a steam pit which contains steam controls such as pipes and steam traps. This decrease is offset by an increase of approximately \$150,000 for computer purchases and other technology upgrades. This is the first year in the last several that the College has spent or budgeted funds for computer purchases. The College has indicated that computer purchases and other technology upgrades are a new priority for the College. *The Governor recommends \$0.1 million more than requested to reflect shifting benefit savings from non-general revenue sources to miscellaneous operating expenses.*

Restricted Budget. The restricted budget request is for \$46.1 million, which is \$82,985 or 0.2 percent more than enacted for FY 2013. It is \$18,551 less than the revised allocation. Compared to the enacted budget, the request includes \$0.3 million more for salaries and benefits, \$0.1 million more for contracted services, \$8,555 more for debt service, \$7,500 more for student aid, \$4.1 million less for capital expenditures and \$0.7 million more for operating expenditures.

The increase of \$0.3 million for salaries and benefits includes 1.0 new position supported by the student union fee for a full-time staff advisor for Greek life. The College reports that student interest in Greek life has grown dramatically in the last few years with the establishment of several new fraternities and sororities. The request also includes benefit adjustments consistent with Budget Office planning values.

The request also includes an increase in \$0.3 million in food purchases in the dining center. This is based on an increase of \$120 or 2.9 percent for meal plans, which the Board of Governors approved. Food costs are projected to increase 5.8 percent in the current year over FY 2012. The budget assumes a 6.1 percent increase in FY 2014 over the revised allocation. FY 2012 actual food costs were 7.6 percent more than FY 2011.

Rhode Island Capital Plan funds decrease by \$0.9 million. Projects are described in detail in the *Capital Budget Section* of this analysis.

The Governor recommends \$4.7 million more than requested from Rhode Island Capital Plan funds to reflect the recommendations contained in his capital budget. This includes an additional \$5.0 million for the infrastructure modernization project and \$0.3 million less for asset protection projects. He also shifts \$0.1 million in statewide benefit savings to miscellaneous operating expenses.

Community College of Rhode Island

Community College of Rhode Island	FY 2013 Enacted	FY 2013 Gov. Rev.	FY 2014 Request	FY 2014 Governor
Expenditures by Category				
Salaries and Benefits	\$ 86,154,423	\$ 84,526,094	\$ 85,710,305	\$ 85,136,127
Contracted Services	1,850,986	2,055,990	2,185,474	2,185,474
Subtotal	\$ 88,005,409	\$ 86,582,084	\$ 87,895,779	\$ 87,321,601
Other State Operating	21,655,264	21,281,508	21,882,028	21,853,509
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	28,929,991	29,205,699	32,136,699	32,136,699
Capital	3,136,797	7,016,261	6,530,396	6,531,357
Capital Debt Service	3,301,374	3,277,488	3,782,079	3,157,579
Operating Transfers	70,778	-	-	-
Total	\$ 145,099,613	\$ 147,363,040	\$ 152,226,981	\$ 151,000,745
Sources of Funds				
General Revenue	\$ 46,783,118	\$ 46,610,250	\$ 47,779,968	\$ 46,428,732
Tuition and Fees	54,812,822	54,810,862	56,072,861	56,072,861
Other Unrestricted	4,242,036	4,243,996	4,745,197	4,745,197
Total Unrestricted	\$ 105,837,976	\$ 105,665,108	\$ 108,598,026	\$ 107,246,790
Restricted	39,261,637	41,697,932	43,628,955	43,753,955
All Sources	\$ 145,099,613	\$ 147,363,040	\$ 152,226,981	\$ 151,000,745
FTE Authorizations				
	754.1	754.1	754.1	754.1
<i>Limited to Third-Party Funds</i>	100.0	100.0	100.0	100.0
Total	854.1	854.1	854.1	854.1

Summary. The Community College requests \$152.2 million from all sources and 854.1 full-time equivalent positions for FY 2014. This is an increase of \$7.1 million or 4.9 percent over the FY 2013 enacted budget and \$4.7 million or 3.2 percent more than the revised allocation. The request also assumes 854.1 full-time equivalent positions and that of those, 100.0 positions would be limited to funding from third party sources.

The Governor recommends \$151.0 million, which is \$5.9 million more than enacted and \$1.2 million less than requested. The Governor recommends \$46.4 million from general revenues, which is \$0.4 million less than enacted and \$1.4 million less than requested. He recommends 854.1 full-time equivalent positions, which is consistent with the enacted authorization.

Tuition and Enrollment. The FY 2014 budget assumes that tuition and fees will remain at the same level as FY 2013. The FY 2014 enrollment projections also assume that enrollment will increase by 68 full-time equivalent students or 0.6 percent. The Community College's proposal for meeting the target reduction in its constrained request is to raise tuition 7.0 percent to generate an additional \$3.9 million in revenue to offset \$3.6 million less from general revenues. The 7.0 percent increase reflects a \$276 increase for in-state tuition and a \$780 increase for out-of-state tuition.

The Governor's budget assumes the requested revenues. He includes language in Article 1 of the appropriations act that requires the institutions to maintain tuition and student financial aid for FY 2014 at the same level as FY 2013 and to maintain the student financial aid ratio to tuition for FY

2014 at the FY 2013 ratio. He intends that the institutions will make the reductions necessary to avoid raising tuition while ensuring that there are no reductions to student aid.

Community College Tuition and Fees	FY 2013	FY 2014 Approved	Change to FY 2013	FY 2014 Constrain.	Change to Approved
Resident					
Tuition	\$ 3,624	\$ 3,624	\$ -	0.0%	\$ 3,900 \$ 276 7.6%
Fees	326	326	-	0.0%	326 - 0.0%
Total	\$ 3,950	\$ 3,950	\$ -	0.0%	\$ 4,226 \$ 276 7.0%
Nonresident					
Tuition	\$ 10,256	\$ 10,256	\$ -	0.0%	\$ 11,036 \$ 780 7.6%
Fees	326	326	-	0.0%	326 - 0.0%
Total	\$ 10,582	\$ 10,582	\$ -	0.0%	\$ 11,362 \$ 780 7.4%
Enrollment	10,523	10,591	68	0.6%	10,591 - 0.0%

Staffing. The request for 854.1 full-time equivalent positions is consistent with the FY 2013 enacted authorization. It assumes that of those positions, 100.0 will be limited to funding from third party sources. *The Governor recommends staffing as requested and authorized.*

Unrestricted Budget. The unrestricted budget request accounts for \$108.6 million, which is \$2.8 million or 2.6 percent more than the enacted budget and the revised allocation. Sources of funds for the increase to the revised allocation include \$1.0 million more from general revenues and \$1.8 million more from tuition and fees and other unrestricted sources.

The Budget Office instructed agencies to submit a constrained budget request including a 7.0 percent target reduction, adjusted for certain exclusions. The constrained budget submitted by the Community College is \$0.3 million more than the unconstrained request including \$3.6 million less from general revenues. The Community College's proposal for meeting the target reduction is to raise tuition 7.0 percent to generate an additional \$3.9 million in tuition revenue offset by a reduction of \$3.6 million from general revenues. The constrained budget adds \$0.3 million for student aid to reflect the increased tuition revenue. Student aid can be seen as a discount to the tuition, and the expenditure is directly related to tuition and fee revenue.

The Governor recommends \$107.2 million in unrestricted expenditures. This is \$1.4 million more than enacted and \$1.4 million less than requested. General revenues are \$0.4 million less than enacted and \$1.4 million less than requested. He includes language in the appropriations act that requires the institutions to maintain tuition and student financial aid for FY 2014 at the same level as FY 2013 and to maintain the student financial aid ratio to tuition for FY 2014 at the FY 2013 ratio. He intends that the institutions will make the reductions necessary to avoid raising tuition while ensuring that there are no reductions to student aid.

Community College Changes to Enacted			
	Request	Governor	Difference
Current Year Revisions	\$ -	\$ (172,868)	\$ (172,868)
Salaries and Benefits	944,829	761,484	(183,345)
Vehicle Purchases	175,000	175,000	-
Renovations to Academic Lab Space	346,578	222,539	(124,039)
Academic and Facility Equipment	889,078	514,648	(374,430)
Student Aid	-	-	-
Debt Service	481,455	(119,159)	(600,614)
Other Operating Expenses	(76,890)	27,170	104,060
Total	\$ 2,760,050	\$ 1,408,814	\$(1,351,236)

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. Also, the institutions retained their authority to use additional resources they received above appropriated amounts, such as research grants and additional tuition and fees.

The Community College requests \$105.0 million, consistent with the FY 2013 enacted budget. The Community College does make adjustments among category of expenditure to reflect anticipated expenditures. The Community College is projecting FY 2013 revised enrollment of 10,523, which is consistent with the enrollment assumed in the FY 2013 enacted budget.

The Community College requests \$1.8 million or 2.2 percent less for salaries and benefits. Of the 754.1 authorized positions, the Community College had 60.5 vacant positions as of the December 1, 2012 pay period. Based on a cost per position of \$0.1 million, savings equate to approximately 18 vacant positions. Student aid increases \$0.3 million or 7.5 percent more than the enacted budget. The revised allocation represents a \$0.2 million or 5.8 percent increase to FY 2012 actual expenditures and a 22.6 percent or \$0.7 million increase over FY 2011 expenditures. The growth between FY 2011 and FY 2012 was 15.8 percent.

Capital improvements reflect an increase of \$2.8 million for facility renovations and Phase II of the AMERESCO energy conservation project. The revised request also includes an additional \$0.2 million for contracted services, the majority of which is for buildings and ground maintenance. This request is also \$0.3 million more than spent in FY 2012 and \$0.5 million more than spent in FY 2011. Operating expenses are \$1.5 million less than enacted. The two major changes are \$0.3 million less for utilities and \$0.9 million less for general office supplies and miscellaneous expenses.

The Governor recommends \$0.2 million less from general revenues than requested. This reflects \$23,886 less for debt service and statewide medical benefit savings of \$0.1 million. The Governor shifts \$0.2 million in statewide medical benefit savings from non-general sources to miscellaneous operating expenses.

Salaries and Benefits. Unrestricted expenditures for salaries and benefits total \$80.3 million, which is \$0.9 million or 1.2 percent more than the FY 2013 allocation. The increase reflects benefit adjustments consistent with Budget Office instructions. There are no salary increases assumed

compared to the revised allocation. Of the 754.1 authorized positions, the Community College had 60.5 vacant positions as of the December 1, 2012 pay period. For FY 2012, the Community College averaged 681.5 filled positions. *The Governor recommends \$0.2 million less than requested to reflect statewide benefit savings.*

Vehicle Purchases. The unrestricted budget includes \$0.2 million for vehicle purchases, which is \$175,000 more than the revised allocation. The Community College has a total of 33 vehicles and is requesting replacement of two in FY 2014 including a Freightliner dump truck for \$180,000 and \$45,000 for a Ford E350 passenger van, both of which are over ten years old. *The Governor recommends funding as requested.*

Renovations to Academic Lab Space. The unrestricted budget includes \$3.5 million for renovations to academic labs and other learning spaces. This is \$0.3 million more than the revised allocation and includes physical improvements to academic lab spaces on the Warwick and Lincoln campuses. Work will be done on science labs, allied health labs and the art department.

The request is \$2.2 million less than spent in FY 2012 and \$1.9 million more than spent in FY 2011. It should be noted that while the FY 2014 request is \$0.3 million more than the revised allocation, it is \$2.9 million more than enacted. The enacted budget was based on a request by the Community College to reduce expenditures by \$2.2 million for an enacted amount of \$650,000. According to the Community College, this reduction was requested in order to align the budget with anticipated revenues. It appears that these expenses are eligible for Rhode Island Capital Plan funding. *The Governor recommends \$0.1 million less than requested. He intends that the institutions will make the reductions necessary to avoid raising tuition while ensuring that there are no reductions to student aid.*

Academic and Facility Equipment. The unrestricted budget request includes \$3.2 million for academic and facility equipment. This is \$0.9 million more than the revised allocation. Of the increase, \$0.7 million is targeted toward replacing and updating academic and facility equipment and furnishings for the renovations included in the item above.

The remaining \$0.2 million is allocated as \$40,000 for library materials, \$40,000 for classroom furniture replacement, \$98,000 for departmental educational supplies and \$50,000 is being added to the annualized budget for academic equipment replacement and refurbishment for all departments. *The Governor recommends \$0.4 million less than requested. He intends that the institutions will make the reductions necessary to avoid raising tuition while ensuring that there are no reductions to student aid.*

Student Aid. The unrestricted budget includes \$3.9 million for student aid, which is consistent with the revised allocation. It is \$0.2 million or 5.8 percent more than spent in FY 2012. Student aid can be seen as a discount to the tuition and the expenditure is directly related to tuition and fee revenue. The unrestricted budget does include \$1.4 million in tuition and fee revenue over the revised allocation, thus, an increase in student aid would be expected.

For FY 2014, student aid is estimated to be 2.0 percent of tuition and fee revenue. This has remained relatively stable over the last few years. For FY 2011, student aid was 1.5 percent of tuition and fees and grew to 2.1 percent for FY 2012. It remained 2.1 percent for FY 2013 and dropped to 2.0 percent for FY 2014. Unrestricted student aid and waivers represents 7.0 percent of tuition and fee revenues for FY 2014. Student aid and waivers represented 7.2 percent of tuition and fee revenues for FY 2013, 7.1 percent for FY 2012, and 6.3 percent for FY 2011.

The constrained budget submitted by the Community College is \$0.3 million more than the unconstrained request including \$3.6 million less from general revenues. The Community College's proposal for meeting the target reduction is to raise tuition 7.0 percent to generate an additional \$3.9 million in tuition revenue offset by a reduction of \$3.6 million from general revenues. The constrained budget adds \$0.3 million for student aid to reflect the increased tuition revenue.

The Governor recommends funding as requested. He includes language in the appropriations act that requires the institutions to maintain tuition and student financial aid for FY 2014 at the same level as FY 2013 and to maintain the student financial aid ratio to tuition for FY 2014 at the FY 2013 ratio.

Debt Service. The unrestricted budget includes \$3.8 million for debt service expenditures. This is \$0.5 million more than the revised allocation to reflect increases for the energy conservation project. *The Governor's recommendation is \$0.6 million less than requested to reflect updated debt service payments on general obligation bonds.*

Other Operating Expenses. Excluding the items noted previously, the request includes \$13.6 million for all other operating expenditures, which is \$0.1 million or 0.6 percent less than the revised allocation. This includes an additional \$0.1 million in contracted services for technological training and consulting and a minor increase in interpreter services for students with disabilities. This would align expenditures with FY 2012 spent amounts. The request also includes an additional \$30,000 for computer purchases. These increases are offset by reductions of \$0.2 million in bad debt expenses for unpaid tuition. *The Governor recommends \$0.1 million more than requested to reflect shifting benefit savings from non-general revenue sources to miscellaneous operating expenses.*

Restricted Budget. The restricted budget request is for \$43.6 million, which is \$4.5 million or 11.4 percent more than the FY 2013 enacted budget and \$1.9 million or 4.6 percent more than the FY 2013 revised allocation. Salaries and benefits are \$0.4 million more than enacted, student aid is \$2.9 million more and all other operating expenditures are \$1.1 million more.

External financial aid and college work study awards are estimated at \$28.2 million which is \$2.9 million more than enacted but \$3.1 million less than spent in FY 2012. The Community College indicates that it is difficult to predict the changes in the federal aid programs. The increase reflects growing enrollments rather than growth in programs.

The majority of the other increases are for computers, program supplies and miscellaneous operating expenditures. An increase of \$0.4 million is budgeted for the bookstore. The Community College reports that a continued profit has bolstered the fund balance. The bookstore is annually making improvements in the retail layout of each of its stores including security camera updates. Upgrades to technology to automate the transfer of data between the bookstore's computer system and the College's Banner system are also being undertaken and the student credit card information is now kept off campus to increase security.

The Governor recommends \$125,000 more than requested from Rhode Island Capital Plan funds for the Knight Campus renewal project to reflect his capital budget recommendations. He also shifts \$46,050 in statewide benefit savings to miscellaneous operating expenses.

Rhode Island State Council on the Arts

		FY 2013 Enacted		FY 2013 Revised		FY 2014 Request		FY 2014 Recommended
Expenditures by Category								
Salaries and Benefits	\$	575,716	\$	572,659	\$	640,886	\$	591,821
Contracted Services		30,000		30,000		25,500		25,500
Subtotal	\$	605,716	\$	602,659	\$	666,386	\$	617,321
Other State Operations		82,234		90,688		71,070		83,981
Aid to Local Units of Government		-		-		-		-
Assistance, Grants, and Benefits		1,911,657		1,661,657		2,386,657		1,461,657
Capital		808,500		1,552,492		402,000		602,536
Capital Debt Service		-		-		-		-
Operating Transfers		-		-		-		-
Total	\$	3,408,107	\$	3,907,496	\$	3,526,113	\$	2,765,495
Sources of Funds								
General Revenue	\$	1,565,813		1,565,813	\$	2,299,090	\$	1,335,630
Federal Aid		998,794		754,191		811,023		797,329
Restricted Receipts		-		-		-		-
Other		843,500		1,587,492		416,000		632,536
Total	\$	3,408,107	\$	3,907,496	\$	3,526,113	\$	2,765,495
FTE Authorization		6.0		6.0		6.0		6.0

Summary. The Rhode Island Council on the Arts requests \$3.5 million, or \$0.1 million more than enacted from all sources including \$0.7 million more from general revenues, \$0.2 million less from federal funds, and \$0.4 million less from other funds, which are used for the acquisition of art works to be placed in public places in the state. The staffing request is 6.0 full-time equivalent positions, consistent with the enacted level.

The Governor recommends \$2.8 million, which is \$0.6 million less than requested and \$0.8 million less than enacted. He recommends \$1.3 million from general revenues, which is \$0.2 million less than enacted and \$1.0 million less than requested.

Target Issues. The Budget Office provided the Council with a general revenue target of \$1,521,702. The amount includes current service adjustments of \$27,398 and a seven percent target reduction of \$71,509.

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 recommended budget is \$0.2 million less than the target to reflect the elimination of a one-time community service grant to Providence Waterfire.*

FY 2014 Budget	Budget Office	Arts Council	Difference
FY 2013 Enacted	\$ 1,565,813	\$ 1,565,813	\$ -
Current Service Adjustments	27,398	483,277	455,879
New Initiatives	-	250,000	250,000
<i>Change to FY 2013 Enacted</i>	<i>\$ 27,398</i>	<i>\$ 733,277</i>	<i>\$ 705,879</i>
FY 2014 Current Service/ Unconstrained Request	\$ 1,593,211	\$ 2,299,090	\$ 705,879
Target Reduction/Initiatives	(71,509)	(777,388)	(705,879)
FY 2014 Constrained Target/Request	\$ 1,521,702	\$ 1,521,702	\$ -
<i>Change to FY 2013 Enacted</i>	<i>\$ (44,111)</i>	<i>\$ (44,111)</i>	<i>\$ -</i>

Salaries and Benefits. The Council requests \$640,886, which is \$65,170 more than enacted for salaries and benefits for 6.0 positions. This includes \$39,730 more from general revenues and \$25,440 more from federal funds. This includes a two-step salary increase for a fiscal aide to reflect the completion of relevant professional development trainings, the reclassification of three positions and accompanying salary and benefit adjustments. *The Governor recommends \$49,065 less than requested for salaries and benefits including \$35,406 less from general revenues. The Governor does not recommend the reclassification of Council employees and includes \$3,087 less than requested to reflect statewide savings.*

Main Street Initiative. The Council requests \$250,000 from general revenues for new discretionary grants for the Governor's Main Street Initiative. The Council will provide five urban communities throughout the state with \$50,000 each from grant awards to renew commercial areas and main streets through civic art and beautification projects. Grants would be awarded to local artists to attract new businesses and stimulate economic activity.

The Council's constrained request does not include the Main Street Initiative. *The Governor does not include funding for the Main Street Initiative.*

National Endowment for the Arts Grants. The Council requests \$550,000 from federal funds for National Endowment for the Arts grants, which is \$200,000 less than enacted. The Council's request assumes less funding from the federal National Endowment for the Arts grant award. 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. *The Governor recommends funding as requested.*

Discretionary Grants. The Council requests \$1,015,000 from general revenues for discretionary grants which is \$425,000 more than enacted. The Council indicates that it requests additional funds to offset a \$200,000 reduction to National Endowment for the Arts grants, as well as \$225,000 more than enacted from general revenues in order to reach its goal of awarding \$1.0 million from discretionary grants, a goal that was set by the Council in the late 1990's. Discretionary grants are awarded to artists and organizations throughout the state, ranging from individual artisans to venues such as the Providence Performing Arts Center.

The Council's constrained request reduces funding for discretionary grants by \$0.5 million or 48.0 percent from the unconstrained request, \$0.1 million less than enacted.

The Governor includes the enacted level of funding for discretionary grants which is \$0.4 million less than requested.

Community Service Grants. The Council requests the enacted level of \$571,657 from general revenues for community service grants. These grants are appropriated by the General Assembly with a designated agency and amount. It should be noted that the FY 2013 enacted budget included a one-

time \$250,000 grant for a warehouse for Providence Waterfire. The request includes this one-time grant in FY 2014. *The Governor recommends \$250,000 less than requested to reflect the elimination of the one-time grant to Providence Waterfire.*

Other Operations. The Council requests \$82,570, including \$21,660 from general revenues and \$60,910 from federal funds, which is \$5,336 more than enacted for all other operations. This includes \$18,547 more from general revenues and \$13,211 less from federal funds. This includes the restoration of \$15,493 from general revenues that was taken as savings in the enacted budget and offset with available federal funds that will no longer be available due to a reduction in federal grant funding. This also includes adjustments to the cost of a copier machine rental and other minor operating adjustments. *The Governor recommends \$3,089 less than requested, including \$3,054 less from general revenues, to reflect adjustments to other operations including mileage and office supplies consistent with historical expenditures.*

Percent for Art Program. The Council's request includes \$416,000, which is \$427,500 less than enacted for public arts projects at the University of Rhode Island Biotechnology and Life Sciences building and College of Pharmacy and the Rhode Island College Arts Center. The request includes \$20,000 for costs associated with administration of the program, posting online newspaper advertising projects and choosing requests for proposals. *The Governor recommends \$216,536 more than requested to reflect revised projections for an art project at the recently completed Wickford Junction station.*

Rhode Island Atomic Energy Commission

	FY 2013		FY 2013		FY 2014	FY 2014
	Enacted		Revised		Request	Recommended
Expenditures by Category						
Salaries and Benefits	\$ 1,062,124	\$	1,009,530	\$	1,051,998	\$ 1,022,501
Contracted Services	15,191		12,318		16,684	12,318
Subtotal	\$ 1,077,315	\$	-	\$	1,068,682	\$ 1,034,819
Other State Operations	327,636		311,417		334,382	320,912
Aid to Local Units of Government	-		-		-	-
Assistance, Grants, and Benefits	-		-		-	-
Capital	72,000		94,171		131,000	81,000
Capital Debt Service	-		-		-	-
Operating Transfers	-		-		-	-
Total	\$ 1,476,951	\$	1,427,436	\$	1,534,064	\$ 1,436,731
Sources of Funds						
General Revenue	\$ 876,213	\$	866,750	\$	897,641	\$ 861,710
Federal Aid	267,616		267,044		249,260	267,044
Restricted Receipts	-		-		-	-
Other	333,122		293,642		387,163	307,977
Total	\$ 1,476,951	\$	1,427,436	\$	1,534,064	\$ 1,436,731
FTE Authorization	8.6		8.6		8.6	8.6

Summary. The Atomic Energy Commission requests \$1.5 million and 8.6 full-time equivalent positions for its FY 2014 unconstrained request. This is \$57,113 more than enacted, including \$21,428 more from general revenues, \$18,356 less from federal funds and \$54,041 more from University of Rhode Island sponsored research funds. *The Governor recommends \$1.4 million, which is \$97,333 less than requested, including \$35,931 less from general revenues. He recommends staffing consistent with the authorized level.*

Target Issues. The Budget Office provided the Commission with a general revenue target of \$834,806. The amount includes current service adjustments of \$21,428 and a 7.0 percent target reduction of \$62,835.

			Atomic Energy		
FY 2014 Budget	Budget Office		Commission		Difference
FY 2013 Enacted	\$ 876,213	\$	876,213	\$	-
Current Service Adjustments	21,428		21,428		-
New Initiatives	-		-		-
Change to FY 2013 Enacted	\$ 21,428	\$	21,428	\$	-
FY 2014 Current Service/Unconstrained Request	\$ 897,641	\$	897,641	\$	-
Target Reduction/Initiatives	(62,835)		(62,775)		60
FY 2014 Constrained Target/Request	\$ 834,806	\$	834,866	\$	60
<i>Change to FY 2013 Enacted</i>	<i>\$ (41,407)</i>	<i>\$</i>	<i>(41,347)</i>	<i>\$</i>	<i>60</i>

The Commission's constrained budget is \$60 more than the target reduction. *The Governor's recommendation is \$26,904 above the target.*

Salaries and Benefits. The Commission requests \$1.1 million for salaries and benefits. This is \$10,126 less than enacted, including \$13,144 more from general revenues, \$27,356 less from federal funds and \$4,086 more from University of Rhode Island sponsored research funds. The reduction reflects updated benefit rates and changes based on the current roster of employees.

As a part of the FY 2014 constrained request, the Commission proposes \$62,775 in additional turnover savings. This appears to require maintaining additional vacancies that have not occurred.

The Governor's recommendation is \$29,497 less than requested. This includes \$28,565 less from general revenues to reflect projected turnover savings and \$4,513 in statewide benefit savings. The recommendation also includes \$17,784 more from federal funds, and \$18,716 less from University of Rhode Island sponsored research funds, consistent with the revision to the FY 2013 budget, to reflect the current roster of sponsored research personnel.

Asset Protection. The request includes \$100,000 from Rhode Island Capital Plan funds for asset protection, which is \$50,000 more than enacted. The increase appears to be in error, because the capital request includes the approved amount of \$50,000. *The Governor recommends \$50,000 from Rhode Island Capital Plan funds, consistent with the enacted budget.*

All Other Operations. The Commission's request for all other operations includes \$382,066 from all sources, which is \$17,239 more than enacted. This includes \$8,284 more from general revenues, \$9,000 more from federal funds and \$45 less from other funds. The general revenue request shows a 21.2 percent increase to the enacted level. The Commission typically overestimates its request for operations to account for volatility in prices for insurance and electricity. *The Governor recommends \$17,836 less than requested for all other operations, including \$7,366 less from general revenues. He includes \$10,515 less from University of Rhode Island sponsored research funds, which primarily reflects adjustments for estimated energy costs. The recommendation for federal funding is consistent with the request.*

Rhode Island Higher Education Assistance Authority

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
Expenditures by Program				
Scholarship and Grant Program	\$ 5,617,064	\$ 5,617,064	\$ 5,231,726	\$ 5,231,726
Loans Program	13,346,283	13,346,283	13,320,270	13,274,020
Tuition Savings Program	8,758,802	8,758,802	8,558,463	8,457,989
Total	\$ 27,722,149	\$ 27,722,149	\$ 27,110,459	\$ 26,963,735
Expenditures by Category				
Salaries and Benefits	\$ 3,576,546	\$ 3,576,546	\$ 3,312,173	\$ 3,084,563
Contracted Services	7,508,100	7,508,100	7,858,100	7,830,000
Subtotal	\$ 11,084,646	\$ 11,084,646	\$ 11,170,273	\$ 10,914,563
Other State Operations	2,976,500	2,976,500	2,476,000	2,467,446
Aid to Local Units of Government	-	-	-	-
Assistance, Grant, and Benefits	13,161,003	13,161,003	\$ 12,964,186	13,081,726
Capital	500,000	500,000	500,000	500,000
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 27,722,149	\$ 27,722,149	\$ 27,110,459	\$ 26,963,735
Sources of Funds				
General Revenue	\$ 5,617,064	\$ 5,617,064	\$ 5,231,726	\$ 5,231,726
Federal Aid	13,346,283	13,346,283	13,320,270	13,274,020
Restricted Receipts	-	-	-	-
Other	8,758,802	8,758,802	8,558,463	8,457,989
Total	\$ 27,722,149	\$ 27,722,149	\$ 27,110,459	\$ 26,963,735
FTE Authorization	38.6	36.0	36.0	36.0

Summary. The Rhode Island Higher Education Assistance Authority requests \$27.1 million from all sources of funds for its FY 2014 unconstrained budget or \$0.6 million less than the enacted budget. This includes \$0.4 million less from general revenues, \$0.2 million less from tuition savings funds and \$26,013 less from federal funds. The Authority requests 36.0 full-time equivalent positions, 2.6 fewer than enacted.

The request is consistent with the Budget Office's general revenue current services target of \$5.2 million. The Department submitted a constrained request that includes \$5.2 million from general revenues and is consistent with the unconstrained request, but adds \$0.3 million from other sources.

The Governor recommends \$146,724 less than requested from all sources, including \$46,250 less from federal funds and \$100,474 from tuition savings funds. The recommendation for general revenues is consistent with the request. The Governor recommends staffing consistent with the request.

Target Issues. The Budget Office provided the Department with a general revenue target of \$5,231,726. The amount includes current service adjustments of \$8,448 and a 7.0 percent target

reduction of \$393,786, adjusted for certain exclusions. The constrained budget submitted by the Department equals the target.

The Authority's constrained budget also contains \$253,523 more from non-general revenue sources than the unconstrained request. This includes \$128,063 more from tuition savings plan fees and \$125,460 more from federal funds. *The Governor's recommendation is consistent with the target.*

FY 2014 Budget	Higher Education		Difference
	Budget Office	Assist. Auth.	
FY 2013 Enacted	\$ 5,617,064	\$ 5,617,064	\$ -
Current Service Adjustments	8,448	-	(8,448)
Change to FY 2013 Enacted	\$ 8,448	\$ -	\$ (8,448)
FY 2014 Current Service/Unconstrained Request	\$ 5,625,512	\$ 5,617,064	\$ (8,448)
Target Reduction/Initiatives	(393,786)	(385,338)	8,448
FY 2014 Constrained Target/Request	\$ 5,231,726	\$ 5,231,726	\$ -
<i>Change to FY 2013 Enacted</i>	\$ (385,338)	\$ (385,338)	\$ -

Need Based Scholarships and Grants. The Authority requests \$12.0 million for need based scholarships and grants, including \$4.7 million from general revenues, \$446,817 less than the enacted level, and \$7.3 million from tuition savings funds, consistent with the enacted level.

The FY 2014 constrained request includes \$12.3 million for need based scholarships and grants, including \$317,540 more from general revenues than the FY 2014 unconstrained request. While the Authority indicates its intention of shifting more resources from general revenues into scholarships, these changes would not dramatically increase or decrease the average award of the scholarship.

The Governor recommends \$12.3 million, including \$5.0 million from general revenues and \$7.3 million from tuition savings funds, to reflect the Authority's constrained request. This is \$129,277 less from general revenues than enacted.

Scholarships and Grants

	FY 2013 Enacted	FY 2014 Unconstrained	Change to Enacted	FY 2014 Gov. Rec.	Change to Enacted
Uses					
Need Based Scholarships and Grants					
General Revenues	\$ 5,161,003	\$ 4,714,186	\$ (446,817)	\$ 5,031,726	\$ (129,277)
Tuition Savings Fees	7,250,000	7,250,000	-	7,250,000	-
<i>Subtotal</i>	\$ 12,411,003	\$ 11,964,186	\$ (446,817)	\$ 12,281,726	\$ (129,277)
Other Grant Programs					
Academic Promise	\$ 750,000	\$ 1,000,000	\$ 250,000	\$ 800,000	\$ 50,000
<i>Subtotal</i>	\$ 750,000	\$ 1,000,000	\$ 250,000	\$ 800,000	\$ 50,000
Total	\$ 13,161,003	\$ 12,964,186	\$ (196,817)	\$ 13,081,726	\$ (79,277)
Sources					
General Revenues	\$ 5,161,003	\$ 4,714,186	\$ (446,817)	\$ 5,031,726	\$ (129,277)
Tuition Savings Fees	8,000,000	8,250,000	250,000	8,050,000	50,000
Total	\$ 13,161,003	\$ 12,964,186	\$ (196,817)	\$ 13,081,726	\$ (79,277)

Academic Promise Scholarship Program. The Authority requests \$1.0 million from tuition savings fees for the Academic Promise Scholarship program, or \$250,000 more than the enacted level. This is consistent with a change included in the revised request. The program awards scholarships up to \$2,500 a year through four years of college enrollment up to a maximum of \$10,000 to academically qualified students with demonstrated financial need. Students in an approved five-year program may be eligible for an additional year of support. The Authority indicates that the request of \$1.0 million

would support 100 students over a four-year college career. *The Governor recommends \$0.8 million, which is \$0.2 million less than requested.*

CollegeBoundfund Marketing. The Authority requests \$0.1 million for advertising and promotion expenses, or \$0.3 million less than enacted, from tuition savings funds. Since 2010, AllianceBernstein, by contract with the Authority, funds the first \$750,000 of marketing and promotion for CollegeBoundfund for advertising within Rhode Island. At the close of the fiscal year, the Authority reimburses the firm for the cost of advertising expenditures above the \$750,000 limit. The Authority requests the decrease in funding because historically it has spent less than its enacted amount on advertising. *The Governor recommends funding as requested.*

Data Processing System. The Authority requests \$0.2 million from general revenues which it intends to use to repay its guaranty agency for financing the replacement of its current data processing system during FY 2013. The new system, the Web-Based Scholarship and Grant Certification and Delivery System, will enable students and families to verify or update information concerning scholarship and grant eligibility as well as allow the Authority to communicate electronically with financial aid offices of post-secondary institutions as needed. The request removes \$0.1 million included in the enacted budget that is currently supporting computer maintenance and replaces the funds with \$0.2 million for repayment to the guaranty agency. The deadline for proposal submission is January 4, 2013. The cost of the new system is currently unknown.

[Staff Note: It is likely a financing arrangement such as this request requires explicit approval since it amounts to a lease agreement.]

The Governor recommends funding consistent with the requested level.

Salaries and Benefits. The Authority requests \$3.3 million from all sources for salaries and benefits including \$253,440 from general revenues, \$2.9 million from federal funds, and \$256,526 from Tuition Savings Plan funds. The request is \$264,373 less than enacted from all sources, including \$23,021 less from general revenues, \$111,013 less from federal funds, and \$130,339 less from Tuitions Savings Plan fees. The request reflects 36.0 full-time positions. The reduction of 2.6 positions from the enacted level reflects a transition in the Authority toward a smaller role in its guaranty agency and a lower demand for administrative services. The Authority has 25.0 of its 38.6 authorized full-time equivalent positions filled as of December 1. The Authority anticipates filling 27.0 full-time positions for the remainder of the fiscal year, or 9.0 fewer positions than the enacted authorization.

The constrained request includes general revenue savings of \$0.3 million from shifting personnel expenses to other sources.

The Governor recommends \$227,610 less than the unconstrained request including \$253,440 from general revenues to reflect additional turnover savings of \$0.2 million with the balance from statewide benefit savings.

Collections. The Authority requests \$7.0 million from federal funds for costs related to the management of its loan portfolio, which is \$0.5 million more than enacted. This includes \$5.0 million for commissions to contracted collection agencies. This is consistent with a change included in the revised request. The request also includes \$2.0 million for fees owed to the Student Loan Marketing Association ("Sallie Mae") for managing collections for the Authority. This is an increase of \$500,000, which the Authority notes is based on the rising volume of transactions and a 15.0 percent

price increase for the service. *The Governor recommends \$20,000 less than requested, though it appears the intent was to concur with the request.*

Default Aversion Services. The Authority requests \$0.5 million from federal funds, or \$250,000 less than enacted for default aversion services, to reflect lower default aversion expenditures. The guaranty agency earns fees from the federal Student Loan Reserve Fund by preventing delinquent loans from defaulting. However, if a referred loan defaults, the Agency is obligated to return the fee. *The Governor recommends funding consistent with the requested level.*

Other Operations. The Authority requests \$1.7 million for all other operations, which is \$200,500 less than enacted from all sources. The changes include \$15,500 less from general revenues, reflecting a lower need for office space given a decline in full-time positions, and \$20,000 less from Tuition Savings Plan fees reflecting lower than anticipated travel expenses. The request also includes \$165,000 less from federal funds, reflecting \$0.1 million more for legal services, offset by \$0.2 million less for a reduction in WayToGoRI promotion and advertising and \$65,000 less for staff training, travel and various overhead expenses.

The constrained request includes savings of \$64,100 from reductions to computer purchases, insurance, postage and printing and other various office supplies.

The Governor recommends general revenue funding consistent with the constrained request and adds \$26,446 in statewide benefit savings from non-general revenue sources shifted to miscellaneous operating expenses, and \$20,000 more than requested from federal funds, which appears to be an error.

Historical Preservation and Heritage Commission

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 1,655,323	\$ 1,627,312	\$ 1,678,317	\$ 1,752,731
Contracted Services	5,750	4,875	4,975	4,975
Subtotal	\$ 1,661,073	\$ 1,632,187	\$ 1,683,292	\$ 1,757,706
Other State Operations	92,053	106,612	1,103,670	110,364
Aid to Local Units of Government	-	-	-	-
Assistance, Grant, and Benefits	885,851	596,194	598,379	598,379
Capital	90,000	190,500	15,500	1,015,500
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 2,728,977	\$ 2,525,493	\$ 3,400,841	\$ 3,481,949
Sources of Funds				
General Revenue	\$ 1,361,801	\$ 1,265,417	\$ 1,357,420	\$ 1,332,510
Federal Aid	836,139	589,279	588,930	609,949
Restricted Receipts	456,037	454,191	454,491	454,491
Other	75,000	216,606	1,000,000	1,084,999
Total	\$ 2,728,977	\$ 2,525,493	\$ 3,400,841	\$ 3,481,949
FTE Authorization	16.6	16.6	16.6	16.6

Summary. The Historical Preservation and Heritage Commission's FY 2014 request is for \$3.4 million from all sources, which is \$671,864 more than the enacted budget. This includes \$4,381 less from general revenues, \$247,209 less from federal sources, and \$1,546 less from restricted receipts offset by \$925,000 more from Rhode Island Capital Plan funds. The Commission requests 16.6 full-time equivalent positions, the authorized level. The Commission also submitted a constrained request that totals \$1.3 million from general revenues and includes \$99,347 less from general revenues than the unconstrained request. *The Governor recommends \$3.5 million from all sources, including \$1.3 million from general revenues. He includes the current authorized level of 16.6 full-time equivalent positions.*

Target Issues. The Budget Office provided the Historical Preservation and Heritage Commission with a general revenue target of \$1,308,736. The amount includes current service adjustments of \$37,064 and a 7.0 percent target reduction of \$90,129.

FY 2014 Budget	Budget Office	HPHC	Difference
FY 2013 Enacted	\$ 1,361,801	\$ 1,361,801	\$ -
Current Service Adjustments	37,064	(4,381)	(41,445)
Change to FY 2013 Enacted	\$ 37,064	\$ (4,381)	\$ (41,445)
FY 2014 Current Service/Unconstrained Request	\$ 1,398,865	\$ 1,357,420	\$ (41,445)
Target Reduction/Initiatives	(90,129)	(99,347)	(9,218)
FY 2014 Constrained Target/Request	\$ 1,308,736	\$ 1,258,073	\$ (50,663)
<i>Change to FY 2013 Enacted</i>	<i>\$ (53,065)</i>	<i>\$ (103,728)</i>	<i>\$ (50,663)</i>

The Commission's current services request is \$44,445 below the target and its constrained request is \$50,663 below the target. *The Governor's recommendation is \$23,774 above the target.*

Eisenhower House. The Commission requests \$158,332, which is \$16,017 more than enacted from general revenues for staffing and operations associated with the Eisenhower House for FY 2014. The Commission's request includes increases in amounts requested for insurance, building and grounds maintenance, and heating oil partially offset by decreases in office supplies and anticipated electricity costs, consistent with historical expenditures.

The Commission's constrained request includes the transfer of funding for one full-time equivalent position from general revenues to restricted receipts generated by Eisenhower House rentals. It should be noted that the creation of a restricted receipt account does not generate savings; it dedicates funds currently deposited as general revenues to the operations of the property.

The Governor recommends \$154,655 from general revenues, which is \$3,677 less than requested for personnel costs, reflective of statewide benefits savings and adjustments for temporary and seasonal staff. He recommends operations funding as requested.

Other Salaries and Benefits. The Commission requests \$1.6 million from all sources for all other salaries and benefits, which is \$19,852 more than enacted. The request includes decreases of \$20,113 from general revenues and \$511 from restricted receipts offset by \$40,476 more than enacted from federal funds, consistent with the Commission's Survey and Planning grant award for FY 2013. The request includes the authorized level of 15.6 full-time equivalent positions and is consistent with current service adjustments, step increases for FY 2014, and an interdepartmental transfer of funds to provide an archaeological expert to the Department of Transportation. It should be noted that the request includes a decrease in general revenues for this transfer, but does not budget funds from the Department.

The Governor recommends \$1.7 million, which is \$97,943 more than enacted and \$78,091 more than requested. This includes \$41,346 less than enacted from general revenues and \$56,587 more from federal funds, reflective of the Commission's Survey and Planning grant award and statewide benefit savings. He includes \$41,264 from other funds reflective of the transfer from the Department of Transportation.

Eisenhower House Asset Protection. The Commission requests \$1.0 million from Rhode Island Capital Plan funds, which is \$0.9 million more than enacted for asset protection projects at the Eisenhower House for FY 2014. Per the federal property transfer agreement that transferred Fort Adams from the U.S. Navy to the state for use as a park, the state has an affirmative obligation to maintain and preserve the Eisenhower House. *The Governor recommends funding as requested.*

Programs. The Commission requests \$288,720 less than enacted from all funds for its grant programs. This includes \$287,685 less from federal funds and \$1,035 less from restricted receipts. The Commission requests a significant decrease from federal funds for the Preserve America grant program, which has expired at the federal level. A restart date is unknown.

The constrained request includes \$300 less from federal funds, apparently in error.

The Governor recommends \$5,715 more than requested, including \$4,908 more from federal funds reflective of the Survey and Planning grant award. He also includes \$807 more from restricted

receipts, shifting statewide benefit savings from a non-general revenue source to miscellaneous operating expenses.

Community Service Grants. The Commission requests the enacted amount of \$111,301 from general revenues for eight community service grants. *The Governor recommends funding as requested.*

Other Operations. The Commission requests \$42,995 from general revenues for all other state operations, which is \$285 less than enacted. This request includes increases for office supplies and communication system expenses offset by decreases for travel and postage. *The Governor recommends funding of \$43,947 from all sources, including \$979 shifted from statewide benefit savings from a non-general revenue source to miscellaneous operating expenses.*

Rhode Island Public Telecommunications Authority

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 1,473,772	\$ 795,486	\$ -	\$ -
Contracted Services	11,700	-	-	-
Subtotal	\$ 1,485,472	\$ 795,486	\$ -	\$ -
Other State Operations	15,500	-	-	-
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	-	-	-	-
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 1,500,972	\$ 795,486	\$ -	\$ -
Sources of Funds				
General Revenue	\$ 799,077	\$ 795,486	\$ -	\$ -
Federal Aid	-	-	-	-
Restricted Receipts	-	-	-	-
Other	701,895	-	-	-
Total	\$ 1,500,972	\$ 795,486	\$ -	\$ -
FTE Authorization	14.0	14.0	-	-

FY 2014 Request. The Public Telecommunications Authority submits a request that does not contain the traditional funding measures, for which \$1.5 million, including \$0.8 million from general revenues, was included in the enacted budget. It plans to request instead a \$500,000 legislative grant from the Assembly to fund capital, operations, and salaries and benefits. The Authority requests no full-time equivalent positions. *The Governor recommends a \$0.4 million grant to the Rhode Island PBS Foundation in the Department of Elementary and Secondary Education's FY 2014 budget. The Governor submitted Article 18 as a part of his FY 2014 Appropriations Act to abolish the Authority as a state entity.*

License Transfer to Rhode Island PBS Foundation. The Authority plans to request a \$500,000 grant from the Assembly to fund operations. The grant will assist the Foundation to make a transition toward financial self-sufficiency, following the privatization of the WSBE and the transfer of the broadcasting license from the Authority to the Rhode Island PBS Foundation on October 10, 2012. The grant is intended to supplement the grant from the Corporation for Public Broadcasting and other sources. Barring restrictions imposed by the Assembly, the grant will not be limited to one type of expenditure, though the Authority expects it to fund salaries and benefits primarily. *The Governor recommends a \$0.4 million grant in the Department of Elementary and Secondary Education's FY 2014 budget.*

Report - Office of Management and Budget. As required under Article 4, Section 18 of the 2012 Appropriations Act, the Office of Management and Budget submitted to the House and Senate Finance

Committees a report on the plan transfer of the Authority from state to private support on November 16, 2012 along with draft legislation. The report's findings include that 2.0 of the 4.0 full-time employees who enjoy statutory tenure have not accepted positions offered by the Foundation, and will be offered suitable positions elsewhere in state government by the State Personnel Administrator. In regard to the broadcasting facility, the Department of Administration is obtaining an appraisal of the value of the building as it continues discussion with the Foundation, which has expressed an interest in purchasing it.

In June 2012, the state transferred to the Foundation at no cost certain pieces of equipment that it deems to be little or no value at this point in their working life. Further, the state plans to transfer ownership of the state's antenna and transmitter to the Foundation and further, will cede to the Foundation rental revenue of \$25,000 generated annually from the antenna and tower. Assuming changes to rules set forth by the Public Utilities Commission, all funds generated from public, educational and government access fees will be transferred from the Authority to the Foundation.

The Governor submitted Article 18 as a part of his FY 2014 Appropriations Act to abolish the Authority as a state entity. In addition, the article will effectuate the transfer of state-owned equipment and funds generated from public, educational and government access fees to the Foundation.

Office of the Attorney General

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
Expenditures by Program				
Criminal	\$ 16,095,992	\$ 19,153,655	\$ 17,315,061	\$ 20,496,020
Civil	9,683,478	5,693,367	5,957,874	5,618,395
Bureau of Criminal Identification	1,234,405	1,399,691	1,624,120	1,503,119
General	2,996,063	3,224,714	3,074,987	2,771,567
Total	\$ 30,009,938	\$ 29,471,427	\$ 27,972,042	\$ 30,389,101
Expenditures by Category				
Salaries and Benefits	\$ 23,149,826	\$ 22,892,296	\$ 24,847,307	\$ 23,696,875
Contracted Services	456,134	3,435,404	667,654	4,595,747
Subtotal	\$ 23,605,960	\$ 26,327,700	\$ 25,514,961	\$ 28,292,622
Other State Operations	5,986,350	1,858,448	1,969,035	1,853,590
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	417,628	1,285,279	488,046	242,889
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 30,009,938	\$ 29,471,427	\$ 27,972,042	\$ 30,389,101
Sources of Funds				
General Revenue	\$ 23,076,324	\$ 22,987,371	\$ 25,002,012	\$ 23,656,979
Federal Aid	1,483,604	2,644,447	1,608,705	1,608,532
Restricted Receipts	5,162,510	3,239,609	1,073,825	5,073,590
Other	287,500	600,000	287,500	50,000
Total	\$ 30,009,938	\$ 29,471,427	\$ 27,972,042	\$ 30,389,101
FTE Authorization	233.1	233.1	241.1	233.1

Summary. The Office of the Attorney General's current service request is \$28.0 million from all sources, including \$25.0 million from general revenues. This is \$2.0 million or 6.8 percent less than enacted, including \$1.9 million more from general revenues, \$0.1 million more from federal funds and \$4.1 million less from restricted receipts. The Office requests 241.1 full-time equivalent positions, 8.0 positions above the authorized level. *The Governor recommends \$30.4 million from all sources, including \$23.7 million from general revenues and 233.1 full-time equivalent positions. This is \$0.4 million more than enacted, \$2.4 million less than requested and 8.0 fewer positions.*

Target Issues. The Budget Office provided the Office with a general revenue target of \$22,216,524. The amount includes current service adjustments of \$804,367 and a seven percent target reduction of \$1,664,167.

The Office did not submit a constrained budget. The Budget submitted by the Office exceeds the target by \$2,785,488. *The Governor's budget recommendation is \$1,440,455 above the Budget Office target.*

FY 2014 Budget	Office of the		
	Budget Office	Attorney General	Difference
FY 2013 Enacted	\$ 23,076,324	\$ 23,076,324	\$ -
Current Service Adjustments	804,367	1,211,028	406,661
<i>Change to FY 2013 Enacted</i>	\$ 804,367	\$ 1,211,028	\$ 406,661
FY 2014 Current Service/Unconstrained Request	\$ 23,880,691	\$ 24,287,352	\$ 406,661
Target Reduction/Initiatives	(1,664,167)	714,660	2,378,827
FY 2014 Constrained Target/Request	\$ 22,216,524	\$ 25,002,012	\$ 2,785,488
<i>Change to FY 2013 Enacted</i>	\$ (859,800)	\$ 1,925,688	\$ 2,785,488

Google Settlement. The Office's FY 2014 budget request does not include any funds expected from the recent national Google settlement on behalf of the state. The state's share of the settlement is \$110.0 million, with \$60.0 million resulting from work done by the Attorney General. The Office is expecting to spend \$2.0 million in the current year and \$4.0 million for FY 2014 for projects approved by the Office of Asset Forfeiture and Money Laundering Section of the United States Department of Justice. The Office is still in the process of developing a plan to spend the funds. Rhode Island General Law, Section 42-41-6 requires that all expenditures of federal funds be appropriated by the Assembly.

The current plan to expend the funds includes either major renovations and expansions to its current facility or construction of a new and larger facility with areas for parking, staff training, and file storage. Other noted projects pending federal approval include major technology improvements, constructing a new criminal investigation facility at the Pastore Center in Cranston, and increasing office space at Washington, Newport, and Kent county courthouses. *The Governor's recommendation includes \$4.0 million from restricted receipts for specified expenses within the Criminal Division.*

Foreclosure Assistance. The Office requests a reduction of \$4.1 million from restricted receipts appropriated for expenditures related to foreclosure protection efforts aimed at bringing stability to the housing market. This reflects the Office's opinion that the funds should not be reflected within its budget since it is a pass-through agency. The state is expected to receive approximately \$8.5 million from the nationwide mortgage fraud settlement. The Office indicates the funds can be requested only as needed through the use of an escrow account for foreclosure protection assistance. *The Governor's recommendation excludes the funds as requested and assumes the creation of an escrow account, which can be used to deposit and withdraw the funds for foreclosure assistance. This may be contrary to state law on such expenses.*

Background Check Grant. The Office requests \$180,969 from federal funds to pay for fingerprint technician services when performing background checks on health care workers who are providing services to the state's children and elderly. The FY 2013 enacted budget includes \$0.2 million in total grant funds for this expense. This request includes \$22,257 more than enacted for FY 2014 based on the actual grant award. This is a one-year grant spread over two fiscal years. The Office indicates that if additional grant awards are not available at the depletion of the current funds, these services will require general revenue support for the following fiscal year. *The Governor recommends funding as requested.*

Medicaid Fraud Investigation Unit. The Office requests \$1.4 million from all funds, including \$0.3 million from general revenues to support 11.0 full-time equivalent positions and operating expenses for its Medicaid fraud and patient abuse unit. This is \$77,662 more than enacted to reflect step increases and benefit rate changes based on Budget Office planning values. The requested increase is partially offset by a reduction for computer and other office supplies based on FY 2012 experience. This unit works closely with federal and state authorities to combat fraud in the state Medicaid program and

prosecutes cases of abuse, neglect or mistreatment of patients. *The Governor recommends \$3,146 less than requested to reflect a further reduction for operating supply expenses and shifts \$7,258 from statewide benefit savings from non-general revenue sources to miscellaneous operating expenses.*

Public Utilities. The Office requests \$621,346 from restricted receipts for 5.0 full-time equivalent positions and operating expenses for its public utilities regulatory unit. This is \$77,859 less than enacted to reflect general operation reductions due to an anticipated case that is no longer going to take place. Areas of reductions include purchased engineering and consultant services, equipment, travel and rental expenses that are no longer necessary. These reductions were partially offset by a payroll increase to reflect benefit rate changes consistent with Budget Office planning values. The restricted receipts are generated from the unit's assessment to the regulated utilities. *The Governor recommends \$235 less than requested to reflect a further reduction for computer equipment and shifts \$5,052 from statewide benefit savings to miscellaneous operating expenses.*

Domestic Violence Arrests Grant. The Office's request shifts \$31,667 from general revenues to federal funds to partially support a greater share of the costs for a prosecutor position for the domestic violence unit. The request reflects a new federal grant anticipated for investigation and prosecution of domestic violence and sexual assault matters. This unit's primary objective is to ensure victim safety and offender accountability. *The Governor recommends funding as requested.*

New Staff 8.0 Positions. The Office requests \$0.8 million from all funds, including \$0.7 million from general revenues for 8.0 new full-time equivalent positions. The new positions include 4.0 staff attorneys, 2.0 paralegal clerks, 1.0 legal assistant and 1.0 administrative aide. The Office notes additional staff is necessary to maintain the desired level of proficiency when handling all legal matters and caseloads. This request assumes funding for the positions for a full year. The Office's revised budget requests \$777,416, including \$685,044 from general revenues for similar payroll expenses. *The Governor does not include the funding or positions.*

Current Service Salaries and Benefits. The Office requests \$22.1 million from all sources, including \$21.7 million from general revenues for all other salaries and benefits. This is \$0.9 million more than enacted from general revenues to reflect lower turnover savings than enacted, step increases, and updated benefit rates consistent with Budget Office planning values. The Budget Office target calculation for the Office restores the \$0.2 million in increased turnover savings assumed in the enacted budget beyond the Governor's original recommendation. This request includes that adjustment. As of the 10th pay period, the Office has 225.1 filled positions, which is 8.0 positions below the authorized level. *The Governor recommends \$21.8 million from all sources, including \$21.2 million from general revenues for all other salaries and benefits. This is \$0.3 million less than requested, including \$0.4 million less from general revenues to reflect \$176,515 in additional turnover and \$148,396 from statewide benefit savings.*

Tobacco Enforcement Litigation. The Office requests \$350,612 from general revenues for tobacco enforcement litigation expenditures. This is \$50,612 more than enacted to reflect projected increases primarily for outside counsel based on FY 2012 experience. FY 2012 expenses were \$358,238, which resulted in a subsequent reappropriation. The Office's current litigant is viewed as a potential state witness during litigation proceedings and therefore cannot provide legal representation. This enforcement litigation case is brought by leading United States tobacco product manufacturers against states under the "Master Settlement Agreement" alleging their lack of efforts in enforcing the agreement for non-participating manufacturers. *The Governor recommends \$0.3 million as enacted based on the uncertainty of actual expenses for FY 2014. For the previous two fiscal years, the average actual expenses were \$307,717. His FY 2013 revised recommendation includes \$340,401.*

Purchased Technology Services. The Office requests \$28,677 from general revenues for continued support for a contracted case management information system project coordinator. The Office notes that there are outstanding vendor obligations in the implementation of the Criminal Division case management information system. It appears that the Office does not have a technical expert on staff to oversee the project. The project coordinator is expected to work with system vendors to ensure compliance with system requirements and agreements. *The Governor recommends funding as requested.*

Forfeitures. The Office requests \$182,764 from restricted receipts from federal forfeitures, gambling forfeitures, and forfeitures of property for operating expenses. This is \$68,314 more than enacted to reflect a projected increase from federal forfeitures for vehicle purchases. The request also includes added expenses for purchased technology services, offset by a reduction for printing services based on FY 2012 experience. The Office spent \$33,599 for printing services in FY 2012, which is \$2,529 less than requested or \$21,504 less than the FY 2013 enacted. These funds are already on deposit with the Office. *The Governor recommends \$1,108 more than requested to reflect shifting statewide benefit savings from non-general revenue sources to miscellaneous operating expenses.*

Asset Protection. The Office requests the enacted amount of \$287,500 from Rhode Island Capital Plan funds for its asset protection projects for FY 2014. This is consistent with the approved capital plan. Funds are expected to be used to upgrade the heating, ventilation and air conditioning system, including replacement of air handlers, installation of water converters and space temperature control system, and general interior office and bathroom renovations. *The Governor recommends \$237,500 less than requested, primarily based on a fund shift from FY 2014 to FY 2013.*

All Other Operations. The Office requests \$2.0 million from all sources, including \$1.9 million from general revenues for all other operations for FY 2014. This is \$199,632 more than enacted, including \$224,047 more from general revenues and \$24,415 less from federal funds. This includes increases primarily for general maintenance and repairs, purchased medical expert services, general office equipment and supplies and internet-based legal research services from Westlaw. These expenses are partially offset by savings from utilities and funds budgeted to purchase management and consultant services. This request is \$0.3 million above FY 2012 expenses. The most notable discrepancies include \$255,829 for building related maintenance and repairs and \$57,377 for software maintenance agreements. FY 2012 expenses were \$77,767 and \$589, respectively.

The Office notes these increases are anticipated to provide ongoing building repairs and management information system upgrades for both the Criminal and Civil Divisions. The federal fund reduction reflects unanticipated grant funds in FY 2014 for purchased data entry services for the state's precious metals and pawn database.

The Governor recommends \$157,135 less than requested, including \$159,767 less from general revenues to reflect operating expenses more in line with his FY 2013 revised recommendation. He also includes \$136,960 for court cost allocations, partially offset by reduced medical expert expenses based on historical spending, as well as \$1,835 from statewide automobile insurance savings.

Department of Corrections

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
Expenditures by Program				
Central Management	\$ 9,283,949	\$ 9,240,424	\$ 9,826,899	\$ 9,282,903
Parole Board	1,368,319	1,335,621	1,404,966	1,392,433
Custody and Security	115,807,338	118,836,306	117,720,418	116,179,933
Institutional Support	27,135,509	25,058,592	34,922,279	32,898,057
Inst. Rehab. & Population Mgmt.	9,961,687	9,950,035	10,160,404	10,018,845
Healthcare Services	18,476,246	18,190,327	20,542,621	19,889,269
Community Corrections	14,716,814	14,766,944	15,588,155	15,241,087
Total	\$ 196,749,862	\$ 197,378,249	\$ 210,165,742	\$ 204,902,527
Expenditures by Category				
Salaries and Benefits	\$ 157,411,621	\$ 159,878,161	\$ 162,626,743	\$ 159,812,987
Contracted Services	10,697,456	10,509,712	11,622,951	10,953,542
Subtotal	\$ 168,109,077	\$ 170,387,873	\$ 174,249,694	\$ 170,766,529
Other State Operations	15,646,974	15,558,073	15,648,579	15,453,529
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	1,275,401	1,193,908	1,193,908	1,193,908
Capital	11,718,410	10,238,395	19,073,561	17,488,561
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 196,749,862	\$ 197,378,249	\$ 210,165,742	\$ 204,902,527
Sources of Funds				
General Revenue	\$ 183,293,277	\$ 184,546,757	\$ 189,556,717	\$ 185,879,198
Federal Aid	1,995,588	3,034,940	1,789,349	1,788,688
Restricted Receipts	61,397	73,362	64,925	64,890
Other	11,399,600	9,723,190	18,754,751	17,169,751
Total	\$ 196,749,862	\$ 197,378,249	\$ 210,165,742	\$ 204,902,527
FTE Authorization	1,419.0	1,419.0	1,419.0	1,419.0
Prison Population	3,194	3,146	3,152	3,152

Summary. The Department's current service request includes \$210.2 million from all sources, including \$189.6 million from general revenues and 1,419.0 full-time equivalent positions. This is \$13.4 million or 6.8 percent above the enacted, including \$6.3 million more from general revenues, \$0.2 million less from federal funds, and \$7.4 million more from Rhode Island Capital Plan funds. The Department's request is based on a population of 3,152, a decrease of 42 inmates.

The Governor recommends \$204.9 million from all sources, including \$185.9 million from general revenues and 1,419.0 full-time equivalent positions. This is \$8.2 million or 4.1 percent more than enacted, including \$2.6 million more from general revenues, \$0.2 million less from federal funds, \$3,493 more from restricted receipts and \$5.8 million more other funds. The Governor assumes a population of 3,152, consistent with the Department's request.

Target Issues. The Budget Office provided the Department with a general revenue target of \$173.8 million. The amount includes current service adjustments of \$3.6 million and a 7.0 percent target reduction of \$13.1 million.

FY 2014 Budget	Budget Office	Department of Corrections	Difference
FY 2013 Enacted	\$ 183,293,277	\$ 183,293,277	\$ -
Current Service Adjustments	3,598,005	6,263,440	2,665,435
Change to FY 2013 Enacted	\$ 3,598,005	\$ 6,263,440	\$ 2,665,435
FY 2014 Current Service/Unconstrained Request	\$ 186,891,282	\$ 189,556,717	\$ 2,665,435
Target Reduction/Initiatives	(13,069,999)	(15,773,880)	(2,703,881)
FY 2014 Constrained Target/Request	\$ 173,821,283	\$ 173,782,837	\$ (38,446)
<i>Change to FY 2013 Enacted</i>	<i>\$ (9,471,994)</i>	<i>\$ (9,510,440)</i>	<i>\$ (38,446)</i>

The constrained budget submitted by the Department is \$38,446 below the target. The proposals to achieve the reductions are noted at the end of this analysis. *The Governor's budget recommendation is \$12.1 million above the Budget Office target.*

Population. The enacted budget assumes a population of 3,194, which is 42 more inmates than the Department's population projection of 3,152 for FY 2014 and 48 more inmates than included in its revised request. The Department's request includes additional population related expenses of \$0.9 million from general revenues to reflect the FY 2014 population projection and updated costs.

The following table depicts the recent history of budgeted and actual prison population from FY 2004 through the FY 2014 budget request. The average population for the first six months of FY 2013 is 3,212. Total cost per inmate, including staff, can be expressed by dividing the Institutional Corrections' budget by the number of inmates. This is \$58,168 for the FY 2014 request and \$55,975 for the FY 2013 revised request. The enacted budget includes \$53,657. Actual expenditures for FY 2012 were \$51,979.

History	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
<i>Request</i>	3,333	3,305	3,299	3,200	2,583	3,803	4,008	3,709	3,416	3,231	3,152
Governor	3,724	3,640	3,244	3,375	3,289	3,848	4,008	3,643	3,416	3,231	
Enacted	3,500	3,575	3,244	3,375	3,289	3,848	3,767	3,450	3,239	3,194	
Revised Request	3,640	3,575	3,375	3,723	4,018	3,869	3,669	3,350	3,264	3,146	
Governor Revised	3,600	3,377	3,375	3,723	3,925	3,869	3,659	3,350	3,265		
Final	3,600	3,377	3,475	3,755	3,925	3,788	3,551	3,273	3,192		
<i>Actual</i>	3,554	3,361	3,510	3,771	3,860	3,773	3,502	3,273	3,191		

Population reductions result in the greatest savings when there are enough to allow for the closure of housing modules or facilities. 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. In November 2011, the Department closed the Donald Price Medium Security facility, which accounted for 360 bed spaces. As a result, the maximum allowed capacity is reduced to 3,905.

The Department contracts with a firm to prepare population estimates, which projected the population for the FY 2014 budget in May 2012. The contracting firm (JFA Associates) uses a flat admission rate as well as an expected population decline towards the end of each fiscal year. Since FY 2008, the average inmate population has always been higher for the first quarter of the fiscal year than the annual average. As a result, JFA Associates based its FY 2014 population projection of 3,152 on the

expected population average for the latter part of the year, which is anticipated to be lower than the 3,146 assumed in the FY 2013 revised request.

The House Fiscal Staff uses a simple model using trend data, and population through the second quarter suggests an average population of 3,186, which is 8 inmates fewer than the enacted budget. *The Governor's recommendation assumes a population of 3,152, as requested, which is 42 less inmates than enacted.*

Population: Per Diem Expenditures. The Department requests \$12.8 million from general revenues for population related expenditures that are calculated on a per diem basis, excluding staffing. This is \$926,601 more than enacted to reflect a projected increase based on FY 2012 actual expenditures. In FY 2012, the Department spent \$4,117 per inmate because of increased treatment costs for several inmates, including out-of-state medical treatment and supervision. This request assumes \$4,046 per inmate for items such as food, linen, household supplies, and medical services; the enacted budget assumes \$3,702. *The Governor's recommendation assumes \$3,817 per inmate for population related per diem expenditures. He recommends \$206,052 more than enacted, \$720,549 less than requested to reflect further reductions for food and operating supplies, as well as \$550,000 budgeted for medical expenses that did not occur.*

State Criminal Alien Assistance Funds. The Department requests \$62,062 less than enacted from general revenues to reflect its underestimated 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 anticipates \$0.6 million, consistent with the grant funds awarded for FY 2012. The Department anticipates a \$0.7 million award for FY 2014 based on the anticipated FY 2013 award and requests less general revenues to show use of these funds instead. *The Governor recommends a general revenue reduction of \$61,401, \$661 less than requested based on the actual FY 2013 award.*

Staffing Request. The Department requests \$2.3 million from general revenues to fill 24.0 full-time entry-level correctional officer positions for FY 2014. The Department is conducting a class in the current year and anticipates 40 new graduating officers in May 2013. This request anticipates hiring costs for 24 new officers at an estimated \$94,952 each in order to reduce overtime expenses. The positions fall under the Institutional Corrections' program and the Department anticipates overtime savings of \$2.3 million for FY 2014. The total savings would be \$51,051 subsequent to offsetting payroll expenses for the new officers.

Currently, the Department has promoted existing staff under the "three-day rule" to fill several positions; 24.0 entry-level officer positions are expected to be filled by the graduates of the new officer class that is being conducted in FY 2013. *The Governor recommends funding as requested.*

New Officer Overtime Savings. The Department's request includes savings of \$2.3 million from general revenues to reflect anticipated reductions from overtime expenses based on the projected hire of 24.0 new entry-level correctional officers. The enacted budget includes \$14.2 million for overtime expenses or \$1.3 million less than assumed in this request, despite the projected hiring of 24.0 new entry-level correctional officers, which is not included in the enacted budget. The Department indicates that overtime hours have been declining by 6,800 hours per pay period; however, this is still 1,300 hours above the enacted overtime assumption. The Department further indicates this occurrence is partially attributable to a recent increase in sick time utilization. *The Governor recommends funding as requested.*

Correctional Industries Work Transfer. The Department requests \$1.0 million less than enacted from general revenues to reflect a shift of supervision costs for work crews to Correctional Industries' internal service fund. Currently, Correctional Industries receives payments from other state agencies and municipalities on behalf of nine work crews for various work assignments, including painting, furniture placement and removal, and janitorial services. Prior to this request, supervision fees for the work crews were charged to general revenues. *The Governor recommends funding as requested.*

Medium Price Unachieved Savings. The enacted budget includes annualized savings of \$10.5 million from general revenues from consolidating inmates out of the Donald Price Medium Security facility into available bed spaces in the rest of the system. This is lower than the original projection of \$12.0 million. The Department's request indicates savings of only \$9.2 million to reflect a further reduction of \$1.3 million due to unanticipated payroll expenses. The Department maintains that higher population census has led to the reopening of four housing modules in FY 2013, which were assumed to be closed in the enacted budget.

It should be noted, the Department experienced an increase in the awaiting trial population due to population spikes that typically occur over the summer months. This is the primary reason for the requested savings reduction to pay for additional overtime costs to monitor the reopened modules. This request anticipates usage of the reopened modules not just for the summer months, but rather for the entire year. However, historical population data and the Department's own projection of fewer total inmates do not support this anticipation. *The Governor recommends funding as requested.*

Other Institutional Corrections' Salaries and Benefits. The Department requests \$134.0 million from all sources, including \$135.1 million from general revenues, for all other salaries and benefits for the Institutional Corrections' remaining 1,171.0 full-time positions. This is \$3.7 million more than enacted, primarily to reflect updated benefit rates based on Budget Office planning values. This request appears to include \$0.5 million to lower the turnover savings assumed in the enacted budget, similar to the FY 2013 revised request. The enacted budget assumes savings of \$5.4 million from turnover and appears to fully fund 1,121.4 full-time positions.

The Governor recommends \$1.6 million more than enacted, \$2.0 million less than requested to reflect additional savings of \$673,123 from turnover, \$931,457 from statewide benefits and \$407,619 from recalculation of stipend payments to correctional officers. This expense was overstated in the Department's request due to a miscalculation of FY 2012 actual expenditures. His recommendation assumes additional vacancies and further delays in filling current vacant positions, but at the discretion of the Department.

All Other Salaries and Benefits. The Department requests \$22.9 million, nearly all from general revenues for all other salaries and benefits for the 215.0 full-time positions that staff Central Management, Parole Board and Community Corrections' programs. This is \$1.3 million more than enacted, including \$0.6 million to restore turnover savings assumed in the enacted budget and the remaining \$0.7 million to reflect updated benefit rates based on Budget Office planning values. The enacted budget assumes savings of \$1.0 million from turnover and appears to fully fund 204.6 full-time positions. *The Governor recommends \$0.5 million more than enacted, \$0.8 million less than requested to reflect additional savings of \$651,382 from turnover and \$150,836 from statewide benefits. His recommendation assumes additional vacancies and further delays in filling current vacant positions, but at the discretion of the Department.*

New Officer Class. The Department requests \$726,698 from general revenues for recruitment and training expenses for a new class of correctional officers for FY 2014. This is \$1,747 more than

enacted to reflect a projected increase for postage and printing of recruitment materials. This request does not assume available recruits from the prior class and includes medical costs for laboratory and psychological testing. The Department does not indicate the number of new graduates and/or a graduating date anticipated from this class. *The Governor recommends funding as requested.*

Time Tracking System Implementation. The Department requests the enacted amount of \$350,000 from general revenues to upgrade the time and attendance tracking system. This system was created several years ago by an outside consultant to produce roll calls for the facilities for three shifts and to monitor vacation and sick time and non-pay days. A system malfunction can result in less or more pay for staff or prolong the payroll entry process. The Department maintains that an upgrade will prevent crashes that can destroy the system. In FY 2012, the Department revised its estimate for this system upgrade from \$209,000 to \$0.7 million, which was requested over two fiscal years, FY 2012 and FY 2013.

In FY 2012, the Department indicated that although the system upgrade will begin in FY 2012, invoice for payment will not be received until FY 2013 since this upgrade is expected to take place over a two-year period. This request delays the upgrade to FY 2013; therefore, the invoice for this one-time expense is not anticipated until FY 2014. *The Governor recommends funding as requested.*

Home Confinement Monitoring Equipment Expenses. The Department requests \$50,000 more than enacted from general revenues to pay for additional rental expenses for electronic monitoring equipment. The Department indicates this request is based on projected needs and not FY 2012 experience. The Department notes as of June 2012, the average caseload for electronic monitoring increased by 11.0 percent compared to June 2011. Since FY 2008, the number of offenders under electronic monitoring parole supervision has been declining from a high of 94 offenders to 58 offenders for FY 2012. It appears that, the Department's request assumes use of funds appropriated in the enacted budget for court overhead charges for office space and utilities to purchase additional electronic monitoring equipment. *The Governor's recommendation does not include funding this expense.*

Technical Experts. The Department requests \$104,161 from general revenues to pay for contracted services not included in the enacted budget. This includes \$69,161 to support a technology consultant to implement enhancements to the Department's inmate tracking system and rewrite the probation and parole system. The request also includes \$35,000 for an expert witness on suicide prevention to assist the Department in legal matters. The Department indicates this expert witness is necessary due to a pending lawsuit for a suicide that occurred at the Pastore Campus two years ago. *The Governor recommends \$35,000, which is \$69,161 less than requested to reflect funding only the expert witness.*

Inmate Services. The Department requests \$145,958 more than enacted from general revenues for contracts for education and other services provided to inmates. This includes \$50,000 for additional education services and \$95,958 for increases in other inmate services designed to help offenders establish and maintain a self-sustaining and law-abiding life. The Department maintains that it plans on outsourcing and expanding education contracts, while keeping a school social worker position vacant. This position was previously funded from federal funds. *The Governor recommends funding as requested.*

Recidivism Reduction Grant. The Department requests \$45,094 from federal funds to reflect a new federal grant awarded for the development and implementation of comprehensive strategies that address the challenges of offender reentry and recidivism reduction. This is a project grant established under the federal Second Chance Act, to help ensure the transition people make from prison or jail to

the community is safe and successful. Funding is provided to enhance the department's transitional services in order to provide released offenders essential treatment services to maintain a self-sustaining and law-abiding life. This is a two-year grant awarded in FY 2013. *The Governor recommends funding as requested.*

Staff Development Grants. The Department requests \$198,406 from federal funds to reflect federal grants awarded to support existing staff development programs for FY 2014. This is \$64,208 less than enacted to reflect funding reductions primarily for supervision and treatment of sex offenders, transitional services for released offenders and treatment services for individuals with mental health disorders. Grant funds are used for overall improvement of the criminal justice system, including activities such as information sharing, research and evaluation of existing programs, database system improvement and professional development training. *The Governor recommends funding as requested.*

Educational Grants. The Department requests \$303,745 from federal funds to support its existing educational programs, including special education for eligible inmates. This is \$24,828 less than enacted to reflect grant funds anticipated for FY 2014. The request includes grant reductions for math and reading programs, adult continuing basic education services, and programs that encourage released female offenders to acquire postsecondary education. *The Governor recommends funding essentially as requested, with the exception of an additional \$693 to reflect available statewide savings from non-general revenues sources shifted to operating expenses.*

Community Corrections Grants. The Department requests \$175,278 from federal funds to support its existing community corrections programs for FY 2014. This is \$151,173 less than enacted to reflect grant reductions for family initiatives for released offenders and sex offender management. Grant funds can be used to reduce and prevent crime and domestic violence, enhance services for crime victims, as well as other programs aimed at improving the effectiveness and efficiency of the criminal justice system and its processes and procedures. *The Governor recommends funding as requested.*

Capital Projects. The Department requests \$18.8 million from Rhode Island Capital Plan funds for its capital projects for FY 2014. This is \$7.4 million more than enacted and \$1.5 million less than the approved plan to reflect the Department's updated estimates. *The Governor recommends \$17.2 million, which is \$1.6 million less than requested to reflect project revisions as described in the Capital Budget Section of this analysis.*

All Other Operations. The Department requests \$25.7 million, nearly all from general revenues for all other operations for FY 2014. This is \$187,745 less than enacted, including \$188,771 less from general revenues to reflect an anticipated savings based on prior year experience. The savings are partially offset by expected increases of \$20,500 for postage for the Tax Offset program and \$107,000 for court overhead charges for office space and utilities. It appears that the Department was unaware of the \$96,074 included in the FY 2013 enacted budget for court cost allocation. *The Governor recommends \$25,442 less than requested from general revenues to reflect further savings from vehicle insurance lease costs. His recommendation includes \$96,074 for court cost allocation, as enacted.*

Target - Elimination of Lawn Maintenance. The Department's constrained budget request includes general revenue savings of \$231,386 from eliminating lawn maintenance services provided by inmate work crews at the State House and Waterplace Park. The Department maintains this proposal would eliminate the need for a full-time correctional officer supervisor position. The payroll cost for a full-time work crew supervisor is about \$79,000 annually. This proposal appears ambiguous and inquiries to the Department for further details are still pending. *The Governor's recommendation does not*

include this proposal. It should be noted, the Governor's revised recommendation assumes shifting this expense from the Department of Corrections to the Department of Administration's resources for FY 2013.

Target - Donald Price Facility & Land Sale. The Department proposes a constrained budget that includes \$8.6 million in new revenues from selling the Donald Price Medium Security building and land. 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 the Donald Price Medium Security facility. The facility was closed again in November 2011, due to continuous decline in the inmate population. This proposal is a one-time savings. Per state law, revenues from land sale shall be deposited as information technology funds and therefore, this proposal would not provide general revenues relief to meet the target. *The Governor's recommendation does not include this proposal.*

Target - Closing High Security Facility. The Department's constrained budget request includes general revenue savings of \$5.0 million for FY 2014 from closing the High Security Center. The proposal correctly indicates that the High Security Center carries the most expensive per capita costs due to the nature of offenders housed at the facility. Excluding inmate per diem costs, the FY 2013 enacted budget includes \$11.8 million for the Center's operations. This proposal would require statutory changes to address potential issues that could affect the current labor contract agreement between the state and the Rhode Island Brotherhood of Correctional Officers. This proposal also assumes out-of-state placement for an estimated 80 inmates under the interagency compact with other states at a cost of \$2.9 million. The remaining \$3.9 million is expected to pay for personnel expenses for the redeployed custody staff. *The Governor's recommendation does not include this proposal.*

Target - Expansion of Corrections Options. The Department's constrained budget request includes general revenue savings of \$1.3 million for FY 2014 from expanding the award of good behavior credits that would reduce the minimum custody population by 190 inmates. This would allow for the closure of two housing modules at the Minimum Security facility. This proposal would require legislation changes in order to increase the amount of good time awarded to qualified inmates. The proposal indicates that this would benefit inmates at the lower security classification and/or non-violent offenders. *The Governor's recommendation does not include this proposal.*

Target - Elimination of New Officer Class. The Department's constrained budget request includes general revenue savings of \$0.6 million from eliminating the new officer class for FY 2014. This proposal derives from the proposed closure of the High Security Center and the redeployment of the facility's staff. Staff disposition would address expected attrition that occurs throughout the year and the new class would no longer be necessary. *The Governor's recommendation does not include this proposal.*

Judicial Department

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
Expenditures by Program				
Supreme Court	\$ 29,281,614	\$ 33,042,275	\$ 33,250,939	\$ 31,332,614
Defense of Indigent Persons	3,562,240	3,562,240	3,562,240	3,562,240
Commission on Judicial Tenure & Discipline	113,609	113,327	116,063	115,627
Superior Court	22,615,527	21,937,305	23,137,780	22,895,509
Family Court	20,906,417	20,321,283	21,496,491	21,329,265
District Court	11,851,922	11,643,091	12,651,548	12,543,456
Traffic Tribunal	8,191,888	7,933,583	8,331,487	8,190,350
Workers' Compensation Court	7,725,081	7,693,329	7,870,632	7,842,060
Total	\$ 104,248,298	\$ 106,246,433	\$ 110,417,180	\$ 107,811,121
Expenditures by Category				
Salaries and Benefits	\$ 78,670,200	\$ 76,799,976	\$ 81,503,267	\$ 80,667,055
Contracted Services	2,555,875	2,426,885	2,404,741	2,369,741
Subtotal	\$ 81,226,075	\$ 79,226,861	\$ 83,908,008	\$ 83,036,796
Other State Operations	9,839,752	9,988,589	10,337,639	10,057,792
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	10,707,234	10,864,190	11,015,642	11,015,642
Capital	2,475,237	6,166,793	5,155,891	3,700,891
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 104,248,298	\$ 106,246,433	\$ 110,417,180	\$ 107,811,121
Sources of Funds				
General Revenue	\$ 89,249,996	\$ 87,871,436	\$ 93,303,846	\$ 91,881,359
Federal Aid	2,682,107	2,760,203	2,624,248	2,624,248
Restricted Receipts	10,641,195	11,240,237	11,819,086	11,790,514
Other	1,675,000	4,374,557	2,670,000	1,515,000
Total	\$ 104,248,298	\$ 106,246,433	\$ 110,417,180	\$ 107,811,121
FTE Authorization	723.3	723.3	723.3	723.3

Summary. The Judiciary requests \$110.4 million from all sources, including \$93.3 million from general revenues for FY 2014. This is \$6.2 million or 6.0 percent more than enacted, including \$4.1 million more from general revenues. Consistent with the enacted authorization, the Department requests 723.3 full-time equivalent positions. *The Governor recommends \$107.8 million, \$2.6 million less than requested, including \$1.4 million less from general revenues and \$1.2 million less from Rhode Island Capital Plan funds. The Governor includes the enacted and requested authorization of 723.3 positions. Statewide savings account for \$0.5 million of the general revenue change to the request.*

Target Issues. The Budget Office provided the Judiciary with a general revenue target of \$85.5 million. The amount includes current service adjustments of \$1.6 million and an adjusted 7.0 percent target reduction of \$5.7 million.

The Department did not submit a constrained budget. The budget submitted by the agency is \$7.8 million above the target. *The Governor's recommendation is \$6.4 million above the Budget Office target.*

FY 2014 Budget	Budget Office	Judiciary	Difference
FY 2013 Enacted	\$ 89,249,996	\$ 89,249,996	\$ -
Current Service Adjustments	1,558,294	1,958,294	400,000
Change to FY 2013 Enacted	\$ 1,958,294	\$ 1,958,294	\$ 400,000
FY 2014 Current Service/ Unconstrained Request	\$ 91,208,290	\$ 91,208,290	\$ 400,000
Target Reduction/Initiatives	(5,683,911)	2,095,556	7,779,467
FY 2014 Constrained Target/Request	\$ 85,524,379	\$ 93,303,846	\$ 7,779,467
<i>Change to FY 2013 Enacted</i>	\$ (3,725,617)	\$ 4,053,850	\$ 7,779,467

Staffing. The Judiciary requests \$81.5 million from all sources for salaries and benefits for 723.3 positions. The enacted budget includes \$2.2 million of turnover for FY 2013, and was increased to \$2.9 million in the Department's revised request. The Department's FY 2014 request includes turnover of \$1.7 million, \$0.5 million less than enacted and \$1.2 million less than requested for FY 2013. Based on the salary cost per position of \$72,128, turnover included in the request reflects 25.1 positions, which is approximately 16.0 less positions when comparing the FY 2014 request with the revised budget request. As of October 2012, the Judiciary has 55.1 vacant positions. *The Governor includes the enacted and requested authorization of 723.3 positions. As of the first pay period of 2013, the Judiciary has 686.6 filled positions.*

Pay-Go Judges Pensions. The Department requests \$6.0 million from all sources, including \$5.2 million from general revenues for retirement costs for judges and magistrates who are not part of the state employee retirement system. This is \$0.2 million more than enacted from all funds, including \$168,846 more from general revenues to reflect the estimate of expected retirements for those judges eligible. There are currently eight judges not in the system, and they all meet the eligibility threshold to retire at reduced benefits of 75.0 percent. *The Governor recommends funding as requested.*

Court Technology. The Department requests \$5.2 million from general revenues for its court computer technology expenses including the personnel that are assigned to this function. This is \$0.1 million less than enacted and reflects the reduction of numerous operating expenditures. It also includes a shift of information technology expenditures from contractors to Judicial staff, in order to reflect staff time that will be dedicated to the implementation of the Department's new case management system. *The Governor recommends \$19,593 less than requested to reflect statewide benefit savings.*

Facilities and Operations. The Department requests \$6.5 million from general revenues for the maintenance of the judicial complex facilities. This is \$0.1 million more than enacted. This reflects an increase of operating expenses to non-judicial agencies occupying space within the courthouses, offset by savings for personnel and security services. The Division of Facilities Management is responsible for the execution and coordination of various services relating to the courthouses, infrastructure and grounds. *The Governor recommends \$0.3 million less than requested to correct an error in the request which overestimated costs and reimbursements from non-judicial agencies.*

Finance, Budget and Employee Relations. The Judiciary requests \$1.8 million from general revenues to support 14.3 full-time equivalent positions in the finance, budget and employee relations function. This is \$0.1 million more than enacted to reflect decreased turnover savings compared to the enacted budget, funding two vacant positions in the finance and budget division. *The Governor recommends \$11,114 less than requested to reflect statewide benefit savings.*

Community Outreach and Public Support. The Judiciary requests \$0.9 million from general revenues to support 7.6 full-time time equivalent positions in the community outreach and public support function for FY 2014. This is \$25,877 more than enacted and includes interpreter services and programs to inform and educate the public about the services, programs and activities of the Judiciary. The request includes additional funding for personnel expenses to reflect adjusted Budget Office planning values. *The Governor recommends \$7,937 less than requested to reflect statewide benefit savings.*

Planning. The Judiciary requests \$0.2 million from general revenues to support the planning function of the Judiciary. This is \$9,446 more than enacted to reflect benefit adjustments consistent with Budget Office planning values. The planning program provides a centralized function for research and planning to increase the effectiveness and efficiency of the Judiciary. *The Governor recommends \$600 less than requested to reflect statewide benefit savings.*

Education. The Judiciary requests \$0.3 million from general revenues for the education function which is \$7,324 more than enacted to reflect salary and benefit adjustments including Budget Office planning values. The education function includes overseeing mandatory continuing legal education for attorneys and the education program for judges and magistrates. *The Governor recommends \$2,014 less than requested to reflect statewide benefit savings.*

Clerks/Records Center. The Judiciary requests \$3.2 million for 25.6 full-time equivalent positions who support clerk and record center functions. This is \$0.3 million more than enacted, the majority of which is for salaries and benefits. Salary and benefit adjustments include turnover reduction equal to 3.0 positions, as well as benefit adjustments consistent with Budget Office planning values. The enacted budget includes turnover for 3.0 positions the Department plans to keep filled during FY 2014.

The Judicial Records Center is located in rented property on Hill Street in Pawtucket and serves as the central repository for the state's semi-active, inactive and archival court records. Current records that are still necessary for the daily operations of the courts remain stored at the Clerk's Office of the respective court. Clerks also provide legal research and writing assistance to the judges and magistrates of the Superior, Family, District, and Workers' Compensation Courts and the Traffic Tribunal. *The Governor recommends \$21,938 less than requested to reflect statewide benefit savings.*

Disciplinary Board/Counsel. The Department requests \$1.4 million from restricted receipts to support 10.8 full-time equivalent positions in the Rhode Island Supreme Court Disciplinary Counsel Office for FY 2014. This is \$37,744 more than enacted to reflect benefit adjustments consistent with Budget Office planning values. According to Supreme Court Article IV, Rule 1, this restricted receipt account collects annual fees of \$200 from each active attorney in the Rhode Island Bar to fund the Disciplinary Counsel functions. The goal of the Board is to process disciplinary complaints filed against Rhode Island attorneys as expeditiously and fairly as possible. *The Governor recommends funding as requested.*

Law Library. The Judiciary requests \$1.3 million from general revenues to support 10.6 full-time equivalent positions in the law library for FY 2014. This is \$26,524 more than enacted, primarily to

reflect benefit adjustments consistent with Budget Office planning values. It also includes \$7,170 for security services. The Law Library is a complete, publicly accessible legal reference service with over 110,000 volumes and computer aided legal research. *The Governor recommends \$5,456 less than requested to reflect statewide benefit savings.*

Appellate Screening Unit. The Judiciary requests \$0.8 million from general revenues to support 6.5 positions performing the activities of the appellate screening unit for FY 2014. This is \$23,061 more than enacted to reflect benefit adjustments consistent with Budget Office planning values. The Appellate Screening Unit is the central staff attorney's office for the Supreme Court. The unit's mission is to increase the efficiency of the court in handling cases and to increase the knowledge and preparedness of the justices in deciding cases. *The Governor recommends \$5,051 less than requested to reflect statewide benefit savings.*

Board of Bar Examiners. The Judiciary requests \$0.1 million from general revenues to support the Board of Bar Examiners for FY 2014. This is \$118,107 more than enacted and reflects funding the 1.0 position that staffs the Board. The position is currently vacant but the Judiciary indicates that it is a critical position, and the work cannot be absorbed by other personnel. It intends to fill the position in FY 2013, and the hiring process has begun. The Board of Bar Examiners tests the legal knowledge of Bar applicants by administering the Rhode Island Bar examination. *The Governor recommends \$430 less than requested to reflect statewide benefit savings.*

Indigent Defense Services. The Department requests the enacted level of \$3.6 million from general revenues for indigent defense services. 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 2012 actual expenses were \$3.2 million. *The Governor recommends funding as requested.*

Capital Projects. The Department requests \$2.7 million from Rhode Island Capital Plan funds for its capital projects for FY 2014. This is \$1.0 million more than enacted primarily to reflect a wider scope for the Murray Judicial Complex Cell Block project. *The Governor recommends \$1.2 million less than requested to reflect the early completion of projects due to additional funding provided for them in FY 2013. These changes are described in greater detail in the Capital Budget Section of this analysis.*

Community Service Grants. The Judiciary requests the enacted amount of \$255,319 from general revenues for four separate grants provided through the Department for justice related initiatives. *The Governor recommends funding as requested.*

Supreme Court

New Case Management System. The Judiciary requests \$1.7 million from restricted receipts to purchase computers, servers and software for a new case management system. The new system will enable electronic filing for all courts through the Internet, and will replace the current system which relies on duplicative data input and paper files. The restricted receipts are derived from the Department's indirect cost recoveries on federal grants, which were excluded from the enacted budget due to the timing of the purchase. *The Governor recommends \$0.3 million less than requested to reflect a portion of restricted receipts funding that is being shifted to personnel costs in the Supreme Court.*

Salaries and Benefits. The Judiciary's request includes \$4.8 million from all sources, \$0.4 million more than enacted for the salaries and benefits of the Supreme Court. The request includes 161.7 full-time equivalent positions in this program; however, a majority of these positions are associated with

the previously described overhead functions. The enacted budget included turnover for four positions in the Division, and the request reflects the restoration of funding for those positions. *The Governor recommends \$0.1 million less than enacted, including \$0.4 million less from general revenues offset by the addition of \$0.3 million of restricted receipts mentioned above. The overall reduction reflects statewide benefit savings.*

All Other Operations. The Judiciary requests \$2.2 million for all other operating expenses of the Supreme Court. This is \$0.2 million more than enacted and includes \$31,308 more from general revenues. A majority of the increase is due to additional restricted receipts projected to be available. The receipts are derived from fines assessed on individuals convicted of crimes, and are used to provide assistance to crime victims including an explanation of rights, assistance with impact statements, counseling recommendations and possible restitution claims. The additional funds are a result of legislation passed by the 2012 Assembly, which increased the amount of funding available to victims for this purpose. *The Governor recommends funding as requested.*

Superior Court

Salaries and Benefits. The Judiciary's request includes \$18.7 million from general revenues for the salaries and benefits of the Superior Court's 165.7 full-time equivalent positions. This is \$0.1 million more than enacted including \$0.3 million more from general revenues, offset by \$0.2 million less from restricted receipts that were available in the enacted budget, but will not be available in FY 2014. Excluding the fund shift, the request reflects funding for 1.0 position that was vacant and unfunded in the enacted budget, as well as adjustments to benefit expenses consistent with Budget Office planning values. *The Governor recommends \$0.2 million less than requested, including \$0.1 million less to correct an overestimate of benefit payments and \$0.1 million less to reflect statewide benefit savings.*

All Other Operations. The Judiciary requests \$1.9 million for all other operations of the Superior Court. This is \$0.1 million more than enacted including \$0.2 million more from general revenues offset by \$0.1 million less from federal funds. Reductions included in the request reflect lower anticipated expenses for temporary staff in the Superior Court while the increases are programmed for higher property insurance costs and travel reimbursements for jurors based on the length and number of trials projected during FY 2014. *The Governor recommends \$0.1 million less than requested to reflect savings from the Judiciary's property insurance payment.*

District Court

Salaries and Benefits. The Judiciary's request includes \$10.8 million from all sources, \$10.6 million from general revenues for the salaries and benefits of the District Court's 93.0 full-time equivalent positions. This is \$1.0 million more than enacted, almost entirely from general revenues. The enacted budget includes turnover for 10.0 full-time equivalent positions, and the request reflects filling 8.0 of those positions, and also includes adjustments to reflect Budget Office planning values for FY 2014. These costs are offset by a savings for temporary staff due to the filling of the vacant positions. *The Governor recommends \$0.1 million less than requested, including \$35,944 less to correct an overestimate of benefit payments and \$71,190 less to reflect statewide benefit savings.*

All Other Operations. The Judiciary requests \$0.7 million for all other operating expenses for the District Court. This is \$0.1 million less than enacted from all sources and includes a reduction of \$130,128 from federal funds. The reduction primarily reflects lower costs for temporary staff for the District Court due to the filling of vacant positions. *The Governor shifts \$3,042 of statewide benefit savings from non-general revenue sources to miscellaneous operating expenses.*

Family Court

Salaries and Benefits. The Judiciary's request includes \$18.9 million from all sources, \$17.3 million from general revenues for the salaries and benefits of the Family Court's 173.7 full-time equivalent positions. This is \$0.4 million more than enacted including \$1.0 million more from general revenues offset by \$0.7 million less from restricted receipts that were available in the enacted budget, but will not be available in FY 2014. Excluding the fund shift, the request reflects funding for 1.0 position that was vacant and unfunded in the enacted budget, as well as adjustments to benefit expenses consistent with Budget Office planning values. *The Governor recommends \$0.2 million less than requested, primarily from general revenues, of which \$57,704 corrects an overestimate of benefit payments and \$121,544 reflects statewide benefit savings.*

Juvenile Justice Grant. The request includes \$0.4 million, \$0.2 million more than enacted in federal juvenile justice grant awards for FY 2014. The Juvenile Justice Program funds general activities in the Family Court, as well as data collection and data analysis. The request reflects anticipated awards and expenditures from this grant. *The Governor shifts \$622 of statewide benefit savings from non-general revenue sources to miscellaneous operating expenses.*

All Other Operations. The Judiciary requests \$1.2 million for all other operating expenses of the Family Court for FY 2014. This is \$0.1 million more than enacted including \$184,879 more from general revenues. The majority of the general revenue increase is in temporary service provided by Adil for the Juvenile Drug Court and increases for property rental. *The Governor recommends \$11,636 more than enacted which reflects a shift of \$11,692 in statewide benefit savings from non-general revenue sources to miscellaneous operating expenses offset by a savings of \$56 from the state's auto insurance policy.*

Traffic Tribunal

Salaries and Benefits. The Judiciary's request includes \$7.2 million from general revenues, \$0.1 million more than enacted for the salaries and benefits of the Traffic Tribunal's 78.2 full-time equivalent positions. The request reflects filling 1.0 full-time equivalent position that was vacant and unfunded in the enacted budget, and also includes adjustments to reflect Budget Office planning values for FY 2014. *The Governor recommends \$0.1 million less than requested, of which \$21,073 corrects an overestimate of benefit payments and \$51,280 reflects statewide benefit savings.*

All Other Operations. The request includes \$0.6 million from general revenues for all other operating expenses of the Traffic Tribunal. This is \$0.1 million more than enacted almost entirely for security services. These are for Sheriffs and Capitol Police overtime expenses that were previously in the Department of Public Safety's budget. *The Governor recommends \$0.1 million less to reflect downward revisions for security and utility expenses.*

Workers' Compensation Court

Salaries and Benefits. The Judiciary's request includes \$6.4 million from restricted receipts for the salaries and benefits of the Workers' Compensation Court's 50.0 full-time equivalent positions. This is \$43,394 more than enacted and reflects adjustments to benefit expenses consistent with Budget Office planning values. *The Governor recommends \$0.1 million less than requested, of which \$28,572 corrects an overestimate of benefit payments and \$35,892 reflects statewide benefit savings.*

All Other Operations. The request includes \$679,934 from restricted receipts for all other operations at the Workers' Compensation Court. This is \$37,499 more than enacted and reflects additional information technology support. *The Governor shifts \$35,892 of statewide benefit savings from non-general revenue sources to miscellaneous operating expenses.*

Judicial Tenure and Discipline

Judicial Tenure and Discipline. The Judiciary requests \$116,063 from general revenues to support the Commission on Judicial Tenure and Discipline for FY 2014. This is \$2,454 more than enacted to reflect adjustments to benefit expenses consistent with Budget Office planning values. The Judicial Tenure and Discipline Commission is responsible for conducting investigations of judges suspected of or charged with misconduct. *The Governor recommends \$436 less than requested to reflect statewide benefit savings.*

Military Staff

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
Expenditures by Program				
National Guard	\$ 18,502,143	\$ 23,779,038	\$ 18,776,474	\$ 18,966,611
Emergency Management	23,947,984	35,723,700	23,863,040	25,865,282
Total	\$ 42,450,127	\$ 59,502,738	\$ 42,639,514	\$ 44,831,893
Expenditures by Category				
Salaries and Benefits	\$ 9,694,891	\$ 9,591,342	\$ 10,613,345	\$ 10,515,369
Contracted Services	1,734,692	2,041,264	2,085,579	2,085,579
Subtotal	\$ 11,429,583	\$ 11,632,606	\$ 12,698,924	\$ 12,600,948
Other State Operations	5,615,715	7,156,084	7,697,511	7,554,547
Assistance, Grants, and Benefits	19,744,929	21,961,153	18,125,179	20,093,498
Capital	5,659,900	18,752,895	4,117,900	4,582,900
Total	\$ 42,450,127	\$ 59,502,738	\$ 42,639,514	\$ 44,831,893
Sources of Funds				
General Revenue	\$ 3,548,775	\$ 3,541,075	\$ 4,917,666	\$ 4,636,684
Federal Aid	33,842,074	48,024,778	35,645,434	37,653,834
Restricted Receipts	481,278	516,890	523,414	523,375
Other	4,578,000	7,419,995	1,553,000	2,018,000
Total	\$ 42,450,127	\$ 59,502,738	\$ 42,639,514	\$ 44,831,893
FTE Authorization	112.0	112.0	117.0	117.0

Summary. The Military Staff's request includes \$42.6 million from all sources, including \$4.9 million from general revenues, \$35.6 million from federal funds, \$0.5 million from restricted receipts, \$1.6 million from Rhode Island Capital Plan funds and 117.0 full-time equivalent positions. The request is \$0.1 million more than enacted and 5.0 more positions than the authorized level. *The Governor recommends \$44.8 million, including \$37.7 million from federal funds and \$4.6 million from general revenues. He includes restricted receipts essentially as requested, along with an additional \$0.4 million from Rhode Island Capital Plan funds to reflect revisions to capital projects. He also includes the requested 5.0 additional positions for a total authorization of 117.0 full-time equivalent positions.*

Staffing. The Military Staff's request includes 117.0 positions, 5.0 more than enacted for the Emergency Management Agency. New positions include statewide interoperability coordinator, national incident management systems officer, critical infrastructure coordinator, domestic preparedness coordinator and an all hazards planning coordinator. The Military Staff notes that federal programs have been reduced, and these positions are being included to fulfill functions formerly completed by federal entities, administer statewide emergency communications and to ensure the safety of critical infrastructure throughout the state. *The Governor recommends the new positions for a total authorization of 117.0 full-time equivalent positions.*

Target Issues. The Budget Office provided the Department with a general revenue target of \$3.4 million. The amount includes current service adjustments of \$35,558 and a 7.0 percent target reduction, adjusted for certain exclusions, of \$0.2 million.

The constrained budget submitted by the Military Staff meets the target provided by the Budget Office. The proposals to achieve the reductions are noted among the items described where appropriate. *The Governor's recommendation is \$1.3 million more than the target provided by the Budget Office. The amount above the target reflects the addition of 5.0 positions, as well as an increase of \$0.8 million for the statewide communications network. A majority of the Military Staff's proposals for reaching its target were not included in the recommendation, which results in a total recommendation that is similar to the Department's unconstrained request and not the Budget Office target.*

FY 2014 Budget	Budget Office	Military	Difference
FY 2013 Enacted	\$ 3,548,775	\$ 3,548,775	\$ -
Current Service Adjustments	35,558	42,884	7,326
New Initiatives	-	1,326,007	1,326,007
Change to FY 2013 Enacted	\$ 35,558	\$ 1,368,891	\$ 1,333,333
FY 2014 Current Service/ Unconstrained Request	\$ 3,584,333	\$ 4,917,666	\$ 1,333,333
Target Reduction/Initiatives	(208,577)	(1,541,910)	(1,333,333)
FY 2014 Constrained Target/Request	\$ 3,375,756	\$ 3,375,756	\$ -
<i>Change to FY 2013 Enacted</i>	<i>\$ (173,019)</i>	<i>\$ (173,019)</i>	<i>\$ -</i>

National Guard

Salaries and Benefits. The Military Staff requests \$7.4 million for salaries and benefits for the Rhode Island National Guard. The request includes \$6.8 million from federal funds and \$0.6 million from general revenues for 85.0 full-time equivalent positions in the Guard. The request is \$0.3 million more than enacted which restores the turnover for 1.0 position included in the enacted budget and reflects revisions to benefit expenditures, consistent with budget office planning values. *The Governor recommends \$0.1 million less than requested, including \$23,632 less from general revenues to reflect statewide benefit savings.*

Federally Funded Maintenance Increase. The Military Staff requests \$2.6 million, \$1.4 million more from federal sources to reflect additional funding from the National Guard Bureau for various maintenance projects throughout the Agency. The Military Staff notes that these funds were not previously available and were excluded from the enacted budget, and the current request programs funds for many smaller scale projects that do not qualify as capital projects. This includes painting, roof and window repair and other maintenance projects throughout the Military Staff buildings. *The Governor recommends funding as requested.*

Army National Guard Operations. The Military Staff requests \$0.8 million, which is \$0.5 million more than enacted, including \$0.2 million more from general revenues and \$0.6 million more from federal funds for operating expenses for the Army National Guard. The Military Staff uses general revenues to match federal funds for expenses for the Army National Guard, including electricity, office equipment and building maintenance. The additional funding reflects an increase in available grant funding from the Military Staff's federal sponsor, the National Guard Bureau. The majority of the increase is programmed for building maintenance and repair projects that do not qualify as capital projects. *The Governor recommends \$0.1 million less than requested, primarily from general revenues. He recommends the addition of \$0.1 million from Rhode Island Capital Plan funds for the Asset Protection project to accommodate the building repairs, consistent with similar instructions from the 2011 and 2012 Assemblies.*

Air National Guard Operations. The Military Staff requests \$0.3 million more than enacted, including \$0.2 million more each from general revenues and federal funds for operating expenses for the Air National Guard. The Military Staff uses general revenues to match federal funds for expenses for the state's Air National Guard, including electricity, office equipment and building maintenance. The additional funding reflects an increase in available grant funding from the Military Staff's federal sponsor, the National Guard Bureau. The majority of the increase is programmed for building maintenance and repair projects that do not qualify as capital projects.

The Governor recommends \$0.1 million less than requested, primarily from general revenues. He recommends the addition of \$0.1 million from Rhode Island Capital Plan funds for the Asset Protection project to accommodate the building repairs, consistent with similar instructions from the 2011 and 2012 Assemblies.

Field Training Site. The Department requests \$2.2 million, \$0.6 million more than enacted from federal funds for improvements to Army National Guard Training sites. Additional funding will be used for repairs and upgrades to field maintenance shops, combined support maintenance shops, firing ranges and other facilities used by the Guard for training throughout the state. The increase above the enacted level reflects additional funding for training facilities available from the National Guard Bureau, and does not require state funding for a match. *Consistent with his revised recommendation, the Governor recommends \$3,232 less than requested to reflect property insurance savings.*

Education Benefits. The National Guard requests the enacted level of \$0.1 million from general revenues to support the state mandate for the provision of free tuition to National Guard members at the state's public higher education institutions. The current course limit is five per semester, and any expenses above \$100,000 are borne by the institutions.

The Military Staff has included the elimination of these benefits as part of its constrained request, lowering expenditures by \$100,000. *The Governor recommends funding as requested in the unconstrained request.*

Military Funeral Honors. The National Guard requests \$135,200 from general revenues, \$67,600 more than enacted, to reflect the elimination of stipend payments provided by the federal government for military funerals. Retired military members are paid a \$50 stipend to perform military honors at the funerals, including a firing party as well as a bugler playing "Taps". Prior to a recent memorandum from the National Guard Bureau, the federal government paid the stipends for two personnel for all branches of service. The new memorandum provides that the federal funds will no longer be provided for any branches of service besides the Army, for which the National Guard Bureau will still pay stipends for two individuals. The request reflects the funding the Military Staff anticipates it will require to pay for the stipends during FY 2014.

As part of its constrained request, the Military Staff excludes the additional \$67,600. *The Governor recommends \$27,400 more than enacted, \$40,200 less than requested to reflect the Budget Office's estimate of stipend payments required during FY 2014.*

Rhode Island Capital Plan Fund Projects. The National Guard requests \$1.6 million from Rhode Island Capital Plan funds for capital projects, which is \$3.0 million less than enacted. The request includes a reduction of \$2.8 million to reflect the completion of roof repairs at the Armory of Mounted Commands and Camp Fogarty. The request is consistent with the Military Staff's capital budget request.

The Military Staff has included the elimination of this funding as part of its constrained request, which would not impact general revenue expenditures. It is unclear why this proposal was included in the constrained request. *The Governor recommends \$0.5 million more than enacted to reflect revised project schedules and needs as described in the Capital Budget Section of this analysis.*

Security Services. The Military Staff requests \$0.7 million, \$0.2 million more than enacted from federal funds to purchase contracted security services for its facilities. The Department utilizes contract staff for three security programs: the Anti-Terrorism Program, Physical Security, and Electronic Security Program. The increase is being requested to fund additional details at the Command Readiness Center in Cranston and Camp Fogarty in East Greenwich. The additional details became necessary due to increased requirements by the Military Staff's federal sponsor, the National Guard Bureau. *The Governor recommends \$494 more than requested to reflect shifting statewide benefit savings from non-general revenue sources to miscellaneous operating expenses.*

All Other Operations. The National Guard requests \$17,584 less for all other expenses at the Guard. This includes \$22,699 less from general revenues offset by \$5,115 more from federal funds. The general revenue reduction reflects a lower cost for insurance within the Adjutant General's office offset by a small increase to federally funded insurance in the environmental resources office. *The Governor recommends \$38,577 more than requested, including \$1,634 less from general revenues for travel expenses offset by the addition of \$14,097 from federal funds for firefighting operations and \$22,846 to reflect shifting statewide benefit savings from non-general revenue sources to miscellaneous operating expenses.*

Emergency Management Agency

New Positions. The Military Staff requests \$0.4 million, including \$0.2 million from general revenues for 4.0 new positions in the Emergency Management Agency. The new positions and funding are being requested primarily to offset a reduction in federal funding for Urban Area Security Initiatives, which had been available to purchase services related to coordination and response for disasters on the local, state and national levels. Positions include a national incident manager, all hazards planner and coordinators for domestic preparedness and critical infrastructure. The Department notes that funding for the positions is 50 percent state funds and 50 percent federal funds. The request assumes the positions will be filled for the entire year.

The Military Staff has included the elimination of funding for the new positions as part of its constrained request, which would increase available general revenues in FY 2014 by \$0.2 million. *The Governor recommends the additional positions and includes funding essentially as requested in the unconstrained request, but makes adjustments to reflect planning values consistent with the FY 2014 recommendation.*

Statewide Communications Network. The Agency requests \$2.2 million, \$0.8 million more than enacted, primarily from general revenues for the Rhode Island Statewide Communications Network. Funds are used to support a portion of 6.0 positions, including five positions that are currently filled and one new position, statewide interoperability coordinator, which would manage and coordinate all aspects of the network. Funding is also used to maintain and expand 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, and Emergency Management to be on a private radio system in order to effectively respond to all types of disasters. The increase reflects the planned expansion of the system, as well as expenditures for

maintenance and repairs to the system's infrastructure throughout the state. The Agency maintains a contract with Motorola for 24-hour engineering and maintenance services.

The Military Staff has included the elimination of the system expansion as well as the contract with Motorola as part of its constrained request, which would result in an additional \$0.8 million of general revenue. This would result in a decreased capacity to areas under expansion, along with a lack of technical support during both day-to-day and emergency operations. *The Governor recommends the additional position and the associated funding, as well the requested funding for maintenance, repairs and expansion of the system as contained in the unconstrained request. The recommendation is \$4,160 less than requested from general revenues to reflect statewide benefit savings.*

Urban Areas Security Initiatives. The Military Staff requests \$2.0 million, \$0.8 million less than enacted from federal funds for Urban Areas Security Initiative grant funding. The program is intended to assist participating jurisdictions in developing integrated regional systems for crime prevention, citizen protection, incident response and post-incident recovery. The decrease in the request reflects the discontinuation of grant funding for this program from the Department of Homeland Security. The funds included in the request reflect funds carried forward from prior years. *The Governor recommends funding as requested.*

All Other Salaries and Benefits. The Military Staff requests \$2.5 million, \$59,847 more than enacted from all funds for salaries and benefits in the Emergency Management Agency for 27.0 full-time equivalent positions. The enacted budget includes turnover savings equivalent to 3.0 positions and the request reflects the restoration of those turnover savings as well as adjustments to benefit rates, consistent with Budget Office planning values. As of the final pay period in November, the Emergency Management Agency had 3.0 vacant positions. *The Governor recommends \$72,647 more than requested from general revenues to reflect a revised payroll projection that correctly accounts for salaries that were inadvertently requested at a lower than actual rate and identified as turnover.*

Emergency Operations Performance Grant. The Military Staff requests \$0.9 million from federally funded emergency operations center grants. Funds are used to support state and local governments to sustain and enhance emergency management capabilities for all potential hazards. The request is \$0.2 million more than enacted to reflect anticipated awards and expenditures from these funds for FY 2014. *The Governor recommends funding as requested.*

Emergency Management Grant. The Military Staff requests the enacted amount from emergency management program funds. Funding is used to provide resources to assist state, local, tribal and territorial governments in preparing for all hazards, with the intention to provide funding for state emergency management agencies in obtaining the resources required to support national preparedness goals. *The Governor recommends \$1.1 million more than enacted and requested to reflect the inadvertent exclusion of FY 2014 emergency management grant funding.*

March 2010 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 requests \$4.7 million from all funds for flood expenses, including the state match of \$50,000 from general revenues. Approximately 500 individual projects have been submitted for reimbursement. The Federal Emergency Management Agency provides a 90.0 percent reimbursement of eligible expenses incurred from the flood. This funding was included in the enacted budget for the purposes of reimbursing the Department of Environmental Management for the replacement of a warehouse and its contents, which were destroyed during the flood. Due to the timing and processing of the reimbursements, the Agency instead used

the funding to reimburse the Department of Administration for its losses during the flood. Because the funding is still needed for the Department of Environmental Management, the Agency is again requesting this amount.

The Military Staff has included the elimination of the state match as part of its constrained request, which would save \$50,000 of general revenues while forfeiting \$0.5 million from federal sources. *The Governor recommends funding as requested in the unconstrained request.*

Homeland Security Grant Program. The Military Staff requests \$2.8 million, \$0.7 million less than enacted from federal funds to reflect anticipated awards and expenditures from these grants for FY 2014. The funds are intended to enhance the capacity of emergency responders when faced with incidents of terrorism involving weapons of mass destruction. *The Governor recommends \$0.3 million more than enacted, which is \$0.9 million more than requested to reflect the inadvertent exclusion of \$0.9 million from the FY 2014 homeland security grant.*

Tropical Storm Irene. In August of 2011, Tropical Storm Irene touched down in Rhode Island resulting in flood and wind damage throughout the state. Due to the severity of the damages, state and quasi-state agencies, hospitals, fire districts, colleges, utilities and municipalities were eligible for federal reimbursement of costs incurred to repair the damage. Due to the timing of the storm there was no funding in the enacted budget for the reimbursements; however, the Military Staff's FY 2014 request includes \$5.5 million from federal funds for the reimbursements. *The Governor recommends funding as requested.*

All Other Operations. The Staff requests \$3.6 million, \$13,287 more than enacted from all funds for all other operations in the Emergency Management Agency. The majority of funding represents federal grants for various activities, including potential hazard mitigation projects, homeland security initiatives and hazardous materials response.

The Military Staff has included the elimination of \$0.3 million of miscellaneous operating expenditures as part of its constrained request, including \$40,744 from general revenues. The savings appear unlikely to materialize as projected expenditures would be far below historical patterns, with critical emergency management areas negatively impacted, including planning, mitigation and response.

The Governor recommends \$25,602 more than the unconstrained request, including \$282 less from general revenue to reflect a rebate to the state's auto liability insurance policy offset by \$25,884 more from federal funds to reflect shifting statewide benefit savings from non-general revenue sources to miscellaneous operating expenses.

Department of Public Safety

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Requested	FY 2014 Recommended
Expenditures by Program				
Central Management	\$ 5,497,140	\$ 5,969,725	\$ 5,512,796	\$ 5,542,470
E-911	5,262,243	5,212,358	5,736,684	5,488,731
Fire Marshal	4,626,892	4,523,599	4,901,511	5,352,066
Capitol Police	3,809,111	3,791,578	4,152,273	3,987,445
Sheriffs	17,676,662	17,426,339	19,302,880	18,027,108
Municipal Police Training Academy	570,978	577,603	628,877	562,173
State Police	85,057,042	85,615,415	88,195,321	86,389,978
Total	\$ 122,500,068	\$ 123,116,617	\$ 128,430,342	\$ 125,349,971
Expenditures by Category				
Salaries and Benefits	\$ 74,943,629	\$ 71,343,933	\$ 79,116,794	\$ 77,536,681
Contracted Services	1,044,617	1,033,852	347,459	263,200
Subtotal	\$ 75,988,246	\$ 72,377,785	\$ 79,464,253	\$ 77,799,881
Other State Operations	9,966,270	13,150,529	12,825,180	11,852,455
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	27,071,552	27,457,808	26,462,120	26,457,620
Capital	9,474,000	10,130,495	9,678,789	9,240,015
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 122,500,068	\$ 123,116,617	\$ 128,430,342	\$ 125,349,971
Sources of Funds				
General Revenue	\$ 94,790,039	\$ 91,455,541	\$ 101,167,558	\$ 97,134,021
Federal Aid	6,940,151	10,359,782	6,155,535	6,155,535
Restricted Receipts	12,687,548	12,674,856	12,753,188	12,753,188
Other	8,082,330	8,626,438	8,354,061	9,307,227
Total	\$ 122,500,068	\$ 123,116,617	\$ 128,430,342	\$ 125,349,971
FTE Authorization	609.2	609.2	647.2	651.2

Summary. The Department of Public Safety requests total expenditures of \$128.4 million from all sources, which is \$5.9 million more than the FY 2013 enacted budget. The unconstrained current service level request includes \$101.2 million from general revenues, \$6.2 million from federal sources, \$12.8 million from restricted receipts, and \$8.4 million from Rhode Island Capital Plan funds. The Department requests staffing authorization of 647.2, which is 38.0 more than authorized. The Department also submits a constrained request that totals \$95.2 million from general revenues, which is \$5.9 million less than the unconstrained request and includes the authorized level of 609.2 full-time equivalent positions.

The Governor recommends \$125.3 million from all sources which is \$2.8 million more than enacted and \$3.0 million less than requested. This includes \$4.0 million less than requested from general revenues and \$1.0 million more from other sources.

Target Issues. The Budget Office provided the Department of Public Safety with a general revenue target of \$101.0 million. The amount includes current service adjustments of \$6.2 million and a 7.0 percent target reduction of \$5.8 million, including restoration of \$0.5 million of turnover included in the enacted budget and funding for salaries and benefits for 40.0 recruits for the 55th State Police Training Academy. 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 \$1.9 million above the target.*

FY 2014 Budget	Budget Office	Department Public Safety	Difference
FY 2013 Enacted	\$ 94,790,039	\$ 94,790,039	\$ -
Current Service Adjustments	6,218,557	6,377,519	158,962
<i>Change to FY 2013 Enacted</i>	<i>\$ 6,218,557</i>	<i>\$ 6,377,519</i>	<i>\$ 158,962</i>
FY 2014 Current Service/Unconstrained Request	\$ 101,008,596	\$ 101,167,558	\$ 158,962
Target Reduction/Initiatives*	(5,804,940)	(5,963,902)	(158,962)
FY 2014 Constrained Target/Request	\$ 95,203,656	\$ 95,203,656	\$ -
<i>Change to FY 2013 Enacted</i>	<i>\$ 413,617</i>	<i>\$ 413,617</i>	<i>\$ -</i>

Staffing Authorization. The Department requests staffing authorization of 647.2 full-time equivalent positions, which is 38.0 more than authorized. The request restores \$0.9 million of the \$1.0 million in turnover savings included in the enacted budget.

The Governor recommends 651.2 positions, which is 42.0 more than authorized and 4.0 more than requested. He includes 40.0 new State Police trooper positions and 2.0 positions in Central Management not included in the Department's request and recommends \$1.7 million of turnover savings which is \$0.7 million more than enacted and \$1.6 million more than included in the unconstrained request. As of the pay period ending January 12, 2013, the Department reported 572.2 filled full-time equivalent positions and 37.0 vacancies.

E-911 Telephone System

Salaries and Benefits. The Department requests \$4.5 million which is \$141,493 more than enacted from general revenues for salaries and benefits for the authorized amount of 50.6 full-time equivalent E-911 positions. The Department anticipates filling 3.0 authorized full-time telecommunicator positions on January 1, 2013. Consistent with the enacted budget, the request does not include turnover savings.

As part of its constrained request, the Department requests maintaining 3.0 authorized full-time equivalent telecommunicator positions vacant for the fiscal year for savings of \$0.2 million.

The Governor recommends \$0.2 million less than requested from maintaining the 3.0 positions vacant consistent with the constrained request. He includes \$32,232 less to reflect statewide benefit savings.

Geographic Information System Annual Contract. The Department requests \$240,000 from general revenues for an annual contract to maintain its Geographic Information System, the geographic data management system utilized by the E-911 program to locate emergency callers to precise latitudinal and longitudinal coordinates. This annual cost was previously funded by a federal grant, which the Department reports is no longer available. It should be noted that the Department requested funding for this contract in the FY 2013 operating request; the Governor recommended funding as requested, but the Assembly did not concur. This expense is included in the revised FY 2013 request. *The Governor recommends funding as requested.*

Information Technology and Communication System Maintenance. The Department requests an additional \$184,881 from general revenues for information technology and communication system maintenance expenses related to providing E-911 access. The request includes \$106,356 more for annual information technology and communication system contracts necessary to maintain the functionality of the public safety answering point located at the Department's headquarters in North Scituate and \$8,878 more than enacted to maintain the state's former public safety answering point in Providence for emergency support. These were mistakenly not requested for FY 2013; therefore, are not included in the enacted budget.

As part of its constrained request, the Department requests \$158,822 less for communication system maintenance expenses. The Department does not indicate the impact these reductions will have on E-911 operations, but given the import of the information technology and communication systems in use, it seems likely that these reductions would have a significantly detrimental impact on E-911 functionality.

The Governor recommends funding included in the unconstrained request.

Other Operations. The Department requests \$0.4 million which is \$91,933 less than enacted from general revenues for all other E-911 operations. This includes \$44,770 less for fuel and energy costs and \$34,890 less for miscellaneous office expenses consistent with expenditures for FY 2012 for these items. *The Governor recommends \$5,500 less than requested based on an updated estimate.*

Fire Marshal

Salaries and Benefits. The Department requests \$3.0 million which is \$377,605 more than enacted from all funds for State Fire Marshal salaries and benefits. This includes \$411,893 more from general revenues and \$1,845 more from other funds offset by \$26,771 less from federal funds based on the expiration of two federal grants and \$9,360 less from restricted receipts. The request includes the authorized number of 36.0 full-time equivalent positions and restores the \$0.2 million of turnover savings assumed in the enacted budget.

As part of its constrained request, the Department requests maintaining 6.0 authorized full-time equivalent positions vacant for the fiscal year. These positions are included in the FY 2013 revised request and are anticipated to be hired on January 1, 2013; maintaining these positions vacant is anticipated to create \$408,619 of general revenue savings. The Department notes that the staff of the State Fire Marshal is increasingly taxed by its statutory responsibilities and recent changes to plan review guidelines. Acceptance of the suggested vacancies would have a detrimental impact on the Fire Marshal's ability to fulfill its obligations.

The Governor recommends \$235,680 less than the unconstrained request, reflective of maintaining 3.0 positions vacant for FY 2014, including 1.0 assistant explosive and flammable liquids technician and 2.0 fire investigator positions.

Bomb Disposal Unit Grants. The Department requests no federal funds for its Fire Marshal Bomb Disposal Unit for which \$75,944 was included in the enacted budget. *The Governor recommends funding as requested.*

Vehicle Maintenance. The Department requests \$0.2 million which is \$108,017 more than enacted from general revenues for maintenance of its fleet of vehicles. The Department reports that the age of this fleet and increased use have resulted in an increase in maintenance and repair costs. The request

is reflective of FY 2012 expenditures for maintenance costs and is consistent with the FY 2013 revised request. *The Governor recommends \$85,015 less than requested to reflect FY 2012 expenditures.*

Capital. Consistent with the approved capital plan, the Department requests \$9.2 million for total project costs including: \$6.4 million from general obligation bonds approved by the voters in November 2002 and \$2.8 million from Rhode Island Capital Plan funds to build a State Fire Training Academy. Phase I, completed in December 2011, was construction of the training portion of the Academy funded from bond proceeds. Phase II funding includes \$1.5 million in the current year and \$1.3 million in FY 2014 from Rhode Island Capital Plan funds to build a 7,500 square foot classroom and administrative building for the Academy.

The Governor recommends shifting \$0.8 million from FY 2013 to FY 2014. This is discussed in greater detail in the Capital Budget Section of this analysis.

Other Operations. The Department requests \$0.1 million or \$39,941 more than enacted from general revenues for all other Fire Marshal operations. This includes \$45,415 more for general office expenses, offset by reductions in uniform purchases and computer equipment purchases consistent with FY 2012 expenditures. The request also includes \$26,460 more than enacted for supply and equipment purchases. As of this writing, the Department is unable to specify the equipment it plans to purchase.

The Governor recommends \$28,530 less than requested, including \$28,750 less from general revenues. This excludes funding for the requested supply and equipment purchases and adds \$220 from federal funds and restricted receipts from statewide benefit savings shifted to miscellaneous operating expenses.

Capitol Police

Salaries and Benefits. The Department requests \$3.9 million which is \$250,919 more than enacted from general revenues for Capitol Police salaries and benefits. The request is consistent with current planning values and employee benefits selections, includes funding for the authorized 43.0 full-time equivalent positions, \$180,000 more than enacted for overtime expenses, and assumes \$0.1 million of turnover savings. An additional 8.0 positions are funded through an internal service fund and are not reflected in the expenditure totals.

As part of its constrained request, the Department requests a reduction in Capitol Police overtime, expected to generate \$240,000 in savings. If the suggested reduction is enacted, the Department states that it would be forced to refuse requests for Capitol Police services from other state agencies. Daily vacancies caused by short-term illness would also remain unfilled, preventing adequate Capitol Police staffing of other state agencies and buildings.

The Governor recommends funding consistent with the unconstrained request, with the exception of \$30,000 less for overtime and \$56,125 less than the unconstrained request, including \$30,000 less in overtime expenses and \$26,125 less in statewide benefit savings.

Supply and Equipment Purchases. The Department requests \$0.2 million for supply and equipment purchase for the Capitol Police. This is \$85,915 more than enacted, including \$26,000 for radios capable of connecting to the statewide radio communications network and \$41,515 to purchase, install, and train staff in the use of the Intelligence Management Center data management system. It appears that Google forfeiture funds may be able to be used for this purchase, rather than general revenues.

As part of its constrained request, the Department requests a reduction in Capitol Police supply and equipment purchases, expected to generate \$103,500 of savings. The Department does not note which requested supplies and equipment would be foregone, therefore its impact on Capitol Police operations cannot be determined.

The Governor recommends \$139,400 less than the unconstrained request to reflect historical expenditures and the purchase of public safety supplies for long-term use in FY 2013.

Other Operations. The Department requests \$0.1 million which is \$6,328 more than enacted from general revenues for all other Capitol Police operations, including \$5,500 more for uniforms to replace old uniforms and outfit new officers, \$7,100 more than enacted for telecommunication expenses, and \$31,479 less for miscellaneous office expenses. Consistent with the FY 2013 revised request, also included is \$20,500 for fleet maintenance, which was mistakenly not requested for FY 2013 and was therefore not included in the enacted budget. *The Governor recommends \$30,697 more than requested, including \$31,497 for judiciary occupancy costs included in the enacted budget, but inadvertently omitted from the revised request and \$800 less, reflective of statewide insurance savings for the Division's fleet of vehicles.*

Sheriffs

Salaries and Benefits. The Department requests \$17.4 million which is \$1,029,789 more than enacted from general revenues for Sheriffs salaries and benefits. The request is consistent with current planning values and employee benefits selections and fully funds 180.0 full-time equivalent positions authorized in the enacted budget. It restores \$0.4 million of turnover savings included in the enacted budget. The request assumes no turnover, includes a full year of salaries and benefits for 11.0 currently vacant full-time equivalent positions, and \$31,245 more for overtime expenses.

As part of its constrained request, the Department requests maintaining 6.0 authorized full-time equivalent deputy positions vacant for FY 2014. The suggested vacancies are anticipated to generate \$549,557 of savings from general revenues. The Department notes that should the suggested vacancies be enacted for FY 2014, the reduction would threaten the level of security that the Sheriffs provide.

The Governor recommends \$0.8 million less than requested, including \$150,000 less for overtime expenses and \$125,690 less from statewide benefit savings. The remaining \$0.5 million reduction is from position vacancies, similar to turnover included in the enacted budget.

Supply and Equipment Purchases. The Department requests \$0.5 million which is \$496,556 more than enacted for Sheriffs supply and equipment purchases. The Department believes that the Sheriffs are not properly equipped to perform the division's statutory obligations. The request includes \$60,000 for copy machines, \$139,776 for body armor and \$76,361 for transportation safety equipment to protect sheriffs working with prisoners. It appears that Google forfeiture funds may be able to be used for this purchase, rather than general revenues.

As part of its constrained request, the Department requests \$470,000 less from general revenues for Sheriffs supplies and equipment. It is unable to provide specifics regarding what requested purchases would be foregone should the reduction be enacted. It is therefore unable to specify any potential impact on the Sheriffs' functionality. *The Governor recommends \$0.4 million less than the unconstrained request, which is \$70,000 more than enacted.*

Other Operations. The Department requests \$99,873 more than enacted from general revenues for all other Sheriffs operations, including \$23,100 more for fleet maintenance which is consistent with FY 2012 expenditures. The request includes \$14,270 more for uniforms and \$62,400 more for instructor and materials costs associated with the Sheriffs' Academy and continuing education classes. *The Governor recommends \$78,113 less than requested to reflect historical expenditures.*

Municipal Police Training Academy

Salaries and Benefits. The Department requests \$0.3 million or \$1,042 more than enacted from general revenues for salaries and benefits for the Municipal Police Training Academy. The request reflects \$15,037 of turnover savings consistent with the hire of a new Academy Director. The remaining request is consistent with current planning values and employee benefits selections and includes the authorized amount of 3.0 full-time equivalent positions. *The Governor recommends \$65,777 less than requested, which assumes the Coordinator of Instruction and Testing position is vacant for the fiscal year.*

Operations. The Department requests \$56,857 more than enacted from all funds for Municipal Police Training operations, lecturers and training equipment. This includes \$1,873 more from general revenues and \$54,984 more from federal funds. The Academy reviewed and revised its curriculum in FY 2012. The revised and expanded curriculum includes additional course offerings, offered more frequently throughout the year. These expanded course offerings require additional instructors and course materials. The request also includes \$18,570, which is \$1,207 more than enacted from general revenues, for the Academy's lease of classroom and office space at the Lincoln Campus of the Community College of Rhode Island. The Department anticipates this cost will increase for FY 2014, based on historical expenditures.

The Governor recommends \$927 less than requested, reflective of the Academy's FY 2013 lease agreement and his revised FY 2013 recommendation. The cost of the Academy's lease for FY 2014 has not been determined.

State Police

New Positions. The Department requests \$227,067 from general revenues for 2.0 new full-time equivalent civilian positions within the State Police, 1.0 new full-time Data Processing Systems Manager and 1.0 new full-time Computer Programmer. These positions were previously contract positions funded by the Internet Crimes Against Children grant under the American Recovery and Reinvestment Act, which expired on September 30, 2012. The FY 2013 revised request does not include a reduction in federal funds for this grant's expiration. The Department anticipates filling the positions with the previous contract employees as of January 1, 2013. The Department is not requesting an increase in its full-time equivalent authorization as it currently has numerous vacancies. *The Governor recommends funding and 2.0 full-time equivalent positions. He also includes these positions in his FY 2013 revised recommendation.*

55th State Police Training Academy. The Department requests \$3.9 million from general revenues for personnel and operations of 55th State Police Training Academy. The request includes salaries and benefits for 40.0 recruits for the duration of Academy training and for salaries and benefits for 40.0 new full-time State Police troopers for seven months. Also included is \$644,130 from general revenues for equipment, supplies, and operations costs for the Academy. The Department intends to begin recruitment in the early fall 2012 and to offer the written entrance examination in November 2012. Candidate review, physical and psychological testing will commence in January 2013. The

Academy is scheduled to begin on July 14, 2013. It should be noted that funding for this was requested by the Department for FY 2013, but the Governor did not recommend the funding and the 2012 General Assembly concurred with the Governor.

As part of its constrained request, the Department requests the postponement of the 55th State Police Training Academy for savings of \$2.8 million. The Department states that a postponement of the 55th State Police Training Academy could potentially place the Rhode Island State Police at risk of having a significantly decreased staff size. It notes that a smaller staff of sworn members would prevent the Division from maintaining its current Accreditation with Excellence standard as a public safety agency, and without new recruits, the Division will not be able to provide the public safety services it is required to provide. It should be noted that the constrained request includes a reduction in personnel costs, but does not reduce operations costs associated with the Academy. *The Governor recommends funding consistent with the unconstrained request.*

All Other Salaries and Benefits. Excluding the two federal funds transfer positions and salaries and benefits for the 55th State Police Training Academy, the Department requests \$48.0 million which is \$1.3 million less than enacted from all funds for all other State Police salaries and benefits. This includes \$1.4 million less from general revenues. The request reflects 16 retirements from the Department during FY 2012, current planning values, and employee benefits selections for the Division's current 270.0 full-time equivalent positions. It does not include any additional turnover savings.

As part of its constrained request, the Department requests \$947,283 less from general revenues consistent with the retirement of 4.0 sworn members of the Division. It should be noted that there is no assurance that the necessary retirements would take place. The suggested savings cannot be guaranteed.

The Governor recommends \$233,999 less than the unconstrained request, including \$1.5 million less from general revenues. He includes a shift of \$1.3 million from general revenues to Lottery sources to reflect a transfer of funds from the Department of Revenue to fund the creation of a Gaming Unit with 8.0 Detective Trooper positions. The remaining savings appear to be increased turnover. He does not appear to include a reduction for statewide benefit savings.

Pay-Go Pensions. The Department requests \$17.9 million which is \$148,557 less than enacted from general revenues for State Police pensions that are paid on a pay-as-you-go basis. The request includes 201 regular pensions, 39 widows pensions, and 19 disability pensions and reflects a more updated estimate.

As part of its constrained request, the Department requests \$89,168 less from general revenues for State Police widows pensions. It should be noted that the Department is required by statute to provide pensions to the eligible widows of sworn members until those widows' deaths. The Department cannot therefore accurately predict a reduction in widows pensions for FY 2014. *The Governor recommends funding as requested.*

State Fleet. The Department requests \$1.4 million which is \$27,481 more than enacted from all funds for costs associated with the Division's fleet of vehicles. This includes \$6,781 more for vehicle purchase costs and \$20,700 more for maintenance costs. The Department reports that vehicle maintenance costs have increased in proportion to the age and mileage of the State Police fleet but consistently miscalculates its request for vehicle maintenance costs. The Division has purchased new vehicles in each fiscal year. This includes 79 for FY 2013, 20 of which were received by January of

2013 and 59 of which are anticipated in the fourth quarter of FY 2013. *The Governor recommends \$41,222 less than requested from general revenues, reflective of historical spending and statewide vehicle insurance savings.*

Modernization. The Department requests the enacted amount of \$7.4 million from restricted receipts for Division modernization programs including state fleet purchases and staff training. In 2012, the Department of Public Safety was named as one of the five state agency recipients of funds forfeited by Google, Inc. due to the corporation's violation of the Federal Food, Drug and Cosmetic and Controlled Substances Acts. Part VIII, Section A(1)d of the Federal Guide to Equitable Sharing for State and Local Law Enforcement Agencies establishes permissible uses of forfeiture funds, including law enforcement equipment. Per Rhode Island General Law, Section 42-41-6, all expenditures of federal funds must be first appropriated or reappropriated by the Assembly and the Governor. *The Governor recommends \$0.2 million less than requested to reflect availability of other resources.*

Information Technology and Communication Systems. The Department requests \$0.7 million which is \$297,736 more than enacted from all sources for State Police Information Technology and Communication System expenses. This includes \$252,521 more from general revenues and \$45,215 more from federal funds. This includes \$318,508 more from general revenues and \$175,896 more from federal funds. The request includes the establishment of new maintenance and remediation contracts for information technology equipment and services used by the Division in the new headquarters building. The initial contracts have expired. As their renewal was mistakenly excluded from the FY 2013 operating request, these expenses are also included in the FY 2013 revised request. *The Governor recommends funding as requested.*

Supply and Equipment Purchases. The Department requests \$0.8 million which is \$0.6 million more than enacted, including \$245,468 more from general revenues for supplies and equipment for its State Police program. This includes an unidentified sum for equipment and gear for the 55th State Police Training Academy class, tactical equipment, communications equipment, and firearms. It appears that Google forfeiture funds may be able to be used for the requested purchases, rather than general revenues. This is further detailed in the "Modernization" section of this analysis. *The Governor recommends \$0.2 million less than requested from general revenues, reflective of historical expenditures and his revised FY 2013 recommendation.*

Grants. The Department requests \$114,541 which is \$910,489 less than enacted from federal funds for federal grant programs. The request includes \$89,126 for the Internet Crimes Against Children grant program and \$1,210 more than enacted for the Motor Carrier Safety grant program. The request is consistent with the expiration of multiple grant programs including those granted to the Division under the American Recovery and Reinvestment Act. *The Governor recommends \$5,864 more from federal funds, shifting statewide benefit savings to miscellaneous operating expenses.*

Capital. The Department requests \$3.3 million or \$400,000 more than enacted from Rhode Island Capital Plan funds for capital improvements to the State Police Barracks, the installation of new microwave towers, and the expansion and renovation of ancillary buildings at the Department's headquarters facility in North Scituate. *The Governor recommends \$365,257 less than requested, reflective of updated project schedules and reprioritization of projects. This is discussed in greater detail in the Capital Budget Section of this analysis.*

Federal Forfeitures. The Department did not request funds from restricted receipts for the purchase of State Police supplies and equipment. The enacted budget has historically included funds from restricted receipts and federal sources from the forfeiture of seized money to purchase new equipment,

per Department of Justice guidelines. These purchases were not included in the Department's FY 2013 operating request and were therefore excluded from the enacted budget.

The Governor recommends use of \$0.2 million from other federal forfeiture funds for State Police military supply purchases.

Other Operations. The Department requests \$2.3 million which is \$117,146 more than enacted from all funds for all other State Police operations. This includes \$42,146 more from general revenues and \$75,000 more from restricted receipts. The request includes \$227,916 more for physical maintenance contracts for the new headquarters building's physical systems. Contracts established prior to the building's dedication have expired and must be renewed. The request additionally includes \$20,738 more than enacted from general revenues for the state fleet maintenance.

The Governor recommends \$24,927 less than enacted, including \$107,868 less from general revenues reflective of historical expenditures and his revised FY 2013 recommendation. He includes \$7,941 in medical benefit savings shifted from other funds to miscellaneous operating expenses.

Central Management

New Positions. The Department requests \$133,160 from general revenues for a new full-time equivalent general counsel position. This position is requested to alleviate the increased burden placed on current legal staff, following the transfer of the Division of Sheriffs from the Department of Administration. The transfer has resulted in multiple labor negotiations and disputes, regarding individual officers and the Sheriffs as a division. To date, the Division has not had legal support staff dedicated to its labor issues. This added position is offset by the elimination of a vacancy in the State Police and is included in the FY 2013 revised request.

The Governor includes authorization for the position, but recommends no funding, assuming the position is vacant for the full fiscal year. It is unclear at this time why the Governor recommends the position but does not include funding. He also includes 2.0 new full-time equivalent positions not included in the Department's request, a paralegal and a public information officer. The Department reports that it has experienced an increase in press and public inquiries, response to which has taxed command staff untrained in media relations. The public information officer will relieve existing staff of these responsibilities in addition to creating unified public relations messaging to be used by all divisions when interacting with the public. As previously noted, the Department has experienced an increase in legal workload, relating to the transfer of the Division of Sheriffs from the Department of Administration. The recommended paralegal will provide administrative support to existing legal staff.

All Other Salaries and Benefits. Excluding the general counsel position, the Department requests \$1.8 million or \$124,469 more than enacted from all sources, including \$99,183 more from general revenues and the authorized 15.6 full-time positions. The request is consistent with current planning values and employee benefits selections.

The Governor recommends \$158,404 more than requested for the recommended positions, reflective of an updated estimate of current costs, including the impact of statewide benefit savings.

Grants. Excluding salaries and benefits, the Department requests \$3.6 million which is \$242,973 less than enacted from federal funds for Department of Justice grant programs. *The Governor recommends \$4,430 more than requested, shifting statewide benefit savings from a non-general revenue source to miscellaneous operating expenses.*

Other Operations. The Department requests \$1,000 more from general revenues for all other Central Management operations. This includes \$500 more for records storage and \$500 more for office supplies. The addition of the Division of Sheriffs has increased the size and scope of Central Management's administrative obligations. *The Governor recommends funding as requested.*

Office of the Public Defender

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
Expenditures by Category				
Salaries and Benefits	\$ 9,872,920	\$ 9,665,418	\$ 9,998,901	\$ 9,900,455
Contracted Services	236,852	292,264	321,802	317,802
Subtotal	\$ 10,109,772	\$ 9,957,682	\$ 10,320,703	\$ 10,218,257
Other State Operations	952,589	962,236	984,730	984,258
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	101,596	75,000	75,000	75,000
Capital	49,167	54,492	49,167	49,167
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 11,213,124	\$ 11,049,410	\$ 11,429,600	\$ 11,326,682
Sources of Funds				
General Revenue	\$ 10,791,226	\$ 10,757,414	\$ 11,137,604	\$ 11,034,686
Federal Aid	421,898	291,996	291,996	291,996
Restricted Receipts	-	-	-	-
Other	-	-	-	-
Total	\$ 11,213,124	\$ 11,049,410	\$ 11,429,600	\$ 11,326,682
FTE Authorization	93.0	93.0	93.0	93.0

Summary. The Office of the Public Defender's current service request is \$11.4 million from all sources, including \$11.1 million from general revenues and \$0.3 million from federal funds. This is \$0.2 million or 1.9 percent more than enacted, including \$0.3 million more from general revenues and \$0.1 million less from federal funds. Consistent with the enacted, the Office requests 93.0 full-time equivalent positions. *The Governor recommends \$11.3 million from all sources, including \$11.0 million from general revenues and the enacted level of authorized positions. This is \$113,558 more than enacted, but \$102,918 less than requested.*

Target Issues. The Budget Office provided the Office with a general revenue target of \$10,291,929. The amount includes current service adjustments of \$237,967 and a seven percent target reduction of \$737,264.

	Budget Office	Office of the Public Defender	Difference
FY 2014 Budget			
FY 2013 Enacted	\$ 10,791,226	\$ 10,791,226	\$ -
Current Service Adjustments	237,967	346,378	108,411
Change to FY 2013 Enacted	\$ 237,967	\$ 346,378	\$ 108,411
FY 2014 Current Service/Unconstrained Request	\$ 11,029,193	\$ 11,137,604	\$ 108,411
Target Reduction/Initiatives	(737,264)	(845,675)	(108,411)
FY 2014 Constrained Target/Request	\$ 10,291,929	\$ 10,291,929	\$ -
<i>Change to FY 2013 Enacted</i>	<i>\$ (499,297)</i>	<i>\$ (499,297)</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 recommendation is \$742,757 above the Budget Office target.*

Salaries and Benefits. The Office requests \$10.0 million from all sources, including \$9.9 million from general revenues for salaries and benefits for 93.0 full-time positions. This is \$125,981 more than enacted from all sources, including \$270,215 more from general revenues to reflect updated benefit rates, essentially consistent with the Budget Office planning values. The request includes step increases and anticipates lower medical benefit costs than assumed in the current services based on FY 2013 actual employee benefit selection. This request also assumes continued general revenue support of \$81,000 for the previously federally-funded community outreach liaison position for FY 2014.

The Office proposes a 9.0 full-time position reduction in its FY 2014 constrained request for savings of \$845,675 in comparison to its unconstrained request in order to meet the Budget Office general revenue target. This includes \$0.3 million for unemployment benefit costs associated with this proposal. The Office indicates that due to its current caseload, it would no longer be able to absorb any additional cases, if this proposal is approved. As a result, cases referred by the Judiciary would not be accepted.

[Staff Note: The Office's request did not specify which services would be impacted by the proposed lay off if it's approved; however, past budgets suggest that it would hamper the Office's ability to provide effective representation only for certain specific sub-program areas. For instance, the Office's FY 2012 budget includes a similar proposal to lay off 7.0 full-time attorney positions out of 14.0 available for juvenile cases. That proposal specified that the impact would translate into unavailability to provide representation for further juvenile cases, but would continue representation for juvenile cases that were already accepted for that year.]

The Governor recommends \$9.9 million from all sources, including \$9.8 million from general revenues. This is \$27,535 more than enacted, but \$98,446 less than the unconstrained request to reflect \$36,579 in additional turnover and \$61,867 from statewide benefit savings.

Intake Interviewers and Case Management. The Office requests \$186,930 from all sources, including \$51,930 from general revenues and \$135,000 from federal funds for intake interviewers and case management services. This is \$68,930 more than enacted to reflect projected increases for annualized costs of three seasonal part-time intake interviewers and additional case management services. The interviewers are expected to assist with data entry function and conduct interviews to help determine if individuals are financially eligible for public representation.

Case management services are federally-funded and include the utilization of community resources to assist adult offenders with substance abuse and mental health issues. For FY 2012, the Office spent \$46,553 for case management services or \$38,447 less than the \$85,000 requested for FY 2014. The Office's FY 2013 revised budget request includes \$40,838 from general revenues. *The Governor recommends \$4,000 less than requested from general revenues to reflect a reduction based on prior year expenditure experience.*

Trial Related Expenses. The Office requests \$113,020 from general revenues, or \$16,020 more than enacted for contracted trial related expenses. This includes projected increases of \$10,000 for court reporter services, \$5,000 for medical expert services, and \$1,020 for interpreter services based on prior year experience. The Office spent \$118,875 in FY 2012 for the requested expenses or \$5,855 more than the FY 2014 request. *The Governor recommends funding as requested.*

All Other Operations. The Office requests \$1.1 million from all sources, including \$1.0 million from general revenues and \$0.1 million from federal funds for all other operations. This is \$5,545 more than enacted, including \$26,213 from general revenues to reflect projected expenses for travel, supplies, and communication systems based on past experience. Other requested increases include \$8,252 for records storage based on retention policies, \$4,079 for its rental expenses, and \$1,062 for support staff development.

It should be noted that the FY 2013 enacted budget includes a one-time general revenue expense of \$30,210 for software upgrades for its computer network infrastructure. This request proposes to use those funds to upgrade the Office's case management system into a modern web-based application system.

The Governor recommends \$472 less than the unconstrained request based on revised insurance cost estimates. His recommendation also shifts \$1,087 in statewide benefit savings from federal funds to miscellaneous operating expenses.

Department of Environmental Management

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
Expenditures by Program				
Office of the Director	\$ 8,202,332	\$ 8,755,384	\$ 8,082,948	\$ 7,690,781
Bureau of Natural Resources	56,545,344	54,857,945	55,452,752	64,830,345
Bureau of Environmental Protection	34,089,835	35,921,266	34,657,994	34,033,259
Total	\$ 98,837,511	\$ 99,534,595	\$ 98,193,694	\$ 106,554,385
Expenditures by Category				
Salaries and Benefits	\$ 44,757,167	\$ 45,271,070	\$ 47,358,612	\$ 46,341,287
Contracted Services	13,145,677	14,206,896	12,910,301	12,855,301
Subtotal	\$ 57,902,844	\$ 59,477,966	\$ 60,268,913	\$ 59,196,588
Other State Operations	10,832,117	11,955,546	11,937,171	11,968,013
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	7,486,055	7,297,705	5,023,409	5,708,083
Capital	22,566,495	20,753,378	20,914,201	29,631,701
Capital Debt Service	-	-	-	-
Operating Transfers	50,000	50,000	50,000	50,000
Total	\$ 98,837,511	\$ 99,534,595	\$ 98,193,694	\$ 106,554,385
Sources of Funds				
General Revenue	\$ 34,546,300	\$ 34,263,624	\$ 35,947,252	\$ 34,876,447
Federal Aid	34,997,551	36,678,628	34,533,698	35,126,329
Restricted Receipts	14,309,942	15,360,459	15,802,650	15,881,515
Other	14,983,718	13,231,884	11,910,094	20,670,094
Total	\$ 98,837,511	\$ 99,534,595	\$ 98,193,694	\$ 106,554,385
FTE Authorization	407.0	399.0	400.0	400.0

Summary. The Department requests \$98.2 million, which is \$0.6 million less than enacted. This includes \$1.4 million more from general revenues, \$0.5 million less from federal funds, \$1.5 million more from restricted receipts and \$3.1 million less from other funds. The Department requests 400.0 full-time equivalent positions, which is 7.0 less than authorized. The Department also submitted a constrained request that totals \$95.8 million and includes \$2.7 million less from general revenues than the unconstrained request. The savings in the constrained request would be achieved through staffing reductions.

The Governor recommends \$106.6 million, \$7.7 million more than enacted, including \$0.3 million more from general revenues, \$0.1 million more from federal funds, \$1.6 million more from restricted receipts and \$5.7 million more from other funds. The recommendation includes the requested reduction of 7.0 positions.

Target Issues. The Budget Office provided the Department of Environmental Management with a general revenue target of \$33.2 million. The amount includes current service adjustments of \$0.9 million and a 7.0 percent target reduction of \$2.3 million. The Department's constrained budget is

\$7,806 above the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's budget is \$1.7 million above the target.*

FY 2014 Budget	Budget Office	DEM	Difference
FY 2013 Enacted	\$ 34,546,300	\$ 34,546,300	\$ -
Current Service Adjustments	940,249	1,400,952	460,703
<i>Change to FY 2013 Enacted</i>	<i>\$ 940,249</i>	<i>\$ 1,400,952</i>	<i>\$ 460,703</i>
FY 2014 Current Service/Unconstrained Request	\$ 35,486,549	\$ 35,947,252	\$ 460,703
Target Reduction/Initiatives	(2,262,581)	(2,715,478)	(452,897)
FY 2014 Constrained Target/Request	\$ 33,223,968	\$ 33,231,774	\$ 7,806
<i>Change to FY 2013 Enacted</i>	<i>\$ (1,322,332)</i>	<i>\$ (1,314,526)</i>	<i>\$ 7,806</i>

Administration

Salaries and Benefits. The Department requests \$0.1 million more than enacted for salaries and benefits in the Department's administrative program. The request includes eliminating 3.0 vacant positions for an estimated savings of \$0.4 million. The positions include a senior word processing typist, a hearing officer and a deputy chief of legal services. Excluding the staff reductions noted, the Department requests \$0.5 million more than enacted for other salaries and benefits in the administrative division to reflect transferring an implementation aide to the Bureau of Natural Resources, \$0.1 million for benefit rate changes consistent with the Budget Office instructions and \$0.4 million to fully fund anticipated staffing costs for the remaining 34.0 full-time equivalent positions in the division.

A large portion of the restricted receipt funding reflects the Department's ability to offset higher salary and benefit amounts to indirect cost recoveries from federal grants throughout the Department. The Department notes that while it is not eligible to utilize federal funds for salaries and benefits for certain employees throughout the agency, it is able to utilize indirect cost recoveries on federal funds for its administrative division.

The Department's constrained request primarily includes staffing reductions from eliminating 24.0 positions, but the constrained request also includes additional funding from restricted receipts, including an increase of \$41,304 for personnel costs related to the Regional Greenhouse Gas Initiative, a cooperative effort by Northeastern and Mid-Atlantic states to reduce carbon dioxide. The Department indicates that the increase involves a shift of funds currently budgeted in the Division of Air Resources for work related to the Regional Greenhouse Gas Initiative. The Department further notes that when considering position eliminations to meet its target reduction, it became apparent that some of the funding in the Division of Air Resources would be more appropriately categorized in the Office of the Director's Regional Greenhouse Gas Initiative account and included this proposal as part of its constrained request.

The Governor's recommendation is \$124,024 less than the unconstrained request, including \$92,509 less from general revenues. This reflects \$40,958 in additional turnover saving and \$83,066 from statewide benefit savings. The recommendation also includes \$39,604 more than enacted for personnel costs related to the Regional Greenhouse Gas Initiative, which the Budget Office indicates more appropriately categorizes funding, which is currently budgeted in the Division of Air Resources.

Foundry Lease Payment. The Department requests \$2.6 million or \$5,700 more than enacted from all funds for expenses at its headquarters facility, located at the Foundry Building in Providence. The requested increase reflects utility payments, including \$6,500 more for electricity and \$800 less for heating expenses.

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. While the enacted budget includes restricted receipts for the actual rent and property tax payments, the Department is requesting to instead pay these expenditures from general revenues to reflect its usual practice. *The Governor recommends \$29,666 less than requested from general revenues to better reflect anticipated property tax payments.*

Bays, Rivers and Watersheds. The Department requests \$61,800 more than enacted from the Bays, Rivers and Watersheds restricted receipt account. The funding is derived from a \$1 per hundred gallons charge on septage disposal in the state, and is used to fund the Bays, Rivers and Watersheds Coordination Team, which is responsible for the coordination of the environmental agencies in the state to restore and develop both freshwater and marine waters and watersheds. The request more accurately reflects the anticipated funding for FY 2014. *The Governor recommends funding essentially as requested, but shifts \$2,029 in statewide benefit savings to miscellaneous operating expenses.*

Blackstone Valley Watershed Project. The enacted budget includes \$360,000 from federal funds for the Town of Glocester to design and build wastewater and stormwater treatment systems for the Village of Chepachet. The Department requests no funding for FY 2014, since this project is expected to be completed in FY 2013. *The Governor recommends funding as requested.*

One-Stop Reporting. The Department requests \$150,000, which is \$17,000 more than enacted from federal funds for the One-Stop Reporting program. This program provides consulting and technology to the Department to upgrade its communication technology as well as insuring it is capable of uploading air quality information obtained by the Department to the national system, which is operated by the Environmental Protection Agency. The request more accurately reflects the Department's anticipated FY 2014 expenditures. *The Governor recommends funding as requested.*

Community Service Grants. The Department requests \$73,695, or \$162,976 less than enacted for the community service grants it administers. This reflects the one-time nature of the \$175,000 grant to the Cliff Walk Commission and the addition of a \$12,024 grant to Eastern Rhode Island Conservation District, which was inadvertently excluded from the enacted budget. *The Governor recommends funding as requested.*

Telephone Replacement. The Department requests \$250,000 more than enacted for a new project to upgrade its telephone system, which the Department indicates is over 20 years old. There was recently a system failure in the Department's Foundry Building location which resulted in employees not having a voicemail system for days, and the telecommunications manager from the Division of Information Technology has evaluated the telephone system and recommended the upgrade. The telephone replacement project is also included in the Department's FY 2014 through FY 2018 capital budget request. *The Governor does not recommend funding for this project.*

Office of the Director - All Other. The Department requests \$3,616 more than enacted for all other expenditures in the Office of the Director. This includes \$0.1 million more for expenditures from the Abandoned Vessel Removal Account, which was created by Chapter 389 of the Public Laws of 2012. Collections from the new registration fee created by this law and proceeds from sales of abandoned or derelict vessels will be deposited into a derelict vessel removal account and used to reimburse public entities for their costs related to removal or disposal of an abandoned or derelict vessel. The restricted receipts also include \$58,293 less for the Regional Greenhouse Gas Initiative, a cooperative effort by Northeastern and Mid-Atlantic states to reduce carbon dioxide. The Department indicates that it only had staffing expenditures for this program in FY 2012 and is not anticipating any non-staffing expenses in FY 2013 or FY 2014.

The Governor recommends \$45,634 less than requested primarily to reflect a general revenue reduction of \$55,000 in permit streamlining, based on historical spending for information technology support services.

Bureau of Environmental Protection

Division of Water Resources Staffing. The Department's request includes \$0.7 million more than enacted for salaries and benefits for the Division of Water Resources. The division is responsible for the state's water resources that are used for recreation, habitat and commerce. The request includes eliminating one senior environmental scientist position in the division at estimated savings of \$0.1 million. The request includes \$0.9 million more for other salaries and benefits to reflect \$0.2 million from benefit rate changes consistent with the Budget Office instructions and \$0.7 million more to fully fund the remaining positions in the division.

In its constrained request, the Department includes general revenue savings of \$0.2 million in the Division of Water Resources, which would be achieved by position reductions. The Department's constrained request includes eliminating \$1.7 million and 14.0 positions in the Bureau of Environmental Protection, but it did not specifically identify the positions that would be eliminated. The reduction requested for this division appears to equate to eliminating approximately two positions.

The Governor's recommendation is \$75,649 less than the unconstrained request, including \$61,651 less from general revenues. This reflects \$30,000 in additional turnover saving and \$45,649 from statewide benefit savings. The recommendation does not include the Department's proposed position eliminations.

Division of Waste Management Staffing. The Department requests \$3.1 million, or \$17,505 more than enacted for salaries and benefits for the Division of Waste Management. The division is responsible for providing fair, comprehensive and consistent regulation of the investigation and remediation of hazardous waste and hazardous material releases. The request reflects benefit rate changes consistent with the Budget Office instructions and other changes to salaries and benefits to reflect anticipated staffing costs for positions in the division.

In its constrained request, the Department includes general revenue savings of \$0.1 million in the Division of Waste Management, which would be achieved by staffing reductions. The Department did not specifically identify the positions that would be eliminated. The reduction requested for this division appears to equate to eliminating approximately one position.

The Governor's recommendation is \$24,743 less than the unconstrained request, including \$4,822 from general revenues, to reflect statewide benefit savings. The recommendation does not include the Department's proposed position elimination.

Division of Air Resources Staffing. The Department requests \$3.5 million, or \$0.3 million more than enacted for salaries and benefits for the Division of Air Resources. The division is responsible for the preservation, protection and improvement of air quality in Rhode Island. The request includes roughly \$0.2 million to restore turnover assumed in the enacted budget and the remaining change of \$0.1 million reflects benefit rate changes consistent with the Budget Office instructions.

In its constrained request, the Department includes general revenue savings of \$0.3 million in the Division of Air Resources, which would be achieved by staffing reductions. The Department did not

specifically identify the positions that would be eliminated. The reduction requested for this division appears to equate to eliminating approximately two positions.

The Governor's recommendation is \$96,240 less than the unconstrained request, including \$88,714 less from general revenues. This reflects \$68,270 in additional turnover saving and \$27,970 from statewide benefit savings. The recommendation does not include the Department's proposed position eliminations.

Division of Compliance and Inspection Staffing. The Department requests \$3.3 million, or \$0.1 million more than enacted for salaries and benefits for the Division of Compliance and Inspection, which is responsible for the regulatory enforcement activities related to air, waste and water resources. The request primarily reflects benefit rate changes consistent with the Budget Office instructions.

The Department's constrained request includes an increase of \$0.1 million. This includes \$0.2 million more from restricted receipts for personnel costs related to the Oil Spill Prevention, Administration and Response Fund and \$0.1 million less from general revenues which would be achieved by staffing reductions. The Department did not specifically identify the positions that would be affected. The reduction requested for this division appears to equate to eliminating approximately one position.

The Governor's recommendation is \$53,957 less than the unconstrained request, including \$47,404 less from general revenues. This reflects \$8,261 in additional turnover savings and \$45,696 from statewide benefit savings. The recommendation does not include the Department's proposed position elimination or the additional funding from restricted receipts.

All Other Salaries and Benefits. The Department requests \$4.5 million, or \$0.1 million more than enacted for all other salaries and benefits in the Bureau of Environmental Protection. The request primarily reflects benefit rate changes consistent with the Budget Office instructions.

In its constrained request, the Department includes general revenue savings of \$1.2 million in all other divisions in the Bureau, which would be achieved by staffing reductions. The Department did not specifically identify the positions that would be eliminated. The reduction requested for this division appears to equate to eliminating approximately eight positions.

The Governor's recommendation is \$324,629 less than the unconstrained request, including \$316,815 less from general revenues. This reflects \$256,222 in additional turnover saving and \$68,407 from statewide benefit savings. The recommendation does not include the Department's proposed position eliminations.

Federal Grants. The Department requests \$3.2 million, or \$1.1 million less than enacted from federal funds to more accurately reflect the Department's anticipated award for 15 grants in the Bureau of Environmental Protection. Major changes include \$1.6 million less for non-point source pollution management to reflect reduced Environmental Protection Agency funding for this grant, \$0.2 million more for water pollution control, and \$0.3 million more for leaking underground storage tank programs which reflects that there are additional Environmental Protection Agency funds available for site clean-ups. *The Governor recommends \$34,831 more than requested to better reflect the anticipated awards and expenditures.*

Rose Hill Landfill. The Department requests funding as enacted for maintenance and monitoring 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 Governor recommends funding as enacted and requested.*

Brownfields. The Department requests \$0.7 million, or \$0.1 million more than enacted from federal funds for brownfields rehabilitation projects throughout the state. Properties classified as brownfields include any property that cannot 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, and the additional funds requested reflect the Department's anticipated FY 2014 award. *The Governor recommends funding essentially as requested, but shifts \$2,014 in statewide benefit savings to miscellaneous operating expenses.*

Oil Spill Prevention, Administration and Response Fund. The Department requests \$1.3 million or \$135,000 more than enacted to reflect projected available receipts for the Oil Spill Prevention, Administration, and Response fund, which are derived from a \$0.05 per barrel fee on petroleum products received at marine terminals in Rhode Island. The funding is used to promptly respond to, contain and remediate oil spills; maintain a state of emergency response readiness through responder training and equipment acquisition; and pay emergency loans to workers affected by a spill as well as damage compensation of legitimate claims that cannot otherwise be compensated by responsible parties or the federal government. The Department indicates that the requested increase is for vehicle expenses to better reflect the actual expenditures from the last two completed fiscal years.

The Governor recommends \$703 less than requested which includes a reduction of \$6,833 for vehicle expenses and \$6,130 more to reflect a shift from statewide benefit savings to miscellaneous operating expenses.

Environmental Protection - All Other. The Department requests \$7.9 million, or \$0.3 million more than enacted for all other operating expenditures in the Bureau of Environmental Protection. This includes increases of \$35,821 from general revenues and \$282,100 more from restricted receipts, and a decrease of \$14,940 from other funds. The restricted receipt amount includes \$0.1 million more from the Environmental Response Fund II to reflect anticipated revenues derived from fines which are levied against entities found in violation of the state's environmental regulations and used for expenses related to environmental emergency response and preparedness. The request also includes increases of \$0.1 million for clean water funding and \$0.1 million to purchase new monitoring equipment for the fixed buoy monitoring system in Narragansett Bay.

The Governor recommends \$0.1 million less than requested including \$95,820 less from general revenues to better reflect historical spending in the Office of Water Resources.

Bureau of Natural Resources

Salaries and Benefits. The Department's request includes \$1.4 million more than enacted for salaries and benefits for all divisions in the Bureau of Natural Resources. This includes eliminating 4.0 vacant positions for estimated savings of \$0.3 million. The positions include a semi-skilled laborer, a heavy motor equipment operator, a supervising pre-audit clerk and a programming services officer. The request is for 185.0 full-time equivalent positions, two less than enacted. These position changes in the Bureau include the four position eliminations noted above, a new senior reconciliation clerk

position which the Department indicates would provide needed administrative support to the Coastal Resources Division, and an implementation aide that would be transferred from the Office of the Director.

The request also includes \$0.5 million for benefit rate changes consistent with the Budget Office instructions and \$0.9 million to fully fund anticipated staffing costs for the remaining positions in the bureau. The Department is also requesting \$0.1 million more for holiday pay for seasonal workers in the Division of Parks and Recreation, which closely mirrors the actual spent amounts for FY 2011 and FY 2012.

In its constrained request, the Department includes general revenue savings of \$0.8 million in the Bureau of Natural Resources, which would be achieved by reducing 10.0 positions. The Department did not specifically identify the positions that would be eliminated.

The Governor's recommendation is \$373,211 less than the unconstrained request, including \$330,020 less from general revenues. This reflects \$198,569 in additional turnover savings, \$164,642 from statewide benefit savings and also includes reductions of \$5,000 for overtime pay and \$5,000 for seasonal staff. The recommendation does not include the Department's proposed position eliminations.

Parks and Recreation. The Department requests \$2.6 million or \$0.1 million less than enacted from general revenues to fund its Division of Parks and Recreation, excluding salaries and benefits. The Department indicates that the proposed reduction reflects its anticipated expenditure levels with savings primarily for groundskeeping services, which the Department identifies as an area where it is attempting to reduce expenditures. The Department's FY 2014 budget proposal for the division closely mirrors its FY 2013 revised request. *The Governor recommends \$21,964 less than requested from general revenues primarily to reflect a savings of \$15,619 for vehicle expenses.*

Capital Projects. The Department requests \$6.2 million or \$4.7 million less than enacted from Rhode Island Capital Plan funds for seven ongoing capital projects. This includes funding for construction of the Blackstone Valley Bike Path, repairs to state-owned dams, improvements to Fort Adams State Park, repairs and improvements to the state-owned piers in Galilee and Newport, improvements to the state's recreational facilities, and revitalization of the currently closed World War II State Park in Woonsocket. The request is \$4.7 million less than enacted to reflect revised project schedules and construction cost estimates. *The Governor recommends \$15.2 million for eight capital projects, which is \$4.3 million more than enacted. Detailed project descriptions are in the Capital Budget Section of this analysis.*

Boating Infrastructure Grant. The enacted budget includes \$1.1 million from federal funds for the Boating Infrastructure Grant. The Department's operating budget request inadvertently excluded funding for the grant, and it subsequently requested \$600,000 for this program. *The Governor recommends the \$600,000 as subsequently requested.*

Federal Grants. The Department requests \$8.8 million for 19 federal grants throughout the Bureau of Natural Resources. The request is \$1.8 million more than enacted, and reflects planned work and anticipated receipts for the grants. The request includes \$0.9 million more for the comprehensive wildlife management plan, and the Department indicates this reflects anticipated funding from a new four-year grant from the United States Fish and Wildlife Service. *The Governor recommends \$28,042 more than requested to better reflect the anticipated awards and expenditures.*

Saltwater Fishing License Program. The Department requests \$55,000 more than enacted from restricted receipts for capital costs related to operations of the state's saltwater fishing license program. The enacted budget includes \$175,915, and the Department is requesting an increase in funds based on projected available receipts. The Department, which is requesting a similar increase for this program in FY 2013 and FY 2014, indicates that it assumes a continuation of the projects it has developed for funding, including recreational catch data collection and boating access site maintenance. All of the projects were reviewed and approved by the Rhode Island recreational fishing community and included in the Department's 2012 annual report on the program.

The Governor recommends funding essentially as requested, but shifts \$951 in statewide benefit savings to miscellaneous operating expenses.

Payments to Host Beach Communities. The Department requests \$435,000, or \$35,000 more than enacted from general revenues for payments to host beach communities. The request reflects the anticipated payments to the host beach communities based on the FY 2013 revised budget changes. The Department collects fees for daily and seasonal parking at seven facilities across the state and reimburses the four host communities of Charlestown, Westerly, Narragansett and South Kingstown 16.0 percent of all daily parking fees collected from Memorial Day to Labor Day. *The Governor recommends funding as requested.*

Blackstone Valley Bikepath Design. The Department requests \$2.0 million for architectural and engineering work on the Blackstone Valley Bikepath, which is \$1.0 million more than enacted. The work is being funded from a transfer of federal funds from the Department of Transportation. The request better reflects anticipated future work to be performed by the consultant working on the design of the bikepath. *The Governor recommends funding essentially as requested, but shifts \$292 in statewide benefit savings to miscellaneous operating expenses.*

Department of Transportation Recreational Projects. The Department request \$0.3 million from other funds not included in the enacted budget to reflect the Department of Transportation's recreational projects, which include maintenance of state trails, purchases of equipment and materials, and funding for materials for local communities to maintain state trails. These projects are funded by a transfer of federal funds from the Department of Transportation. The enacted budget did not include funding for these recreational projects, which the Department indicates was an oversight and it further notes that the request reflects the correct estimated expenditures for FY 2014. *The Governor recommends funding essentially as requested, but shifts \$286 in statewide benefit savings to miscellaneous operating expenses.*

Natural Resources - All Other. The Department requests \$3.6 million, or \$0.3 million more than enacted from all sources for all other expenses in the Bureau of Natural Resources. This includes \$0.3 million less to reflect projected available shellfish and marine license receipts. The changes also include \$0.1 million more for the Local Agriculture and Seafood Fund, which was created by Chapter 37 of the Public Laws of 2012. Funds in this restricted receipt account will be used to administer a new program to promote the marketing of Rhode Island seafood and farm products.

The Governor recommends \$133,197 more than requested, including \$80,871 more from general revenues primarily to better reflect anticipated grant funding in the Division of Agriculture.

Coastal Resources Management Council

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
Expenditures by Category				
Salaries & Benefits	\$ 3,348,459	\$ 3,389,411	\$ 3,513,682	\$ 3,440,283
Contracted Services	492,704	689,637	568,977	568,977
Subtotal	\$ 3,841,163	\$ 4,079,048	\$ 4,082,659	\$ 4,009,260
Other State Operations	99,455	402,182	169,576	166,823
Assistance, Grants, and Benefits	200	149,375	753,945	753,945
Capital	1,152,000	767,100	1,437,100	257,100
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
Total	\$ 5,092,818	\$ 5,397,705	\$ 6,443,280	\$ 5,187,128
Sources of Funds				
General Revenue	\$ 2,264,841	\$ 2,240,261	\$ 2,364,088	\$ 2,299,313
Federal Aid	1,677,977	2,185,163	2,639,192	2,637,815
Restricted Receipts	250,000	250,000	430,000	250,000
Other	900,000	722,281	1,010,000	-
Total	\$ 5,092,818	\$ 5,397,705	\$ 6,443,280	\$ 5,187,128
FTE Authorization	29.0	29.0	29.0	29.0

Summary. The Coastal Resources Management Council requests \$6.4 million from all funds, which is \$1.4 million more than enacted including increases of \$0.1 million from general revenues, \$1.0 million from federal funds, \$0.2 million from restricted receipts and \$0.1 million from other funds in its unconstrained request. The Council requests the enacted level of 29.0 full-time equivalent positions in its unconstrained request, but also submitted a constrained request that includes eliminating 2.0 positions and \$157,490 in savings. *The Governor recommends \$5.2 million, \$0.1 million more than enacted, including \$34,472 more from general revenues, \$1.0 million more from federal funds and \$0.9 million less from Rhode Island Capital Plan funds. He does not recommend eliminating the positions.*

Target Issues. The Budget Office provided the Coastal Resources Management Council with a general revenue target of \$2.2 million. The amount includes current service adjustments of \$0.1 million and a seven percent target reduction of \$0.2 million. The Council's budget is \$43,754 above the target. *The Governor's budget is \$136,469 above the target.*

FY 2014 Budget	Budget Office	CRMC	Difference
FY 2013 Enacted	\$ 2,264,841	\$ 2,264,841	\$ -
Current Service Adjustments	60,798	99,247	38,449
Change to FY 2013 Enacted	\$ 60,798	\$ 99,247	\$ 38,449
FY 2014 Current Service/Unconstrained Request	\$ 2,325,639	\$ 2,364,088	\$ 38,449
Target Reduction/Initiatives	(162,795)	(157,490)	5,305
FY 2014 Constrained Target/Request	\$ 2,162,844	\$ 2,206,598	\$ 43,754
<i>Change to FY 2013 Enacted</i>	<i>\$ (101,997)</i>	<i>\$ (58,243)</i>	<i>\$ 43,754</i>

The proposals to achieve the reductions are noted among the items described below where appropriate.

Salaries and Benefits. The Council requests \$3.5 million or \$165,223 more than enacted for salaries and benefits, including \$97,637 more from general revenues and \$67,586 more from federal funds. The FY 2013 enacted budget included \$35,312 in turnover savings; however, in its revised request the Council assumes full funding for the 29.0 authorized positions. The Council's request also reflects statewide benefit adjustments consistent with the Budget Office Instructions.

As part of its constrained budget request, the Council would eliminate two positions for savings of \$157,490. The Council declined to publicly identify the positions it proposes to eliminate or the potential impact. *The Governor's recommendation is \$73,399 less than the unconstrained request including \$44,707 in additional turnover savings and \$28,692 from statewide benefit savings.*

Legal Services. The Council requests \$156,000 for outside legal services, including the enacted level of \$126,000 from general revenues and \$30,000 from federal funds not included in the enacted budget. The Council notes that the additional legal work requested could have the effect of avoiding or reducing any financial sanctions from the National Oceanographic and Atmospheric Administration, which indicated in its most recent triennial review of the Council's programs that there is a potential conflict of interest because the legal counsel is also serving as the hearing officer and that lack of a staff attorney has led to underrepresentation of staff's recommendations during public hearings. *The Governor recommends funding as requested.*

New Federal Grants. The Council requests \$58,805 more from federal funds to reflect funding from two new federal grants awarded by the National Oceanographic and Atmospheric Administration. This includes \$56,790 for Coastal Ecosystems Adaptation to Sea Level Rise and \$2,015 for Marine Habitat Characterization in the Northeast. *The Governor recommends funding as requested.*

Narragansett Bay Restoration. The Council requests \$0.3 million or \$13,302 more than enacted to reflect anticipated federal grant funding 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 Council indicates the Narragansett Bay Habitat Restoration project has been extended until August 31, 2014 to reflect a revised completion date. *The Governor recommends funding as requested.*

Aquatic Invasive Species. The agency requests \$54,523 or \$20,930 more than enacted to reflect anticipated federal grant funding for the aquatic invasive species management program. Funding is used to coordinate and communicate early detection and rapid response strategies to prevent the spread of aquatic invasive species. The Council notes that the funds for the Aquatic Invasive Species Management Plan are available over a five-year period ending September 30, 2013. *The Governor recommends funding as requested.*

River Ecosystem Restoration. The Council requests \$0.8 million from federal funds not included in the enacted budget to reflect a grant from the National Oceanographic and Atmospheric Administration. Funding will be used for six individual projects in the Ten Mile and Pawcatuck River watersheds that will restore access to the rivers for migratory fish as well as restoring the surrounding habitat. The request reflects a revised project schedule and the anticipated federal funding. The Council indicates the River Ecosystem Restoration project has been extended until December 31, 2013 to reflect project delays. *The Governor recommends funding as requested.*

Capital Projects. The Council requests \$1.4 million, including \$1.0 million from Rhode Island Capital Plan funds and \$0.4 million from restricted receipts from the Oil Spill Prevention, Administration and Response Fund to fund three projects in FY 2014. The operating request is not consistent with the Council's FY 2014 through FY 2018 capital request in that different fund sources are requested for the Large Rock Removal project. *The Governor recommends \$250,000 for the Coastal and Estuary Habitat Restoration Program and Trust Fund as requested; however, excludes the \$1.0 million the Council requested for dredging work and the \$0.2 million for rock removal. Detailed project descriptions are in the Capital Budget Section of this analysis.*

All Other Operations. The Council requests \$0.2 million or \$24,288 more than enacted, including increases of \$1,610 from general revenues, \$12,678 from federal funds and \$10,000 from other funds for all other expenditures. The federal expenditures include \$7,000 less than enacted for contracts with the University of Rhode Island and Roger Williams University to develop management plans for coastal waters throughout the state, which more accurately reflects the anticipated award and planned work. Additionally, the \$10,000 from other funds would be used for storage, fuel and maintenance costs for the Council's dredge boat. *The Governor recommends \$2,753 less than requested, including \$1,602 less from general revenues, \$8,849 more from federal funds and \$10,000 less from other funds from not funding the dredge boat.*

Department of Transportation

	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
Expenditures by Program				
Central Management	\$ 11,868,811	\$ 13,509,247	\$ 12,769,036	\$ 12,763,706
Management and Budget	1,937,648	1,439,069	1,558,749	1,549,669
Infrastructure Program	497,814,642	452,390,473	438,390,043	455,589,618
Total	\$ 511,621,101	\$ 467,338,789	\$ 452,717,828	\$ 469,902,993
Expenditures by Category				
Salaries and Benefits	\$ 74,459,754	\$ 66,774,152	\$ 69,087,285	\$ 68,374,214
Contracted Services	37,166,460	37,021,600	37,034,100	37,032,100
Subtotal	\$ 111,626,214	\$ 103,795,752	\$ 106,121,385	\$ 105,406,314
Other State Operations	41,637,689	38,980,947	39,903,090	39,898,769
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	32,281,511	41,393,620	39,893,093	39,893,093
Capital	224,382,444	182,163,543	165,036,830	183,574,795
Capital Debt Service	-	-	-	-
Operating Transfers	101,693,243	101,004,927	101,763,430	101,130,022
Total	\$ 511,621,101	\$ 467,338,789	\$ 452,717,828	\$ 469,902,993
Sources of Funds				
General Revenue	\$ -	\$ -	\$ -	\$ -
Federal Aid	362,340,586	316,461,117	305,897,711	311,761,586
Restricted Receipts	998,758	1,010,255	8,010,494	8,010,496
Other	148,281,757	149,867,417	138,809,623	150,130,911
Total	\$ 511,621,101	\$ 467,338,789	\$ 452,717,828	\$ 469,902,993
FTE Authorization	772.6	772.6	772.6	772.6

Summary. The Department of Transportation requests \$452.7 million from all sources, including \$305.9 million from federal funds, \$138.8 million from other funds and \$8.0 million from restricted receipts. The request is \$58.9 million less than enacted, primarily from federal funds, which reflects a revision to the Department's projected expenditures from Federal Highway Administration funds for various construction projects throughout the state. The enacted budget was based on a now outdated estimate for receipts and expenditures from this source. *The Governor recommends \$469.9 million, \$17.2 million more than requested, which primarily reflects an upward revision to Federal Highway Administration funding and \$10.0 million more for a local road repair program for municipalities.*

Staffing. The Department's request includes 772.6 positions, which is the enacted level. As of the last pay period in October, the Department had 701.6 filled positions or 71.0 less than enacted. Based on the Department's cost per position of \$73,215, this equates to \$5.2 million of turnover for FY 2014. *The Governor recommends the enacted and requested position authorization. As of the first pay period of 2013, the Department had 696.6 filled positions.*

Transportation Funding Reform. Transportation funding on the state and national levels began to pose greater problems to governments as the cost of maintaining and replacing infrastructure outpaced

the revenue sources historically used to support them. Rhode Island's transportation funding plan was particularly unbalanced, as it relied heavily on debt and federal funds. Additionally, the state's gas tax was the primary source to repay debt costs, with the remainder available for all maintenance activities, including winter operations and highway preservation.

Another issue with the state's transportation funding is that the gasoline tax is a declining source of revenue. The gas tax is currently 33 cents, with 32.5 cents of that going towards transportation. The Department receives 21.75 cents of the tax, with 2 cents automatically dedicated to debt service for Motor Fuel Tax Revenue bonds that were issued in 2003. As the table below illustrates, the per penny gasoline tax yield and the total funding available to the Department has steadily declined over the eight year period. Even with the transfer of one additional penny in FY 2010, available funding has decreased \$8.8 million, or approximately 9 percent.

Fiscal Year	Per Penny Yield	DOT Share
2005	\$ 4,834,986	\$100,325,960
2006	\$ 4,805,619	\$ 99,716,594
2007	\$ 4,707,603	\$ 97,682,762
2008	\$ 4,513,744	\$ 93,660,188
2009	\$ 4,327,710	\$ 89,799,983
2010*	\$ 4,289,568	\$ 93,298,104
2011	\$ 4,210,324	\$ 91,574,547
2012	\$ 4,205,959	\$ 91,479,608

**Assembly transferred one cent from General Fund to the Department of Transportation.*

Beginning in FY 2011, the Assembly identified and addressed two of the major issues affecting the Department: over reliance on debt and a limited amount of funding sources. In order to increase the amount of revenue for use by the Department, the state moved from its traditional financing model to a pay-go model by establishing motor vehicle fee surcharges that would be transferred to a trust fund for use as a portion of the state's match for federal funds. These funds, combined with Rhode Island Capital Plan funds, will provide the \$40 million of annual match for federal funds, which was historically generated through borrowing.

Fiscal Year	Biannual Registrations	Annual Registrations	Licenses	Article 6 Revisions	RICAP	Previous G.O. Bonds	Total
2013	\$ -	\$ -	\$ -	\$ -	\$20,000,000	\$23,575,633	\$43,575,633
2014	\$ 3,900,000	\$ 1,600,000	\$1,490,000	\$ (725,627)	\$20,000,000	\$13,000,000	\$39,264,373
2015	\$ 7,800,000	\$ 3,200,000	\$2,980,000	\$(2,339,129)	\$20,000,000	\$ -	\$31,640,871
2016	\$ 11,700,000	\$ 4,800,000	\$4,470,000	\$(3,511,340)	\$20,000,000	\$ -	\$37,458,660

It should be noted that no new borrowing was necessary in November of 2012 for transportation. As the above table indicates, all previously approved debt will be issued by FY 2014 and the Department's state match will be entirely pay-go. The state also reduced the amount of debt service paid by the Department through the targeted use of general revenues in lieu of gasoline tax revenues, as well as the restructuring of debt in order to adjust the upcoming debt service payments to a more consistent amount. *The Governor's budget contains technical corrections to ensure surcharges placed on specific transactions reflect the intent of current law. The changes are contained in Article 6 of 2013-H 5127, and result in a reduction of \$0.7 million from these sources in FY 2014.*

As part of the debt restructuring, \$10 million of general revenues will be used to pay a portion of the Department's debt service, beginning in FY 2014. For each year thereafter, the amount of general revenue used for this purpose will be increased in \$10 million increments until no more gasoline tax is used for debt service. This is projected to occur in FY 2018. The debt restructuring and the use of general revenues for debt service is illustrated in the following table.

The Governor recommends funding consistent with the debt restructuring, and also shifts \$1.7 million in debt service paid by the Rhode Island Public Transit Authority to general revenues in FY 2013 and FY 2014.

Fiscal Year	Outstanding Debt Service	Build America		General Revenues	Net Gas Tax Funded Debt Service
		Bonds Reimbursement	Projected Restructuring		
2013	\$ 55,266,134	\$ (2,015,980)	\$ (10,932,201)	\$ (8,000,000)	\$ 34,317,953
2014	\$ 50,527,797	\$ (2,015,980)	\$ (6,468,780)	\$ (10,000,000)	\$ 32,043,037
2015	\$ 54,580,237	\$ (2,015,980)	\$ (4,143,035)	\$ (20,000,000)	\$ 28,421,222
2016	\$ 50,237,900	\$ (2,015,980)	\$ 2,048,000	\$ (30,000,000)	\$ 20,269,920
2017	\$ 49,933,531	\$ (2,015,980)	\$ 1,998,000	\$ (40,000,000)	\$ 9,915,551
2018	\$ 41,392,238	\$ (2,015,980)	\$ 3,733,000	\$ (43,109,258)	-
2019	\$ 40,396,506	\$ (2,015,980)	\$ 3,733,750	\$ (42,114,276)	-
2020	\$ 36,445,414	\$ (2,015,980)	\$ 3,737,500	\$ (38,166,934)	-
2021	\$ 43,706,060	\$ (2,015,980)	\$ 3,733,750	\$ (45,423,830)	-
2022	\$ 39,758,229	\$ (1,868,570)	\$ 3,737,500	\$ (41,627,159)	-
2023	\$ 38,969,053	\$ (1,710,900)	\$ 3,738,000	\$ (40,996,153)	-
2024	\$ 34,172,285	\$ (1,544,080)	-	\$ (32,628,205)	-
2025	\$ 31,042,260	\$ (1,367,622)	-	\$ (29,674,638)	-
2026	\$ 30,881,740	\$ (1,179,140)	-	\$ (29,702,600)	-
2027	\$ 27,331,961	\$ (958,514)	-	\$ (26,373,447)	-
2028	\$ 25,529,306	\$ (730,480)	-	\$ (24,798,826)	-
2029	\$ 18,763,869	\$ (494,898)	-	\$ (18,268,971)	-
2030	\$ 18,515,394	\$ (251,496)	-	\$ (18,263,898)	-
2031	\$ 8,726,730	-	-	\$ (8,726,730)	-
2032	\$ 8,724,622	-	-	\$ (8,724,622)	-
2033	\$ 1,604,852	-	-	\$ (1,604,852)	-
2034	\$ 481,456	-	-	\$ (481,456)	-

Fund Sources

The Department of Transportation receives funding through six major sources: federal funds, general obligation bond proceeds, motor vehicle fees, 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 fund sources included in the Governor's recommendation.

Source	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
Federal Highway Admin. Funds	\$ 271,684,624	\$ 217,941,190	\$ 218,072,312	\$ 223,936,187
Federal Stimulus Funds	1,706,070	1,641,914	-	-
Other Federal Funds	88,949,892	102,612,795	90,483,820	89,113,419
Gasoline Tax*	97,059,205	90,371,794	91,769,144	90,618,417
General Obligation Bonds**	[23,575,633]	[23,575,633]	[13,000,000]	[13,000,000]
Motor Fuel Tax Revenue Bond Earnings	4,076,029	2,658,643	-	-
Land Sale Revenue	1,903,635	4,278,635	1,576,448	2,500,000
Interstate 195 Land Sales	20,450,838	19,945,052	11,469,670	12,309,264
Rhode Island Capital Plan Funds	24,682,050	26,703,511	24,400,000	36,115,210
Restricted Receipts	998,758	1,010,255	1,000,000	8,010,496
Motor Vehicle Fees	-	-	13,646,434	7,000,000
Other Funds	110,000	175,000	300,000	300,000
Total	\$ 511,621,101	\$ 467,338,789	\$ 452,717,828	\$ 469,902,993

*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 only.

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 previous 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 funds.

The Department's fund sources are described in greater detail below.

Federal Funds - Highway Administration. The Department receives an average of \$200.0 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 requests. 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 Department, in conjunction with the State Planning Council, has recently completed the 2013 through 2016 program.

Federal Stimulus Funds. The Department's FY 2013 revised request includes \$1.6 million from federal funds for projects funded by the American Recovery and Reinvestment Act of 2009. The Department identified 63 separate projects for construction, reconstruction, rehabilitation, resurfacing,

restoration, and operational improvements for highways, interstates and bridges. The Department's request for FY 2014 does not include any funding from this source. The Department was originally allocated \$139.1 million from stimulus funds, and the current request reflects the completion of funding and construction created through the Stimulus Act. *The Governor recommends the exclusion of stimulus funding, consistent with the Department's request.*

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's request includes \$90.5 million from this source in FY 2014. *The Governor recommends \$89.1 million from this source in FY 2014.*

General Obligation Bond Proceeds. The state has utilized general obligation bonds to provide a match totaling \$40 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 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 voters approved \$80.0 million in November 2006, 2008 and 2010 consisting of \$40.0 million each year of the two year period between referenda, with funding programmed through FY 2013.

For the first time in several years the current capital request excludes any new bonding authority for state matching funds, which are historically presented to the voters on the November ballot. This reflects an initiative by the 2011 Assembly to replace borrowing with pay-go sources, which would be accomplished by eliminating new general obligation bonds for the state match, and replacing them with transportation related fees. *The Governor does not recommend any new general obligation bonds for the Department.*

Motor Vehicle Tax Revenue Bond Earnings. To respond to the need to accelerate transportation project implementation, the Rhode Island General Assembly on July 15, 2003, enacted legislation which authorizes the state to advance certain projects with GARVEE bonds (Grant Anticipation Revenue Vehicles). GARVEE represents a program approved by Congress that allows states to borrow funds, which are then backed and repaid by the annual allocation of Federal Highway Administration construction funds. In 2003, 2006 and 2009, the state completed phases of the three-part bond transaction that will provide \$660.5 million in construction funds for five major infrastructure projects financed by two methods.

The remaining costs will be provided through Motor Vehicle Tax Revenue bonds. This funding is financed through a two-cent dedication of the Department's gasoline tax allocation. Since these bonds were issued in 2003, the value of two cents of the gasoline tax is used for the annual debt service prescribed for in the bond indenture. On numerous occasions, the value of the two cents has been higher than the necessary debt service payment, and the remaining amount is deposited into a residual account. These sources account for \$2.7 million in FY 2013, and the Department has programmed these funds into its capital program to make final payments for the GARVEE funded projects. The request for FY 2014 does not include this funding. The Highway Improvement Program incorporates

partial funding for some of the GARVEE projects, namely the Interstate 195 project for project costs not eligible in the GARVEE Program. *The Governor recommends the exclusion of this funding, consistent with the Department's request.*

Land Sale Revenue. This fund source is comprised of land sales from Department owned land. These proceeds can be used by the Department to purchase land and equipment, or to offset operating costs throughout the Department, including personnel expenses. The Department requests \$1.6 million from this source in FY 2014, which is based on projected land sales and anticipated purchases. *The Governor recommends \$2.5 million to reflect revised land sale projections in FY 2014.*

Interstate 195 Land Sales. These funds are derived from the sale of land made available through the relocation of Interstate 195. Funding is deposited into a restricted receipt account, and may only be used to fund other portions of the project, including personnel expenses, but cannot be used at the Department's complete discretion. The Department originally requested \$20.5 million from this source for FY 2013. The intention of the Department was to sell the parcels of land made available through the relocation to finance approximately \$40.0 million of project expenses. The 2011 Assembly enacted 2011-H 5994, Substitute A, as amended, which provided that an appraisal of the parcels would be completed. Upon this, the Economic Development Corporation would issue enough bonds to cover the payment to the Department for the land.

The amount was estimated to be \$40.0 million, and the previous referenced bill enabled the Corporation to issue up to \$42.0 million of bonds, including \$2.0 million for issuance costs. The payment of these proceeds to the Department would allow it to complete the project, while the Corporation would be eligible to sell the parcels for the highest potential sales price for the most viable economic development of the area. The Department anticipates lower land sale proceeds in FY 2014, and includes \$11.5 million in its revised request. It should be noted that the Department programs these funds as they are being expended for project costs, not as they are received, which is primarily due to federal guidelines. Although the bonds will be sold by the end of FY 2013, project payments will continue through FY 2016, consistent with the Department's request for these funds. *The Governor recommends \$12.3 million to reflect revised land sale projections in FY 2014.*

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 requests \$8.0 million from this source in its FY 2014 request, which is approximately \$7.0 million higher than the average. This reflects a budgeting error by the Department. Historically, restricted receipts are derived from municipalities who pay the Department for work performed in the city or town that the municipality would have otherwise purchased from an outside party. The Department has also included motor vehicle fees that are being transferred to the Department as restricted receipts, and it programmed those funds in this account. *The Governor recommends total funding essentially requested, but shows the funds in a new account to reflect the fund source as the Highway Maintenance Trust Fund account. This is consistent with the technical corrections contained in Article 6 of 2013-H 5127.*

Gasoline Tax Proceeds. The distribution of proceeds derived from the gasoline tax has remained the same since 2009. The Governor's recommendation does not change the current disposition of funding. The following table illustrates the disposition of proceeds.

Entity	FY 2012 Actual	FY 2013 Enacted	FY 2013 Revised	FY 2014 Recommended
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 tax proceeds are deposited into the Intermodal Surface Transportation Fund from which statutory transfers are made to the Department of Transportation, the Rhode Island Public Transit Authority (RIPTA) and the elderly/disabled transportation program. The FY 2013 enacted budget was based on a per penny yield of \$4.2 million and the Department utilized this estimate in its FY 2014 request, as well as a total receipt of 21.75 cents from gasoline tax proceeds. The national average for gasoline tax is 30.9 cents. Rhode Island has the second highest gasoline tax in New England, behind Connecticut's 45 cents. Rhode Island is also higher than the Northeast and New England averages. The following table summarizes the state gas taxes for New England, as well as the regional and national averages.

State	Gas Tax
New Hampshire	19.6
Massachusetts	23.5
Vermont	26.5
Northeast Average	29.7
New England Average	29.9
U.S. Average	30.9
Maine	31.5
<i>Rhode Island</i>	<i>33.0</i>
Connecticut	45.0

The FY 2013 enacted budget for the Department includes a \$1.3 million deficit, which was caused by declining gasoline tax revenues and increasing costs. This deficit was eliminated in the revised request due to a surplus of gasoline tax funds from FY 2012. Based on Department projections, the FY 2014 request includes a year-end deficit of \$0.1 million.

The Governor's recommendation was based on a downward revision to the per penny gasoline tax yield of \$53,907. This equates to a \$1.2 million reduction from gasoline tax revenues. Based on revised gasoline tax expenditures, the Governor's budget projects a year-end surplus of \$0.6 million.

Motor Vehicle Fees. Beginning in FY 2014, there will be a \$10.00 surcharge on biannual vehicle registrations, a \$5.00 surcharge on annual vehicle registrations and a \$10.00 surcharge on operator licenses purchased on a five-year basis. The biannual registration surcharge will increase in \$10.00 increments to a total of \$30.00, the annual registration surcharge will increase in \$5.00 increments to a total of \$15.00 and the license surcharge will increase in \$10.00 increments to a total of \$30.00 beginning in FY 2014 and ending in FY 2016.

The following table summarizes the incremental fee increases.

Fiscal Year	Biannual Registration Fee	Annual Registration Fee	License Fee
2013	\$60.00	\$30.00	\$30.00
2014	\$70.00	\$35.00	\$40.00
2015	\$80.00	\$40.00	\$50.00
2016	\$90.00	\$45.00	\$60.00

These fees will be transferred to the Department for use as a portion of the state match for federal funds. These fees account for approximately \$7 million in FY 2014. The table below shows the estimated revenue derived from the surcharge through FY 2016.

Fiscal Year	Biannual Registrations	Annual Registrations	Licenses	Article 6 Revisions	RICAP	Previous G.O. Bonds	Total
2013	\$ -	\$ -	\$ -	\$ -	\$20,000,000	\$23,575,633	\$43,575,633
2014	\$ 3,900,000	\$ 1,600,000	\$1,490,000	\$ (725,627)	\$20,000,000	\$13,000,000	\$39,264,373
2015	\$ 7,800,000	\$ 3,200,000	\$2,980,000	\$(2,339,129)	\$20,000,000	\$ -	\$31,640,871
2016	\$ 11,700,000	\$ 4,800,000	\$4,470,000	\$(3,511,340)	\$20,000,000	\$ -	\$37,458,660

It should be noted that the Department's request programs these funds as restricted receipts, with \$5.0 million programmed for capital purchases and \$2.0 million for salaries and benefits.

The Governor recommends total funding essentially as requested, but shows the funds in a new account to properly reflect the fund source as the Highway Maintenance Trust Fund account, and does not include funding for salaries and benefits. This is consistent with the technical corrections contained in Article 6 of 2013-H 5127, which result in a reduction of \$0.7 million from these sources in FY 2014.

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 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 enacted budget was based on a per penny yield of \$4.2 million, and the Department utilizes that same estimate for its transfer to the Authority. Net of debt service for its share of general obligation bond proceeds, the Authority will receive \$40.1 million in FY 2013.

The Governor's recommendation was based on a downward revision to the per penny gasoline tax yield of \$53,907. This equates to a \$0.5 million reduction for the Authority. This is offset by his recommendation to shift the Authority's debt service to general revenues in FY 2013 and FY 2014. His overall recommendation for the Authority shows an FY 2014 deficit of \$5.8 million.

The following table shows the recent history of available gasoline tax proceeds and other funds, as well as the Governor's recommendations for FY 2013 and FY 2014.

Other Funds	FY 2013 Enacted	FY 2013 Revised	FY 2014 Request	FY 2014 Recommended
<i>Gas Tax Yield per Cent</i>	4.213	4.155	4.219	4.165
<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	\$ (505,497)	\$ 1,742,455	\$ -	\$ (12,975)
Gas Tax	132,719,580	130,883,288	132,777,602	131,208,966
Motor Vehicle Fee Transfer	-	-	13,646,434	12,920,807
Debt Service Transfer**	(35,867,545)	(34,423,389)	(32,947,281)	(29,619,820)
Internal Services Funds Transparency	(2,208,990)	(2,108,753)	(2,208,990)	(2,112,644)
Nonland Surplus Property	10,000	50,000	125,000	125,000
Interstate 195 Land Sales	20,450,838	19,945,052	11,469,670	12,309,264
Land Sales	1,903,635	2,397,677	1,576,448	2,500,000
Other (SIB, RICAP,Outdoor Adv)	24,782,050	25,381,553	24,782,050	24,957,050
Available	\$ 141,284,071	\$143,867,883	\$ 149,220,933	\$ 152,275,648
Expenditures	142,548,264	143,880,858	149,350,369	151,718,558
Surplus/Deficit	\$ (1,264,193)	\$ (12,975)	\$ (129,436)	\$ 557,090
RIDOT				
Balance Forward	(505,497)	1,742,455	-	(12,975)
Gas Tax	91,639,710	90,371,794	91,639,710	90,596,667
Motor Vehicle Fee Transfer	-	-	13,646,434	12,920,807
Debt Service Transfer**	(34,317,954)	(34,423,389)	(31,397,690)	(29,619,820)
Internal Services Funds Transparency	(2,208,990)	(2,108,753)	(2,208,990)	(2,112,644)
Nonland Surplus Property	10,000	50,000	125,000	125,000
Interstate 195 Land Sales	20,450,838	19,945,052	11,469,670	12,309,264
Land Sales	1,903,635	2,397,677	1,576,448	2,500,000
Other (SIB, RICAP,Outdoor Adv)	24,782,050	25,381,553	24,782,050	24,957,050
Available	\$ 101,753,792	\$103,356,389	\$ 109,632,632	\$ 111,663,349
Gas Tax	55,871,462	55,595,082	58,162,466	58,294,138
Motor Vehicle Fee Transfer	-	-	13,646,434	12,920,807
Interstate 195 Land Sales	20,450,838	19,945,052	11,469,670	12,309,264
Land Sales	1,903,635	2,397,677	1,576,448	2,500,000
Nonland Surplus Property	10,000	50,000	125,000	125,000
Other (SIB, RICAP,Outdoor Adv)	24,782,050	25,381,553	24,782,050	24,957,050
Other Expenditures	103,017,985	103,369,364	109,762,068	111,106,259
Surplus/Deficit	\$ (1,264,193)	\$ (12,975)	\$ (129,436)	\$ 557,090
RIPTA				
Gas Tax	\$ 41,079,870	\$ 40,511,494	\$ 41,137,892	\$ 40,612,299
Debt Service Transfer**	(1,549,591)	[1,620,472]	(1,549,591)	[1,659,334]
Available	39,530,279	40,511,494	39,588,301	40,612,299
Expenditures	\$ 39,530,279	\$ 40,511,494	\$ 39,588,301	\$ 40,612,299

*Total includes one-half cent transferred from the UST Fund and two additional cents included by the 2009 Assembly.

**Debt service reduced by \$6.0 million in FY 2012 due to the availability of \$2.0 million from Build America Bond proceeds and \$4.0 million included from general revenues. Debt service reduced in FY 2013 by \$8.0 million and by \$10.0 million in FY 2014 due to the inclusion of general revenues. Beginning in FY 2013, debt service payments also reflect the refinancing of all outstanding Department of Transportation debt service. The Governor's recommendation for FY 2013 and FY 2014 include the temporary shift of RIPTA debt service to general revenues.

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 2014 request includes \$0.3 million from this source. *The Governor recommends funding as requested.*

Expenditures

Stimulus Projects. The Department’s request does not include any 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 request is \$1.7 million less than enacted and reflects the completion of funding for stimulus projects. *The Governor recommends funding as requested.*

Federal Highway Administration Projects. The Department’s revised request includes \$238.1 million from federal funds for highway projects in FY 2014. This is \$51.4 million less than enacted to reflect planned receipts and 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.

For FY 2014, expenditures include \$17.2 million for the five GARVEE funded projects, \$50.2 million for repairs and maintenance on bridges, \$18.0 million for congestion mitigation and road enhancements, \$40.7 million for highways, \$23.2 million for interstate projects, \$41.3 million for pavement and resurfacing and \$19.2 million for traffic safety improvement projects. The following table shows program expenditures and their proportionate share of total Federal Highway Administration fund expenditures. *The Governor recommends \$223.9 million, \$14.4 million more than requested to reflect updated receipts and expenditures from Federal Highway Administration funds.*

Program Area	FY 2014 Recommended	Share of Total
Administrative Program	\$ 9,762,094	4%
Enhancements	18,484,271	8%
Bridge Program	51,570,544	23%
Highway Program	21,245,568	9%
Interstate Program	23,802,809	11%
GARVEE Projects	17,675,618	8%
Pavement Management Program	42,401,136	19%
Traffic Safety Program	19,685,667	9%
Federal Highway Earmark Projects	12,590,394	6%
Other Programs	6,718,086	3%
Total	\$ 223,936,187	100%

Salaries and Benefits. The Department requests \$69.1 million, \$5.4 million less from all funds for salaries and benefits. This includes \$17.0 million less from federal funds offset by \$3.0 million more from restricted receipts and \$8.7 million more from other funds, primarily Rhode Island Capital Plan funds. The request includes the enacted level of 772.6 positions and \$2.2 million of turnover for FY 2014. As of the last pay period in October, the Department had 701.6 filled positions or 71.0 less than enacted. Based on the Department’s average salary per position of \$73,215, this equates to \$5.2 million of turnover for FY 2014, which is \$2.7 million higher than the enacted budget and \$3.0 million higher than included in the FY 2014 request. *The Governor recommends \$0.7 million less than requested, including \$0.2 million less to reflect a reduction in overtime expenses and \$0.5 million less to reflect statewide benefit savings.*

National Highway Transportation Safety Administration Grants. The Department’s request includes \$10.3 million, \$0.3 million more than enacted from the National Highway Transportation Safety Administration for FY 2014. These federal funds are used for large highway safety programs

including impaired driving initiatives and safety belt enforcement. Funding is programmed to conduct safety training and seminars as well as for advertising expenses. The request adds \$0.3 million to reflect updated awards and expenditures from this source. *The Governor recommends \$5,615 more than requested to reflect a shift of statewide benefit savings to miscellaneous operating expenses.*

GARVEE Bond Projects. The 2003 Assembly authorized the state to advance certain projects with GARVEE bonds (Grant Anticipation Revenue Vehicles). GARVEE represents a program approved by Congress that allows states to borrow funds, which are then backed and repaid by the annual allocation of Federal Highway Administration construction funds. These funds were combined with proceeds from the Motor Vehicle Tax Revenue bonds, which are financed through a two-cent dedication of the Department's gasoline tax allocation.

On certain occasions, the value of the two cents has been higher than the necessary debt service payment, and the remaining amount is deposited into a residual account. These sources have been used in recent years to fund portions of the projects. Due to the decline of funding in these residual accounts and the completion of the projects, the Department's request excludes these funds in FY 2014. Compared to the enacted, the request reflects a decrease of \$4.1 million. *The Governor recommends funding as requested.*

Commuter Rail. The Department requests \$19.1 million or \$6.2 million more than enacted from federal transit funds for the Commuter Rail project, which will extend commuter rail service along Amtrak's northeast corridor south of Providence. Service operates between Providence and North Kingstown, with stops at T.F. Green Airport and the Wickford Junction. The Department notes the request also reflects new projects at Kingston and Providence, as well as plans for future stops at Cranston and East Greenwich. The request for the Commuter Rail project is consistent with the Department's requested capital plan. This project is explained in greater detail in the *Capital Budget Section* of this analysis. *The Governor recommends \$1,712 more than requested to reflect a shift of statewide benefit savings to miscellaneous operating expenses.*

Equipment Purchases. The Department requests \$1.6 million from land sale revenue for equipment purchases in the Infrastructure Engineering Division. The request is \$0.8 million more than enacted due to higher than anticipated land sale revenue, and the Department has increased its request to reflect this change. Funding would be used to purchase catch basin cleaners, mini-excavators, road surfacing equipment and miscellaneous roadside maintenance equipment such as weed trimmers. The Department has noted that it is determining whether or not these funds can be used to purchase a parcel of land adjacent to its maintenance headquarters in Warwick in order to relocate its materials testing facility. The final disposition of these proceeds in FY 2013 will impact the availability of these funds in FY 2014. It should also be noted that these land sale revenues are separate and distinct from land sales associated with the relocation of Interstate 195. *The Governor recommends \$7,100 more than requested to reflect a shift of statewide benefit savings to miscellaneous operating expenses.*

Interstate 195 Relocation. The Department requests \$11.5 million from land sale proceeds derived from the sale of land parcels made available from the relocation of Interstate 195. Funding will be used to make final payments for the project. The intention of the Department was to sell the parcels of land to finance approximately \$40.0 million of project expenses. The 2011 Assembly enacted 2011-H 5994, Substitute A, as amended, which provides that an appraisal of the parcels would be completed, followed by the purchase of the parcels by the Economic Development Corporation through the issuance of bonds. The payment of the bond proceeds to the Department would allow it to complete the project, while the Corporation would be eligible to sell the parcels at its own pace. The request is \$9.0 million less than enacted to reflect anticipated sales during FY 2014. *The Governor recommends*

\$6,455 more than requested to reflect a shift of statewide benefit savings to miscellaneous operating expenses.

Local Roads and Streetscapes. The Department's request does not include funding for pass-through to municipalities for road improvements. *The Governor's adds \$10.0 million from Rhode Island Capital Plan funds, and assumes it can distribute it to municipalities for infrastructure improvements based on the mileage in each community, as well as other criteria. These funds are not historically provided as grants to municipalities. He includes the authorization and distribution methodology in Article 1 of the Appropriations Act.*

Rhode Island Capital Plan Fund Projects. The Department requests \$4.4 million, \$0.3 million less than enacted from Rhode Island Capital Plan funds for four projects. The request includes an additional \$0.6 million for the new Portsmouth maintenance facility offset by the removal of \$0.9 million to reflect the completion of the Cherry Hill/Lincoln maintenance facility and the public transit authority's land and buildings project. This is consistent with the Department's capital budget request. These projects are explained in greater detail in the *Capital Budget Section* of this analysis. *The Governor recommends \$1.7 million more than requested to reflect revised project schedules. These changes are explained in the Capital Budget Section of this analysis.*

Third Parties. The Department requests \$5.1 million from restricted receipts derived from funds received from municipalities as reimbursement for construction work performed by the Department. During instances when the Department is performing construction jobs, the city or town can request the Department also perform municipal related jobs for which they will later reimburse the Department. The Department uses the receipts to reimburse its engineering division for personnel and construction costs associated with the work performed. The request is \$4.1 million more than enacted and reflects a technical error that inadvertently budgeted motor vehicle surcharge collections in the wrong account. *The Governor recommends \$4.1 million less than requested in the account, and shows the funds in a new account to properly reflect the fund source as the Highway Maintenance Trust Fund account. This is consistent with the technical corrections contained in Article 6 of 2013-H 5127.*

Maintenance Operations. The Department requests \$6.3 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 \$0.8 million more than enacted to reflect increases for highway lighting costs and replacement of damaged highway lighting fixtures, as well as the purchase of maintenance equipment to be used for grass cutting, masonry repairs and paving work. *The Governor recommends \$2,900 less than requested to reflect a reduction in office equipment purchases in the Division of Maintenance.*

Vehicle Maintenance. The Department requests \$4.6 million from gasoline tax proceeds for vehicle maintenance throughout the Department. The Department notes that vehicle maintenance costs have increased in recent years due to the lack of new vehicle purchases, which has affected all divisions, and includes vehicles such as dump trucks, pavers, tractors, grading equipment, backhoes and street sweepers. Although the Department indicates these costs will decrease with new purchases, it appears that costs are holding steady. In FY 2010, the Department spent \$5.2 million, \$4.8 million in FY 2011 and \$4.9 million in FY 2012. The request is \$0.2 million more than enacted to reflect anticipated expenditures for FY 2014. *The Governor recommends \$0.8 million more than requested to reflect increased vehicle maintenance. Although vehicle purchases were provided an annual \$1.0 million from Rhode Island Capital Plan funds as part of the Governor's recommendation, the budget assumes vehicle maintenance costs will require additional funding.*

Winter Maintenance Operations. The Department requests \$12.2 million for operating expenses related to the winter maintenance program for FY 2014. Funding is used to pay for vendor contracts, as well as to purchase salt, sand and liquid de-icers. The average annual cost for winter maintenance operations from FY 2008 through FY 2012 is \$10.7 million, and the current request is \$1.2 million above that. It should be noted that the Department spent a historically high amount of \$17.9 million in FY 2011 due to a severe winter, and a historically low amount of \$7.5 million in FY 2012 due to a light winter. Excluding those amounts, the average is closer to \$9 million. It should also be noted that winter maintenance is exclusively funded with gasoline tax proceeds, and any funding surplus or deficit for these operations will directly impact the Department's projected gasoline tax shortfall. *The Governor recommends \$0.1 million less than requested to reflect statewide auto insurance policy savings.*

All Other Operations. The Department requests \$0.7 million less than enacted from all sources for all other operating costs. This includes \$1.2 million less from federal funds offset by an increase of \$0.5 million from gasoline tax funds. The requested changes reflect small adjustments to operating expenditures, as well as changes from federal grants and disbursements of pass-through gasoline tax funding to the Rhode Island Public Transit Authority. *The Governor recommends \$4.9 million less than requested, primarily from federal funds, to reflect a technical correction to a federal highway clearing account which was inadvertently overfunded in the request by \$4.9 million.*

