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# **Section III**

## **Agency Analyses**

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## Department of Administration

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Program</b>				
Central Management	\$ 3,116,629	\$ 3,267,015	\$ 3,468,477	\$ 2,907,964
Accounts & Control	3,966,422	3,872,539	4,008,248	4,033,748
Office of Management & Budget	4,531,191	4,206,839	4,320,723	4,215,985
Purchasing	3,244,066	3,226,919	3,097,458	3,044,452
Auditing	1,344,585	1,386,254	1,442,005	1,434,565
Human Resources	11,187,394	10,952,876	10,709,556	10,606,059
Personnel Appeal Board	75,036	75,036	75,216	75,216
General	70,922,718	66,145,906	62,553,643	58,323,255
Debt Service	193,027,072	189,810,382	218,962,471	219,580,917
Legal Services	1,948,683	2,312,716	2,050,636	2,039,872
Facilities Management	37,437,101	35,263,605	36,652,977	35,755,641
Capital Projects and Prop. Mgt.	1,240,545	1,264,433	1,302,353	1,278,254
Information Technology	33,981,318	33,529,800	35,971,889	33,809,293
Library Programs	2,192,285	2,373,215	2,207,217	2,066,684
Planning	20,675,504	23,463,923	18,448,664	20,112,602
Energy Resources	11,199,557	11,923,939	5,790,201	5,790,201
Construction Permitting, Approvals & Licensing	2,829,509	2,887,562	2,841,077	2,823,428
Personnel Savings	(2,567,204)	(367,539)	-	-
Rhode Island Health Benefits Exchange	28,348,926	52,428,676	25,829,072	23,433,222
Diversity, Equity & Opportunity	-	-	1,232,842	1,183,454
<b>Total</b>	<b>\$ 428,701,337</b>	<b>\$ 448,024,096</b>	<b>\$ 440,964,725</b>	<b>\$ 432,514,812</b>
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 71,739,872	\$ 71,443,140	\$ 76,619,797	\$ 75,461,394
Contracted Services	31,808,041	58,046,472	29,566,465	25,695,659
<b>Subtotal</b>	<b>\$ 103,547,913</b>	<b>\$ 129,489,612</b>	<b>\$ 106,186,262</b>	<b>\$ 101,157,053</b>
Other State Operations	33,705,966	32,798,651	34,090,014	34,138,453
Aid to Local Units of Government	11,274,064	11,274,064	11,104,987	11,104,987
Assistance, Grants, and Benefits	34,348,474	34,077,226	23,598,290	25,868,978
Capital	47,928,334	42,378,968	40,002,187	33,768,910
Capital Debt Service	192,927,072	189,710,382	218,862,471	219,480,917
Operating Transfers	4,969,514	8,295,193	7,120,514	6,995,514
<b>Total</b>	<b>\$ 428,701,337</b>	<b>\$ 448,024,096</b>	<b>\$ 440,964,725</b>	<b>\$ 432,514,812</b>
<b>Sources of Funds</b>				
General Revenue	\$ 264,801,211	\$ 262,101,671	\$ 306,152,231	\$ 295,595,931
Federal Aid	62,189,669	90,518,624	53,850,302	53,453,959
Restricted Receipts	15,912,808	15,803,850	14,261,852	14,201,089
Other	85,797,649	79,599,951	66,700,340	69,263,833
<b>Total</b>	<b>\$ 428,701,337</b>	<b>\$ 448,024,096</b>	<b>\$ 440,964,725</b>	<b>\$ 432,514,812</b>
<b>FTE Authorization</b>	<b>720.7</b>	<b>720.7</b>	<b>738.7</b>	<b>723.7</b>

**Summary.** The Department of Administration requests FY 2015 expenditures totaling \$441.0 million from all sources of funds. This is \$12.3 million more than enacted, including \$41.4 million more from general revenues, \$35.9 million or 86.7 percent of which is for debt service adjustments. Changes include a distribution of \$2.6 million in statewide savings, adding \$1.5 million from general revenues for the Technology Investment Fund and \$1.3 million for the state's financial system. The Department requests staffing of 738.7 full-time positions, 18.0 positions more than enacted and 3.0 positions more than the revised request.

*The Governor recommends expenditures totaling \$432.5 million from all funds, including \$295.6 million from general revenues. This is \$3.8 million more than enacted, of which \$30.8 million is from general revenues. The recommendation is \$10.6 million less general revenues than requested, including \$5.7 million less for debt service and \$2.8 million less for the aforementioned technology initiatives. He recommends staffing of 723.7 full-time positions, 3.0 more than the authorized level.*

<b>FY 2015 Budget</b>	<b>Budget Office</b>	<b>Department of Administration</b>	<b>Difference</b>
<b>FY 2014 Enacted</b>	<b>\$ 264,801,211</b>	<b>\$ 264,801,211</b>	<b>\$ -</b>
Current Service Adjustments	36,952,494	37,611,901	659,407
New Initiatives	-	3,739,119	3,739,119
<b>Change to FY 2014 Enacted</b>	<b>\$ 36,952,494</b>	<b>\$ 41,351,020</b>	<b>\$ 4,398,526</b>
<b>FY 2015 Current Service/ Unconstrained Request</b>	<b>\$ 301,753,705</b>	<b>\$ 306,152,231</b>	<b>\$ 4,398,526</b>
Target Reduction/Initiatives	(6,347,765)	(10,746,291)	(4,398,526)
<b>FY 2015 Constrained Target/Request</b>	<b>\$ 295,405,940</b>	<b>\$ 295,405,940</b>	<b>\$ -</b>
<i>Change to FY 2014 Enacted</i>	<i>\$ 30,604,729</i>	<i>\$ 30,604,729</i>	<i>\$ -</i>

**Target Issues.** The Budget Office provided the Department with a general revenue target of \$295.4 million. The amount includes current service adjustments of \$37.0 million and a 7.0 percent target reduction totaling \$6.3 million, adjusted for certain exclusions. The constrained request met the target level. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's budget is \$0.2 million above the target.*

**Staffing Authorization.** The Department requests staffing of 738.7 full-time positions, 18.0 positions more than the authorized level. Consistent with the revised request, the increase includes 12.0 full-time positions for HealthSource RI and 3.0 positions for the mailroom. This is reflective of Deloitte's recommendation based on a potential increase in mailroom services relating to the Unified Health Infrastructure Project. The request reflects the creation of a new program: Office of Diversity, Equity and Opportunity. The Department requests 10.0 full-time positions for its operations, shifting 7.0 from Purchasing and Human Resources and adding 3.0 full-time positions. The request also includes a number of transfers within department functions.

As part of its constrained budget, the Department proposes to lay off 21.6 full-time positions, affecting various programs for a savings of \$2.2 million from all sources, including \$1.6 million from general revenues. The Department indicates that some of the positions are entry level and some were selected based on date hired. The constrained request excludes employees with statutory status. In addition to the layoffs, the Department requests an additional \$1.0 million in turnover savings and shifts \$2.2 million of general revenues for salary and benefit costs for 18.3 positions from Facilities Management and Capital Projects to Rhode Island Capital Plan funds.

*The Governor recommends staffing of 723.7 full-time positions. To the request, he adds a position in Statewide Planning to administer a new federal grant. For HealthSource RI, he recommends 2.0 fewer*

*new positions and transfers 6.0 to the Office of the Governor. He also eliminates eight current vacancies.*

## **Statewide**

**FICA Alternative Plan.** The request reflects the distribution of \$0.4 million in statewide savings included in the Department of Administration for the establishment of an alternative retirement plan for seasonal and part-time employees who are not members of the state's retirement system. *The Governor's budget assumes the distribution; however, due to a delay in implementation, the savings are not distributed among other agencies.*

**Medicare Exchange & OPEB Rate Correction.** The request reflects the distribution of \$3.6 million in statewide savings, including \$2.7 million to reflect a correction to the rate used for retiree health benefits based on the June 30, 2011 valuation. The FY 2014 recommended budget had assumed a rate of 7.8 percent but a credit to the fund brought the rate to 7.38 percent. It also includes the distribution of \$0.9 million for the establishment of a Medicare Exchange for post-65 retirees, which would offer a wider array of benefit choices to post-65 retirees. *The Governor recommends funding as requested.*

**Medical Coverage - Divorced Spouses.** As part of his FY 2014 recommended budget, the Governor proposed terminating state sponsored health insurance provided to divorced spouses of state employees for savings of \$1.4 million from all funds, including \$0.9 million from general revenues. The Assembly adopted legislation to make this applicable for judgments entered into as of January 1, 2014, and restored the budgeted savings. The funds were included in the Department of Administration for later distribution and are excluded from the Department's FY 2015 request accordingly. *The Governor concurs.*

**Current Care - Health Information Exchange.** The Department requests the enacted amount of \$450,000 from general revenues for the Health Information Exchange, an electronic network that gives medical professionals access to their patient's health information. The state pays \$1 per member per month fee for state employees. FY 2013 reported expenditures for this was \$422,369, a monthly average of \$35,197. The current contract with the Rhode Island Quality Institute expires on January 1, 2014, and the state is in the process of negotiating an extension to continue to fund the program.

The constrained budget proposes a \$225,000 reduction. The state's decision to contribute as a self-insured employer set an example and provided an incentive for other self-insured employers to contribute to the Health Information Exchange's funding model. The Department indicates that the loss of state support could jeopardize the project. *The Governor recommends funding consistent with the constrained budget.*

## **Local Aid**

**Library Aid.** The Department requests the enacted amount of \$8.8 million to level fund state support of public libraries. The request is \$1.0 million or 11.4 percent less than allowed under current law. 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 80.0 percent of the previous year's amount.

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 the enacted level of funding.*

**Library Construction Aid.** The Department requests \$2.3 million for library construction aid, \$169,077 less than enacted to reflect current funding requirements for FY 2015 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 \$2.5 million in FY 2013 and \$2.8 million in FY 2012. The 2011 Assembly adopted legislation to set a three-year moratorium on the acceptance of applications for library construction aid projects. The Office will begin accepting applications in FY 2015. *The Governor recommends funding as requested.*

### **Economic Development/Commerce Corporation**

**EDC/Commerce Corporation.** The 2013 Assembly adopted several pieces of legislation pertaining to economic development. One of which creates the Executive Office of Commerce to be administered by a secretary of commerce, effective February 1, 2015. The Office will oversee and serve as the lead agency of the Executive Branch for managing the promotion of commerce and the state's economy. Pursuant to 2013-H 6063, Substitute B, on or about February 1, 2015, the Executive Office of Commerce will have powers to operate functions from the Department of Business Regulation and, subsequently, various functions from the Department of Administration.

*The Governor's budget delays this to July 1, 2015. He also proposes to maintain the Office of Regulatory Reform in the Department of Administration instead of transferring it to the new Executive Office.*

**EDC/Commerce Corporation Operations.** The Department of Administration's budget includes the enacted amount of \$3.9 million from general revenues to support general operations of the Corporation.

The Corporation's FY 2015 budget request includes expenditures of \$20.2 million, including a state appropriation of \$10.7 million, \$5.0 million from federal funds, \$2.4 million from restricted receipts for the Renewable Energy Fund and \$2.2 million from the Corporation's sources, which assumes use of the FY 2014 projected ending cash balance of \$0.7 million. The Corporation's ending balance for FY 2015 would be \$0.1 million in unrestricted cash.

The request of \$10.7 million from general revenues accounts for 52.9 percent of the Corporation's budget and is \$2.4 million more than the FY 2014 enacted budget for five initiatives, which are discussed below. It also includes \$4.3 million for several programs that are passed-through the Corporation, including Airport Impact Aid, Slater Technology and community service grants.

The Corporation's request includes \$3.9 million to support salary and benefit costs for 40.0 full-time positions. This includes a 3.0 percent cost-of-living adjustment for all employees, which equates to \$0.1 million. The Corporation indicates that the last time employees received a cost-of-living increase was three years ago. As of December 2013, the Corporation had 2.0 positions vacant.

In an attempt to meet its general revenue target, the Department reduces the Corporation's operating budget by \$0.3 million and indicates that this could be achieved by eliminating 3.0 full-time positions.

*The Governor recommends \$75,000 more than enacted to support a Creative and Cultural Economy Coordinator position.*

Volvo Ocean Race. The Corporation includes \$0.8 million for expenditures relating to the Volvo Ocean Race. The City of Newport is scheduled to host a race on May 17, 2015. It should be noted that this is the same amount that the 2012 Assembly provided for hosting the America's Cup World Series in FY 2012. The Corporation used the majority of funds for security services. *The Governor recommends funding as requested.*

Tourism and Marketing. The Corporation includes a total of \$1.1 million, of which \$0.6 million will be used to enhance tourism efforts in the state. The 2013 Assembly did not concur with the Governor's recommendation to provide funding for this in FY 2014. The remaining \$0.5 million will be used for the Corporation's marketing and branding initiative. *The Governor does not concur.*

Small Business Development Center. The Corporation requests additional expenditures of \$0.1 million for the Small Business Development Center. This is in addition to the \$42,869 in community service grants that the Center annually receives. The Corporation indicates that it provided additional funding of \$36,490 in FY 2012 and \$46,490 in FY 2013 from its resources; however, given its constraints, it can no longer support the partnership. The Center serves as a focal point for the coordination of federal, state, municipal, academic, banking and other resources to aid small business and to promote economic development. It provides consulting and educational services to qualifying companies. *The Governor does not concur.*

Bryant/Trade Export Assistance. The Corporation requests additional expenditures of \$250,000 for the Bryant/Trade Export Assistance. This is in addition to the \$70,697 in community service grants that the program annually receives. The Corporation indicates that it provided additional funding of \$100,000 in FY 2012 and \$150,000 in FY 2013 from its resources; however, given its constraints, it can no longer support the partnership. The Export Assistance Center at Bryant University helps local companies initiate and/or develop international trade opportunities. *The Governor does not concur.*

Microloan Program. The Corporation requests new expenditures of \$150,000 for microloan management services to enhance lending capability. The Corporation indicates that if the funds are provided, it could either obtain outside services or fill a position to manage this program. *The Governor does not concur.*

**Innovate RI Small Business Program.** The request includes the enacted amount of \$0.5 million from general revenues to support the Innovate RI Small Business and the Bioscience and Engineering Internship Programs. The Science and Technology Advisory Council developed guidelines to administer the programs. To be eligible, a business must meet the following conditions: be a Rhode Island-based business with 50 or fewer employees and have at least 51.0 percent of its employees residing in the state. Businesses must also certify that at least 51.0 percent of its research will be conducted in the state. Pursuant to the guidelines, an applicant may receive a matching grant of 30.0 percent of the amount of the recipient's federal award with a maximum matching grant not to exceed \$45,000. Of the \$0.5 million provided for FY 2014, all but \$5,000 was provided in direct awards. *The Governor recommends funding consistent with the enacted budget.*

**I-195 Redevelopment District Commission Operations.** The Department's request includes the enacted amount of \$0.5 million from general revenues to support the operations of the I-195 Redevelopment District Commission. The Commission was created by the 2011 Assembly as the responsible authority for the sale, marketing and oversight of land made available as a result of the relocation of Interstate 195.

The budget submitted by the Commission totaled \$1.3 million from all funds, including \$1.0 million from general revenues and \$250,000 from Rhode Island Capital Plan funds. The request does not anticipate any carry forward from FY 2014. It includes \$0.3 million to fund two positions, an executive director and a project director; \$0.2 million for operating expenses, such as lease, insurance, and audit costs; \$145,000 for marketing initiatives and \$0.3 million for legal, engineering and maintenance expenses.

As part of its constrained budget, the Department reduces the Commission's operating cost by \$0.2 million and notes that this would result in insufficient funding for staff and would adversely impact the Commission's ability to market and assess new development proposals. *The Governor recommends \$0.3 million, consistent with the constrained budget.*

**Slater Technology Fund Phase-Out.** The Department requests \$0.5 million from general revenues for the Slater Technology Fund, which is a state-backed venture capital fund that invests in new ventures. This reflects a reduction of \$0.5 million from the FY 2014 funding level and 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 was allocated to the Slater Technology Fund. Provided that returns on investments are received, the fund would eventually be self-sustaining.

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 \$46.2 million. *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 proportionately based on the number of total landings and takeoffs. *The Governor recommends funding as requested.*

**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 ninth installment totaling \$12.9 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 2015 will be the last year of the second five-year commitment. The Council indicates that it will recommend that the state applies for new funding in March 2014, when the Foundation will request applications from states. *The Governor recommends funding as requested.*

### **HealthSource RI (Exchange)**

**Contracts.** The budget submitted by the Department includes federal fund expenditures of \$25.8 million for HealthSource RI. Of this amount, \$21.1 million or 81.8 percent is for consultant services for the contact center, the Exchange's share of the Unified Health Infrastructure Project and other costs. The budget assumes that the Exchange will receive additional federal resources and obtain approval from the Centers for Medicare and Medicaid Services to extend the use of these funds through FY 2015. Therefore, no state support is requested. The earliest it can request the extension is September 2014, three months before operations of exchanges are supposed to be self-sustaining.

The Department indicates that it is working with the Exchange and the Office of Management and Budget to explore other options in the event the extension is not granted.

*The Governor recommends total expenditures of \$23.4 million, including \$19.0 million for contracted services. This is \$2.4 million or 10.0 percent less than requested. The recommendation assumes that the extension will be approved by the Centers for Medicare and Medicaid Services.*

**Technology Services.** The Department requests expenditures of \$9.0 million, \$4.1 million less than enacted from federal funds for information technology related services to be provided by Deloitte and CSG Consultants Inc. for several technology projects.

The request includes \$8.3 million for contractual services for the establishment of the Unified Health Infrastructure Project, a web-based system to be used by the general public to apply for state programs on-line and to buy health insurance. Deloitte Consulting is developing a premium billing module to facilitate the invoicing, collections, and customer service needs related to monthly premium payments and disbursement of payments to participating insurance carriers. It also includes \$0.2 million for the all payer claims database and \$0.5 million for the independent verification and validation services. *The Governor recommends \$0.9 million less than requested, to reflect a 10.0 percent reduction to the request.*

**Contact Center.** The Department's request includes \$2.4 million from federal funds for the contact center, \$1.4 million more than enacted to reflect the ongoing operational components of the contact center. The total contract cost is \$24.0 million and is effective through December 31, 2015, with two one-year option periods. Effective June 14, 2014, the state will have the option to convert a portion of the fees to a cost-per contact. If it wishes to do so, it must notify the contractor of its intention prior to May 1. *The Governor recommends \$250,124 less than requested, to reflect a 10.0 percent reduction to the request.*

**Communication and Media Services.** The request includes \$2.2 million, \$0.3 million less than enacted from federal funds for communications and media, outreach, as well as training services for HealthSource RI. In July 2013, the Exchange launched the 39 in 3 campaign, its officials visited all 39 cities and towns in three months to provide resources to small employers, community organizations, and individuals about the health coverage options. HealthSource RI also contracted with the Rhode Island Health Center Associations to provide one-on-one, face-to-face application and enrollment assistance to Rhode Islanders. *The Governor recommends \$0.2 million less than requested, to reflect a 10.0 percent reduction to the request.*

**Data, Analytics and Other Services.** The request includes \$7.5 million from federal funds, \$1.4 million less than enacted for all other contractual services, including data, analytical, legal, actuarial and audit services. This includes \$2.6 million for services to be provided by the Wakely Consulting Group for the development of the Exchange's business process, developing a financial sustainability modeling and assisting HealthSource RI staff with health plan certification and qualification. It includes \$1.7 million for data and analytical services, for which HealthSource RI will hire a contractor to help design and implement a data analysis system that will fully facilitate federal and state reporting. The request also includes \$1.2 million for Faulkner Consultant Group to provide technology support, financial analysis, technical writing and other services. *The Governor recommends \$0.7 million less than requested to reflect a 10.0 percent reduction to the request.*

**12.0 New Positions.** The Department of Administration requests \$1.3 million from federal funds to support 12.0 new full-time equivalent positions for HealthSource RI, including an insurance rate

analyst, a senior legal counsel, a chief data operations officer, a fiscal management officer and others. The filling of the positions would be staggered and turnover savings of six months is assumed in the FY 2014 revised budget. The Department indicates that funding for this was not part of the enacted budget because the Exchange was in the process of assessing its staffing need. *Consistent with the revised budget, the Governor recommends two fewer positions. He includes \$0.2 million less than requested to reflect this.*

**Other Salaries and Benefits.** The Department includes \$2.2 million from federal funds to support HealthSource RI's remaining 15.0 full-time positions. The request is \$0.1 million less than enacted to reflect turnover savings not assumed in the enacted budget. The request includes benefit rates consistent with FY 2015 planning values. The enacted budget reflects the transfer of the Health Benefits Exchange from the Office of the Governor to the Department of Administration. The Office staff roster appears to have six of the Exchange's filled positions shown in the Office of the Governor instead of the Department of Administration.

[Staff Note: The Department has failed to provide an organizational chart upon several requests; however, the request appears to assume a structure that includes five offices or divisions: office of the director, information technology, financial, legal, and community outreach. The Office had five positions vacant as of the pay period ending November 29, 2013.]

*The Governor recommends total funding as requested. The recommendation assumes 6.0 positions for the Exchange are in the Office of the Governor, while the costs are allocated in the Department of Administration.*

**Lease Space and Other Operations.** The request includes \$1.2 million from federal funds, \$0.6 million more than enacted for operating costs for HealthSource RI. The increase includes \$0.7 million for lease costs. The Exchange had hoped to be located in the contact center; however, it indicated that the facility that was acquired did not have sufficient room to house its operations as well. It is looking for a 15,000 square foot facility for its staff as well as enough room to house contractors. Current law requires departments to obtain legislative approval before entering into a long-term lease agreement, five years or more or in excess of \$500,000 in value. All other operating costs are for printing, insurance, postage and travel expenses.

*The Governor recommends \$0.1 million less than requested, primarily for the lease. He includes legislation in Article 17 of 2014-H 7133 to eliminate the requirement that state entities obtain legislative approval before entering into a long-term lease agreement.*

### **Office of Energy Resources**

**Salaries and Benefits.** The Department requests expenditures of \$1.2 million from federal and restricted sources to support 10.0 full-time positions in the Office of Energy Resources. The request is \$14,984 less than enacted to primarily reflect employee benefit selections. The request includes benefit rates consistent with the planning values for FY 2015. It does not include any turnover savings, for which the enacted budget assumed \$3,228. As of the pay period ending November 29, the Office had two vacancies. *The Governor recommends funding as requested.*

**Stimulus - State Energy Plan.** The request reflects the removal of \$5.2 million in federal stimulus funds for the state energy plan. The grant expired on September 30, 2013, and the Office of Energy Resources obtained approval from the U.S. Department of Energy to use the remaining funds for several initiatives. This includes use of \$1.5 million for the Residential Property Assessed Clean

Energy Program and \$3.0 million for the Energy Revolving Loan Fund Program, which will provide zero or low interest loans for energy related projects. This program will be administered by the Economic Development Corporation, which is in the process of finalizing the guidelines for the program funds. The memorandum of understanding between the Corporation and the Office requires that all guidelines, operating procedures and compensation for the Corporation be made on or before November 30. *The Governor recommends funding as requested.*

**Other Projects and Operations.** The Department requests \$4.6 million from federal and restricted sources for all other energy related projects and operating costs, including \$4.2 million for the Regional Greenhouse Gas Initiative. The request is \$0.2 million less than enacted primarily from federal funds to reflect anticipated expenditures for the Public Energy Partnership program, which allows states 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 funding as requested. He also includes legislation in Article 7 of 2014-H 7133 that increases the percentage of the receipts from the Regional Greenhouse Gas auctions that the Department of Environmental Management and the Office of Energy Resources can use for administrative purposes to \$0.3 million or 10.0 percent, whichever is greater. Current law allows \$0.3 million or 5.0 percent, whichever is less.*

## Debt Service

**38 Studios Market Analysis.** The request reflects the removal of \$50,000 budgeted in FY 2014 to perform a market analysis to further explore the implications of the state not repaying the authorized debt. A Request for Proposals was issued in October; however, the Department indicates that no bids were received and is currently in the process of exploring other options. *The Governor recommends funding as requested.*

**38 Studios Debt Service.** The Department requests \$12.8 million for debt service relating to 38 Studios. The request is consistent with the current service estimate; however, it is \$0.3 million more than the amount the Economic Development Corporation indicates would be necessary to replenish the Capital Reserve Fund.

Legislation contained in Chapter 29 of 2010 Public Laws 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. In 2010, the Corporation backed a \$75.0 million loan to 38 Studios through the Job Creation Guaranty Program. The 2013 Assembly repealed this program. *The Governor recommends \$12.3 million from general revenues to replenish the Capital Reserve Fund, \$0.4 million less than requested.*

**Transportation Debt Service.** Consistent with the current service estimate, the Department requests \$39.6 million for transportation related debt service, including \$19.3 million from general revenues and \$20.4 million gasoline tax proceeds. This includes a shift of \$10.0 million from gasoline tax to general revenues to increase state support for transportation debt. This will increase available resources for the Department of Transportation by a like amount.

*The Governor recommends debt service expenditures of \$46.1 million, \$6.5 million more than enacted for anticipated debt service.*

**Public Transit Authority Debt Service.** The Department's request includes the enacted amount of \$1.7 million from general revenues for the Rhode Island Public Transit Authority's debt service payments. The request is not consistent with the out-year estimate provided by the Budget Office, which had indicated that the Authority's debt service would be covered from general revenues for two years to help reduce the Authority's projected and operating shortfalls. The FY 2013 and FY 2014 budgets included \$1.6 million and \$1.7 million, respectively, from general revenues to fund the Authority's debt service payments.

*The Governor recommends that the Authority's debt service payments be made with general revenues in lieu of Authority sources for an additional year. He includes \$1.8 million from general revenues, \$0.1 million more than enacted.*

**I-195 Land Acquisition Debt Service.** The Department requests the enacted amount of \$1.2 million from general revenues for debt service costs of the I-195 land acquisition 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 includes \$0.5 million, \$0.7 million less than enacted to reflect the actual payment, which is interest only. This is consistent with the revised budget.*

**Historic Tax Credit.** The request includes \$31.7 million from general revenues to fund debt service costs for historic tax credits. This is \$8.3 million more than enacted and is consistent with the current service estimate. This assumes issuance of \$75.0 million in new bonds in FY 2014 to cover expected credits. As of December 2013, \$6.0 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 2013 Assembly adopted legislation to allow new projects to replace those projects that are not progressing and developed new requirements and standards. In August 2013, the Division of Taxation conditionally approved projects totaling \$34.5 million. The Historical Preservation and Heritage Commission is in the process of reviewing the projects. *The Governor recommends funding as requested.*

**Convention Center Authority.** The request includes \$23.1 million from general revenues for debt service for the Convention Center Authority, \$50,237 less than enacted and 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 Authority's FY 2015 operating budget request totaled \$50.3 million, of which \$25.4 million or 50.5 percent is from state sources. This includes \$23.1 million for the aforementioned debt service and \$2.4 million from Rhode Island Capital Plan funds to renovate the Convention Center and the Dunkin' Donuts Center. The remaining \$24.9 million of expenditures are supported by events, parking, rental, and food and beverage revenues from the three entities: Convention Center, Dunkin'

Donuts Center and the Veterans Memorial Auditorium. *Consistent with the revised budget, the Governor includes an additional \$0.1 million in savings to reflect a refunding of outstanding debt.*

**All Other Debt.** Excluding items mentioned above, the Department requests \$108.9 million from all funds, including \$103.8 million from general revenues for all other debt service costs. This is \$7.4 million more than enacted and consistent with the current service estimate. This includes \$31.4 million or \$3.5 million more from Certificates of Participation for technology and energy conservation related projects. It includes an additional \$3.9 million for general obligation bond debt service, of which \$3.6 million is projected for new issuance. The request includes the enacted amount of \$3.4 million 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. Consistent with the enacted budget, the request does not include funding for short-term borrowing.

*The Governor recommends \$104.3 million for all other debt service costs. This is \$2.6 million more than enacted and is \$4.8 million less than requested. Major changes to the request include savings of \$120,000 for the Fidelity Job Rent Credits, consistent with the revised recommendation; \$1.3 million less for general obligation debt costs and \$3.3 million less from Certificates of Participation funded projects.*

### **Facilities Management**

**Utility Savings.** The Department projects utility costs of \$18.7 million from all funds for FY 2015, including \$15.9 million from general revenues at state buildings under its jurisdiction, including the Pastore Campus. The projection is 8.9 percent or \$1.6 million more than FY 2013 reported expenditures and is \$0.5 million more than FY 2014 projected expenses. This reflects savings of \$0.3 million each from electricity, oil and water and includes new expenditures of \$229,000 to purchase woodchips for the Zambarano boiler. *The Governor concurs and includes an additional \$0.6 million in savings from natural gas, consistent with the revised recommendation.*

**Facilities & Capital Projects Student Internship Program.** Consistent with the revised request, the FY 2015 budget includes general revenue expenditures of \$50,758 for salaries and benefits to support an internship program. The Department indicates that the intent of the program is to attract students in the field of architecture, construction management and facilities management from universities and colleges in Rhode Island and neighboring states. The number of students selected during the year will be equivalent to 1.0 full-time employee.

The Department indicates that it used some of its operating surplus in FY 2013 to pay a total of five interns, who came from the following institutions: New England Institute of Technology, University of Rhode Island and Wentworth Institute of Technology. *The Governor recommends funding as requested.*

**Other Salaries and Benefits.** The Department requests \$10.4 million from all funds and staffing of 114.5 positions for the Division of Facilities Management. The request is \$0.2 million or 1.9 percent more than enacted. The request is \$59,373 more than the current service estimate, including \$20,680 for overtime. Consistent with the revised request, the budget includes \$355,000 for overtime, \$76,162 less than FY 2013 reported expenditures. The request includes step increases and benefit rate changes to reflect FY 2015 planning values. The request assumes \$0.3 million in turnover savings, \$1,721 less than enacted and \$26,343 less than projected for FY 2014. As of the pay period ending November 29, the Division had 12.0 vacancies.

The Department's constrained budget shifts \$2.3 million of general revenues for salary and benefit costs for 18.3 positions to Rhode Island Capital Plan funds. This includes 10.5 full-time positions from Facilities Management and 7.8 positions from Capital Projects. The Department indicates that the positions would be entirely dedicated to the development, oversight, and completion of capital projects. The Department further notes 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. This initiative was included in the Department's last two budget requests; both times they were rejected by the Assembly.

*The Governor recommends \$0.1 million less than the unconstrained request to reflect turnover and statewide medical benefit savings.*

**Other Facilities Operations.** The Department requests \$7.6 million from all funds including \$6.7 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. Expenditures for the operations of the Central Power Plant and building maintenance account for more than 56.7 percent of the request.

The request is \$0.3 million or 4.0 percent less than enacted and is \$62,441 less than projected FY 2014 expenditures. It includes savings of \$0.2 million from building maintenance and \$0.3 million in contractual costs for the operation of the Central Power Plant, which the Department rebid in FY 2013. The request assumes that the contract would be effective on November 1, for three years with options to extend. The contract assumes two components; the direct labor paid, which is a fixed amount and consumables, which depends on repair costs. The request includes expenditures for alarm services, snow plowing, waste disposal and landscaping supplies.

The Department's constrained budget further reduces Facilities Management's operating budget by \$0.2 million, including \$0.1 million for snow plowing and \$0.1 million for computer supplies and waste disposal. *The Governor concurs with the constrained request but adds \$10,000 for waste disposal.*

## **Information Technology**

**RI Financial System Operations.** The Department requests expenditures of \$2.9 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 \$1.3 million more than enacted to reflect the Department's initiative to add additional staff for the operations and maintenance of the state's financial system. The system is currently being supported by 5.5 full-time positions, one of which is vacant. The Department indicates that this level of staffing is inadequate. The \$1.3 million would be used to support a database administrator, two Oracle functional specialists and two Oracle technical specialists, which averages to \$250,000 per contractor.

The Department established new job titles with a new salary structure in the spring of 2013 through a public hearing for Oracle staff. The positions were posted in May 2013 and the Division analyzed the resumes received. The Department indicates that despite the higher level positions, no qualified candidates were found.

Consistent with the revised budget, the request assumes using \$0.2 million budgeted in the FY 2014 enacted budget for salaries and benefits for consultant costs for an e-business data manager. It indicates that it attempted to fill this position, which became vacant subsequent to the enactment of the budget; however, it was not successful. The Department indicates that it will continue to search for a full-time employee to provide the services and upon filling the position, it will terminate the contract.

The constrained request eliminates the requested \$1.3 million for the contractors. *The Governor recommends funding consistent with the constrained request and removes \$2,568 to account for the statewide medical benefit savings.*

**Technology Investment Fund.** The Department's request includes a total of \$4.6 million from all funds, including \$3.1 million from restricted receipts and \$1.5 million from general revenues to restore the Technology Initiatives Fund, which had been used for information technology projects that support other state agencies. The 2013 Assembly merged the Technology Initiatives Fund with the Technology Investment Fund, which is supported from land sales and other transfers. This fund was created by the 2011 Assembly and the 2012 Assembly transferred \$9.0 million into the fund. The Department anticipates new revenues of \$4.75 million in FY 2014 from land sales. Assuming expenditures of \$1.5 million are removed from the Technology Investment Fund; the projected fund balance would be \$5.0 million in FY 2015.

The Department's constrained budget request excludes the requested \$1.5 million from general revenues. *The Governor concurs with the constrained request. It should be noted that he proposes issuance of \$30.0 million from Certificates of Participation to finance and invest in information technology projects. A detailed analysis of the project is included in the Capital Budget section of this publication.*

**Office of Digital Excellence.** The request includes expenditures of \$0.9 million from general revenues to support 7.0 full-time positions and operating expenses for the Office of Digital Excellence. This is \$0.1 million less than enacted, including \$0.1 million more from general revenues, of which \$30,000 is to restore the enacted turnover savings, for which the request does not assume any. The enacted budget assumes that the majority of the senior information technology project manager positions would be funded with federal sources for the Unified Health Infrastructure Project. The request reflects the removal of \$0.2 million previously budgeted for staff time allocated to federal projects. The Department indicates that during the 2013 fiscal closing, the decision was made to transfer salary and benefit costs for the Unified Health Infrastructure Project directly to the programs at the Executive Office of Health and Human Services and the Health Benefits Exchange to ensure transparency. The request includes the enacted amount of \$50,000 for operating expenses.

*The Governor recommends \$664 less than requested. This reflects additional salary costs to upgrade a vacant position, offset by benefit adjustments and the statewide medical benefit savings.*

**Other Staffing Adjustments.** The Department requests expenditures of \$23.1 million from all funds, including \$14.6 million from general revenues to fund 190.5 full-time positions in the Division of Information Technology. This is \$0.2 million more than enacted and staffing consistent with the revised request and authorized level. It includes an increase of \$13,133 from general revenues, \$146,688 less than the current service estimate to reflect additional turnover savings and employee medical benefit selection. The request also revised the allocation percentages based on FY 2013 reported agency usage. It assumes \$0.5 million in turnover savings, for which the enacted assumes \$0.4 million. As of the pay period ending November 29, the Division had 14.5 vacant full-time positions.

As part of its constrained budget, the Department proposes to lay off 21.6 full-time positions, affecting various programs for a savings of \$2.2 million from all funds, including \$1.6 million from general revenues. This includes a total of \$1.5 million from the Division for the elimination of 14.0 full-time positions, including four positions that work at the Departments of Corrections, Labor and Training, Children, Youth and Families, and Human Services.

*The Governor recommends \$0.3 million less than the unconstrained request to reflect turnover and statewide medical benefit savings.*

**Other Information Technology Operations.** The Department requests FY 2015 expenditures of \$5.4 million from all funds for the Division of Information Technology. This is \$0.4 million more than enacted and is \$0.1 million more than FY 2014 projected expenditures. It includes \$0.3 million for maintenance expenses that the Department plans to transition from the Technology Investment Fund, including CISCO networking equipment. It also includes \$75,000 for internet fees and \$61,200 is for leased printing for the mailroom. The Department indicates that equipment totaling \$1.8 million was purchased for the Division of Information Technology's mailroom based on Deloitte's recommendation for increased utilization relating to the Unified Health Infrastructure Project. This includes a barcode sorter and two automated mail inserters. The equipment was funded with federal funds by the Office of Health and Human Services.

The constrained budget reduces the request for information technology services provided to state agencies from \$0.9 million to \$0.5 million, a \$0.4 million reduction, including \$0.2 million from general revenues. It should be noted that FY 2013 reported expenditures for this were \$0.9 million. Based on historical expenses, it is not clear how this will be achieved.

*The Governor recommends \$0.9 million more than the unconstrained request, primarily for information technology services for the Department of Transportation. However, the Budget Office subsequently indicated that it inadvertently overstated the information technology costs for the Department of Transportation by \$1.0 million. Accounting for this adjustment, the recommendation is \$0.1 million less than the unconstrained request.*

### **Accounts and Control**

**Payroll System.** The Department indicates that it is in the process of implementing a new payroll system, which would allow state employees to obtain their payroll stubs online. It did not request any funding in its budget nor was any enacted. The new system is projected to be implemented by April 1, 2014. This is in conjunction with the Governor's proposal to eventually require all employees to receive their pay through direct deposit. A subsequent phase will allow state employees to obtain their W-2 forms online as well. *The Governor recommends \$60,000 for processing fees; the revised budget also includes \$25,000 for implementation and processing costs.*

**Staffing and Operations.** The Department requests \$4.0 million from general revenues and staffing of 37.0 full-time equivalent positions for the Office of Accounts and Control. The request is \$41,826 more than enacted and is \$11,233 less than the current service estimate to reflect the Department's proposal to reorganize the Accounts Payable and Payroll Units within Accounts and Control. There are currently 13.0 positions that perform the processing in these areas. The Department is requesting that the positions be upgraded through a public hearing process. To offset the cost of the reorganization, the Department proposes to hold one position vacant so that the proposal is cost

neutral. As of the pay period ending November 29, the Office had 1.0 vacancy. The request includes benefit rate changes consistent with FY 2015 planning values.

The request includes \$7,782 more for all operating expenses, \$5,500 for computer supplies and \$1,300 for membership fees for the National Association of State Auditors.

As part of its constrained budget, the Department proposes to lay off 21.6 full-time positions, affecting various programs for a savings of \$2.2 million from all funds. This includes a savings of \$77,619 from the elimination of an accounting clerk, which is responsible for auditing invoices. The Department indicates that eliminating this position could increase the risk of duplicate incorrect payments or payments made outside of current policies.

The constrained budget also includes a savings of \$6,203 for Cash Management Interest payments, which is required when the state reimburses the U.S. Treasury for interest on federal drawdowns. The constrained request appears to be more in line with actual expenditures, which were \$1,669 in FY 2012 and \$312 in FY 2013.

*The Governor recommends \$34,500 less than the unconstrained request, of which \$24,457 is to account for the statewide medical benefit savings and \$10,043 is for operating costs based on historical expenditures.*

### **Office of Management and Budget**

**Salaries and Benefits.** The Department requests \$3.8 million from general revenues and restricted receipts to support staffing of 31.0 full-time positions for the Office of Management and Budget, consisting of the Budget Office, Office of Regulatory Reform and Federal Grants Management. This is \$66,906 more than enacted, including \$0.5 million more from general revenues and is \$0.4 million more than the current service estimate. The legislation adopted by the 2012 Assembly creating the Office established a restricted receipt account with receipts from administrative costs incurred for the oversight and management of federal funds.

The request reflects that the positions are funded from general revenues in lieu of establishing an easement methodology to fund the Office and shifts \$0.3 million from restricted receipts to general revenues. The request includes benefit rate changes consistent with FY 2015 planning values. It assumes \$37,968 in turnover savings, \$58,103 less than enacted and is \$80,356 less than the amount assumed in the FY 2014 revised request. As of the pay period ending November 29, the Office had 2.0 positions vacant.

The constrained request includes \$0.2 million in additional turnover savings from leaving the aforementioned positions vacant throughout FY 2015. The Department indicates that leaving the positions vacant would require reassigning agency budgets and other responsibilities among current staff.

*The Governor recommends \$0.1 million less than requested to reflect additional turnover and the statewide medical benefit savings.*

**Electronic Local Permitting.** Consistent with the current service estimate, the Department includes \$0.3 million from general revenues for the purchase or lease and operation of a web-accessible plan review management and inspection software system. The request is \$280,000 less than enacted. This system would create a standardized system available to the State Building Code Commission and all municipalities and fire districts. Legislation adopted by the Assembly requires that the State Building

Commissioner reports the status and any recommendations for improving the system to the Governor and General Assembly on or before April 2013 and each April 1<sup>st</sup> thereafter. Staff from the Building Code Commission is investigating other similar systems around the country and is working on how it would like the software system to work for impacted agencies. The Department is in the process of finalizing the Request for Proposals.

The constrained budget proposes to reduce the expense for this by \$250,000, which would provide total funding of \$330,000 over two years. The Department indicates that this amount would be insufficient to design, build and implement the system.

*The Governor recommends \$0.3 million, the unconstrained level of funding.*

**Rhode Island Ready Project.** The request includes the enacted amount of \$75,000 for the Rhode Island Ready Project, an initiative developed by the administration to enhance collaborative efforts between the Economic Development Corporation, state agencies, such as the Department of Environmental Management, and cities and towns to increase the probability of business attraction, expansion and growth efforts. The project is also intended to reduce time and increase the predictability of getting land developed, buildings constructed and operations up and running. The initial demonstration project will target eight to ten parcels in urban, suburban and rural areas of the state. This was intended to be one-time funding. The Budget Office subsequently indicated that the funding in FY 2014 will not likely be used since the Administration has not found an entity to manage the project. *The Governor delays this project to FY 2015 and adjusts funding in FY 2014 accordingly.*

**All Other Operations.** The Department requests \$109,414 from general revenues for operation costs for the Office of Management and Budget. This is \$2,626 more than enacted, including an increase of \$16,860 from general revenues. The request reflects the depletion of restricted receipts from the assessment of American Recovery and Reinvestment Act funded accounts and appears to have shifted some of this expense to general revenues. The request includes \$3,460 more for Moody's Economy.com, which provides the U.S. and the state's economic forecasts for the November and May Revenue Estimating Conference. It also includes increases for travel, dues for the state's subscription to Federal Funds Information for States and other items. *The Governor concurs, with the exception of including \$3,600 less for travel expenses.*

## Human Resources

**Personnel Classification Study.** The Department requests a total of \$1.0 million, \$0.5 million in each FY 2014 and FY 2015 to obtain outside services to review the state's personnel classification system. The system currently has over 1,000 position classifications. The Department of Administration issued a Request for Proposals on December 5<sup>th</sup> for the classification and compensation system redesign. The 2013 Assembly did not concur with the Governor's proposal to fund this study. The Assembly did provide \$0.2 million to perform a personnel study, which recommended that the Human Resources Division be headed by a chief of human resources, which will be dedicated to establishing strategic direction and developing policies. The Department indicates that the new chief of human resources is expected to start by January 2014. *The Governor recommends \$0.5 million only in FY 2014 as the costs of the study are not known.*

**Salaries and Benefits.** The Department requests \$10.3 million from all funds, including \$7.5 million from general revenues to fund 101.5 full-time positions in the Division of Human Resources. This is \$62,719 more from all funds, including \$123,579 from general revenues and staffing consistent with the authorized level, net of the 4.0 positions transferred to the Office of Diversity, Equity and

Opportunity. The request includes benefit rate changes consistent with FY 2015 planning values and is \$43,026 more than the current service level to reflect less turnover savings. The request assumes \$297,405 in turnover savings, for which the enacted budget assumed \$340,774. As of the pay period ending November 29, 91.1 percent or 92.5 of the authorized positions were filled.

As part of its constrained budget, the Department proposes to lay off 21.6 full-time positions, affecting various programs for a savings of \$2.2 million from all funds, including \$1.6 million from general revenues. This includes \$0.3 million in savings from the elimination of 3.0 positions in the Office of Employee Benefits. It should be noted that one of the positions is currently vacant. The Department indicates that the savings are achievable due to the transition of the Retiree Health recipients to the Medicare Health Exchange, which would reduce the Office's workload. Any delays in the Medicare Exchange implementation will impact the assumed savings.

*The Governor recommends \$0.1 million less than the unconstrained request to reflect additional turnover and the statewide medical benefit savings.*

**Operations.** The Department requests \$0.5 million from all sources, including \$0.4 million from general revenues for all other operating expenses for the Division of Human Resources. This is \$15,676 less from general revenues than enacted to reflect anticipated expenditures for computer supplies and advertising costs. The request includes the enacted amount of \$130,000 for contractual services provided by Hewitt Associates, which performs employee health benefit analyses on an as-needed basis. It includes \$0.1 million for the Worksite Wellness Program for supplies such as pedometers and printing of brochures. The request is \$72 less than FY 2014 projected expenditures and is \$35,327 more than FY 2013 reported expenses. *The Governor recommends funding as requested.*

## **Purchasing**

**Salaries and Benefits.** The Department requests \$2.9 million from all sources to fund salary and benefit costs for 30.0 full-time positions in the Division of Purchasing. This is \$0.1 million more and staffing consistent with the enacted budget, net of the 3.0 positions transferred to the Office of Diversity, Equity and Opportunity. The general revenue request is \$255,721 more than enacted and is \$244,788 more than the current service estimate, including the restoration of \$0.1 million in turnover savings and assuming \$0.1 million less for staff time allocated to the Unified Health Infrastructure Project. The Division entered into a memorandum of understanding with the Office of Higher Education to fund two positions especially dedicated to procurement for university related projects. The cost of the positions is \$210,601; however, the memorandum of understanding provides a maximum reimbursement of \$180,000. The Division's request funds the remaining \$30,601 with general revenues and subsequently indicates that it is working with the Office to revise the agreement.

The request includes benefit rates consistent with FY 2015 planning values. It assumes \$0.1 million in turnover savings, for which the enacted budget includes \$0.2 million. As of the pay period ending November 29, the Division had five positions vacant.

The constrained budget assumes an additional \$1.2 million in turnover savings, including \$1.0 million from general revenues. This assumes \$0.5 million in savings from the Division of Purchasing, \$0.3 million more than the unconstrained request. This does not appear to be achievable based on the number of filled positions. Additionally, the Department indicates that the constrained level of staffing would not be sufficient to assist all state agencies to procure goods and services.

*The Governor recommends \$53,006 less than the unconstrained request to reflect additional turnover and the statewide medical benefit savings.*

**Website Expansion and Procedural Examination.** The Department requests \$65,000 from general revenues, including \$25,000 to enhance the website for the Division of Purchasing to allow all public works bid result projects be posted on the Purchasing website, effective January 1, 2014, pursuant to Rhode Island General Law Section 37-2-18. The 2010 Assembly adopted legislation requiring that all public works bid documents be made available for inspection by the public, effective January 1, 2014. Prior to that, the threshold was for projects above \$0.5 million.

The request also includes \$10,000 for legal services to examine the Division of Purchasing's procedures and regulations. The Department indicates that the examination is needed in order to reduce the number of protests, reissuing procurements, cancellations and change orders. The remaining \$25,000 will be used to conduct a Lean Process Improvement program, which will examine practices to accommodate constrained staffing levels and to improve the Division's ability to move capital projects. The Department's revised budget request includes \$160,000 for these items. *The Governor recommends funding as requested.*

**Other Operations.** The request includes \$85,574 or \$27,365 more than enacted including \$31,015 from general revenues for all other operating expenses. This includes \$8,500 for a lease payment for a new vehicle that the Division purchased in 2013 and \$9,500 for computer replacement and office supplies. Actual operating expenditures for the Division were \$73,290 in FY 2012 and \$136,572 in FY 2013. *The Governor recommends funding as requested.*

### **Statewide Planning**

**Rental Housing Subsidy.** The request includes the enacted amount of \$750,000 from general revenues to provide rental housing subsidies for eligible homeless individuals and families. The Housing Resources Commission issued a competitive Request for Proposals under the existing Consolidated Homeless Fund program. The Commission received eight applications and five were selected. Based on the distribution plan, Crossroads received \$325,000 to service individuals and families; however, its focus will be assisting families. House of Hope received \$200,000 to address long-term individuals, particularly those using the state's shelter facilities; The Providence Center/Riverwood Mental Health Services received \$175,000 to assist chronically homeless individuals; and the Amos House received \$38,475 for individuals participating in its sober program. The program guidelines require that no more than 3.0 percent of the funds can be used to support administrative costs. *The Governor recommends funding as requested.*

**Water Allocation Program.** The Department requests the enacted amount of \$0.1 million from general revenues for the Water Allocation Program. It should be noted that the Department's FY 2015 capital budget assumes \$2.5 million of new general bond proceeds to fund the program. The Department indicates that funding for this program was substantially reduced in FY 2014, going forward a source of funding is needed. The constrained budget eliminates funding for this.

*The Governor does not provide general revenues, consistent with the unconstrained budget. He does propose a \$15.0 million general obligation bond referendum for Water Facilities Assistance in Article 5 of 2014-H 7133.*

**Hurricane Sandy Grant Award.** *Subsequent to the submission of the budget request, the Department indicates that it received a new award for \$16.0 million to assist the state recover from Hurricane Sandy.* In October of 2012, Hurricane Sandy made landfall in the state causing damage to

infrastructure and properties as a result of flooding and high winds. The Governor declared a state of emergency and ordered operations shutdown for all non-essential government agencies. The Department indicates that it is in the process of determining the application and awarding methodology. *The Governor recommends \$2.2 million in FY 2015, including \$0.1 million to support a new position to administer the award and \$2.1 million in grant expenditures.*

[Staff Note: Subsequently, the Budget Office indicates that grant expenditures should have been lowered by \$0.1 million.]

**Other Salaries and Benefits.** The Department requests \$4.2 million from all funds for salary and benefit costs of 37.0 full-time positions for the Division of Statewide Planning. This is \$53,352 more and 1.0 fewer position than enacted to reflect the transfer of a position that supports the State Properties Committee to Central Management. The general revenue request is \$225,524 more than enacted and is \$208,456 more than the current service estimate. This includes \$71,603 to restore the entire enacted turnover savings, and \$0.1 million is to cover the loss of federal funds. The enacted budget assumes a state share of 25.0 percent for staff time associated with Federal Highway Administration transportation planning projects. The FY 2015 budget assumes a state share of 34.0 percent, which equates to a loss of \$0.2 million. As of the pay period ending November 29, the Division had one vacancy.

As part of its constrained budget, the Department proposed to lay off 21.6 full-time positions, affecting various programs for a savings of \$2.2 million from all funds, including \$1.6 million from general revenues. The constrained budget reflects the elimination of a senior planner position for a total savings of \$0.1 million, including \$32,812 from general revenues. The Department indicates that eliminating this position would cause delays in the administrative processing of community comprehensive plans, which are submitted to the State Planning Council for review, pursuant to 45-22.2-9 of the General Laws.

*The Governor recommends \$0.1 million less than the unconstrained request to reflect turnover and statewide medical benefit savings.*

**Lead Hazard Reduction Program.** The request includes the enacted amount of \$0.5 million from general revenues to fund the Lead Hazard Reduction program, which provides loans and grants to income eligible property owners for lead abatement. Annually, the program provides loans and grants to assist 35 to 55 households. Since the inception of the program, over 1,500 units have been made lead safe.

To meet the Budget Office target reduction, the Department proposes to reduce funding from \$0.5 million to \$0.3 million, a 40.0 percent reduction. The Department indicates that 20 to 25 less units would receive assistance. *The Governor recommends funding consistent with the constrained budget.*

**Other Operations.** The request includes \$12.9 million from all funds, including \$1.7 million from general revenues for all other operation costs for Statewide Planning. This is \$2.3 million less than enacted, including \$18,890 from general revenues and \$0.6 million from federal funds for various community development block grants. Annually, the grant awards are 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 remaining reduction of \$1.7 million is from the Federal Highway Administration to reflect the loss of federal funds for transportation related planning projects.

*The Governor concurs, with the exception of including \$13,914 less from general revenues, primarily for insurance costs. The Department is in the process of researching whether the Board's insurance can be consolidated into the Department's umbrella policy.*

### **Overhead Functions**

**Film and Television Office.** The Department requests FY 2015 expenditures totaling \$311,723 from general revenues, of which \$283,594 will be used to support the Office's 2.6 positions. The request is \$976 more than enacted for benefit rate changes to reflect FY 2015 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 request includes the enacted amount of \$28,129 for operating costs.

As part of its constrained budget, the Department proposes to lay off 21.6 full-time positions, affecting various programs for a savings of \$2.2 million from all funds, including \$1.6 million from general revenues. This includes \$63,107 from the elimination of a 0.6 systems design program position. The Office indicates that this position is responsible for updating its website daily and building the Office's library via photographs. The elimination would prevent residents from obtaining information on film events and daily community news.

*The Governor concurs with the unconstrained request, with the exception of providing \$1,411 less general revenues to account for the statewide medical benefit savings.*

**Office of Diversity, Equity and Opportunity.** The Department's FY 2015 request reflects the creation of a new program: the Office of Diversity, Equity and Opportunity. Existing staff of 7.0 full-time positions and funding of \$0.9 million will be transferred from the Division of Purchasing's Minority Business Enterprise Office and the Division of Human Resources' Outreach and Diversity Office. The request includes new expenditures of \$381,269, of which \$373,361 is from general revenues to fund three new positions: a chief diversity and equity officer and two senior equal opportunity officers.

In May 2013, Governor Chafee issued Executive Order 13-05 entitled "Promotion of Diversity, Equal Opportunity and Minority Business Enterprises in Rhode Island." The Executive Order requires that the Department of Administration reviews all divisions and offices within the Department that are charged with facilitating equal opportunity employment and to make recommendations to improve collaboration between these offices. This request reflects the Department's recommendation.

The constrained budget request does not reflect the creation of the Office of Diversity, Equity and Opportunity and maintains the Minority Business Enterprise in the Division of Purchasing and the Office of Outreach and Diversity in the Division of Human Resources.

*The Governor concurs with the unconstrained request but includes \$49,388 less for turnover savings.*

**Other Salaries and Benefits.** Excluding all items mentioned above, the Department requests \$10.7 million from all funds including \$8.8 million from general revenues for all other salary and benefit costs to support 100.6 full-time positions for the following programs: Central Management, Audits, Capital Projects, Legal Services, Office of Library and Information Services, and Construction, Permitting, Approval and Licensing. This is \$0.2 million or 2.3 percent more than enacted, including \$0.3 million from general revenues.

The request includes benefit rate changes consistent with FY 2015 planning values and is \$206,684 more than the current service estimate. Of this, \$0.1 million is to restore turnover savings in Legal Services and \$0.1 million will be used to fund a position transferred from Statewide Planning to Central Management to reflect the depletion of federal funds. This position provides administrative support for the State Properties Committee.

The request assumes \$0.3 million in turnover savings, \$0.1 million less than enacted and is \$0.2 million less than the FY 2014 revised request. As of the pay period ending November 29, the aforementioned programs had ten vacancies: one each in Audits, Legal Services, and Library, two in Construction, Permitting, Approval and Licensing, and five vacancies in Central Management.

The constrained budget request assumes an additional \$0.2 million in turnover savings, \$0.1 million each from Legal Services and the Office of Library and Information Services. It should be noted that both of the positions are currently vacant.

*The Governor recommends \$0.2 million less than the unconstrained request to account for the statewide medical benefit and turnover savings primarily in the Office of Library and Information Services.*

**All Other Operations.** The Department requests \$1.2 million from all funds, including \$0.6 million from general revenues for all other operating expenses. This is \$49,735 more than enacted and includes increases of \$28,155 from general revenues and \$40,477 from federal funds and a reduction of \$18,897 from restricted receipts. The request includes increases for staff training and stenographic services for the Division of Legal Services.

The constrained budget reduces the general revenue request by \$26,334, primarily from computer supplies and staff training for the Division of Capital Projects and the Office of Construction Permitting, Approvals and Licensing. *The Governor recommends funding consistent with the constrained budget.*

**Capital Projects.** The Department requests \$34.8 million from Rhode Island Capital Plan funds for all capital project expenditures, \$7.7 million less than the enacted budget and is \$250,000 less than the capital budget request. Consistent with the FY 2014 revised request, the Department appears to have excluded funding for the Pastore Center Water Utility System project in error.

*The Governor recommends \$4.7 million less than requested, of which \$3.7 million is for the Virks Building Renovation project. He proposes issuance of \$13.0 million from Certificates of Participation to renovate Virks, which will be occupied by the Executive Office of Health and Human Services. The projected annual debt service would be \$1.3 million over 15 years, half of which would be supported by federal funds. He includes funding the project that the Department inadvertently omitted. A detailed analysis of the projects is included in the Capital Budget section of this publication.*

## Target

**Revenue - Insurance Recovery Fund.** The Department proposes transferring \$0.9 million from the Insurance Recovery Fund into the State General Fund. The Insurance Recovery Fund receives receipts from insurance companies for claim settlements. Generally, when certain disasters occur, affected agencies sometimes obtain a general revenue appropriation for emergency repairs. On some occasions, agencies access these funds to make repairs; the expenditures are then covered by the settlements. The insurance companies then reimburse the agencies for repairs, net of deductible and other adjustments. These settlements go into this fund, which has a cash balance of \$2.3 million as of June 30, 2013. The

Department indicates that some of the recoveries in the fund go as far back as pre-1990; however, all claims for projects prior to 2008 have closed. *The Governor assumes the revenues in the FY 2014 revised budget; however, legislation to allow the transfer was not included.*



## Department of Business Regulation

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Program</b>				
Central Management	\$ 1,197,671	\$ 1,221,398	\$ 1,242,599	\$ 1,234,949
Banking Regulation	1,840,225	1,567,694	1,892,116	1,564,260
Securities Regulation	995,090	938,648	944,229	1,013,151
Commercial Licensing, Racing & Athletics	1,208,270	1,141,311	1,231,499	1,170,059
Insurance Regulation	5,113,467	5,065,692	5,292,892	5,177,250
Office of the Health Insurance Commissioner	2,300,269	4,469,169	1,598,530	2,539,472
Board of Accountancy	81,034	16,654	16,654	16,654
Boards for Design Professionals	253,854	256,214	273,002	260,635
<b>Total</b>	<b>\$ 12,989,880</b>	<b>\$ 14,676,780</b>	<b>\$ 12,491,521</b>	<b>\$ 12,976,430</b>
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 10,218,377	\$ 9,961,834	\$ 10,289,812	\$ 10,486,304
Contracted Services	1,998,135	2,616,147	1,441,235	1,965,260
<b>Subtotal</b>	<b>\$ 12,216,512</b>	<b>\$ 12,577,981</b>	<b>\$ 11,731,047</b>	<b>\$ 12,451,564</b>
Other State Operations	679,630	2,005,061	666,736	431,128
Aid to Local Units of Government	-	-	-	-
Assistance, Grant, and Benefits	80,000	80,000	80,000	80,000
Capital	13,738	13,738	13,738	13,738
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
<b>Total</b>	<b>\$ 12,989,880</b>	<b>\$ 14,676,780</b>	<b>\$ 12,491,521</b>	<b>\$ 12,976,430</b>
<b>Sources of Funds</b>				
General Revenue	\$ 9,245,878	\$ 8,814,930	\$ 9,342,670	\$ 9,013,477
Federal Aid	1,747,589	3,958,494	1,066,338	2,021,830
Restricted Receipts	1,996,413	1,903,356	2,082,513	1,941,123
Other	-	-	-	-
<b>Total</b>	<b>\$ 12,989,880</b>	<b>\$ 14,676,780</b>	<b>\$ 12,491,521</b>	<b>\$ 12,976,430</b>
<b>FTE Authorization</b>	<b>94.0</b>	<b>94.0</b>	<b>92.8</b>	<b>94.0</b>

**Summary.** The Department of Business Regulation requests FY 2015 expenditures of \$12.5 million from all funds, including \$9.3 million from general revenues. The request is \$0.5 million less than enacted, including increases of \$0.1 million each from general revenues and restricted receipts, offset by \$0.7 million less from federal funds. Consistent with the revised request, the Department includes staffing of 92.8 full-time equivalent positions, 1.2 fewer than the authorized level.

*The Governor recommends total expenditures of \$13.0 million from all funds, \$13,450 less than enacted, including a reduction of \$0.2 million from general revenues. He recommends staffing consistent the authorized level, which reflects the elimination of 4.0 unidentified vacancies and the*

addition of 4.0 positions for the Office of Health Insurance Commissioner to administer a new federal award.

**Target Issues.** The Budget Office provided the Department with a general revenue target of \$9.3 million. The amount includes current service adjustments of \$0.1 million and a 7.0 percent target reduction of \$0.7 million.

The constrained budget submitted by the agency is \$3 above the Budget Office target. The Department proposes to eliminate seven positions, six of which appear to be revenue generating positions. The Department indicates that the revenue loss would be \$1.2 million, \$0.5 million is from leaving six current positions vacant and \$0.7 million is from eliminating seven others. The proposals to achieve the reductions are noted among the items described below where appropriate.

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

<b>FY 2015 Budget</b>	<b>Budget Office</b>	<b>DBR</b>	<b>Difference</b>
<b>FY 2014 Enacted</b>	<b>\$ 9,245,878</b>	<b>\$ 9,245,878</b>	<b>\$ -</b>
Current Service Adjustments	96,791	96,792	1
<b>Change to FY 2014 Enacted</b>	<b>\$ 96,791</b>	<b>\$ 96,792</b>	<b>\$ 1</b>
<b>FY 2015 Current Service/Unconstrained Request</b>	<b>\$ 9,342,669</b>	<b>\$ 9,342,670</b>	<b>\$ 1</b>
Target Reduction/Initiatives	(653,987)	(653,985)	2
<b>FY 2015 Constrained Target/Request</b>	<b>\$ 8,688,682</b>	<b>\$ 8,688,685</b>	<b>\$ 3</b>
<i>Change to FY 2014 Enacted</i>	<i>\$ (557,196)</i>	<i>\$ (557,193)</i>	<i>\$ 3</i>

**DBR/Executive Office of Commerce.** The Assembly adopted several pieces of legislation pertaining to economic development. One of which created the Executive Office of Commerce to be administered by a secretary of commerce, effective February 1, 2015. The Office will oversee and will serve as the lead agency of the Executive Branch for managing the promotion of commerce and the state's economy. Pursuant to 2013-H 6063, Substitute B, on or about February 1, 2015, the Executive Office of Commerce will have powers to operate functions from the Department of Business Regulation and, subsequently, various functions from the Department of Administration. *The Governor includes legislation in Article 19 of 2014-H 7133 to delay this to July 1, 2015.*

### **Central Management**

**Salaries and Benefits.** The request includes \$1.2 million from general revenues, \$44,928 more than enacted to fund salary and benefit costs for 9.0 full-time positions in Central Management. This includes \$12,713 for benefit rates consistent with the planning values for FY 2015. The Department also restores \$32,215 in turnover savings. As of the pay period ending November 9, 2013, there were no vacancies in this division. Central Management administers and oversees the statutory functions of the department and provides support services for the other programs in the areas of budgeting, accounting, personnel, legal and computer services.

As part of its constrained budget, the Department proposes \$0.6 million in savings by eliminating 7.0 full-time positions; however, it retains the staffing authorization. The Department did not identify the positions. A savings of \$80,295 is included in Central Management for the elimination of a non-revenue generating position.

*The Governor concurs with the unconstrained request, with the exception of removing \$7,650 to reflect statewide benefit savings.*

**Operations.** The Department requests the enacted amount of \$38,426 from general revenues for all operating costs for Central Management, consistent with the revised request. This includes expenditures for computer supplies, notary and postage. The request is \$26,566 less than FY 2013 reported expenditures primarily for furniture that the Department purchased for its conference room. *The Governor recommends funding as requested.*

### **Banking Regulation**

**Salaries and Benefits.** The Department requests \$1.7 million from general revenues for salary and benefit costs to fund 15.0 full-time positions in the Banking Regulation Division, which is responsible for regulatory oversight of state-chartered financial institutions, credit unions, and licensees. Annual financial examinations are performed to ensure compliance with state banking laws, financial solvency, and safe operations. The request is \$51,891 more and 1.0 fewer position than enacted. It reflects the elimination of a systems analyst position and downgraded a principal licensing examiner to a bank examiner. It also restores \$0.1 million in turnover savings and assumes no turnover in FY 2015. The Department adjusts the benefit rates consistent with FY 2015 planning values. As of the pay period ending November 9, 2013, the Division had three positions vacant.

As part of its constrained budget, the Department proposes \$0.6 million in savings by eliminating 7.0 full-time positions; however, it retains the staffing authorization. The Department did not identify the positions. A savings of \$0.2 million is included in the Banking Regulation Division for the elimination of two revenue generating positions. The Department indicates that a total of \$1.2 million in revenues would be lost from the aforementioned vacancies and the elimination of the 7.0 full-time positions. A total of \$2.2 million, or 5.7 percent of the revenues generated by the Department in FY 2013 was from this division.

*The Governor recommends \$0.2 million less than requested, to primarily reflect turnover savings for two vacant positions, a chief bank examiner and a senior examiner. The recommendation also includes the statewide benefit savings.*

**Operations.** The Department requests the enacted amount of \$161,312 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 request is consistent with the revised budget; however, reported expenditures were \$24,026 in FY 2013 and \$14,816 in FY 2012.

*The Governor recommends \$93,064 less than requested, reflective of past expenditures. This includes reductions of \$18,064 from general revenues and \$75,000 from restricted receipts to better align actual receipts. The recommendation is \$7,274 more than FY 2013 reported expenditures.*

### **Securities Regulation**

**Salaries and Benefits.** The Department's request includes salary and benefit expenditures of \$0.9 million from general revenues to support 10.0 full-time positions in the Securities Regulation Division. This is \$50,861 less and one position more than enacted. It includes funding for a new system analyst position and increases turnover savings from \$12,000 to \$86,547. The request includes benefit rates consistent with the planning values for FY 2015. As of the pay period ending December 28, 2013, the Division had 2.0 positions vacant.

As part of its constrained budget, the Department proposes \$0.6 million in savings by eliminating 7.0 full-time positions; however, it retains the staffing authorization. The Department did not identify the positions. A savings of \$0.1 million is included in the Securities Regulation Division for the elimination of one revenue generating position. The Department indicated that a total of \$1.2 million in revenues would be lost from the aforementioned vacancies and the elimination of the 7.0 full-time positions. A total of \$18.4 million, or 48.3 percent of the revenues generated by the Department in FY 2013 was from this division.

*The Governor recommends \$0.1 million more than requested for turnover savings. He recommends that the Department fills the securities examiner and the systems analyst positions and maintains a licensing aide position vacant for the entire fiscal year. The recommendation also includes the statewide benefit savings.*

**Operations.** The Department requests the enacted amount of \$39,523 from all funds for all other Securities Regulation operations. This includes \$24,523 from general revenues and \$15,000 from restricted receipts. The request includes \$7,085 from general revenues for record keeping expenses and \$3,361 for professional subscriptions and \$15,156 for travel expenses. Reported expenditures were \$28,855 in FY 2013 and \$20,101 in FY 2012.

*The Governor recommends \$19,382 less than requested, reflective of past expenditures. This includes reductions of \$7,882 from general revenues and \$11,500 from restricted receipts to better align actual receipts and historical expenses.*

### **Commercial Licensing, Racing & Athletics**

**Salaries and Benefits.** The Department requests \$1.0 million from all funds, including \$0.7 million from general revenues for salaries and benefits for 12.0 full-time positions in the Commercial Licensing, Racing and Athletics Division, which is responsible for ensuring the proper conduct of licensees in relation to state law and regulations. This is \$23,229 and 1.0 full-time position more than enacted including a reduction of \$64,959 from general revenues from increased turnover savings. This is offset by \$88,188 more from restricted receipts to support a new pari-mutuel operations specialist position requested to address an increased workload. The Department's request includes benefit rates consistent with the planning values for FY 2015 and employee benefits selections. *The Governor recommends \$22,207 less than requested, to primarily reflect the statewide benefit savings.*

**Operations.** The Department requests the enacted amount of \$0.2 million from all funds for all operations for the Commercial Licensing, Racing and Athletics Division. This consists of \$45,474 from general revenues for general office supplies including computer equipment, postage and record keeping, and \$155,660 from restricted receipts for reimbursable office supplies and travel expenses accrued ensuring the proper conduct of licensees in relation to state law and regulations. This includes \$47,660 from the Commercial Licensing, Racing and Athletics Reimbursement fund.

Upon further review, it appears that expenditures from this fund were \$11 in FY 2012 and \$12 in FY 2013. The Department then indicated it does not believe that the restricted receipts can be used for operating costs. Pursuant to Rhode Island General Law Section 41-4-9.19, fiscal staff does not believe that the use is restricted to just salary and benefit costs. As of the end of FY 2013, the Department had \$0.7 million available in this fund.

*The Governor recommends that the Department shifts eligible operating costs to some of its restricted sources and provides \$39,233 less from general revenues. He does not increase the Division's*

*authority to spend more from restricted receipts, since historical expenditures have been low. The total recommendation is still \$0.1 million more than FY 2013 reported expenses.*

## **Insurance Regulation**

**Salaries and Benefits.** The Department requests \$4.0 million from all sources to fund salary and benefit costs for 37.0 full-time positions in the Insurance Regulation Division. This is \$0.2 million more from general revenues and staffing consistent with the enacted and revised budgets. The request restores \$0.1 million in turnover savings and includes \$39,425 to reflect benefit rates consistent with the FY 2015 planning values. The request appears to include approximately \$40,000 to upgrade three positions: a chief insurance examiner, a deputy chief of legal services, and a chief of property and casualty insurance analyst. As of the pay period ending October 5, 2013, the Department had 4.0 positions vacant in this division.

As part of its constrained budget, the Department proposes \$0.6 million in savings by eliminating 7.0 full-time positions; however, it retains the staffing authorization. The Department did not identify the positions. A savings of \$0.3 million is included in the Insurance Regulation Division for the elimination of three revenue generating positions. The Department indicated that a total of \$1.2 million in revenues would be lost from the aforementioned vacancies and the elimination of the 7.0 full-time positions. A total of \$13.1 million, or 33.5 percent of the revenues generated by the Department in FY 2013 was from this division.

*The Governor concurs, with the exception of providing \$32,927 less from general revenues to adjust for turnover and the statewide benefit savings.*

**Operations.** The Department requests the enacted amount of \$1.3 million, including \$0.1 million from general revenues and \$1.2 million from restricted receipts for state operations in support of its Insurance Regulation Division. Of the total request, 70.0 percent or \$0.9 million is for actuarial expenses to assist in the review of insurance rates. Reported expenditures were \$0.8 million in each FY 2013 and FY 2012.

*The Governor recommends that the Department shifts eligible operating costs to some of its restricted sources and provides \$83,321 less than requested, including reductions of \$33,321 from general revenues and \$50,000 from restricted receipts to better align actual receipts. The recommendation is \$0.2 million more than FY 2013 reported expenditures.*

## **Office of the Health Insurance Commissioner**

**Exchange Staffing.** The enacted budget included \$0.3 million from federal funds to support 2.0 full-time positions reviewing health insurance rates in the Office of the Health Insurance Commissioner. The Department's request removes \$150,186 in funding and decreases the authorization by 1.2 full-time equivalent positions and indicates that these amounts should be reflected in the Department of Administration's budget for staffing associated with the Health Benefits Exchange. It should be noted that the Department of Administration's budget does not include funding or the staffing authorization to reflect this change.

*The Governor recommends the enacted staffing and maintains the positions in the Office. He recommends \$41,187 less than enacted to reflect turnover and statewide benefit savings.*

**Health Care Reform Grants.** Excluding salaries and benefits, the Department requests FY 2015 expenditures of \$0.4 million, \$0.6 million less than enacted from federal funds to reflect anticipated federal awards for several health care reform initiatives, including the Consumer Assistance Program and rate review grants.

Subsequent to the budget submission, the Department was awarded a \$2.7 million Rate Review Cycle III grant from the Centers for Medicare and Medicaid Services. The Department requests that its budgets be amended to reflect the award; assuming use of \$1.0 million in FY 2014 and \$1.4 million in FY 2015. The remaining \$0.4 million would be budgeted in the FY 2016 budget. It also requests staffing authorization for an additional 4.0 full-time positions to administer the grant. The funds will be used to improve rate review transparencies by developing a consumer-oriented website that publishes health pricing data. *The Governor concurs with the subsequent request and includes \$0.5 million to reflect the new grant award.*

**Other Salaries and Benefits.** The Office of the Health Insurance Commissioner requests \$1.0 million or \$18,071 more than enacted for all other salary and benefit costs. This includes \$20,488 less from general revenues to reflect a lower base salary for the new health insurance commissioner and \$38,559 more from federal funds primarily for benefits based on employee selection. The request includes benefit rates consistent with the FY 2015 planning values.

*The Governor recommends \$0.3 million more than requested, primarily from federal funds for the administration of the new Rate Review grant award.*

**Operations.** The Department's budget includes the enacted amount of \$13,908 from general revenues for operating costs for the Office of the Health Insurance Commissioner. The request includes \$6,750 for printing costs, \$2,118 from general revenues for office supplies, and \$2,567 from general revenues for staff training, record keeping, and professional dues and subscriptions. The Department's request is consistent with historical expenditures for these items. Reported expenditures were \$4,904 in FY 2012 and \$8,506 in FY 2013.

To meet the constrained target, the Department reduces all but \$660 of the Office's operating costs.

*The Governor recommends funding essentially as requested, with the exception of eliminating \$698 for printing costs.*

### **Board of Accountancy**

**Position Elimination.** Consistent with the revised request, the Department's FY 2015 budget request eliminates funding for the administrative assistant position that supports the Board of Accountancy for which the enacted budget included \$64,380. However, it retains the authorization in order to create a pari-mutuel specialist in the Securities Regulation Division. The Board of Accountancy is an autonomous board that is responsible for the administration of the licensing of certified public accountants, partnerships, corporations, and sole proprietorships. The Department indicates that the position became vacant and it upgraded an existing administrative assistant position in the Boards for Design Professionals to assume the responsibilities. The net savings is \$48,468 from general revenues. *The Governor recommends funding as requested.*

**Operations.** Consistent with the revised request and the enacted budget, 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.

Reported expenditures were \$4,904 in FY 2012 and \$8,506 in FY 2013. *The Governor recommends funding as requested.*

### **Boards for Design Professionals**

**Salaries and Benefits.** The Department's request includes \$0.2 million from general revenues for salary and benefit costs for 2.0 full-time positions to support the Boards for Design Professionals. The request is \$19,148 more than enacted, of which \$3,236 is to adjust benefit rates consistent with FY 2015 planning values. The request includes \$15,912 to upgrade an existing administrative assistant position that will also support the Board of Accountancy. The Boards for Design Professionals provides administrative support to the following independent boards: the Board of Registration for Professional Engineers, the Board of Registration for Professional Land Surveyors, the Board of Examiners of Landscape Architects, and the Board of Examination and Registration for Architects.

*The Governor concurs with the position upgrade; however, provides \$12,367 less than requested to reflect correct benefits.*

**Operations.** Consistent with the revised request and the enacted budget, the request also 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. The Department's request is consistent with historical expenditures for these items. *The Governor recommends funding as requested.*



## Department of Labor and Training

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Program</b>				
Central Management	\$ 1,163,490	\$ 2,044,569	\$ 3,751,093	\$ 2,437,211
Workforce Development Services	33,327,468	43,668,678	33,632,549	33,983,676
Workforce Regulation and Safety	3,002,408	3,004,733	3,066,051	2,720,916
Income Support	545,454,363	529,897,740	462,203,462	462,320,667
Injured Workers Services	9,139,647	8,941,031	8,951,884	8,951,372
Labor Relations Board	393,736	386,532	372,642	388,648
<b>Total</b>	<b>\$ 592,481,112</b>	<b>\$ 587,943,283</b>	<b>\$ 511,977,681</b>	<b>\$ 510,802,490</b>
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 36,316,873	\$ 39,551,638	\$ 38,500,874	\$ 38,205,588
Contracted Services	3,918,720	10,310,795	4,518,343	4,364,433
<b>Subtotal</b>	<b>\$ 40,235,593</b>	<b>\$ 49,862,433</b>	<b>\$ 43,019,217</b>	<b>\$ 42,570,021</b>
Other State Operations	5,440,383	6,078,618	4,905,972	4,898,680
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	490,584,462	480,834,510	427,017,196	427,609,482
Capital	828,252	4,167,769	3,363,627	2,052,638
Capital Debt Service	22,500,000	5,005,360	5,000,000	5,000,000
Operating Transfers	32,892,422	41,994,593	28,671,669	28,671,669
<b>Total</b>	<b>\$ 592,481,112</b>	<b>\$ 587,943,283</b>	<b>\$ 511,977,681</b>	<b>\$ 510,802,490</b>
<b>Sources of Funds</b>				
General Revenue	\$ 9,064,061	\$ 9,048,019	\$ 9,106,706	\$ 9,181,603
Federal Aid	95,710,236	99,066,609	42,423,033	42,183,672
Restricted Receipts	43,125,719	55,242,490	40,248,904	40,250,583
Other	444,581,096	424,586,165	420,199,038	419,186,632
<b>Total</b>	<b>\$ 592,481,112</b>	<b>\$ 587,943,283</b>	<b>\$ 511,977,681</b>	<b>\$ 510,802,490</b>
<b>FTE Authorization</b>	<b>392.0</b>	<b>410.0</b>	<b>410.0</b>	<b>410.0</b>

**Summary.** The Department of Labor and Training requests \$512.0 million from all fund sources, which is \$80.5 million less than enacted. This includes \$42,645 more from general revenues and reductions of \$53.3 million from federal funds and \$24.4 million from other funds primarily related to unemployment benefits and \$2.9 million less from restricted receipts. The request includes 410.0 full-time equivalent positions, which is 18.0 more positions than the enacted level and consistent with the revised request from adding positions for the new temporary caregiver insurance and job development programs.

*The Governor recommends \$510.8 million from all sources, including \$9.2 million from general revenues. This is \$1.2 million less than requested, including \$0.1 million more from general revenues and reductions of \$1.0 million from other funds for capital projects and \$0.2 million from federal sources. He adds \$0.4 million from general revenues for the new job development programs and recommends 410.0 full-time equivalent positions, consistent with the request.*

[Staff Note: The Governor’s budget documents indicate an increase of \$0.5 million from general revenues for job development programs; however, the actual change is \$0.4 million.]

**Target Issues.** The Budget Office provided the Department with a general revenue target of \$8.8 million. The amount includes current service adjustments of \$42,645 and a 7.0 percent target reduction of \$0.3 million, adjusted for certain exclusions. The constrained budget submitted by the Department meets the target exactly. *The Governor’s general revenue recommendation is \$0.4 million above the constrained target and \$0.1 million above current services.*

FY 2015 Budget	Budget Office	Labor and Training	Difference
<b>FY 2014 Enacted</b>	<b>\$ 9,064,061</b>	<b>\$ 9,064,061</b>	<b>\$ -</b>
Current Service Adjustments	42,645	42,645	-
<b><i>Change to FY 2014 Enacted</i></b>	<b><i>\$ 42,645</i></b>	<b><i>\$ 42,645</i></b>	<b><i>\$ -</i></b>
<b>FY 2015 Current Service/ Unconstrained Request</b>	<b>\$ 9,106,706</b>	<b>\$ 9,106,706</b>	<b>\$ -</b>
Target Reduction/Initiatives	(340,719)	(340,719)	-
<b>FY 2015 Constrained Target/Request</b>	<b>\$ 8,765,987</b>	<b>\$ 8,765,987</b>	<b>\$ -</b>
<i>Change to FY 2014 Enacted</i>	<i>\$ (298,074)</i>	<i>\$ (298,074)</i>	<i>\$ -</i>

**Staffing.** Consistent with the revised request, the Department’s FY 2015 request includes 410.0 full-time equivalent positions, which is 18.0 more than the enacted authorization. The request adds 7.0 positions for the new temporary caregiver insurance program, 3.0 positions for the new job development programs that were included in Article 15 of the Appropriations Act, 1.0 new position for the workers’ compensation program and adds 7.0 unemployment insurance positions in case funding becomes available or Congress approves another extension of benefits. The request also shifts positions among programs for a net zero change.

The Department requests \$38.5 million for all salary and benefit expenses, including \$3.6 million from general revenues, \$21.0 million from federal funds, \$8.3 million from restricted receipts and \$5.6 million from other funds. This is \$2.2 million more than enacted, including increases of \$0.3 million from general revenues, \$0.1 million from federal funds, and \$0.9 million from both restricted receipts and other funds. Compared to the enacted budget, this represents a 6.0 percent increase in funding along with a 4.6 percent increase in the authorized number of positions. The request is \$1.4 million less than the revised request, including \$2.1 million less from federal sources from assuming approximately 23 unemployment insurance vacancies for the full year. The request includes benefit rates consistent with Budget Office planning values.

As part of its constrained request, the Department reduces salaries and benefits by \$99,304, including \$251,114 less from general revenues and \$151,810 more from restricted receipts. There is no requested change in the number of authorized positions.

The following table shows the allocation of the positions assumed in the enacted budget and the changes that are included in the FY 2015 request. The request is consistent with the FY 2014 revised request.

Program	FY 2014 Enacted	Temp. Caregiver Insurance	Article 15 - Jobs Programs	Workers' Comp. Position	New UI Staff	All Other Changes	Change to Enacted	FY 2014 Revised Request	FY 2015 Request	FY 2015 Gov. Rec.
Central Management	2.8	-	-	-	-	(0.3)	(0.3)	2.5	2.5	2.5
Workforce Development Services	122.5	-	3.0	-	-	1.1	4.1	126.6	126.6	126.6
Workforce Regulation and Safety	29.4	-	-	-	-	(1.8)	(1.8)	27.6	27.6	27.6
Income Support	194.2	7.0	-	-	7.0	1.0	15.0	209.2	209.2	209.2
Injured Workers Services	41.1	-	-	1.0	-	-	1.0	42.1	42.1	42.1
Labor Relations Board	2.0	-	-	-	-	-	-	2.0	2.0	2.0
<b>Total</b>	<b>392.0</b>	<b>7.0</b>	<b>3.0</b>	<b>1.0</b>	<b>7.0</b>	<b>-</b>	<b>18.0</b>	<b>410.0</b>	<b>410.0</b>	<b>410.0</b>

*The Governor recommends 410.0 full-time equivalent positions, consistent with the revised budget and the request. He includes \$38.2 million from all sources, including \$3.3 million from general revenues. This is \$0.3 million less than requested, including \$0.3 million less from general revenues with adjustments among other sources. He includes total turnover savings of \$2.4 million from maintaining approximately 25 positions vacant and includes \$16,042 less from general revenues from statewide medical benefit savings.*

**Unemployment Insurance Positions.** The Department requests \$12.8 million from all sources, including \$10.5 million from federal funds and \$2.3 million from restricted receipts, for salaries and benefits for 153.7 full-time equivalent positions in the unemployment insurance division. This is \$0.9 million more than enacted, including \$0.1 million less from federal funds and \$1.1 million more from restricted receipts that traditionally supplement general revenue expenses. It includes \$250,000 for overtime expenses for which no funding was included in the enacted budget and assumes turnover savings from maintaining approximately 23 vacant positions for the full year. The request reflects all available funding for unemployment insurance staff for FY 2014 and contains benefit rates consistent with Budget Office planning values.

The request includes 5.4 more positions than the enacted level; it adds authorization for 7.0 new positions, transfers individuals to other divisions, and through attrition, increased vacancies have occurred. The Department anticipates federal funding for 15.0 positions will be exhausted by February 1, 2014, resulting in layoffs; however, the individuals will likely transfer to other divisions. The request does not eliminate these vacant, unfunded positions.

*The Governor recommends \$0.1 million less than requested, including \$0.1 million less from federal funds to reflect updated estimates of available funding and \$15,319 more from other funds for the self-employment assistance program; however, this program is expected to end in FY 2014.*

**New Job Development Programs.** The Department requests the enacted level of \$1.3 million from general revenues for the new job development programs created in Article 15 of the Appropriations Act that created new employment and support programs: the Back to Work Rhode Island program, operated by the Department of Labor and Training and the work immersion and non-trade apprentice program, operated by Governor's Workforce Board. It also extended child care for certain families and created a jobs match program.

The Department requests \$0.5 million for the Back to Work Rhode Island pilot program, which allows individuals to continue collecting unemployment benefits while participating in on-the-job training activities for up to six weeks. As required by statute, this program begins October 1, 2013, and will end December 31, 2014.

The Department requests \$0.5 million for a 10-week work immersion program, which reimburses employers up to 75 percent of the cost to train an individual. The Department also requests \$150,000

for a non-trade apprenticeship program, with grants to be awarded by the Governor's Workforce Board on a competitive basis.

The Department requests \$100,000 to allow a parent, with an annual income below 180 percent of the federal poverty level who is attending certain job readiness programs, access to subsidized child care beginning October 1, 2013, until January 1, 2015, if child care is required for participation.

The Department also includes a jobs match program, requiring computer and system upgrades to match employers and potential employees and to identify and address skills gaps. The jobs match program is required to begin by July 2, 2014, and the Department indicates that no additional funds are needed.

The Department also requests authorization for 3.0 new positions to implement the programs and reallocates \$0.2 million of existing resources for the staffing.

As part of its constrained request, the Department requests a reduction of \$87,500 from grant and benefit awards. A specific program reduction has not been identified at this time and would be determined at a later date.

*The Governor recommends \$411,269 more from general revenues than requested, including \$412,500 more for unspecified program expenses, and \$1,231 less from statewide medical benefit savings. Budget documents refer to a \$500,000 increase; however, that number represents the change from the agency's constrained request, not prior funding.*

**7.0 New Temporary Caregiver Positions.** The Department requests \$0.6 million from temporary disability insurance funds for 7.0 new positions for the temporary caregiver insurance program. The enacted budget does not include any funding for the program because the legislation creating it became law after the budget was passed. The program will begin on January 1, 2014, and the Department's request assumes the positions will remain filled for the full year. As of December 13, 2013, seven individuals were transferred to this new program from the unemployment insurance division. *The Governor's recommendation is \$471 less than requested to reflect a benefit rate adjustment.*

**1.0 New Workers' Compensation Position.** The Department requests \$0.1 million from restricted receipts for 1.0 new Medical Records Technician in the Workers' Compensation program. The individual in this position began working on November 3, 2013. The revised request assumes all other positions are filled within the division, thus requesting authorization for this new position; however, in FY 2012 and FY 2013, salary and benefit expenditures have been \$0.3 million below the final appropriation and the FY 2014 enacted budget includes \$0.4 million more than what was spent in FY 2013. *The Governor recommends authorization and funding as requested.*

**All Other Salaries and Benefits.** The Department requests \$24.8 million from all sources for all other salary and benefit requirements for 245.3 full-time equivalent positions. This includes \$3.4 million from general revenues, \$10.4 million from federal funds, \$6.0 million from restricted receipts and \$5.0 million from temporary disability insurance funds. The request is \$0.3 million more than enacted and includes increases of \$0.3 million from temporary disability insurance funds, \$0.2 million from federal funds for workforce development and \$25,351 more from general revenues with \$0.3 million less from restricted receipts, which primarily reflects a shift of these funds towards unemployment insurance positions. The request includes 1.6 more positions than the enacted authorization, primarily from staff transferring from the unemployment insurance division.

The request includes a general revenue reduction of \$23,618 for the Labor Relations Board; however, consistent with the revised request, it appears that this is an error and the request underfunds the Board member stipends by approximately \$20,000.

As part of its constrained request, the Department reduces salaries and benefits for the workforce regulation and safety division by \$99,304, from maintaining at least one vacancy, and \$5 less for computer maintenance expenses related to this position.

*The Governor's recommendation is \$0.2 million less than the unconstrained request, including \$0.3 million less from general revenues. He includes the constrained reductions, assumes savings of \$0.2 million from maintaining additional vacancies, and shifts \$0.2 million from general revenues to restricted receipts from use of funds made available from reducing legal fees related to unemployment insurance appeals, discussed separately. He adds \$0.1 million from other funds for an additional temporary disability insurance position and \$21,938 more from general revenues to correct funding for the Labor Relations Board. He also includes \$15,571 less from general revenues from statewide medical benefit savings.*

**Traditional Unemployment Insurance Benefits.** The Department requests \$207.5 million from all fund sources for the payment of traditional unemployment insurance benefits, which includes only the first 26 weeks, entirely funded from the Employment Security Trust Fund. Federal benefits and funding expired during FY 2013. This is \$88.0 million less than the enacted budget, including \$54.8 million less from federal stimulus funds and \$33.2 million less from the Trust Fund. *The Governor recommends funding as requested.*

**All Other Unemployment Insurance Benefits.** The Department requests \$2.4 million from federal funds for short-time unemployment insurance benefits, otherwise known as the WorkShare program, in which employers are allowed to reduce hours instead of utilizing layoffs and the effected individuals can collect unemployment insurance for the difference in income. The request is \$0.9 million less than enacted, which includes \$0.8 million less for the WorkShare program and \$0.1 million less from other funds for the self-employment assistance program, in which states can provide training and information to individuals collecting unemployment benefits who are interested in becoming self-employed and opening their own business, since this was a one-time award which ends in FY 2014.

*The Governor recommends \$0.1 million more from other funds for the self-employment assistance program; however, this program is expected to end in FY 2014.*

**Loan Repayment.** The Department requests \$20.5 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 \$2.0 million less than enacted and includes \$5.0 million for interest, paid each September, and \$15.5 million towards principal. The required interest payment will likely be much less than \$5.0 million, but it was included at the September 2013 level in the request as a precaution. *The Governor recommends funding as requested.*

**Unemployment Insurance Administration.** The Department requests \$4.2 million from all sources for the administration and operations of the unemployment insurance program, excluding salaries and benefits. This includes \$3.8 million from federal funds and \$0.4 million from restricted receipts from the Tardy and Interest Funds. The request is \$0.7 million more than enacted, including \$0.7 million less from restricted receipts and \$1.4 million more from federal funds.

The request includes \$1.8 million in federal supplemental awards for information technology and computer related expenses, including \$1.7 million for the new information technology system for taxes and benefits being developed in conjunction with Mississippi and Maine. It also includes \$0.4 million for various communication expenses, \$0.3 million for both centralized state services and postage, \$0.1 million each for stenographic services for adjudication and appeals, printing, and rental and lease costs, along with \$0.3 million for utilities, various maintenance costs, and office supplies. The request includes \$0.4 million from restricted receipts for legal expenses paid to attorneys representing employees in unemployment insurance appeal cases, which is \$0.6 million less than enacted, and reduces miscellaneous expenses by \$0.1 million, making funds available for use towards salaries and benefits for unemployment insurance positions.

As part of its constrained request, the Department further reduces legal expenses paid to attorneys in unemployment insurance appeal cases by \$151,810 or 38.0 percent. The Department does not have a definite plan to achieve the savings. However, it may utilize funds requested for other unemployment insurance expenditures to pay these legal expenses, may have carry forward funding available, or may propose to eliminate the payment to attorneys. The reimbursement rate was reduced by the 2013 Assembly in Article 14 of the Appropriations Act. The constrained request also shifts state funded staffing expenses to these newly available restricted receipts.

*The Governor recommends funding consistent with the constrained request, reducing legal expenses by \$0.2 million from restricted receipts. He utilizes these available funds to support staffing expenses requested from general revenues, discussed separately.*

**Trade Readjustment Assistance Programs.** The Department requests \$3.7 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 \$1.7 million for the distribution of weekly trade readjustment allowances and \$2.0 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 \$0.2 million less than enacted because fewer workers have been interested and eligible for the programs offered. *The Governor recommends funding as requested.*

**Police and Fire Relief Fund.** The Department requests \$4.2 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 workers. This is \$13 more than enacted and consists of \$3.5 million for pension benefits and \$0.7 million for education benefits. *The Governor recommends funding as requested.*

**Workforce Investment Act Grants.** The request includes \$7.4 million from federal Workforce Investment Act funds to support initiatives oriented toward youth, adults and dislocated workers. This is \$2.0 million more than enacted and \$2.1 million less than the revised request, which includes funds carried forward from FY 2013. Consistent with the revised request, the request includes funding for two new grants. In FY 2015, this is \$0.4 million for dislocated workers and \$0.3 million for supports in training, technology and data analysis for departmental staff from an incentive award from achieving multiple benchmarks. The request is comprised of \$2.9 million for youth programs, \$2.5 million for dislocated workers, and \$1.6 million for adult programs. *The Governor recommends funding as requested.*

**Human Resource Investment Council Grants.** The Department requests \$6.4 million from restricted receipts or \$0.6 million less than enacted to support workforce development grant awards and

employment and training initiatives through the Governor's Workforce Board and the Human Resource Investment Council. The Department anticipates having slightly lower revenues available and carrying forward fewer obligations from FY 2014, adjusting grant expenditures accordingly. The grant awards for FY 2015 will be determined in FY 2014.

The Council receives primary funding from the Job Development Fund, a 0.21 percent assessment of the employer's payroll tax. The assessment generates approximately \$12.5 million for the Council's use. Administrative costs are approximately \$3.1 million, including the Department's internal expenses for staff and operations. The balance is distributed for workforce development activities, including adult education and these requested grant expenditures. *The Governor recommends funding as requested.*

**All Other Workforce Development Grants.** The Department requests \$2.0 million from federal funds for all other workforce development grants. This is \$0.6 million less than enacted, primarily from the end of the Hurricane Sandy Clean-Up grant, which expired November 1, 2013. The request also includes increases for workforce innovation, the data quality initiative and the summer youth program, offset by reductions for the disability employment initiative and the senior community service employment program to reflect the estimated federal awards for these programs. *The Governor includes \$75,000 more from other funds for an additional grant the Department anticipates receiving for the On-Ramps to Career Pathways program; he also adds \$25,000 from other funds for this program in FY 2014. The budgetary classification of the fund source may require a technical correction.*

**Workforce Development Services Operations.** The Department requests \$1.8 million from all sources, including \$1.8 million from federal funds and \$0.1 million from restricted receipts, for administration and operations of the workforce development services program, excluding salaries and benefits. The request is \$0.4 million less than enacted, including \$0.3 million less from federal funds and \$0.1 million less from restricted receipts. The reduced expenses primarily reflect that renovations and purchases of new computers and related equipment for the one-stop centers are expected to be made in FY 2014 and completed before FY 2015. *The Governor recommends funding essentially as requested.*

**Temporary Disability Insurance.** The Department requests \$170.9 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 and administration of the program, excluding salaries and benefits. This is \$4.9 million more than enacted, including \$5.0 million more for the payment of benefits and \$0.1 million less for administrative expenses. The administrative expenses are \$8,662 more than the revised request, reflecting a 1.0 percent increase to most expenditures. Benefits are expected to increase 3.0 percent, consistent with pre-recession growth. *The Governor recommends funding as requested.*

**Temporary Caregiver Program.** The Department requests \$20.1 million from the Temporary Disability Insurance Fund for benefits and administration of the temporary caregiver insurance program, excluding salaries and benefits. This includes \$20.0 million for the payment of benefits and \$116,480 for administration, such as postage, office supplies and utilities. Funding was not included in the enacted budget, since the legislation was passed after the budget was enacted. The program will begin on January 1, 2014, and allow eligible claimants up to four weeks of benefits to care for a seriously ill child, spouse, domestic partner, parent, parent-in-law or grandparent, or to bond with a newborn child, new adopted child, or new foster care child. The benefit rate is the same as temporary disability insurance benefits. *The Governor recommends funding as requested.*

**Workers' Compensation.** The Department requests \$4.5 million from workers' compensation restricted receipts for administration of the workers' compensation program, excluding salaries and benefits. This includes \$2.3 million for the Administration Fund for payment of claims for second injuries, \$1.6 million for operations at the Donley Rehabilitation Center and \$0.6 million for claims processing and the education unit. The request includes \$1.6 million for doctors, dentists, nurses, employing a graduate student under a training program, other medical services at the Donley Center, and for claims determinations, \$0.2 million for information technology expenses, and \$0.3 million for all other operating expenses, such as insurance, utilities and office supplies. The request is \$0.4 million less than enacted, including \$0.2 million less for new computers and upgraded systems which will be completed before FY 2015 and \$0.2 million less from expected reductions for insurance, second injury claims, and miscellaneous expenses, consistent with the revised request and FY 2013 expenditures. *The Governor recommends funding as requested.*

**Capital Improvements.** The Department requests \$3.3 million from Rhode Island Capital Plan funds for a series of six asset protection projects at the Center General Complex. The request is consistent with the Department's capital budget request. The Department does not request any funding for the roof replacement project since it is expected to be completed in FY 2014.

*The Governor recommends \$1.3 million less from Rhode Island Capital Plan funds than requested. These projects are discussed in the Capital Budget section of this publication.*

**Operating Transfers.** Excluding items previously discussed, the Department's request includes \$13.2 million for expenditures classified as "operating transfers," which is \$19.7 million less than enacted, primarily reflecting a change in accounting for interest and principal payments on the state's unemployment insurance loans. 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 employment security 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 \$17.5 million less than enacted for payments on the state's unemployment insurance loans; however, this is just an adjustment in the method of accounting that excludes principal payments since principal payments are applied to the state's loan balance differently than interest payments. Principal payments are no longer explicitly shown as balance transfers, creating this difference. 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 \$0.4 million from federal funds, \$0.1 million less than enacted to the three Rhode Island institutions of higher education. This includes \$0.3 million or \$0.1 million less from Trade Readjustment Act funding as well as \$0.1 million for the Workforce Investment Act Fund, which is \$10,620 more than enacted. 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 \$310,486 for programs at the community college, \$67,428 for the college, and \$33,754 for the university. This is an increase of \$0.1 million for the community college and a decrease of \$0.1 million for both of the other two schools, 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 \$6.0 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 and the exhaustion of federal benefits. 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.*

Temporary Disability Insurance Transfers. The request includes \$1.8 million from temporary disability insurance funds transferred to the Department of Revenue to support the employer tax unit. This is \$0.1 million less than enacted. *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 \$16,348 more than enacted, including \$17,281 more from general revenues. The request includes \$0.1 million for the workforce regulation and safety division, \$0.1 million for central management, \$45,780 for the Labor Relations Board and \$2,785 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 request is \$1,327 or 0.7 percent more from general revenues than the revised request for the same expenditures, reflecting a one percent increase for some expenditures and no increase for others.

As part of its constrained request, the Department proposes to reduce legal expenses related to teacher arbitration by \$2,100 or 7.0 percent.

*The Governor recommends \$9,438 less than the unconstrained request, including \$9,423 less from general revenues. This includes the constrained proposal for \$2,100 for teacher arbitration legal fees in addition to \$4,738 less for computer supplies for the Labor Relations Board and \$2,585 less for office supplies within the labor Relations Board and workforce regulation and safety division.*



## Department of Revenue

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Program</b>				
Office of Director	\$ 1,222,847	\$ 1,111,663	\$ 1,230,773	\$ 1,122,100
Office of Revenue Analysis	528,721	520,437	562,744	564,334
Lottery Division	245,451,858	335,069,534	265,274,701	342,306,302
Division of Municipal Finance	2,351,173	2,024,593	2,327,291	1,996,992
Taxation	21,099,288	20,732,324	21,191,635	21,598,570
Registry of Motor Vehicles	20,846,873	24,210,408	21,319,302	20,945,832
State Aid	61,938,979	61,834,466	62,366,920	62,020,089
<b>Total</b>	<b>\$ 353,439,739</b>	<b>\$ 445,503,425</b>	<b>\$ 374,273,366</b>	<b>\$ 450,554,219</b>
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 44,009,564	\$ 43,109,804	\$ 45,182,026	\$ 44,871,041
Contracted Services	2,733,907	3,672,732	3,324,894	3,148,894
<b>Subtotal</b>	<b>\$ 46,743,471</b>	<b>\$ 46,782,536</b>	<b>\$ 48,506,920</b>	<b>\$ 48,019,935</b>
Other State Operations	242,343,813	332,387,406	262,327,419	339,644,958
Aid to Local Units of Government	61,938,979	61,941,753	62,497,460	62,150,629
Assistance, Grants, and Benefits	9,923	108,923	108,923	108,923
Capital	906,812	3,913,057	769,644	566,774
Operating Transfers	1,496,741	369,750	63,000	63,000
<b>Total</b>	<b>\$ 353,439,739</b>	<b>\$ 445,503,425</b>	<b>\$ 374,273,366</b>	<b>\$ 450,554,219</b>
<b>Sources of Funds</b>				
General Revenue	\$ 102,007,495	\$ 101,152,290	\$ 103,220,379	\$ 102,488,659
Federal Aid	3,048,651	4,010,750	2,956,395	2,948,586
Restricted Receipts	1,821,886	3,981,638	1,820,453	1,814,986
Other	246,561,707	336,358,747	266,276,139	343,301,988
<b>Total</b>	<b>\$ 353,439,739</b>	<b>\$ 445,503,425</b>	<b>\$ 374,273,366</b>	<b>\$ 450,554,219</b>
<b>FTE Authorization</b>	<b>492.0</b>	<b>493.0</b>	<b>493.0</b>	<b>499.0</b>

**Summary.** The Department of Revenue requests expenditures of \$374.3 million for FY 2015, consisting of \$103.2 million from general revenues, \$3.0 million from federal funds, \$1.8 million from restricted receipts and \$266.3 million from other sources including Lottery and Rhode Island Capital Plan funds. The request is \$20.8 million more than the enacted budget. This includes increases of \$1.2 million from general revenues and \$19.7 million from other funds and reductions of \$0.1 million from federal funds and \$1,433 from restricted receipts.

*The Governor recommends \$450.6 million from all sources, which is \$76.3 million more than requested. He includes \$0.7 million less from general revenues, \$7,809 less from federal funds, \$5,467 less from restricted receipts, and \$77.0 million more than requested from Lottery funds.*

The Department requests 493.0 full-time equivalent positions, 1.0 more than authorized. The request is reflective of the creation of a chief of information and public relations position for the Registry of

Motor Vehicles. *The Governor recommends 499.0 full-time equivalent positions, 7.0 more than requested. He recommends 7.0 new revenue officer positions in the Division of Taxation.*

**Target Issues.** The Budget Office provided the Department with a general revenue target of \$100.0 million. The budget submitted by the agency is \$2.8 million above the target, which includes the restoration of \$0.9 million in turnover savings included in the enacted budget.

FY 2015 Budget	Budget Office	Department of Revenue	Difference
<b>FY 2014 Enacted</b>	\$ 102,007,495	\$ 102,007,495	\$ -
Current Service Adjustments	888,090	1,212,884	324,794
<b><i>Change to FY 2014 Enacted</i></b>	<b><i>\$ 888,090</i></b>	<b><i>\$ 1,212,884</i></b>	<b><i>\$ 324,794</i></b>
<b>FY 2015 Current Service/Unconstrained Request</b>	<b>\$ 102,895,585</b>	<b>\$ 103,220,379</b>	<b>\$ 324,794</b>
Target Reduction/Initiatives*	(2,885,637)	(360,736)	2,524,901
<b>FY 2015 Constrained Target/Request</b>	<b>\$ 100,009,948</b>	<b>\$ 102,859,643</b>	<b>\$ 2,849,695</b>
<i>Change to FY 2014 Enacted</i>	<i>\$ (1,997,547)</i>	<i>\$ 852,148</i>	<i>\$ 2,849,695</i>

It should be noted that the Department's constrained request proposes \$360,735 of savings from general revenues and \$3,667,902 in savings and new revenue collections resulting from suggested changes to current statute. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$2.5 million more than the target.*

#### Office of the Director

**Staffing and Operations.** The Department requests \$1.2 million from general revenues which is \$7,926 more than enacted from general revenues for salaries and benefits for the authorized level of 9.0 full-time positions and operating expenses for the Office of the Director. The Office oversees overall Departmental operations and is comprised of two units: the director of revenue and legal services.

The request includes \$10,901 more for salaries and benefits for the authorized positions in the Office and is consistent with current staffing and employee benefits selections. Consistent with the enacted budget, the request includes no turnover savings.

The Department requests \$2,975 less from general revenues for operations expenses. This includes \$5,000 less for contracted legal services associated with tobacco settlement funds and \$2,975 less for office supplies, printing costs, and telecommunications services. The request includes \$1,025 for the Office's cost allocation for a shared copier and \$1,000 to replace outdated computer equipment.

*The Governor recommends \$0.1 million less than requested, including \$3,270 from statewide medical benefit savings; the Budget assumes a senior internal auditor position will be maintained vacant for the full fiscal year. He recommends funding for operations as requested.*

#### Office of Revenue Analysis

**Staffing and Operations.** The Department requests \$0.6 million, which is \$34,023 more than enacted from general revenues for Office of Revenue Analysis staffing and operations. The request includes \$512,714 to fund salaries and benefits for 4.0 full-time positions. Consistent with the enacted budget, the request does not include turnover savings. Also included is \$50,030, which is \$27,328 more than

enacted for all other Office operations. The request reflects historical expenditures for general office expenses, the Office's cost allocation for a shared copier, and the biennial fee associated with the updating of the Rhode Island Sales and Use Tax Simulation Model.

As part of its constrained request, the Department proposes \$2,725 in savings from general revenues from reductions to Office operations, including technology purchases, office supplies, subscriptions to research materials, and staff training costs. The Department does not provide any information on the potential impact of these reductions on the Office's ability to perform its statutory obligations.

*The Governor recommends \$1,590 more than requested, including \$426 less for statewide medical benefit savings. He includes \$4,741 more for the annual salary for the chief of revenue analysis position and recommends operations costs consistent with the constrained request.*

## **Lottery Division**

**Gambling Addiction Counseling.** The Department requests \$0.1 million from Lottery funds for compulsive and problem gambling counseling programs. These funds are reimbursed on an annual basis by Twin River and Newport Grand casinos, pursuant to state law enacted by the 2013 Assembly. As table gaming was not approved by the City of Newport, Twin River Casino will be responsible for this reimbursement. *The Governor recommends funding as requested.*

**State Police Gaming Unit.** The Department's request includes \$1.3 million, which is \$0.1 million less than enacted from Lottery funds for transfers to the Department of Public Safety for the State Police Gaming Enforcement Unit. The request reflects salaries and benefits for 9.0 sworn members of the State Police, tasked with the regulation and control of authorized gaming in the state. The Unit includes 8.0 sworn members of the State Police assigned following its creation by the 2013 Assembly. The request also shifts funding from traditional lottery sources to table gaming revenues for 1.0 State Police detective previously assigned to provide security and assistance to the Lottery Commission at its headquarters building. The Division does not anticipate this shift will result in any detrimental impact to Lottery Commission operations or casino operations. *The Governor recommends \$90,000 less than requested from Lottery funds, eliminating funding for network security audits. The Budget assumes these expenses will restart in FY 2016.*

**All Other Table Gaming Operations.** The Department's request includes \$3.0 million, which is \$0.1 million less than enacted from Lottery funds for all other table gaming operations, including \$0.1 million less than enacted for salaries and benefits and the enacted amount of \$0.1 million for operating supplies and general office expenses. The request reflects a full year of funding for 31.0 full-time equivalent positions, current planning values, and employee benefits selections.

As part of its constrained request, the Department proposes \$28,630 in savings from Lottery funds consistent with reductions in table gaming operations, including \$5,000 less for staff cellular service and \$23,630 less for out-of-state travel associated with table game training and promotion. The Department does not provide any information regarding the potential impact of these reductions. It should be noted that the 7.0 percent target reduction included in the constrained request is only required for funding requested from general revenues. However, a reduction to Lottery operations expenditures would result in a larger transfer to the General Fund.

*The Governor recommends \$72.1 million more than requested from Lottery funds, including \$72.2 million more to reflect commission payments to Twin River, which were accounted for by the November 2013 Revenue Estimating Conference, but were not included in the request. He includes \$4,833 more*

*than included in the constrained request from Lottery funds for all other staffing and operations and includes turnover savings consistent with current staffing.*

**Prizes and Payments.** The Department requests \$246.9 million, which is \$19.6 million more than enacted from Lottery funds for prizes and payments for video lottery terminals and traditional games, including PowerBall, Mega Millions, scratch tickets, and Keno. 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 request reflects reported FY 2013 expenditures. *The Governor includes \$5.3 million more than requested from Lottery funds to reflect November 2013 Revenue Estimating Conference estimates.*

**All Other Operations.** The Department requests \$13.9 million, which is \$0.3 million more than enacted from Lottery funds for all other Lottery Division operations. This includes \$5.7 million, which is \$0.1 million more than enacted for salaries and benefits for 55.0 full-time equivalent positions, reflective of current staffing, planning values, and employee benefits selections. The request includes \$8.2 million, which is \$0.2 million more than enacted from Lottery funds for advertising, operating supplies, and general office expenses.

As part of its constrained request, the Department proposes \$0.9 million in savings from Lottery funds from reductions in Division operations, including \$0.1 million less for actuarial services, \$0.5 million less for advertising expenses, \$0.1 million less for building maintenance, and \$0.1 million less for maintenance of the Lottery's fleet of vehicles. The Department does not provide any information regarding the potential impact of these reductions. It should be noted that the 7.0 percent target reduction included in the constrained request is only required for funding requested from general revenues. However, a reduction to Lottery operations expenditures would result in a larger transfer to the General Fund.

*The Governor recommends \$338,941 less than requested from Lottery funds. He includes \$0.2 million of turnover savings to reflect current staffing and includes fleet maintenance costs consistent with the constrained request. All other operations expenses are funded as requested.*

### **Division of Municipal Finance**

**Actuarial and Legal Services** The Department requests \$270,000 from general revenues, which is \$0.3 million less than enacted for actuarial and legal services associated with municipal finance oversight for FY 2015. This includes \$150,000 less for contracted legal services and \$150,000 less for services provided by the actuary contracted with the Locally Administered Pension Plans Study Commission. The request is reflective of the current actuarial contract and an anticipated reduction in legal expenses related to the cities of Central Falls and Woonsocket. *The Governor recommends \$210,000, which is \$60,000 less than requested to reflect actual expenditures for actuarial services.*

**Oversight Reimbursement.** The Department requests \$0.1 million from general revenues for municipal finance oversight reimbursements not included in the enacted budget. The request is consistent with state law enacted by the 2013 General Assembly, which requires that the state reimburse 50.0 percent of the cost for a finance advisor to municipalities that have improved in financial standing so as to no longer require a receiver. *The Governor recommends funding as requested.*

**All Other Operations.** The Department requests \$1.9 million from general revenues, which is \$0.1 million more than enacted for all other Division of Municipal Finance operations. This includes \$134,579 more for salaries and benefits for 17.0 full-time equivalent positions and \$10,999 more for operations expenditures. The request is consistent with current staffing and employee benefits selections and includes anticipated expenditures for cellular use, printing services, and office supplies. The Department reports that increased staffing and Division responsibilities are expected to result in increased operations costs. Staffing for the Division increased from 11.0 full-time equivalent positions for FY 2012 and FY 2013 to 17.0 full-time positions for FY 2014 and FY 2015. *The Governor recommends \$0.3 million less than requested for salaries and benefits, including \$2,955 less from statewide medical benefit savings. The recommendation includes turnover savings to reflect current vacancies.*

### **Local Aid**

**Payment in Lieu of Taxes.** The Department requests the enacted amount of \$35.1 million from general revenues for the Payment in Lieu of Taxes (PILOT) program. The Payment in Lieu of Taxes program reimburses cities and towns for property taxes which would have been due on real property owned by nonprofit educational institutions, nonprofit hospitals, or any state-owned hospital, veterans' residential facility or correctional facility, which is exempt from taxation by state law. Reimbursement is statutorily based on 27.0 percent of the tax that would have been collected if the property had been taxable, subject to appropriation. If the appropriation is less than the necessary amount, the reimbursements are ratably reduced. The 2013 Assembly provided \$35.1 million for both FY 2013 and FY 2014 to fund the Payment in Lieu of Taxes program. The state makes one payment to communities in July of each year. *The Governor recommends funding as requested.*

**Distressed Communities Relief Fund.** The Department requests the enacted amount of \$10.4 million from general revenues to fund the Distressed Communities Relief program for FY 2015. This program was established in 1990 to provide assistance to the communities with the highest property tax burdens relative to the wealth of the taxpayers. The 2005 Assembly increased eligibility for FY 2006 to any community falling into the lowest 20.0 percent for at least three of four indices to be eligible for assistance under the program.

The 2005 Assembly also mandated that when a new community qualifies, that community receives 50.0 percent of current law requirements the first year it qualifies. The remaining 50.0 percent is distributed to the other distressed communities proportionately. When a community falls out of the program, it receives a one-time transition payment of 50.0 percent of the prior year's full funding. The 2009 Assembly enacted legislation to make the program permanently subject to appropriation. For FY 2014, the cities of Central Falls, Cranston, North Providence, Pawtucket, Providence, West Warwick, and Woonsocket qualify for the program. Cranston does not qualify as distressed for FY 2015. The Governor's recommendation redistributes 50.0 percent of Cranston's FY 2014 allocation to the other six communities for FY 2015. *The Governor recommends funding as requested.*

**Motor Vehicles Excise Tax Program.** The Department requests the enacted amount of \$10.0 million from general revenues to level fund the Motor Vehicles Excise Tax program for FY 2015. The 2010 Assembly enacted legislation reducing the mandated exemption to \$500 for which the state will reimburse municipalities an amount subject to appropriation. The legislation allows municipalities to provide an additional exemption; however, that additional exemption will not be subject to reimbursement. The Assembly also removed the provision that restricted municipalities from taxing the difference in the event that the value of a vehicle is higher than the prior fiscal year. It also allowed for rates to be lowered from the current frozen levels. The Assembly restored the authority for fire districts to levy a motor vehicles excise tax. *The Governor recommends funding as requested.*

**Property Revaluation Reimbursements.** The Department requests \$1.0 million from general revenues to reimburse communities conducting scheduled property revaluations or statistical updates in FY 2015. This is \$0.5 million more than enacted to reflect anticipated expenses. The request reflects maximum allowable reimbursements for communities scheduled to complete revaluations in FY 2015 following an analysis of historical expenditures conducted by the Division. Expenditures fluctuate annually; they were \$0.9 million in both FY 2013 and FY 2012, \$0.7 million in FY 2011, \$1.5 million in FY 2010 and \$1.0 million in FY 2009. East Providence, Warren, and Warwick are scheduled to conduct property revaluations for FY 2015.

As part of its constrained request, the Department proposes \$346,831 in savings from general revenues from reductions to reimbursements to municipalities for property revaluations. While the unconstrained request reflects the maximum allowable reimbursement for municipalities scheduled to conduct revaluations for FY 2015, the Department reports that the constrained request reflects the anticipated expenses associated with those revaluations, based on an extensive analysis of historical revaluation data and a survey of FY 2014 activity. *The Governor recommends funding consistent with the constrained request.*

**Municipal Aid.** The Department requests the enacted amount of \$5.0 million from general revenues to fund the Municipal Incentive Aid program, which encourages sustainable funding of retirement plans and reduction of unfunded liabilities. Eligibility for funding differs in FY 2014, the first year of the program, and FY 2015 and FY 2016, the following two years. For FY 2014, a municipality may receive funds under one of three conditions: first, if it has no locally administered pension plan; secondly, if it has submitted an approved Funding Improvement Plan, if required, no later than June 1, 2013; or thirdly, if its locally administered plan is not required to submit a Funding Improvement Plan.

For FY 2015 and FY 2016, a municipality that still has a local plan that did not require a Funding Improvement Plan must be funding 100 percent of its Annual Required Contribution. Those with no local plans or those implementing Funding Improvement Plans would continue to be eligible. Municipalities required to implement a Funding Improvement Plan must do so within 18 months after certification that the plan is in critical status. Coventry did not submit its funding improvement plan by the deadline for FY 2014 funding. Its \$166,126 allocation will be redistributed to the qualifying communities in May 2014. Distribution to all 39 municipalities is included in the Governor's recommendation for FY 2015. *The Governor recommends funding as requested.*

**Car Rental/Surcharge - Warwick Share.** The Department requests \$0.9 million, which is \$35,484 less than enacted from restricted receipts for the City of Warwick, reflective of updated receipt estimates. The 2002 Assembly enacted legislation to appropriate the sales and vehicle rental surcharge revenues generated through customer facility charges from rental car companies at T.F. Green Airport. The receipts are deposited into a restricted account for the City of Warwick. *The Governor recommends funding as requested.*

## Division of Taxation

**Revenue Officers.** The Department's request includes 25.0 revenue officer positions, 2.0 less than the authorized level, and \$1.8 million from general revenues, \$0.2 million less than enacted. The request funds approximately 22.0 positions and assumes approximately 3.0 positions will remain vacant for the full fiscal year. Each position generates an average of \$0.8 million in taxes, interest, and penalties each year through collections and compliance activities. *The Governor recommends the creation of 7.0 new revenue officer positions and \$0.8 million more than requested to fully fund 32.0 positions. It*

*should be noted that the Budget assumes an additional \$8.4 million in revenue associated with these new positions accounting for the cost, the impact to the Budget is \$7.6 million.*

**All Other Salaries and Benefits.** The Department requests \$16.1 million from all sources for salaries and benefits for the authorized 183.0 full-time positions. The request is \$0.2 million more than enacted, including \$37,348 more from general revenues. The request includes the enacted amount of \$145,000 for overtime expenses, \$151,382 for seasonal employees, and assumes the enacted level of 5.5 percent or \$1.0 million in turnover savings. As of pay period ending December 14, 2013, the Division reported 17.0 vacant positions. The request reflects step increases and current planning values and assumes 7.2 positions will be filled in FY 2014, consistent with the revised request. *The Governor recommends \$0.2 million less than requested from all funds, including \$0.2 million less primarily from general revenues. He includes \$0.1 million less to reflect statewide medical benefit savings and decreases turnover savings by \$0.1 million to reflect current staffing.*

**Other Operations.** The Department requests \$2.2 million, which is \$0.1 million less than enacted from all sources for all other operating expenditures for the Division of Taxation. This includes \$2.0 million, which is \$0.1 million less than enacted from general revenues, \$0.1 million from federal funds, \$39,609 from restricted receipts, and \$0.1 million from other funds. The request is consistent with historical and anticipated expenditures for contracted financial services, printing, postage, and other office expenditures.

*The Governor recommends \$0.1 million less than requested from general revenues, reflecting a shift of \$25,000 from FY 2015 to FY 2014 for the Division's share of legal costs for the Landmark and Westerly Hospital bankruptcy case, elimination of \$60,000 for computer purchases, and decreases for tax return booklet printing and postage costs to reflect online filings.*

### **Division of Motor Vehicles**

**Chief of Information and Public Relations.** The Department requests \$99,969 from general revenues for the creation of 1.0 chief of information and public relations position for the Registry of Motor Vehicles. This function is currently performed by a member of the Governor's resource team, in an effort to respond to public and media inquiries; the Department reports that the position fills a vital role and requests that it be added to the Registry's authorization for the current year. The position is included in the revised FY 2014 request, though no hire date is provided. *The Governor includes funding as recommended.*

**Customer Service Staffing.** Consistent with its revised FY 2014 request, the Department requests \$0.7 million from general revenues to reduce turnover savings within the Registry of Motor Vehicles in order to fill 9.8 customer service positions. The request is reflective of anticipated staffing needs associated with the completion of the Rhode Island Modernization System and its implementation in the current year and early FY 2015. The request includes \$0.1 million in turnover savings; the enacted budget includes \$0.7 million. The Department did not provide the staffing plan on which the request was based nor a revised staffing plan reflective of ongoing negotiations with Hewlett Packard regarding the completion of the Modernization System.

In early January, the Department submitted its staffing plan dated December 13, 2013. It should be noted that the personnel costs detailed in the plan do not correspond with the requested turnover reduction. *The Governor recommends \$0.4 million, \$0.3 million less than requested, to fill an additional 5.0 customer service representative positions for the fiscal year.*

**All Other Salaries and Benefits.** The Department requests \$13.2 million, which is \$0.1 million more than enacted from all sources for all other Registry salaries and benefits. This includes \$0.1 million more from general revenues and \$10,707 less from federal funds and is consistent with current staffing for the other 99.0 Registry positions, employee benefit selections, and current planning values. The request includes \$0.1 million more for overtime expenses associated with training sessions for the Rhode Island Modernization System.

*The Governor recommends \$0.1 million less than requested from general revenues, including \$75,917 from statewide medical benefit savings. He recommends maintaining a chief implementation aid position and an information aid position vacant for the full fiscal year, shifting requested funds to support customer service staffing. He includes \$25,000 less than requested for overtime expenses.*

**Information System Grants.** The Department requests \$1.6 million, which is \$0.1 million less than enacted from federal funds for updates to the Registry's information systems and their integration with the Rhode Island Modernization System. The request reflects the availability of funds granted to the state for the Department of Homeland Security Real ID program and the Federal Motor Carrier Safety Administration Commercial Driver's License and Vehicle Information System grant programs. Funds will be used to develop information databases and to purchase software systems that will be incorporated into the Modernization System. The anticipated completion date for the Modernization System is May 4, 2014. Ongoing support for the system architecture will be required following its completion date. *The Governor recommends funding as requested.*

**All Other Operations.** The Department requests \$5.7 million, which is \$0.3 million less than enacted from all sources and \$0.1 million less from general revenues, for all other Registry operations. The request includes \$5.0 million from general revenues, of which \$3.7 million is for driver's license imaging, software and database access annual contracts, telecommunications expenses, and printing and advertising. The changes reflect historical expenditures and the use of the state's central mailroom for the printing and mailing of registration renewal forms. Also included is \$1.2 million from general revenues for general office expenditures, branch location lease agreements, and registry building and equipment maintenance. The Department also requests \$35,955 less from federal funds, reflective of the expiration of a grant program, the enacted amount of \$14,763 from restricted receipts, and \$0.2 million less from other funds to reflect the replacement of its safety and emissions lifts in FY 2014.

As part of its constrained request, the Department proposes \$11,180 of savings from general revenues from reductions to building maintenance, grounds keeping services, and weather response for Registry parking lots. The Department does not provide any information regarding the potential impact these reductions would have on the Registry's operations. *The Governor recommends \$20,310 less than requested from general revenues; he includes \$5,690 more than requested for building maintenance, but reduces mileage allowances by \$25,000.*

### **New Initiatives**

**Target - Modification to Property Tax Relief Credit.** As part of its constrained request, the Department proposes the modification of income eligibility requirements for low income claimants of the property tax relief credit available under current statute; the modification establishes income eligibility requirements for low income claimants that match those of other low income entitlement programs. The proposal is estimated to reduce the number of eligible low income claimants from 29,197 filers to 18,500 filers, a 36.6 percent reduction. The Department estimates revenues would increase by \$2.8 million from reducing these credits.

The Department does not provide any information regarding the potential impact on expenses for salaries, benefits, and staff training for the Division of Taxation associated with this change. It should be noted that the 7.0 percent target reduction required by the Budget Office was to funding requested for the Department's current service budget. *The Governor does not recommend the proposal.*

**Target - Hotel Room Resellers Sales and Use Tax.** As part of its constrained request, the Department proposes amending current statute to require room resellers to collect and remit sales and hotel taxes for rental charges of rooms rented in the state. Currently, room resellers are required to pay sales and use taxes for the wholesale cost of rooms purchased for resale. The Department estimates that the impact of the proposal would be an additional \$0.9 million in revenues.

The Department does not provide any information regarding the potential impact on expenses for salaries and benefits for the Division of Taxation associated with this change. It should be noted that the 7.0 percent target reduction required by the Budget Office was to funding requested for the Department's current service budget. *The Governor's budget includes this proposal and assumes an additional \$0.9 million in associated revenues.*



## Legislature

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Program</b>				
General Assembly	\$ 5,324,933	\$ 6,486,500	\$ 5,346,101	\$ 5,314,598
Fiscal Advisory Staff	1,710,585	1,677,144	1,739,958	1,730,384
Legislative Council	4,518,608	4,458,459	4,728,598	4,694,111
Joint Comm. on Legislative Affairs	20,914,581	22,395,415	21,664,800	21,009,636
Office of the Auditor General	5,308,941	5,190,799	5,273,926	5,254,121
Special Legislative Commissions	13,900	13,900	13,900	13,900
<b>Total</b>	<b>\$ 37,791,548</b>	<b>\$ 40,222,217</b>	<b>\$ 38,767,283</b>	<b>\$ 38,016,750</b>
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 31,961,695	\$ 31,676,885	\$ 33,005,771	\$ 32,255,238
Contracted Services	577,850	1,299,350	442,850	442,850
<b>Subtotal</b>	<b>\$ 32,539,545</b>	<b>\$ 32,976,235</b>	<b>\$ 33,448,621</b>	<b>\$ 32,698,088</b>
Other State Operations	2,682,503	3,670,718	2,765,162	2,765,162
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	2,300,000	2,656,964	2,300,000	2,300,000
Capital	269,500	918,300	253,500	253,500
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
<b>Total</b>	<b>\$ 37,791,548</b>	<b>\$ 40,222,217</b>	<b>\$ 38,767,283</b>	<b>\$ 38,016,750</b>
<b>Sources of Funds</b>				
General Revenue	\$ 36,186,933	\$ 38,654,217	\$ 37,180,204	\$ 36,429,671
Federal Aid	-	-	-	-
Restricted Receipts	1,604,615	1,568,000	1,587,079	1,587,079
Other	-	-	-	-
<b>Total</b>	<b>\$ 37,791,548</b>	<b>\$ 40,222,217</b>	<b>\$ 38,767,283</b>	<b>\$ 38,016,750</b>
<b>FTE Authorization</b>	<b>298.5</b>	<b>298.5</b>	<b>298.5</b>	<b>298.5</b>

**Summary.** The Legislature estimates FY 2015 expenditures of \$38.8 million and 298.5 full-time equivalent positions. This includes \$37.2 million from general revenues and \$1.6 million from restricted receipts and includes funding for statewide benefit adjustments.

*The Governor recommends \$0.8 million less from general revenues than requested. This includes \$0.2 million to reflect statewide medical benefit savings not known at the time of the request. He further reduces requested expenses by \$0.6 million.*



## Office of the Lieutenant Governor

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 1,100,193	\$ 1,078,603	\$ 1,055,761	\$ 1,040,151
Contracted Services	960,750	1,444,663	750	750
<b>Subtotal</b>	<b>\$ 2,060,943</b>	<b>\$ 2,523,266</b>	<b>\$ 1,056,511</b>	<b>\$ 1,040,901</b>
Other State Operations	33,185	44,155	24,773	47,783
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	100,000	-	-
Capital	1,250	8,404	1,250	750
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
<b>Total</b>	<b>\$ 2,095,378</b>	<b>\$ 2,675,825</b>	<b>\$ 1,082,534</b>	<b>\$ 1,089,434</b>
<b>Sources of Funds</b>				
General Revenue	\$ 986,890	\$ 946,501	\$ 1,007,651	\$ 1,015,084
Federal Aid	1,108,488	1,594,324	74,883	74,350
Restricted Receipts	-	135,000	-	-
Other	-	-	-	-
<b>Total</b>	<b>\$ 2,095,378</b>	<b>\$ 2,675,825</b>	<b>\$ 1,082,534</b>	<b>\$ 1,089,434</b>
<b>FTE Authorization</b>	<b>8.0</b>	<b>8.0</b>	<b>8.0</b>	<b>8.0</b>

**Summary.** The Office of the Lieutenant Governor requests total expenditures of \$1.1 million for FY 2015, \$1.0 million less than enacted primarily to reflect that remaining federal funds to administer the State Innovation Model Grant are expected to be spent in FY 2014. The request includes 8.0 full-time equivalent positions, consistent with the enacted authorization. *The Governor recommends \$1.1 million from all funds, which is \$1.0 million less than enacted and \$6,900 more than requested. He recommends 8.0 positions, consistent with the authorized and requested level.*

**Target Issues.** The Budget Office provided the Office with a general revenue target of \$1.0 million. The amount includes current service adjustments of \$10,016 and a 7.0 percent target reduction of \$69,783. The Office's constrained budget is \$5,983 less than the target reduction. *The Governor's budget is \$87,961 above the target.*

	Budget Office	Lieutenant Governor	Difference
<b>FY 2015 Budget</b>			
<b>FY 2014 Enacted</b>	\$ 986,890	\$ 986,890	\$ -
Current Service Adjustments	10,016	20,761	10,745
<b>Change to FY 2014 Enacted</b>	<b>\$ 10,016</b>	<b>\$ 20,761</b>	<b>\$ 10,745</b>
<b>FY 2015 Current Service/Unconstrained Request</b>	<b>\$ 996,906</b>	<b>\$ 1,007,651</b>	<b>\$ 10,745</b>
Target Reduction/Initiatives	(69,783)	(86,511)	(16,728)
<b>FY 2015 Constrained Target/Request</b>	<b>\$ 927,123</b>	<b>\$ 921,140</b>	<b>\$ (5,983)</b>
<i>Change to FY 2014 Enacted</i>	<i>\$ (59,767)</i>	<i>\$ (65,750)</i>	<i>\$ (5,983)</i>

**State Innovation Model Grant.** The enacted budget includes \$1.0 million from the Center for Medicare and Medicaid Services to support the development and testing of state-based models for multi-payer medical claim payments. The Office requests no funding from this source as remaining federal funds to administer the State Innovation Model Grant are expected to be spent in FY 2014. *The Governor concurs.*

**Staffing.** The Office requests \$1.1 million for salaries and benefits for 8.0 full-time equivalent positions. This is \$44,432 less than enacted, including \$19,101 more from general revenues and \$63,533 less from federal sources. The reduction primarily reflects that the health policy director position will be vacated effective January 1, 2015 with the expiration of federal grant funds. It appears the Office should have included \$4,998 less in its request for benefits, based on salaries requested and the current rates. As of the pay period ending November 2, 2013, the Office had no vacancies.

The Office's constrained request eliminates the chief of staff position approximately six months into the fiscal year for a general revenue savings of \$85,261. The current Lieutenant Governor is term limited, and it is common practice for a new general officer to hire his or her own chief of staff instead of hiring the person who served in that role in the previous administration. The Office is essentially proposing to lay off someone who, given the usual practice in administration changes, is unlikely to be offered a position in the new Lieutenant Governor's office and leaves no funding for a replacement.

*The Governor recommends \$15,610 less than requested, including \$15,077 less from general revenues. The reduction includes \$11,917 in additional turnover savings and \$3,342 from statewide medical benefit savings. He does not concur with the constrained reduction proposed by the Office.*

**Transition Expenses.** The Office of the Lieutenant Governor did not include transition expenses in its FY 2015 request. The current Lieutenant Governor is leaving office because of term limits and Rhode Island General Law, Section 36-1-2.1 requires that all newly elected general officers, prior to their engagement of office, shall be entitled to space for transition staff, adequate funds from the outgoing general office from the budget of that department for use to hire transition staff, obtain office supplies and equipment. Historically the budgets of the general officers have included this expenditure. The 2006 Assembly adopted language in the FY 2007 budget to direct the use of the contingency fund to include transition expenses for newly elected general officers. *The Governor recommends \$25,000 from general revenues.*

**All Other Operations.** The Office of the Lieutenant Governor requests \$968 more than enacted for all other operations, including \$1,660 more from general revenues and \$692 less from federal funds. The changes include decreases for office supplies and travel-related costs and an increase for printing costs.

The Office's constrained request includes foregoing a planned computer replacement for general revenue savings of \$1,250.

*The Governor recommends \$2,490 less than requested. He concurs with the constrained reduction proposed by the Office and further reduces funding by \$1,240, primarily for printing costs.*

## Office of the Secretary of State

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Program</b>				
Administration	\$ 2,078,542	\$ 2,208,612	\$ 2,177,743	\$ 2,205,748
Corporations	2,152,424	2,286,828	2,341,335	2,278,601
State Archives	581,636	577,554	582,353	584,018
Elections	1,162,821	948,969	1,694,324	1,636,292
State Library	611,318	518,088	523,424	521,178
Office of Public Information	366,023	507,525	646,478	641,118
<b>Total</b>	<b>\$ 6,952,764</b>	<b>\$ 7,047,576</b>	<b>\$ 7,965,657</b>	<b>\$ 7,866,955</b>
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 5,345,507	\$ 5,366,639	\$ 5,529,849	\$ 5,420,287
Contracted Services	142,425	150,200	297,200	292,200
<b>Subtotal</b>	<b>\$ 5,487,932</b>	<b>\$ 5,516,839</b>	<b>\$ 5,827,049</b>	<b>\$ 5,712,487</b>
Other State Operations	1,216,720	1,280,125	1,887,996	1,903,856
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	135,611	135,611	135,611	135,611
Capital	112,501	115,001	115,001	115,001
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
<b>Total</b>	<b>\$ 6,952,764</b>	<b>\$ 7,047,576</b>	<b>\$ 7,965,657</b>	<b>\$ 7,866,955</b>
<b>Sources of Funds</b>				
General Revenue	\$ 6,497,833	\$ 6,477,569	\$ 7,468,304	\$ 7,337,203
Federal Aid	-	50,163	-	-
Restricted Receipts	454,931	519,844	497,353	529,752
Other	-	-	-	-
<b>Total</b>	<b>\$ 6,952,764</b>	<b>\$ 7,047,576</b>	<b>\$ 7,965,657</b>	<b>\$ 7,866,955</b>
<b>FTE Authorization</b>	<b>57.0</b>	<b>57.0</b>	<b>57.0</b>	<b>57.0</b>

**Summary.** The Secretary of State requests FY 2015 expenditures of \$8.0 million, which is \$1.0 million more than the FY 2014 enacted budget. The request includes \$970,471 more from general revenues and \$42,422 more from restricted receipts. The request includes 57.0 full-time equivalent positions, consistent with the enacted authorization. *The Governor recommends \$7.9 million from all sources, which is \$0.9 million more than enacted and \$0.1 million less than requested. He includes 57.0 positions, consistent with the authorized and requested levels.*

**Target Issues.** The Budget Office provided the Office of the Secretary of State with a general revenue target of \$6.9 million. The amount includes current service adjustments of \$0.8 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 \$0.6 million above the target. *The Governor's budget is \$0.5 million above the target.*

FY 2015 Budget	Secretary of		
	Budget Office	State	Difference
<b>FY 2014 Enacted</b>	\$ 6,497,833	\$ 6,497,833	\$ -
Current Service Adjustments	830,216	846,471	16,255
New Initiatives	-	124,000	124,000
<b>Change to FY 2014 Enacted</b>	\$ 830,216	\$ 970,471	\$ 140,255
<b>FY 2015 Current Service/Unconstrained Request</b>	\$ 7,328,049	\$ 7,468,304	\$ 140,255
Target Reduction/Initiatives	(449,639)	-	449,639
<b>FY 2015 Constrained Target/Request</b>	\$ 6,878,410	\$ 7,468,304	\$ 589,894
<i>Change to FY 2014 Enacted</i>	\$ 380,577	\$ 970,471	\$ 589,894

**Elections and Civics Personnel.** The Office of the Secretary of State requests \$0.4 million, or \$0.1 million less than enacted for salaries and benefits in the Elections and Civics Division. The request is for 7.0 positions, three less than enacted. The Office indicates that it has transferred three positions from Elections and Civics to other programs, including one project manager to Administration and two administrative assistants to Corporations. The Office further notes that these changes better reflect where personnel are being utilized.

The request also includes \$0.1 million to fund the currently vacant Director of Elections position. The Office had previously anticipated holding this position vacant through the end of the current Secretary of State's term and that was reflected in the enacted budget. It now expects to fill the position before the end of FY 2014.

*The Governor recommends \$47,532 less than requested. The recommendation assumes holding the Director of Elections position vacant for the first half of FY 2015, through the end of the current Secretary of State's term.*

**Referenda Expenses.** The Secretary of State requests \$140,000 for referenda costs, which are a biennial expense. Referenda costs include printing of referenda pamphlets and postage for mailing to voters, as well as associated legal counsel and translator expenses. The Office spent \$134,355 on referenda costs in FY 2013, the last on-year in the two-year election cycle. *The Governor recommends \$5,000 less than requested, which closely mirrors the Office's FY 2013 spending.*

**Other Election Expenses.** The Secretary of State and the Board of Elections request \$3.6 million from general revenues, which is \$2.7 million more than enacted for election expenses, excluding the Elections and Civics personnel and referenda expenses noted above. *The Governor recommends \$3.5 million from general revenues, \$0.1 million less than requested.*

The Secretary of State requests \$1.2 million in expenditures from general revenues, which is \$0.5 million more than enacted. This includes \$486,000 more for printing expenses to reflect that FY 2015 is an on-year in the two-year election cycle. The request is \$0.1 million more than the Office's spending in FY 2013, the last on-year election cycle. *The Governor recommends \$5,500 less than requested including \$5,000 less for postage expenses and \$500 less for office supplies to better reflect the historical expenditures.*

The Board of Elections requests \$2.5 million from general revenues for costs associated with the preparation and execution of election activities, including salaries and benefits, which is \$2.2 million more than enacted. The request includes \$2.0 million for the Matching Public Funds campaign finance program, required by Rhode Island General Law 17-25-19 and also includes \$150,000 more for delivery of voting equipment and supplies to and from the precincts, \$122,500 more to purchase new voting booths, and \$60,000 more for legal services. *The Governor recommends \$0.1 million less than*

*requested primarily to reflect reductions for delivery of voting equipment and supplies, legal services, and new voting booths.*

**State Archives.** The Secretary of State requests \$582,353 from all fund sources or \$717 more than enacted for the operation of the state archives, which is funded primarily by the Historical Records Trust Fund. The request includes \$31,705 less than enacted from general revenues and \$32,422 more from restricted receipts based on the projected receipts for FY 2015. *The Governor recommends \$1,665 more than requested. This includes \$3,284 more to reflect an update to an employee's medical benefit selection and \$1,619 in 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 \$882,423, which is \$12,966 more than the enacted appropriation. This includes \$485,722 for 4.8 full-time equivalent positions, or \$14,310 more than enacted. Besides salaries and benefits, the request includes \$1,344 less for rental of storage and office spaces. *The Governor recommends funding essentially as requested.*

**Other Salaries and Benefits.** The request includes \$0.3 million more than enacted from general revenues for salary and benefit expenses to fully fund the 44.9 remaining full-time equivalent positions, excluding the elections and state archives divisions mentioned above and the Records Center. This primarily reflects one project manager transferred to the Administration Division and two administrative assistants transferred to the Corporations Division from Elections and Civics, as noted in the personnel item above. The Office has eliminated an administrative assistant position in the State Library and added a deputy director in its Office of Public Information. The Office indicates that all of the above personnel shifts better reflect where the agency's staff are being utilized.

The Office requests no turnover savings, consistent with the enacted budget. The current Secretary of State is term limited and, given the usual practice in administration changes, it seems likely some turnover will occur in FY 2015. The request reflects the statewide benefit adjustments for FY 2015. It appears the Office should have included \$17,915 more in its request for benefits, based on salaries requested and the current rates.

*The Governor recommends \$65,314 less than requested. The Budget Office indicates that it added \$23,151 to the Director's salary to reflect actual compensation. The recommendation also reflects \$21,908 from statewide medical benefit savings and assumes additional turnover savings from anticipated vacancies with the transition to a new Secretary of State.*

**State Agency Rules and Regulations.** The Office of the Secretary of State requests \$100,000 from general revenues for modifications to the existing program used for posting agency rules and regulations on its web site. The Office is responsible for maintaining the rules and regulations filed by state agencies, boards and commissions. The Office indicates that the funds will be used to design, write, and implement the new program and then convert the existing data into the new format. *The Governor recommends funding as requested.*

**Lobby Tracker Module.** Rhode Island General Law requires lobbyists to register with the Office of the Secretary of State and the Office to maintain this information as a public record. One of the ways the public can access this information is in a searchable database on the Office's web site. The Office requests \$24,000 from general revenues for a new lobby tracker program to monitor all reporting activity of lobbyists, entities, and lobby firms registered with the state. The program will track compensation for lobbyists, expenses, and contributions. The Office indicates that while the current

tracking system utilizes an unsupported database and outdated programming, the new program has been written in current programming language and is scalable and comparable with other programs. The Office further notes that the \$24,000 requested represents 12 monthly payments of \$2,000 for services associated with monitoring and supporting the new system. *The Governor recommends funding as requested.*

**Rhode Island Government Owner's Manual.** The Office requests \$14,045 to publish the Rhode Island Government Owner's Manual. The manual is printed in odd numbered years, per Rhode Island General Law 22-3-12. *The Governor recommends funding as requested.*

**State House Tours.** Consistent with its revised request, the Office's request includes the enacted level of \$12,750 for a contract with Johnson and Wales University to coordinate tours of the State House for 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. Past expenditures include an average of \$12,211 from FY 2007 through FY 2013. *The Governor recommends funding as requested.*

**State House Visitor's Center.** The Office requests \$15,000 or \$10,000 more than enacted from restricted receipts to fund the State House Visitor's Center and Gift Shop, which will open in December 2013. The Office indicates that staffing will be provided by unpaid interns from Johnson & Wales University and merchandise sales will be used to fund the restricted receipt account. The receipts will in turn be used to replenish the merchandise, and the Office anticipates \$15,000 will be needed for purchases in FY 2015. *The Governor recommends funding as requested.*

**Transition Expenses.** The Office of the Secretary of State did not include transition expenses in its FY 2015 request. The current Secretary of State is leaving office because of term limits and Rhode Island General Law, Section 36-1-2.1 requires that all newly elected general officers, prior to their engagement of office, shall be entitled to space for transition staff, adequate funds from the outgoing general officer from the budget of that department for use to hire transition staff, obtain office supplies and equipment. The Office indicates that it contacted the Budget Office about transition expenses and was instructed not to include these expenses in its request. According to the Office, the Budget Office further noted that transition expenses will be included in the Governor's recommendation, but it was not yet decided whether these expenses will be included in each of the elected officials' budgets or as a lump sum in the Department of Administration's budget. *The Governor recommends \$25,000 from general revenues.*

**All Other Operations.** The Office of the Secretary of State requests \$0.6 million from general revenues for all other operations, or \$16,046 more than enacted. This includes increases in various operating expenses, largely based on the Office's historical expenditures. *The Governor recommends \$2,021 less than requested, primarily to reflect reductions in printing expenses and office supplies.*

## Office of the General Treasurer

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Program</b>				
General Treasurer	\$ 3,033,216	\$ 2,940,971	\$ 2,945,226	\$ 2,835,587
Unclaimed Property	18,559,092	23,247,165	16,247,933	19,524,231
Employees' Retirement System	11,666,065	11,140,760	10,837,045	10,837,045
Crime Victim Compensation	2,149,088	1,931,210	1,958,795	1,957,064
<b>Subtotal</b>	<b>\$ 35,407,461</b>	<b>\$ 39,260,106</b>	<b>\$ 31,988,999</b>	<b>\$ 35,153,927</b>
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 8,812,038	\$ 8,547,298	\$ 8,618,295	\$ 8,607,130
Contracted Services	3,214,550	6,096,350	5,423,264	5,401,214
<b>Subtotal</b>	<b>\$ 12,026,588</b>	<b>\$ 14,643,648</b>	<b>\$ 14,041,559</b>	<b>\$ 14,008,344</b>
Other State Operations	18,422,048	22,898,083	16,182,065	19,385,708
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	1,888,000	1,648,000	1,695,000	1,695,000
Capital	3,070,825	70,375	70,375	64,875
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
<b>Total</b>	<b>\$ 35,407,461</b>	<b>\$ 39,260,106</b>	<b>\$ 31,988,999</b>	<b>\$ 35,153,927</b>
<b>Sources of Funds</b>				
General Revenue	\$ 2,654,692	\$ 2,617,317	\$ 2,643,475	\$ 2,532,105
Federal Aid	1,130,422	851,029	870,338	870,338
Restricted Receipts	31,393,424	35,581,483	28,254,578	31,530,876
Other	228,923	210,277	220,608	220,608
<b>Total</b>	<b>\$ 35,407,461</b>	<b>\$ 39,260,106</b>	<b>\$ 31,988,999</b>	<b>\$ 35,153,927</b>
<b>FTE Authorization</b>	<b>83.0</b>	<b>83.0</b>	<b>83.0</b>	<b>83.0</b>

**Summary.** The Office requests unconstrained expenditures of \$32.0 million, which is \$3.4 million less than enacted. This includes \$11,217 less from general revenues. The Office requests 83.0 full-time equivalent positions, the authorized level. The Office also submitted a constrained request that totals \$2.5 million from general revenues and includes \$0.1 million less from general revenues than the unconstrained request.

*The Governor recommends \$35.2 million from all funds. This is \$0.3 million less than enacted and \$3.2 million more than requested primarily to reflect the Revenue Estimating Conference unclaimed property estimate. General revenues are \$0.1 million less than enacted and \$0.1 million less than requested. He recommends 83.0 full-time equivalent positions, consistent with the enacted authorization.*

**Target Issues.** The Budget Office provided the Office with a general revenue target of \$2.5 million. The amount includes current service adjustments of \$19,453 and a 7.0 percent target reduction of \$187,190.

The constrained budget submitted by the Office is \$51,315 above the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$45,150 more than the target.*

<b>FY 2015 Budget</b>	<b>Budget Office</b>	<b>Treasurer</b>	<b>Difference</b>
<b>FY 2014 Enacted</b>	\$ 2,654,692	\$ 2,654,692	\$ -
Current Service Adjustments	19,453	(11,217)	(30,670)
<b><i>Change to FY 2014 Enacted</i></b>	<b>\$ 19,453</b>	<b>\$ (11,217)</b>	<b>\$ (30,670)</b>
<b>FY 2015 Current Service/ Unconstrained Request</b>	<b>\$ 2,674,145</b>	<b>\$ 2,643,475</b>	<b>\$ (30,670)</b>
Target Reduction/Initiatives	(187,190)	(105,205)	81,985
<b>FY 2015 Constrained Target/Request</b>	<b>\$ 2,486,955</b>	<b>\$ 2,538,270</b>	<b>\$ 51,315</b>
<b><i>Change to FY 2014 Enacted</i></b>	<b>\$ (167,737)</b>	<b>\$ (116,422)</b>	<b>\$ 51,315</b>

**Unclaimed Property Transfer to General Fund.** The Office requests \$7.0 million for the transfer from unclaimed property to the state, \$2.7 million less 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 reflect that. *The Governor recommends a transfer of \$10.1 million, consistent with the November estimate.*

**Unclaimed Property Claims.** The Office requests \$9.5 million for payment of unpaid property claims, which is \$1.0 million more than enacted to reflect estimated claims activity. 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 \$9.5 million, consistent with the November estimate.*

**Unclaimed Property Change in Liability.** The Office requests a decrease of \$0.7 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 adds \$0.1 million to the set aside to reflect the November estimate.*

**Crime Victim Compensation.** The FY 2015 request includes \$1.5 million for crime victim compensation claims, which is \$0.2 million less than enacted from federal funds to reflect anticipated projected claims payments rather than the maximum federal grant award which was the prior practice. 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 and are drawn down on a reimbursement basis after awards are paid or administrative expenses are incurred. *The Governor recommends funding as requested.*

**Retirement System Computer Upgrades.** The FY 2015 budget request for \$3.8 million is \$0.4 million less than enacted from retirement fund administration restricted receipts for a new computer system. This is based on the final contract terms with the vendor agreed to in June 2013. The total price will be \$21.4 million over 12 years. The Retirement System is currently working through the project plan and changing target dates for certain items that could alter the payment schedule going forward.

[Staff Note: The Department of Administration has until June 30, 2014 to decide if it wants to link its retiree health system to the Retirement System. The additional cost to do so would be between \$5.0 million and \$6.0 million and is not included in the current cost estimate.]

*The Governor recommends funding as requested. He does not recommend funding in the Department of Administration to link the retiree health system.*

**Municipal Payroll Audit.** The FY 2015 request includes \$140,000 for contracted costs associated with performing a municipal payroll audit. The Retirement System is currently undergoing an audit of the municipal payroll for those communities participating in the Municipal Employees' Retirement System. The state is the administrative agent for these plans, but has no funding responsibility. Separate actuarial valuations are performed for each participating plan. *The Governor recommends funding as requested.*

**Retirement System Legal.** The FY 2015 request includes \$0.4 million for legal expenses which is \$0.2 million less than enacted from Retirement System restricted receipts for legal expenses associated with the current legal challenges to the changes made by the 2009 and 2011 Assemblies. The decrease reflects an anticipated wind down in pension litigation. *The Governor recommends funding as requested.*

**Retirement System Actuaries.** The FY 2015 request eliminates the \$180,000 provided for FY 2014 to conduct an experience study. 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. According to the Office, most large public systems perform experience studies every three to five years. 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.*

**Salaries and Benefits.** The Office request \$8.6 million for salaries and benefits for FY 2015. This is \$0.2 million less than enacted and includes \$48,598 more from general revenues. The request includes turnover savings of \$359,632 which is equal to 3.5 vacant positions. The Office currently has 7.3 vacant positions. The request includes an additional \$36,446 from general revenues for the crime victim compensation program. The federal grant program allows for up to 5.0 percent of an award to be used for administrative expenses. Recent grant awards have been lower than prior years; the program is requesting the backfill of federal funds with general revenues. Consistent with its revised request, the request also reflects additional turnover savings based on current vacant positions and converting an unfilled full-time position to part-time in the Retirement System and the Office's hiring plans for the remainder of FY 2014. *The Governor's recommendation is \$11,165 less than requested to reflect statewide benefit savings.*

**Transition Expenses.** The request does not include funding for transition expenses. Rhode Island General Law 36-1-2.1 requires that all newly elected general officers, prior to their engagement of office, shall be entitled to space for transition staff, adequate funds from the outgoing general officer from the budget of that department for use to hire transition staff, obtain office supplies and equipment. Historically the budgets of the general officers have included this expenditure. The 2006 Assembly adopted language in the FY 2007 budget to direct the use of the contingency fund to include transition expenses for newly elected general officers. *The Governor recommends \$25,000 from general revenues.*

**Other Operating Adjustments.** The Office requests \$3.2 million for all other operating expenses, which is \$63,967 more than enacted including \$59,815 less from general revenues. General revenue savings include \$25,000 in bank fees and \$24,500 in fees on bonds and notes with the remainder for office supplies and travel.

As part of its constrained request, the Office proposes reducing non-discretionary operating supplies such as bank fees, fees on bonds and notes and dues and fees by a total of \$105,205. The Office indicates that it is confident that the constrained request is achievable; however, any unanticipated activity could reduce the savings.

*The Governor recommends \$20,000 less than the constrained request. This includes \$10,000 less for expenses for bonds and notes, consistent with the revised recommendation. It also includes a \$10,000 reduction to the financial advisor fee based on a plan for the Office to renegotiate the annual fee at the beginning of FY 2015.*

## Rhode Island Board of Elections

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 1,137,415	\$ 1,127,758	\$ 1,330,309	\$ 1,306,590
Contracted Services	171,788	191,488	81,488	73,488
<b>Subtotal</b>	<b>\$ 1,309,203</b>	<b>\$ 1,319,246</b>	<b>\$ 1,411,797</b>	<b>\$ 1,380,078</b>
Other State Operations	430,158	441,159	688,392	657,109
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	2,000,000	2,000,000
Capital	-	-	122,500	107,940
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
<b>Total</b>	<b>\$ 1,739,361</b>	<b>\$ 1,760,405</b>	<b>\$ 4,222,689</b>	<b>\$ 4,145,127</b>
<b>Sources of Funds</b>				
General Revenue	\$ 1,739,361	\$ 1,760,405	\$ 4,222,689	\$ 4,145,127
Federal Aid	-	-	-	-
Restricted Receipts	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>\$ 1,739,361</b>	<b>\$ 1,760,405</b>	<b>\$ 4,222,689</b>	<b>\$ 4,145,127</b>
<b>FTE Authorization</b>	<b>11.0</b>	<b>11.0</b>	<b>11.0</b>	<b>11.0</b>

**Summary.** The Rhode Island Board of Elections requests \$4.2 million from general revenues, \$2.5 million more than enacted. The Board requests 11.0 full-time equivalent positions, consistent with the enacted authorization. *The Governor recommends \$4.1 million from general revenues, which is \$2.4 million more 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 \$3.9 million. The amount includes current service adjustments of \$2.3 million and a 7.0 percent target reduction of \$0.1 million.

The Board of Elections did not submit a constrained budget request. The Board's budget is \$0.3 million above the target. *The Governor's budget is \$0.2 million above the target.*

FY 2015 Budget	Budget Office	Board of Elections	Difference
<b>FY 2014 Enacted</b>	\$ 1,739,361	\$ 1,739,361	\$ -
Current Service Adjustments	2,302,340	2,360,828	58,488
New Initiatives	-	122,500	122,500
<b>Change to FY 2014 Enacted</b>	\$ 2,302,340	\$ 2,483,328	\$ 180,988
<b>FY 2015 Current Service/Unconstrained Request</b>	\$ 4,041,701	\$ 4,222,689	\$ 180,988
Target Reduction/Initiatives	(122,759)	-	122,759
<b>FY 2015 Constrained Target/Request</b>	\$ 3,918,942	\$ 4,222,689	\$ 303,747
<i>Change to FY 2014 Enacted</i>	\$ 2,179,581	\$ 2,483,328	\$ 303,747

**Board Member Compensation.** The Board of Elections requests \$55,027 for salaries and benefits for its seven members in FY 2015, which is \$15,897 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 members of the Board accept a salary, which reflects that there is one vacancy on the Board and one serving member who does not accept compensation. The Board of Elections' Executive Director indicates that the Board instructed him to request compensation for seven members in FY 2015. He further notes that while the vacancy is expected to be filled before the start of FY 2015 with a new member who accepts compensation, it is also likely the serving member who does not accept a salary will remain on the Board through FY 2015, and in this scenario compensation would be needed for only six members. *The Governor recommends \$47,166 for six members, which is \$7,861 less than requested.*

**Seasonal Staff.** The Board of Elections requests \$160,000 for seasonal staff for the November 2014 election. The enacted budget does not include funding for seasonal staff to reflect that FY 2014 is an off-year in the two-year election cycle. The Board spent \$112,945 on seasonal staff in FY 2013 and requests funding to hire additional seasonal staff for the November 2014 election, consistent with a recommendation in the House Oversight Committee's *Review of the 2012 Elections* report that the Board hire and train more technicians to repair machines on Election Day. *The Governor recommends funding as requested.*

**Other Salaries and Benefits.** The Board of Elections requests \$1.1 million, or \$16,997 more than enacted from general revenues, for salaries and benefits to fully fund 11.0 full-time equivalent positions for FY 2015. It appears the Board should have included \$7,088 more in its request for benefits, based on salaries requested and the current rates. *The Governor recommends \$15,858 less than requested, which reflects \$10,762 from statewide medical benefit savings and corrections to employee benefit calculations.*

**Voting Equipment for Precincts.** The Board of Elections requests \$150,000 for delivery of voting equipment and supplies to and from the precincts. The enacted budget does not include funding for delivery costs to reflect that FY 2014 is an off-year in the two-year election cycle. The Board spent \$101,124 in FY 2013 and indicates that the estimate for FY 2015 is based on the successful vendor bid and an expected increase in the amount of equipment to be delivered. *The Governor recommends \$125,000, or \$25,000 less than requested to reflect the Budget Office's estimate based on the historical spending and anticipated equipment.*

**Legal Services.** The Board of Elections requests \$80,000 from general revenues for legal services, or \$60,000 more than the enacted level. The Board spent an average of \$52,408 for legal services over the last two completed fiscal years. The Executive Director, an attorney, indicates the Board has

instructed him to use outside counsel more frequently and further notes that he has done much of the legal work himself in the past in an attempt to keep costs down. *The Governor recommends \$60,000, or \$20,000 less than requested for legal services to better reflect the historical spending.*

**Public Financing of Elections.** The Board of Elections requests \$2.0 million from general revenues for the Matching Public Funds campaign finance program, required by Rhode Island General Law 17-25-19. General officers are elected every four years, and the Board is responsible for administering and carrying out the mandates of the Campaign Contributions and Expenditures Act and the state's Matching Public Funds program. *The Governor recommends funding as requested.*

**Electronic Reporting System.** The Board requests no funding for FY 2015 for modifications to 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 enacted budget includes \$150,000 for these modifications, which the Board expects to complete in FY 2014. *The Governor concurs.*

**New Voting Equipment.** The Board requests \$122,500 to purchase new voting booths. The Board anticipates purchasing 500 new voting booths to supplement the current supply, which is only sufficient to meet the minimum number of booths (one for every 175 voters) mandated by Rhode Island General Law. It further indicates that additional booths would be used in communities that have multiple-page ballots, for which voters need more time to complete. The House Oversight Committee's *Review of the 2012 Elections* report includes a recommendation that the Board consider the increase in the number of voting districts with multiple-page ballots when determining the number of privacy booths for voting at a particular precinct. *The Governor recommends \$61,250, half the amount the Board requested, to purchase approximately 245 new voting booths.*

**All Other Election Expenses.** The Board of Elections and the Office of the Secretary of State request FY 2015 expenditures of \$1.4 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 \$0.7 million more than the FY 2014 enacted budget, which was an off-year in the two-year election cycle. The Board and the Office are requesting no federal funding for FY 2015. *The Governor recommends \$1.4 million from general revenues, \$1,000 less than requested.*

The Board of Elections requests \$130,440 from general revenues for other costs associated with the preparation and execution of election activities, excluding salaries and benefits, which is \$29,700 more than enacted. This includes \$17,000 more for postage as well as \$10,000 more for printing expenses which closely mirrors the FY 2013 actual spending. *The Governor recommends \$9,500 more than requested for printing expenses to better reflect the anticipated expenditures.*

The Secretary of State requests \$1.3 million in expenditures from general revenues, which is \$0.7 million more than enacted. This includes \$0.5 million more for printing expenses, which is \$2,585 more than the Office's FY 2013 spending. The request amount is \$80,406 more than the Office's spending in FY 2013, the last on-year in the two-year election cycle. The Secretary of State is requesting \$140,000 for referenda costs, which are a biennial expense, incurred only in the on-years.

*The Governor recommends \$10,500 less than requested. The reductions include \$5,000 less for referenda costs, \$5,000 less for postage expenses, and \$500 less for office supplies to better reflect the historical expenditures.*

**Warehouse Rental Space.** The Board of Elections stores voting equipment at its location at 50 Branch Avenue and, because of limited storage capacity there, also occupies 10,350 square feet at the Cranston Street Armory. The Board requests \$75,000 for FY 2015 for alternative storage space for its voting equipment currently stored at the Armory, noting that the State Fire Marshal's Office has expressed concerns about the amount of flammable and combustible materials the Board is storing at the Armory. *The Governor recommends \$60,000, or \$15,000 less than requested to reflect the Budget Office's estimate. The estimate is based on the Board's spending from FY 2010, the last year it leased warehouse space, updated for inflation.*

**Information Technology Improvements.** Subsequent to the submission of its budget, the Board of Elections noted that it inadvertently excluded from its request funding for information technology upgrades at its headquarters. The Board indicates that the Division of Information Technology recommended the upgrades, and it further notes that its computer infrastructure is aging and 16 of its computers are no longer under warranty. *The Governor recommends \$58,690 for information technology improvements. The expenditures include replacing computers at 16 of the Board's 18 work stations, upgrading to Microsoft Office 2010, centralizing data systems, virtualizing the server, increasing bandwidth, and replacing network switches and routers.*

**All Other Operations.** The Board of Elections requests \$334,440 from general revenues for all other operations, which is \$3,234 more than enacted. These expenditures include the \$271,969 vendor payment to Election Systems and Software for service and maintenance of all election machines, a reporting system and a project manager. The requested amounts for other expenditures appear to be largely based on the Board's actual spending in FY 2012 and FY 2013. *The Governor recommends \$783 less than requested, which primarily reflects \$1,000 less for waste removal expenses.*

## Rhode Island Ethics Commission

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 1,377,281	\$ 1,366,726	\$ 1,385,103	\$ 1,378,075
Contracted Services	31,500	31,500	32,500	31,500
<b>Subtotal</b>	<b>\$ 1,408,781</b>	<b>\$ 1,398,226</b>	<b>\$ 1,417,603</b>	<b>\$ 1,409,575</b>
Other State Operations	162,305	171,596	167,198	165,512
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	6,118	6,118	6,118	6,118
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
<b>Total</b>	<b>\$ 1,577,204</b>	<b>\$ 1,575,940</b>	<b>\$ 1,590,919</b>	<b>\$ 1,581,205</b>
<b>Sources of Funds</b>				
General Revenue	\$ 1,577,204	\$ 1,575,940	\$ 1,590,919	\$ 1,581,205
Federal Aid	-	-	-	-
Restricted Receipts	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>\$ 1,577,204</b>	<b>\$ 1,575,940</b>	<b>\$ 1,590,919</b>	<b>\$ 1,581,205</b>
<b>FTE Authorization</b>	<b>12.0</b>	<b>12.0</b>	<b>12.0</b>	<b>12.0</b>

**Summary.** The Ethics Commission's unconstrained request is for \$1.6 million from general revenues, which is \$13,715 more than enacted. The Commission requests 12.0 full-time equivalent positions, the authorized level. The Commission also submitted a constrained request that totals \$1.5 million which is \$105,805 less from general revenues. *The Governor recommends \$1.6 million from general revenues, which is \$4,001 more than enacted and \$9,714 less than requested. He recommends staffing consistent with the authorized level.*

**Target Issues.** The Budget Office provided the Ethics Commission with a general revenue target of \$1.5 million. The amount includes current service adjustments of \$11,029 and a 7.0 percent target reduction of \$102,676 that excludes the Commission's lease.

	Ethics		
FY 2015 Budget	Budget Office	Commission	Difference
<b>FY 2014 Enacted</b>	<b>\$ 1,577,204</b>	<b>\$ 1,577,204</b>	<b>\$ -</b>
Current Service Adjustments	11,029	13,715	2,686
<b>Change to FY 2014 Enacted</b>	<b>\$ 11,029</b>	<b>\$ 13,715</b>	<b>\$ 2,686</b>
<b>FY 2015 Current Service/Unconstrained Request</b>	<b>\$ 1,588,233</b>	<b>\$ 1,590,919</b>	<b>\$ 2,686</b>
Target Reduction/Initiatives*	(102,676)	(105,805)	(3,129)
<b>FY 2015 Constrained Target/Request</b>	<b>\$ 1,485,557</b>	<b>\$ 1,485,114</b>	<b>\$ (443)</b>
<i>Change to FY 2014 Enacted</i>	<i>\$ (91,647)</i>	<i>\$ (92,090)</i>	<i>\$ (443)</i>

The constrained budget submitted by the agency is \$443 less than the target. The agency's proposals to achieve the reduction are noted among the items described below where appropriate. *The Governor's recommendation is \$95,648 above the target.*

**Salaries and Benefits.** 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 \$7,822 or 0.6 percent for salary adjustments and benefit changes.

As part of its constrained request, the Commission requests the layoff of the Administrative Assistant for nine months and the layoff of a Research Aide for the entire year for savings of \$101,555.

*The Governor funds current staffing, but includes \$7,028 less than the unconstrained request to reflect statewide benefit savings.*

**Other Operations.** The Commission requests \$205,816 from general revenues for all other operations, which is \$5,893 more than enacted. The Commission's request includes a \$2,000 increase in both utility spending and travel spending as a result of an increase in electricity bills and the desire to send more than one person to the annual Ethics Laws Conference.

As part of its constrained request, the Commission reduces travel expenses and administrative costs by \$4,250.

*The Governor recommends \$3,207 more than enacted to reflect increases in the costs of electricity and travel spending. It is \$2,686 less than requested.*

## Office of the Governor

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Program</b>				
Central Management	\$ 4,443,513	\$ 4,614,074	\$ 4,672,066	\$ 4,652,562
<b>Total</b>	<b>\$ 4,443,513</b>	<b>\$ 4,614,074</b>	<b>\$ 4,672,066</b>	<b>\$ 4,652,562</b>
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 3,934,598	\$ 3,831,212	\$ 3,978,916	\$ 3,959,412
Contracted Services	700	232,128	155,500	155,500
<b>Subtotal</b>	<b>\$ 3,935,298</b>	<b>\$ 4,063,340</b>	<b>\$ 4,134,416</b>	<b>\$ 4,114,912</b>
Other State Operations	234,215	283,234	267,750	267,750
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	250,000	250,000	250,000	250,000
Capital	24,000	17,500	19,900	19,900
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
<b>Total</b>	<b>\$ 4,443,513</b>	<b>\$ 4,614,074</b>	<b>\$ 4,672,066</b>	<b>\$ 4,652,562</b>
<b>Sources of Funds</b>				
General Revenue	\$ 4,443,513	\$ 4,614,074	\$ 4,672,066	\$ 4,652,562
Federal Aid	-	-	-	-
Restricted Receipts	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>\$ 4,443,513</b>	<b>\$ 4,614,074</b>	<b>\$ 4,672,066</b>	<b>\$ 4,652,562</b>
<b>FTE Authorization</b>	<b>45.0</b>	<b>45.0</b>	<b>45.0</b>	<b>45.0</b>

**Summary.** The Office of the Governor requests FY 2015 expenditures totaling \$4.7 million from general revenues and 45.0 full-time positions. This is \$0.2 million more than enacted and staffing is consistent with the authorized level.

*The Governor concurs, with the exception of providing \$19,504 less to reflect statewide benefit savings. He includes the requested and authorized levels of staffing.*

**Target Issues.** The Budget Office provided the Office with a general revenue target of \$4.2 million. The amount includes current service adjustments of \$42,757 and a 7.0 percent target reduction of \$0.3 million. The Office submitted a constrained budget that exceeded the target level by \$135,527, of which \$130,000 is for transition expenses for the next administration. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's budget is \$0.5 million above the target.*

FY 2015 Budget	Budget Office	Office of the Governor	Difference
<b>FY 2014 Enacted</b>	<b>\$ 4,443,513</b>	<b>\$ 4,443,513</b>	<b>\$ -</b>
Current Service Adjustments	42,757	228,554	185,797
<b>Change to FY 2014 Enacted</b>	<b>\$ 42,757</b>	<b>\$ 228,554</b>	<b>\$ 185,797</b>
<b>FY 2014 Current Service/ Unconstrained Request</b>	<b>\$ 4,486,270</b>	<b>\$ 4,672,067</b>	<b>\$ 185,797</b>
Target Reduction/Initiatives	(296,539)	(346,809)	(50,270)
<b>FY 2014 Constrained Target/Request</b>	<b>\$ 4,189,731</b>	<b>\$ 4,325,258</b>	<b>\$ 135,527</b>
<i>Change to FY 2014 Enacted</i>	<i>\$ (253,782)</i>	<i>\$ (118,255)</i>	<i>\$ 135,527</i>

**Transition Expenses.** The Office requests \$130,000 from general revenues for transition expenses within the Office of the Governor. The Budget Office indicates that this amount was inadvertently excluded from the current service calculation. The current Governor is leaving office and Rhode Island General Law 36-1-2.1 requires that all newly elected general officers, prior to their engagement of office, shall be entitled to space for transition staff, adequate funds from the outgoing general office from the budget of that department for use to hire transition staff, obtain office supplies and equipment. The request is consistent with the amount the Chafee administration spent in FY 2011. *The Governor recommends funding as requested.*

**Federal Liaison.** The Office requests \$25,000 from general revenues for contractual service expenditures for Hope and Reid LLC to serve as the Governor's federal liaison. This assumes a rate of \$100 per hour for a maximum of 250 hours. The Office indicates that the memorandum of understanding was signed in 2013. The FY 2014 revised budget includes \$35,000 in expenditures for this.

As part of its constrained budget, the Office reduces the requested amount by \$12,500. *The Governor recommends the unconstrained level of funding.*

**Salary and Benefit Adjustments.** The Office requests FY 2015 expenditures of \$4.0 million from general revenues to support staffing of 45.0 full-time positions. This is \$44,318 more than enacted and staffing consistent with the authorized level. Consistent with the revised request, the Office assumes \$0.4 million in turnover savings. Based on staff's calculation, it appears that the amount budgeted for benefits is overstated by \$29,067. As of the pay period ending October 19, 2013, the Office had 12.5 positions vacant.

As part of its constrained budget, the Office includes additional turnover savings of \$0.3 million. This is equivalent to leaving 3.9 full-time equivalent positions vacant for the entire fiscal year.

[Staff Note: The enacted budget reflects the transfer of the Health Benefits Exchange from the Office of the Governor to the Department of Administration. The Office staff roster appears to have six of the Exchange's filled positions shown in the Office of the Governor instead of the Department of Administration. The Department indicated that it is in the process of rectifying the issue.]

*The Governor concurs, with the exception of providing \$19,504 for statewide benefit savings.*

**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 average expenditures for the last five fiscal years totaled \$103,794. *The Governor recommends funding as requested.*

**All Other Operations.** The Office requests \$0.3 million from general revenues for all other operating costs, \$29,235 more than enacted primarily for various dues including the National Governors Association and the Coalition of Northeastern Governors. It also includes increases for travel and general office supplies to reflect anticipated expenditures. The request is \$23,290 less than FY 2013 reported expenses and is \$19,784 less than FY 2014 projected expenditures. *The Governor recommends funding as requested.*



## Rhode Island Commission for Human Rights

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 1,231,503	\$ 1,239,151	\$ 1,260,097	\$ 1,252,259
Contracted Services	5,331	5,331	5,331	5,331
<b>Subtotal</b>	<b>\$ 1,236,834</b>	<b>\$ 1,244,482</b>	<b>\$ 1,265,428</b>	<b>\$ 1,257,590</b>
Other State Operations	222,589	218,951	222,589	222,589
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	-	-	-	-
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
<b>Total</b>	<b>\$ 1,459,423</b>	<b>\$ 1,463,433</b>	<b>\$ 1,488,017</b>	<b>\$ 1,480,179</b>
<b>Sources of Funds</b>				
General Revenue	\$ 1,150,785	\$ 1,146,066	\$ 1,184,229	\$ 1,193,083
Federal Aid	308,638	317,367	303,788	287,096
Restricted Receipts	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>\$ 1,459,423</b>	<b>\$ 1,463,433</b>	<b>\$ 1,488,017</b>	<b>\$ 1,480,179</b>
<b>FTE Authorization</b>	<b>14.5</b>	<b>14.5</b>	<b>14.5</b>	<b>14.5</b>

**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 \$28,594 more than enacted, including \$33,444 more from general revenues. The Commission also submitted a constrained request that totals \$1.1 million from general revenues and is \$88,943 less than the unconstrained request. *The Governor recommends \$1.5 million from all funds and 14.5 positions. This is \$20,756 more than enacted.*

**Target Issues.** The Budget Office provided the Commission with a general revenue target of \$1.1 million. The amount includes current service adjustments of \$12,798 and a 7.0 percent target reduction of \$68,297.

	Budget Office	Commission for Human Rights	Difference
<b>FY 2015 Budget</b>			
<b>FY 2014 Enacted</b>	\$ 1,150,785	\$ 1,150,785	\$ -
Current Service Adjustments	12,798	33,444	20,646
<b>Change to FY 2014 Enacted</b>	<b>\$ 12,798</b>	<b>\$ 33,444</b>	<b>\$ 20,646</b>
<b>FY 2015 Current Service/Unconstrained Request</b>	<b>\$ 1,163,583</b>	<b>\$ 1,184,229</b>	<b>\$ 20,646</b>
Target Reduction/Initiatives	(68,297)	(88,943)	(20,646)
<b>FY 2015 Constrained Target/Request</b>	<b>\$ 1,095,286</b>	<b>\$ 1,095,286</b>	<b>\$ -</b>
<i>Change to FY 2014 Enacted</i>	<i>\$ (55,499)</i>	<i>\$ (55,499)</i>	<i>\$ -</i>

The constrained budget submitted by the Commission meets the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$97,797 above the Budget Office target.*

**Federal Receipts.** The Commission's budget assumes that federal receipts available to be spent in FY 2015 total \$303,788. The budget includes expenses totaling \$308,638 leaving a deficit of \$4,850 for FY 2015. It should be noted, the Commission's constrained budget assumes an additional \$14,247 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 projected deficit of \$4,850 would be offset by additionally anticipated federal receipts. *The Governor's recommendation includes \$287,096 from federal sources, \$16,692 less than requested based on anticipated available receipts.*

**Salaries and Benefits.** The Commission requests \$1.3 million from all sources to support all salaries and updated benefit rates based on the Budget Office planning values. This is \$28,594 more than enacted, including \$33,444 more from general revenues and \$4,850 less from federal funds. The request includes added medical benefit costs to reflect employee benefit selections 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 2015 constrained request for savings of \$88,943 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 federal 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.

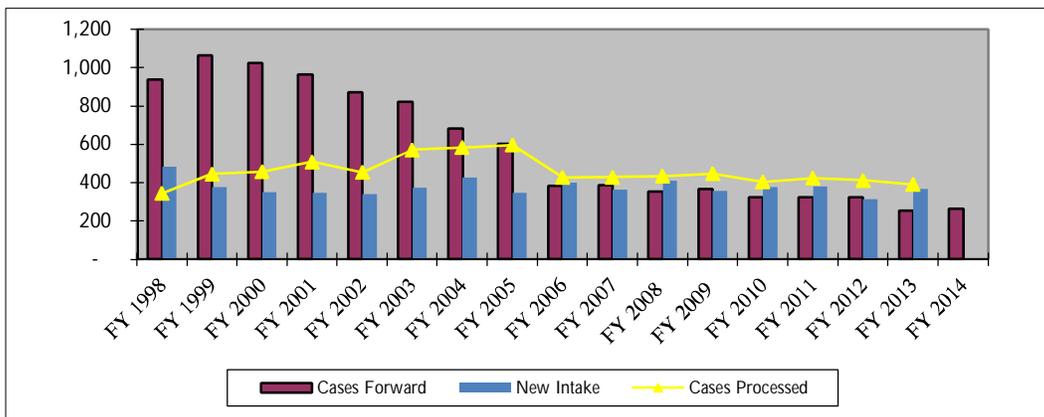
*The Governor includes \$20,756 more than enacted from all sources, which is \$7,838 less than the unconstrained request, including \$8,854 more from general revenues. The general revenue increase reflects a shift of payroll expenses from federal funds to general revenues based on anticipated available receipts from federal sources.*

**Other Operations.** Consistent with the enacted budget, the Commission requests \$0.2 million, nearly all from general revenues for all other operations. This includes rental and travel related costs, delivery and travel expenses, utilities, office equipment and supplies, subscriptions, insurance and staff training. The request is based on historical spending; FY 2013 expenses were \$247,397. *The Governor recommends funding as requested.*

**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 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. For FY 2013, the Commission intake of 367 new cases was offset by 389 closed cases with 265 cases forwarded to FY 2014. The Commission sustains 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, thereby ensuring timely due process for both complainants and defendants.





## Public Utilities Commission

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 5,718,604	\$ 5,790,292	\$ 5,957,272	\$ 5,896,240
Contracted Services	1,717,243	1,722,963	1,722,963	1,722,963
<b>Subtotal</b>	<b>\$ 7,435,847</b>	<b>\$ 7,513,255</b>	<b>\$ 7,680,235</b>	<b>\$ 7,619,203</b>
Other State Operations	951,109	943,335	937,931	937,931
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	337	337	337	337
Capital	33,000	62,000	62,000	62,000
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
<b>Total</b>	<b>\$ 8,420,293</b>	<b>\$ 8,518,927</b>	<b>\$ 8,680,503</b>	<b>\$ 8,619,471</b>
<b>Sources of Funds</b>				
General Revenue	\$ -	\$ -	\$ -	\$ -
Federal Aid	166,818	205,026	87,733	87,733
Restricted Receipts	8,253,475	8,313,871	8,592,770	8,531,738
Other	-	-	-	-
<b>Total</b>	<b>\$ 8,420,293</b>	<b>\$ 8,518,897</b>	<b>\$ 8,680,503</b>	<b>\$ 8,619,471</b>
<b>FTE Authorization</b>	<b>49.0</b>	<b>49.0</b>	<b>50.0</b>	<b>50.0</b>

**Summary.** The Public Utilities Commission requests FY 2015 expenditures of \$8.7 million, which is \$0.3 million more than enacted, including \$0.3 million more from restricted receipts and \$0.1 million 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 50.0 full-time equivalent positions, 1.0 position more than authorized.

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. *The Governor recommends \$8.6 million from all sources, which includes \$61,032 less than requested from restricted receipts. He includes the requested 50.0 full-time equivalent positions, 1.0 more than enacted.*

**Programming Services Officer Position.** The Commission requests \$103,446 from restricted receipts for 1.0 new full-time equivalent programming services officer position for FY 2015. 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 a lack of adequate staffing has diminished its regulatory capabilities; specifically, consumer billing issues, informal hearings, and termination proceedings. *The Governor recommends funding as requested.*

**Former ARRA Positions.** The Commission requests \$231,636, which is \$159,585 more than enacted from all sources for two full-time equivalent positions. This includes \$72,051 less from federal funds and \$231,636 more from restricted receipts. The enacted budget funds these positions until October

31, 2013 from federal American Recovery and Reinvestment Act grant funds, granted in FY 2011. The Commission requests that these two positions be added on a permanent basis, to be funded from restricted receipts generated by assessments to regulated utilities. Grant funding has been extended until December 28, 2013; the positions are also included in the Commission's revised FY 2014 request.

It should be noted that funding for these positions was requested in the Commission's FY 2014 operating budget. The funding was recommended by the Governor; however, the Assembly did not concur. *The Governor recommends funding as requested.*

**All Other Salaries and Benefits.** The Commission requests \$5.7 million from all sources for all other salary and benefit expenses for the remaining 47.0 positions, including 3.0 commissioner positions and 6.0 commission support positions, and 38.0 positions in the Division of Utilities and Carriers. This is \$24,363 less than enacted and is consistent with current staffing levels and employee benefits selections. *The Governor recommends \$5.6 million from all sources. He includes \$61,032 less than requested, including \$42,737 of turnover savings and \$18,295 from statewide benefit savings.*

**Rate Case 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 material and 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.*

**Expert Testimony.** The Commission requests the enacted amount of \$0.4 million from restricted receipts for expert and consultant services associated with the state's renewable energy standard. While the request is consistent with the enacted budget and the revised FY 2014 request, it is inconsistent with historical expenditures, which have been significantly lower than enacted. *The Governor recommends funding as requested.*

**Repairs and Purchases.** The Commission requests \$306,900, which is \$29,000 more than enacted from restricted receipts for repair and maintenance projects at its headquarters facility in Warwick, including the replacement of the building's membrane roof, and for the purchase of a new vehicle in FY 2015. The roof is original to the building and is showing signs of significant disrepair. The requested vehicle is intended to be used by Division staff investigators; the Ford Escape currently in use has reportedly reached the end of its useful life. *The Governor recommends funding as requested.*

**All Other Operations.** The Commission requests \$0.9 million from all sources, which is \$7,736 less than enacted from federal funds and \$278 more from restricted receipts for all other operations reflective of the expiration of the federal Stimulus State Electricity Regulators Assistance grant, a reduction of staff training, the expansion of the Commission's fleet, and historical expenditures for maintenance, office expenses and contracted security services. *The Governor recommends funding as requested.*

## Office of Health and Human Services

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Program</b>				
Central Management	\$ 117,276,910	\$ 127,149,456	\$ 134,943,702	\$ 126,827,456
Medical Assistance	1,750,658,222	1,747,253,216	1,818,085,773	1,966,012,819
<b>Total</b>	<b>\$1,867,935,132</b>	<b>\$1,874,402,672</b>	<b>\$1,953,029,475</b>	<b>\$2,092,840,275</b>
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 22,580,231	\$ 21,808,030	\$ 23,561,364	\$ 22,924,399
Contracted Services	49,838,357	64,189,841	76,443,108	67,130,931
<b>Subtotal</b>	<b>\$ 72,418,588</b>	<b>\$ 85,997,871</b>	<b>\$ 100,004,472</b>	<b>\$ 90,055,330</b>
Other State Operations	5,771,782	5,075,853	4,657,568	4,650,618
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	1,782,450,828	1,779,030,538	1,847,073,245	1,994,869,637
Capital	7,293,934	4,298,410	1,294,190	3,264,690
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
<b>Total</b>	<b>\$1,867,935,132</b>	<b>\$1,874,402,672</b>	<b>\$1,953,029,475</b>	<b>\$2,092,840,275</b>
<b>Sources of Funds</b>				
General Revenue	\$ 843,227,650	\$ 842,044,257	\$ 888,286,993	\$ 847,618,499
Federal Aid	1,014,710,198	1,022,376,346	1,050,434,602	1,231,413,896
Restricted Receipts	9,997,284	9,982,069	14,307,880	13,807,880
Other	-	-	-	-
<b>Total</b>	<b>\$1,867,935,132</b>	<b>\$1,874,402,672</b>	<b>\$1,953,029,475</b>	<b>\$2,092,840,275</b>
<b>FTE Authorization</b>	<b>184.0</b>	<b>184.0</b>	<b>185.0</b>	<b>184.0</b>

**Summary.** The Office requests \$1,953.0 million from all sources including \$888.3 million from general revenues, \$1,050.4 million from federal funds and \$14.3 million from restricted receipts and a staffing level of 185.0 positions in its current services request. The request is \$85.1 million more than enacted, including \$45.1 million more from general revenues, \$35.7 million more from federal funds and \$4.3 million more from restricted receipts and 1.0 position more than the current authorized level.

The Office's constrained request totals \$1,833.2 million, including \$823.5 million from general revenues, and lowers medical assistance expenditures by \$119.8 million from all sources including \$64.5 million from general revenues and \$55.4 million from federal funds. It does not make any reduction in central management or its staffing levels.

*The Governor recommends \$2,092.8 million from all funds, including \$847.6 million from general revenues and 184.0 positions. His recommendation is \$224.9 million more than enacted and \$259.6 million more than the constrained request. This includes \$4.4 million more than enacted and \$23.8 million more than the constrained request from general revenues. He includes \$307.1 million in federal funds to expand Medicaid benefits to certain adults available under the Patient Protection and Affordable Care Act.*

**Target Issues.** The Budget Office provided the Office with a general revenue target of \$823,826,954. The amount includes current service adjustments of \$42,607,784 and a 7.0 percent target reduction of \$62,008,480.

FY 2015 Budget	Office of Health &		
	Budget Office	Human Services	Difference
<b>FY 2014 Enacted</b>	<b>\$ 843,227,650</b>	<b>\$ 843,227,650</b>	<b>\$ -</b>
Current Service Adjustments	42,607,784	45,059,343	2,451,559
New Initiatives	-	300,107	300,107
<b>Change to FY 2014 Enacted</b>	<b>\$ 42,607,784</b>	<b>\$ 45,359,450</b>	<b>\$ 2,751,666</b>
<b>FY 2015 Current Service/Unconstrained Request</b>	<b>\$ 885,835,434</b>	<b>\$ 888,587,100</b>	<b>\$ 2,751,666</b>
Target Reduction/Initiatives	(62,008,480)	(64,461,551)	(2,453,071)
<b>FY 2015 Constrained Target/Request</b>	<b>\$ 823,826,954</b>	<b>\$ 823,825,442</b>	<b>\$ (1,512)</b>
<i>Change to FY 2014 Enacted</i>	<i>\$ (19,400,696)</i>	<i>\$ (19,402,208)</i>	<i>\$ (1,512)</i>

The constrained budget submitted by the agency is \$1,512 below the target. The proposals to achieve the reductions are noted among the items described where appropriate. *The Governor's recommendation is \$23.8 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 2014 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	\$ 11,670	\$15,521	\$16,105	\$17,505	\$20,423	\$21,006	\$21,590	\$23,340	\$29,175
2	15,730	20,921	21,707	23,595	27,528	28,314	29,101	31,460	39,325
3	19,790	26,321	27,310	29,685	34,633	35,622	36,612	39,580	49,475
4	23,850	31,721	32,913	35,775	41,738	42,930	44,123	47,700	59,625
5	27,910	37,120	38,516	41,865	48,843	50,238	51,634	55,820	69,775
6	31,970	42,520	44,119	47,955	55,948	57,546	59,145	63,940	79,925
7	36,030	47,920	49,721	54,045	63,053	64,854	66,656	72,060	90,075
8	40,090	53,320	55,324	60,135	70,158	72,162	74,167	80,180	100,225

*For families with more than 8 members, add \$4,060 for each additional member for the 100 percent calculation.*

**Medicaid Expenses - State/National Comparison.** The following table compares national and state 2011 Medicaid spending using the Centers for Medicare and Medicaid Services 2012 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 Rlite 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 budgets of 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 budgets of 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	27.2	85,155	50.0%	45.0%	\$ 77,400	\$ 256.0	20.0%	14.2%	\$ 2,851	\$ 3,006
Children	13.2	43,967	24.0%	23.2%	57,800	202.8	15.0%	11.3%	4,362	4,613
Adults	9.4	42,442	17.0%	22.4%	169,300	873.3	44.0%	48.5%	17,958	20,576
Blind/Disabled	4.8	17,567	9.0%	9.3%	77,200	470.1	20.0%	26.1%	15,931	26,760
Aged	<b>Total</b>	<b>54.7 189,131</b>	<b>100% 100%</b>		<b>\$381,800</b>	<b>\$1,802.2</b>	<b>100% 100%</b>		<b>\$ 6,982</b>	<b>\$ 9,529</b>

*Source: Centers for Medicare and Medicaid Services 2012 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 adults without dependent children who are not entitled to Medicare and who have family incomes up to 133 percent of poverty will become eligible for Medicaid. Between 2014 and 2016, the federal government will pay 100 percent of the cost of covering the newly-eligible adult population. 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 were required to maintain the same income eligibility levels through December 31, 2013 for all adults, and this requirement is extended through September 30, 2019 for children currently in Medicaid.

### Medical Assistance

The following table itemizes medical assistance expenditures in FY 2012 and FY 2013, as enacted by the 2013 Assembly, adopted by the caseload estimators and recommended by the Governor. Each category is discussed separately.

The caseload estimate includes funding for the state's integrated care initiative's Rhody Health Options managed care program and the Connect Care Choice Community Partners fee-for-service program. The Assembly passed legislation for the Office to enter into a contract 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 state has entered into a contract with Neighborhood Health Plan of Rhode Island for the first phase of the initiative which reallocates Medicaid resources supporting acute care and long term care services to the managed care entity to operate the Rhody Health Options program. Phase II includes entering into a contract with the Centers for Medicare and Medicaid Services to bundle both Medicare and Medicaid funds to provide services to this population.

The Caseload Estimating Conference met on November 4, 2013 and based on current law, set the FY 2015 medical assistance expenditures at \$2,025.3 million, including \$861.3 million from general revenues, which is \$274.6 million more than enacted from all sources and \$45.8 million more from general revenues.

*The Governor recommends \$1,947.0 million, including \$818.6 million from general revenues. His recommendation is \$78.3 million less from all sources than the November caseload estimate, including \$42.7 million less from general revenues and \$35.6 million less from federal funds. His savings initiatives are discussed separately by program.*

<b>Medical Assistance</b>	<b>FY 2012 Spent</b>	<b>FY 2013 Spent</b>	<b>FY 2014 Enacted</b>	<b>FY 2014 Gov. Rec.</b>	<b>FY 2015 Nov. CEC</b>	<b>FY 2015 Gov. Rec.</b>
<b>Hospitals</b>						
Regular Payments	\$ 92.1	\$ 83.6	\$ 89.1	\$ 69.3	\$ 46.2	\$ 33.3
DSH Payments	126.9	127.7	129.8	129.8	131.2	131.2
<b>Total</b>	<b>\$ 219.0</b>	<b>\$ 211.3</b>	<b>\$ 218.9</b>	<b>\$ 199.1</b>	<b>\$ 177.4</b>	<b>\$ 164.5</b>
<b>Long Term Care</b>						
Nursing and Hospice Care	\$ 347.4	\$ 352.9	\$ 361.4	\$ 285.8	\$ 175.5	\$ 167.5
Home and Community Care	73.1	80.17	98.1	78.2	43.5	43.5
<b>Total</b>	<b>\$ 420.5</b>	<b>\$ 433.1</b>	<b>\$ 459.5</b>	<b>\$ 364.0</b>	<b>\$ 219.0</b>	<b>\$ 211.0</b>
<b>Managed Care</b>						
RIte Care	\$ 482.1	\$ 450.8	\$ 485.9	\$ 462.9	\$ 484.2	\$ 444.6
RIte Share	14.3	12.8	14.2	14.3	14.2	14.2
Fee For Service	62.1	85.7	93.2	113.8	123.2	123.2
<b>Total</b>	<b>\$ 558.5</b>	<b>\$ 549.3</b>	<b>\$ 593.2</b>	<b>\$ 591.0</b>	<b>\$ 621.6</b>	<b>\$ 582.0</b>
<b>Rhody Health Partners</b>	<b>\$ 175.6</b>	<b>\$ 185.0</b>	<b>\$ 202.3</b>	<b>\$ 198.0</b>	<b>\$ 206.0</b>	<b>\$ 188.7</b>
<b>Rhody Health Options</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 126.3</b>	<b>\$ 330.0</b>	<b>\$ 330.0</b>
<b>Pharmacy</b>	<b>\$ (2.3)</b>	<b>\$ (0.5)</b>	<b>\$ 1.9</b>	<b>\$ 0.8</b>	<b>\$ 0.2</b>	<b>\$ 0.2</b>
<b>Pharmacy Part D Clawback</b>	<b>\$ 47.4</b>	<b>\$ 50.1</b>	<b>\$ 50.1</b>	<b>\$ 50.8</b>	<b>\$ 50.4</b>	<b>\$ 50.4</b>
<b>Other Medical Services</b>	<b>\$ 115.8</b>	<b>\$ 117.0</b>	<b>\$ 205.7</b>	<b>\$ 198.3</b>	<b>\$ 420.7</b>	<b>\$ 420.2</b>
Federal Funds	\$ 783.2	\$ 785.2	\$ 907.1	\$ 904.9	\$ 1,155.5	\$ 1,119.9
General Revenues	741.5	749.6	815.5	814.3	861.3	818.6
Restricted Receipts	9.8	10.5	9.0	9.0	8.5	8.5
<b>Total*</b>	<b>\$ 1,534.5</b>	<b>\$ 1,545.3</b>	<b>\$ 1,731.7</b>	<b>\$ 1,728.3</b>	<b>\$ 2,025.3</b>	<b>\$ 1,947.0</b>

\* Expenditures in millions

The Office's FY 2015 constrained request of \$1,698.3 million for medical assistance, of which \$792.5 million is from general revenues, is \$52.4 million less than enacted from all sources and \$23.0 million less from general revenues. The request is \$119.8 million less than its current services request of which \$64.5 million is from general revenues. The request is also \$327.0 million less than the adopted estimate, including \$68.8 million less from general revenues. The estimate includes \$307.1 million from federal funds to expand Medicaid coverage to certain low income adults available through the Affordable Care Act beginning January 1, 2014. This is \$217.8 million more than enacted.

The Office's constrained budget proposes savings of \$119.8 million from all sources and \$64.5 million from general revenues.

<b>Program</b>	<b>Constrained Budget Savings Proposals</b>			<b>Governor's Budget Savings Proposals</b>		
	<b>General Revenues</b>	<b>Federal Funds</b>	<b>Total</b>	<b>General Revenues</b>	<b>Federal Funds</b>	<b>Total</b>
Hospitals	\$(13,689,485)	\$(13,705,872)	\$(27,395,357)	\$(6,406,000)	\$(6,413,641)	\$(12,819,641)
Long Term Care	(11,970,609)	(5,885,721)	(17,856,330)	(6,539,650)	(448,242)	(6,987,892)
Managed Care	(21,810,514)	(21,836,703)	(43,647,217)	(19,766,039)	(19,789,774)	(39,555,813)
Rhody Health Partners	(9,560,176)	(9,571,655)	(19,131,831)	(8,658,402)	(8,668,799)	(17,327,201)
Other Medical Services	(7,430,767)	(4,364,444)	(11,795,211)	(786,700)	286,400	(500,300)
<b>Total</b>	<b>\$(64,461,551)</b>	<b>\$(55,364,395)</b>	<b>\$(119,825,946)</b>	<b>\$(42,156,791)</b>	<b>\$(35,034,056)</b>	<b>\$(77,190,847)</b>

Note: There are 23 proposals with 8 that impact multiple program; each proposal is discussed in the appropriate program.

The Office's request includes 23 savings proposals that impact the medical assistance program. Some of the initiatives impact only one program, but \$62.6 million, including \$31.3 million from general revenues, of the savings initiatives impact multiple programs, including hospitals, managed care and

Rhody Health Partners. This is shown in the following table and further explained in the separate program sections.

Program	Hospitals		Managed Care		Rhody Health		Total		Governor's Action
	Gen. Rev.	Total	Gen. Rev.	Total	Gen. Rev.	Total	Gen. Rev.	Total	
Capitated Payments	\$ -	\$ -	\$ (7,542,472)	\$ (15,094,000)	\$ (3,297,528)	\$ (6,599,016)	\$ (10,840,000)	\$ (21,693,016)	Accept
Hospital Rate Freeze	(923,991)	\$ (1,849,041)	(2,033,569)	(4,069,581)	(991,118)	(1,983,428)	(3,948,678)	(7,902,050)	Accept
Hospital Rate Reduction	(840,697)	(1,682,404)	(1,850,253)	(3,702,727)	(901,774)	(1,804,630)	(3,592,724)	(7,189,761)	Reject
Excessive Readmissions	(58,014)	(116,098)	(194,222)	(388,677)	-	-	(252,236)	(504,775)	Reject
Pharmacy Benefits	-	-	(1,351,500)	(2,704,624)	(1,148,500)	(2,298,379)	(2,500,000)	(5,003,003)	Accept
Health Care Utilization	-	-	(5,537,771)	(11,082,191)	(2,612,856)	(5,228,850)	(8,150,627)	(16,311,041)	Accept
Durable Medical Equipment	-	-	(695,800)	(1,392,435)	(304,200)	(608,764)	(1,000,000)	(2,001,199)	Accept
Imaging Services Utilization Review	-	-	(698,500)	(1,392,435)	(304,200)	(608,764)	(1,002,700)	(2,001,199)	Accept
<b>Total</b>	<b>\$ (1,822,702)</b>	<b>\$ (3,647,543)</b>	<b>\$ (19,904,087)</b>	<b>\$ (39,826,670)</b>	<b>\$ (9,560,176)</b>	<b>\$ (19,131,831)</b>	<b>\$ (31,286,965)</b>	<b>\$ (62,606,044)</b>	

The remaining savings of \$29.7 million, of which \$17.9 million is general revenues, are in the long term care and other medical services programs, also discussed separately.

*The Governor proposes savings of \$77.2 million, including \$42.2 million from general revenues from the initiatives.*

**Medicaid Extension Waiver.** The 2013 Assembly enacted Sections 3 and 6 of 2013-H 5127, Substitute A, as amended to allow the Office 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. The Rhode Island Global Consumer Choice Compact Waiver, or Medicaid Global Waiver, was approved by the Centers for Medicare & Medicaid Services on January 16, 2009. The global waiver established a new federal-state agreement that provides Rhode Island with the flexibility to provide services in the least restrictive, most cost effective way to meet the needs of its citizens. The waiver is in effect from January 16, 2009 through December 31, 2013. The state applied for its extension on March 12, 2013 and later amended the application on July 10, 2013 for changes made to the Medicaid program by the 2013 Assembly. The Rhode Island Demonstration Waiver was approved on December 23, 2013 and will be in effect until December 31, 2018.

### Hospitals

The November Caseload Estimating Conference estimate includes hospital expenses totaling \$177.4 million, \$88.5 million from general revenues. It includes \$46.2 million for direct medical services and \$131.2 million for uncompensated care payments to the state and community hospitals. *The Governor recommends \$164.5 million, including \$82.1 million from general revenues for hospital expenses. His recommendation is \$12.9 million less than the caseload estimate.*

**Hospitals.** The November Caseload Estimating Conference estimate includes FY 2015 expenditures at \$46.2 million, including \$23.1 million from general revenues. The estimate is \$41.6 million less than enacted; however, shifts \$45.6 million to the Rhody Health Options program. The estimate also includes the \$11.1 million upper payment limit reimbursement made to the community hospitals.

The Office's constrained request includes proposals that lower total hospital spending by \$27.4 million from all sources, including \$13.7 million from general revenues, each is shown in the following table

and discussed separately. *The Governor recommends \$33.3 million, including \$16.6 million from general revenues for hospital expenses. His recommendation is \$12.9 million less than the caseload estimate.*

<b>Hospitals - Constrained Budget Savings Proposals</b>			<b>Governor's Action</b>
<b>Proposals</b>	<b>General Revenues</b>	<b>All Funds</b>	
Hospital Rate Freeze	\$ (923,991)	\$ (1,849,041)	<b>Accept</b>
Hospital Rate Reduction	(840,697)	(1,682,404)	<b>Reject</b>
Excessive Readmissions	(58,014)	(116,098)	<b>Reject</b>
Upper Payment Limit	(5,482,009)	(10,970,600)	<b>Accept</b>
Disproportionate Share Payments	(6,384,774)	(12,777,214)	<b>Reject</b>
<b>Total</b>	<b>\$ (13,689,485)</b>	<b>\$ (27,395,357)</b>	

**Target - Hospital Rate Freeze.** The Office proposes savings of \$7.9 million from all sources, including \$3.9 million from general revenues, from eliminating the projected hospital inpatient and outpatient hospital rate increases. These savings affect direct payments to hospitals by the state and payments made through the managed care plans.

The Office includes savings of \$1.8 million from all sources, including \$0.9 million from general revenues, in fee-for-service hospital expenses from this action which requires a statutory change and a category II change under the global waiver. The FY 2014 enacted budget froze the outpatient and inpatient rates for hospitals. Rates were increased in FY 2011 and reduced by legislative action in the FY 2012 and FY 2013 budgets.

It should be noted that there is a potential cost shift to the upper payment limit reimbursement which pays the difference between Medicare and Medicaid payments if this proposal is accepted and the proposal to cap the reimbursement is not. *The Governor assumes the proposed savings and includes Article 25 for the necessary changes.*

**Target - Rate Reduction.** The Office proposes savings of \$7.2 million from all sources, including \$3.6 million from general revenues, from reducing rates paid to hospitals by two percent including \$1.7 million in savings from all sources in the fee-for-service program, of which \$0.8 million is general revenues.

Similar to the hospital rate freeze, there is a potential cost shift to the upper payment limit reimbursement which pays the difference between Medicare and Medicaid payments if this proposal is accepted and the proposal to cap the reimbursement is not. *The Governor does not recommend this proposal.*

**Target - Excessive Readmissions.** The Office proposes savings of \$0.5 million, including \$0.3 million from general revenues, from implementing the Centers for Medicare and Medicaid Services' diagnosis related group adjustment for hospitals with higher than expected preventable readmission rates. This includes savings of \$116,098, of which \$58,014 is general revenues, in the hospital program. The Office uses the same readmission penalty, 0.37 percent, assumed by Medicare, with the policy beginning on January 1, 2015; this requires a category I change to the Medicaid waiver.

The Office reports that it needs to calculate hospital-specific readmission rates for certain conditions over a three-year period and compare that rate to an average of expected rate of readmission. Hospitals that exceed their expected readmission target would have an adjustment that would lower the diagnosis related group reimbursement for all hospital admissions. *The Governor does not recommend this proposal.*

**Disproportionate Share Payments to Hospitals.** The Office requests \$131.2 million from all sources for the disproportionate share payments for uncompensated care costs to the hospitals, consistent with the enacted budget. This includes \$65.4 million from general revenues and \$65.7 million from federal funds. Funding is provided to Eleanor Slater Hospital and the state's community hospitals through the Office of Health and Human Services.

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.*

Hospital Uncompensated Care	FY 2013 Reported	FY 2014 Enacted	FY 2015 Nov. CEC	FY 2015 Gov. Rec.	Change to Enacted	Change to Nov. CEC
<b>Community Hospitals</b>						
State	\$ 60,425,276	\$ 62,551,018	\$ 65,438,594	\$ 65,438,594	\$ 2,887,576	\$ -
Federal	65,741,612	65,748,982	65,720,855	65,720,855	(28,127)	-
Subtotal	\$126,166,888	\$128,300,000	\$131,159,449	\$131,159,449	\$ 2,859,449	\$ -
<b>Eleanor Slater Hospital</b>						
State	\$ 738,333	\$ 755,119	\$ 755,118	\$ 755,118	\$ (1)	\$ -
Federal	810,508	793,722	793,723	793,723	1	-
Subtotal	\$ 1,548,841	\$ 1,548,841	\$ 1,548,841	\$ 1,548,841	\$ -	\$ -
<b>Upper Payment Limit</b>						
State	5,708,256	\$ 5,482,009	\$ 5,522,903	\$ -	\$ (5,482,009)	\$ (5,522,903)
Federal	6,056,493	5,570,428	5,529,534	-	(5,570,428)	(5,529,534)
Subtotal	\$ 11,764,749	\$ 11,052,437	\$ 11,052,437	\$ -	\$ (11,052,437)	\$ (11,052,437)
<b>Total</b>	<b>\$139,480,478</b>	<b>\$140,901,278</b>	<b>\$143,760,727</b>	<b>\$132,708,290</b>	<b>\$ (8,192,988)</b>	<b>\$ (11,052,437)</b>

The Office's constrained request lowers the funding available to be distributed to the state and community hospitals for the uncompensated care payments by \$12.8 million from all sources, including \$6.4 million from general revenues. The state's federal allotment was not changed; the Office's request reduces the state match which lowers the amount of federal funding used for the payments. *The Governor recommends funding consistent with the caseload estimate and includes Article 24 to make an FY 2015 payment that does not exceed \$128.3 million.*

**Upper Payment Limit Reimbursement.** The enacted budget includes \$11.1 million from all sources, \$5.5 million from general revenues for the upper payment limit reimbursement made to the community hospitals. The Office's request lowers the federal funds by \$81,837 for the Medicaid rate adjustment but does not add back the required general revenues for a payment of \$11.0 million from all sources, including \$5.5 million from general revenues.

The Office's constrained budget proposes savings of \$11.0 million from all sources, of which \$5.5 million is general revenues, from eliminating the payment. *The Governor accepts the proposal and includes Article 24 to eliminate the payment.*

**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 23 which extends the hospital licensing fee in FY 2015 consistent with the enacted rate. The licensing fee appears annually in the Appropriations Act.*

<b>FY 2015 Hospital License Fee</b>	<b>FY 2013 Enacted</b>	<b>FY 2014 Enacted</b>	<b>FY 2015 Gov. Rec.</b>	<b>Change to Enacted</b>
<b>Revenues</b>				
<i>Base Year</i>	<i>2011</i>	<i>2012</i>	<i>2012</i>	
<i>Tax Rate</i>	<i>5.35%</i>	<i>5.246%</i>	<i>5.246%</i>	
Community Hospital License Fee	\$ 139,495,615	\$ 139,497,359	\$ 139,497,359	\$ -
Washington County Hospitals Waiver	(3,508,717)	(3,521,472)	(3,521,472)	-
Subtotal Licensing fee	\$ 135,986,898	\$ 135,975,887	\$ 135,975,887	\$ -
Slater License Fee	5,269,740	5,281,695	5,281,695	-
<b>Total</b>	<b>\$ 141,256,637</b>	<b>\$ 141,257,582</b>	<b>\$ 141,257,582</b>	<b>\$ -</b>

### Long Term Care

**Long Term Care.** The Caseload Estimating Conference estimate includes long term care expenses at \$219.0 million, of which \$109.4 million is from general revenues. This includes \$175.5 million for nursing facilities and hospice care and \$43.5 million for home and community care. The estimate shifts \$205.3 million, including \$101.6 million from general revenues to the Rhody Health Options program. The Office's constrained request includes proposals that lower long term care spending by \$17.9 million from all sources, including \$12.0 million from general revenues, each is shown in the following table and discussed separately.

*The Governor includes \$211.0 million from all sources for long term care expenses, including \$102.4 million from general revenues. His recommendation is \$8.0 million less than the conference estimate, including \$7.0 million less from general revenues.*

<b>Long Term Care - Constrained Budget Savings Proposals</b>			<b>Governor's Action</b>
<b>Proposal</b>	<b>General Revenues</b>	<b>All Funds</b>	
Rate Freeze	\$ (3,741,849)	\$ (7,488,192)	<b>Accept</b>
Rate Reduction	(2,980,959)	(5,965,497)	<b>Reject</b>
Community First Choice	(3,047,801)	-	<b>Accept</b>
Electronic Visit Verification	(2,000,000)	(4,002,401)	<b>Reject</b>
PARIS Match	(200,000)	(400,240)	<b>Reject</b>
<b>Total</b>	<b>\$ (11,970,609)</b>	<b>\$ (17,856,330)</b>	

**Nursing Facilities and Hospice Care.** The Caseload Estimating Conference estimate includes FY 2015 expenditures of \$175.5 million, of which \$87.7 million is from general revenues, for the state's 84 nursing facilities. The estimate shifts \$259.4 million, including \$129.6 million from general revenues, to the Rhody Health Options program.

The Office proposes savings of \$13.9 million from all sources, including \$6.9 million from general revenues in its constrained budget. Each proposal is discussed separately. *The Governor recommends \$167.5 million, including \$83.7 million from general revenues for hospital expenses. His recommendation is \$8.0 million less than the caseload estimate.*

**Target - Nursing Facilities Rate Freeze.** The Office includes savings of \$7.5 million, of which \$3.7 million is from general revenues, from eliminating the October 1, 2014 rate increase for the nursing facilities. State law includes an annual rate adjustment; however, the 2013 Assembly froze the nursing

home rates for FY 2014. The savings initiative was also proposed in the FY 2012 budget but was not accepted; the FY 2013 budget added funding for nursing homes for two rate changes.

It should be noted that this savings is attributed to the current fee-for-service system and does not take into account the new Rhody Health Options program. If this proposal were accepted then a portion of the savings would need to be distributed to the Rhody Health Options program.

*The Governor includes Article 25 to eliminate the October 1, 2014 rate increase and assumes savings of \$7.5 million, including \$3.7 million from general revenues. He also includes the necessary resolution to make the change through the global waiver. The rate reduction results in lower revenues for nursing homes, which lowers taxes paid by \$0.4 million through the 5.5 percent assessment on a facility's gross revenues for net savings of \$3.3 million.*

**Target - Nursing Facilities Rate Reduction.** The Office's budget includes savings of \$6.0 million, of which \$3.0 million is from general revenues, from reducing rates by two percent.

It should be noted that this savings is attributed to the current fee-for-service system and does not take into account the new Rhody Health Options program. If the proposal were accepted then a portion of the savings would need to be distributed to the Rhody Health Options program. *The Governor does not recommend this proposal.*

**Target - Long Term Care Financial Eligibility and Medicare Premium Payment Review.** The Office's request includes savings of \$3.0 million, including \$1.5 million from general revenues in the other medical benefits program from reviewing two operations of the Medicaid programs: the manner in which financial eligibility for long term care services is determined and the Medicare premiums paid on behalf of Medicaid eligible individuals.

The Office is in the process of providing more detailed information about the changes; however, one change may be the ability for an estate recovery from the home of an individual who resides in a nursing facility if there is no other person who has a legal right to the property. Currently recoveries are made after a person has passed away and there is no other legal claim to that property.

*The Governor recommends this proposal and includes savings of \$1.0 million, of which \$0.5 million is general revenues from this initiative. He distributes the savings between two programs; he assumes savings of \$0.5 million in long term care and \$0.5 million in other medical services and lowers revenues by \$27,517.*

**Home and Community Care.** The November Caseload Estimating Conference estimate includes \$43.5 million for home and community care expenses, including \$21.7 million from general revenues, in the FY 2015 estimate. This includes shifting \$54.1 million, including \$27.0 million from general revenues, to the Rhody Health Options program. *The Governor recommends funding consistent with the November caseload estimate.*

**Target - Community First Choice.** The Office's request includes general revenue savings of \$3.0 million from providing the community first choice program option to individuals who require an institutional level of care. The federal option provides states the ability to make available home and community based attendant services and supports to eligible individuals, as needed, to assist with activities of daily living, such as bathing, eating, and ambulatory needs; instrumental activities of daily living, such as housekeeping and laundry, social activities and maintaining appointments, and health-related tasks through hands-on assistance or supervision.

The services and supports must be provided on a statewide basis in the most integrated setting appropriate to the individual's needs. States are eligible to receive a six percent permanent increase in the Medicaid rate for the community attendant services. *The Governor recommends this proposal and includes Article 25 to make the necessary changes through the Medicaid waiver.*

**Target - Electronic Visit Verification.** The Office proposes savings of \$4.0 million, including \$2.0 million from general revenues, from implementing an electronic visit verification process that records arrival and departure times of the home health worker through a software application that uses a home care patient's own telephone or a home care worker's cell phone or tablet or personal computer. The proposal includes the savings, but the Office has not reported the cost to install this verification system. *The Governor does not recommend this proposal.*

**Target - PARIS Match.** The Office proposes savings of \$0.4 million, including \$0.2 million from general revenues, from using the Public Assistance Reporting Information System (PARIS) to identify veterans who may qualify for federal benefits or monetary enhancements. A process to match the system's data file to the state's Medicaid enrollment would be developed to identify potential third party liability and appropriately charge expenses. For recipients that have access to other benefits, outreach to those individuals and the Veterans Administration will be needed to determine the extent of the coverage. *The Governor does not recommend this proposal.*

### Managed Care

The Caseload Estimating Conference estimate includes managed care expenses of \$621.6 million of which \$298.6 million is from general revenues. The estimate includes RIte Care expenses at \$484.2 million, RIte Share at \$14.2 million and fee-for-service expenses at \$123.2 million; a discussion of each follows.

The November estimate is \$28.4 million more than enacted and \$40.1 million more than the Office's request, including \$20.0 million more from general revenues. The Office's constrained request is \$43.6 million less than the enacted budget, including \$21.8 million less from general revenues and does not reflect the adopted estimate. The November estimate also shifts \$2.0 million, including \$1.0 million from general revenues, to Rhody Health Options.

The Office's constrained request includes proposals that lower managed care spending by \$43.6 million from all sources, including \$21.8 million from general revenues, each is shown in the following table and discussed separately.

*The Governor recommends \$582.0 million for managed care expenses, including \$278.9 million from general revenues. His recommendation is \$39.6 million less than the conference estimate and he includes several proposals impacting program expenses, discussed separately.*

**RIte Care.** The Caseload Estimating Conference estimated RIte Care expenditures at \$484.2 million, including \$241.2 million from general revenues. This is \$5.3 million more than enacted, including \$2.6 million more from general revenues, based on updated per member per month costs and projected caseload growth.

*The Governor includes \$444.6 million from all sources, including \$213.1 million from general revenues. His recommendation is \$39.6 million less than the conference estimate, his program changes are discussed separately. The Governor includes \$1.0 million in general revenue savings in*

*the Department of Children, Youth and Families' budget from the transfer of expenses for six medically fragile youth to the Office of Health and Human Services, which will allow the state to leverage Medicaid for the expense; however, he does not include necessary funding of \$1.0 million, including \$0.5 million from general revenues, for this expense.*

Managed Care			Governor's
Proposals	General Revenues	All Funds	Action
Managed Care Capitated Payments	\$ (7,542,472)	\$ (15,094,000)	Accept
Hospital Rate Freeze	(2,033,569)	(4,069,581)	Accept
Hospital Rate Reduction	(1,850,253)	(3,702,727)	Reject
Health Care Utilization	(5,537,771)	(11,082,191)	Accept
Katie Beckett Services	(1,459,163)	(2,920,079)	Accept
Pharmacy Benefit Management	(1,351,500)	(2,704,624)	Accept
Durable Medical Equipment	(695,800)	(1,392,435)	Accept
Imaging Services Utilization Review	(695,800)	(1,392,435)	Accept
Pregnant and Post-Partum Women	(599,967)	(1,200,654)	Accept
Excessive Readmissions	(194,222)	(388,677)	Reject
Out-of-State Eligibility	(49,997)	(100,054)	Accept
Extended Family Planning	200,000	400,240	Accept
<b>Total</b>	<b>\$ (21,810,514)</b>	<b>\$ (43,647,217)</b>	

**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 \$21.7 million, including \$10.8 million from general revenues, from reducing the managed care capitation payments by 2.95 percent. The rates are negotiated annually and the next resetting is for the July 1, 2014 through June 30, 2015 timeframe. This includes savings of \$15.1 million, of which \$7.5 million is from general revenues, in the RIte Care program.

*The Governor includes the necessary resolution language in Article 25 to make this change and includes savings of \$15.1 million, including \$7.5 million from general revenues in the RIte Care program. This action results in lower revenues for the managed care plans that reduces taxes paid by \$0.3 million on the 2.2 percent assessment made on the plan premiums for a net general revenue savings of \$7.2 million.*

**Target - Hospital Rate Freeze.** The Office proposes savings of \$7.9 million from all sources, including \$3.9 million from general revenues, from eliminating the projected hospital inpatient and outpatient hospital rate increases. The Office includes savings of \$4.1 million from all sources, including \$2.0 million from general revenues, in the RIte Care managed care program from this action which requires a statutory change and a category II change under the global waiver. The 2013 Assembly froze the outpatient and inpatient rates for hospitals in FY 2014. The rates were last increased in FY 2011.

It should be noted that there is a potential cost shift to the upper payment limit reimbursement which pays the difference between Medicare and Medicaid payments if this proposal is accepted and the proposal to cap the reimbursement is not.

*The Governor includes Article 25 to freeze the hospital rates to FY 2013 levels and assumes the proposed savings. He also includes a \$0.1 million loss in revenue from payments made the managed care plan. He also includes the necessary resolution to make the change through the global waiver.*

**Target - Rate Reduction.** The Office's budget proposes savings of \$7.2 million from all sources, including \$3.6 million from general revenues, from reducing rates paid to hospitals by two percent including \$3.7 million in savings from all sources in the Rlte Care managed care program, of which \$1.9 million is general revenues. *The Governor does not recommend this proposal.*

**Target - Health Care Utilization.** The Office's budget includes savings of \$11.1 million from all sources, including \$5.5 million from general revenues, from reducing costs by three percent for certain services to the approximately seven percent of the children with special health care needs population that have higher than average annual costs as a result of inpatient hospitalization and/or behavioral health care needs. Services to be addressed include: pediatric patient-centered medical homes; expanded behavioral health continuum of care instead of hospitalization, including care at Bradley; reduced costs associated with Personal Assistance Services and Supports (PASS) program; and reduce the use of psychotropic medications. *The Governor recommends this proposal and includes Article 25 to make the necessary changes through the Medicaid waiver.*

**Target - Pharmacy Benefit Management.** The Office's budget includes savings of \$5.0 million from two actions: recovering the state's share of pharmacy rebates that are collected from managed care organizations for medications billed by physicians and ensuring non-payment for prescriptions submitted by providers not participating in the Medicaid program. This includes savings of \$2.7 million from all sources, including \$1.4 million from general revenues, in the Rlte Care program. *The Governor recommends this proposal and includes the savings.*

**Target - Katie Beckett Services.** The Office includes savings of \$2.9 million, of which \$1.5 million is from general revenues, from assessing a \$250 monthly cost sharing requirement for families receiving health care benefits through the Katie Beckett option. There are approximately 1,100 children enrolled in the program, and 92 percent of the families have commercial coverage as primary insurance and the Medicaid program pays for co-payments and services not covered by insurance. The Office spent \$27.5 million from all sources in FY 2012, including \$13.1 million from general revenues to provide services.

*The Governor includes Article 25 that instructs the Office to set the payment through its rules and regulations process. His budget assumes savings based on a \$250 monthly payment for families with incomes above 250 percent of poverty, or \$59,625 for a family of four.*

**Target - Durable Medical Equipment.** The Office includes savings of \$2.0 million from all sources, including \$1.0 million from general revenues from reviewing the finding outlined in the federal Office of the Inspector General's audit to ensure that the state's Medicaid program receives the lowest price on a statewide basis. This includes \$1.4 million from all sources, of which \$0.7 million is general revenues, in the Rlte Care program.

It should be noted that the FY 2013 enacted budget included savings of \$1.0 million, including \$0.5 million from general revenues, from reducing the payment for durable medical equipment by 10 percent to 85 percent of the Medicare payment rate.

The FY 2010 enacted budget assumed savings of \$0.4 million from implementing a competitive bidding process for durable medical equipment consistent with the selective contracting portion of the global waiver but the savings were restored when the state did not receive any bids. *The Governor recommends this proposal and also assumes a loss of \$40,024 in revenue.*

**Target - Imaging Services Utilization Review.** The Office includes savings of \$2.0 million from all sources, including \$1.0 million from general revenues, from implementing a prior authorization for imaging services and nuclear cardiology in an inpatient or emergency room setting. This includes \$1.4 million from all sources, of which \$0.7 million is general revenues, in the RIte Care program.

Currently, the Office requires a prior authorization review of radiology imaging services for its Medicaid clients; however, this review is not performed in inpatient or emergency room settings. *The Governor recommends this proposal and includes Article 25 to make the necessary changes through the Medicaid waiver.*

**Target - Pregnant and Post-Partum Women.** The Office's constrained budget includes savings \$1.2 million, of which \$0.6 million is general revenues, from paying for pregnant and post-partum women with income between 133 percent and 250 percent of poverty, who have coverage through the health benefits exchange to continue with private coverage instead of shifting to RIte Care. Pregnant and post-partum women are eligible for Medicaid if their family income is below 250 percent of poverty. *The Governor recommends this proposal and includes Article 25 to make the necessary changes through the Medicaid waiver.*

**Target - Excessive Readmission.** The Office proposes saving of \$0.5 million, including \$0.3 million from general revenues, from implementing the Centers for Medicare and Medicaid Services diagnosis related group adjustment for hospitals with higher than expected preventable hospital readmission rates. This includes savings of \$0.4 million, of which \$0.2 million is general revenues, in the managed care program. The policy would begin January 1, 2015 and requires a category I change to the Medicaid waiver. *The Governor does not recommend this proposal.*

**Target - Out-of-State Eligibility.** The Office proposes savings of \$100,000, including \$49,997 from general revenues, from verifying that the state is not paying medical benefits for individuals who reside out of state. An individual must be a Rhode Island resident to be eligible for Medicaid benefits paid by the state.

The Office indicates that any claims paid to out-of-state providers, particularly those in non-contiguous states, should be identified and determined if the recipient is not a Rhode Island resident. *The Governor recommends this proposal and includes Article 25 to make the necessary changes through the Medicaid waiver.*

**Target - Extended Family Planning.** The Office adds \$0.4 million from all sources, including \$0.2 million from general revenues, from providing extended family planning benefits to individuals with incomes at or below 250 percent of poverty. The state provides extended family planning services to woman who is post-partum women with an income at or 250 percent of poverty, for 24 months if she who had lost RIte Care coverage 60 days after having a child; this would extend benefits to males as well. It should be noted that as of January 1, 2014, individuals will have access to health benefits through the exchange and this service is a covered benefit.

The state currently provides extended family planning benefits to individuals enrolled in RIte Care, which would include parents and adults with income up to 180 percent of federal poverty and children up to 250 percent. Pregnant women with family incomes of 180 percent up to 250 percent of poverty also receive extended family planning services for up to 60 days after giving birth. *The Governor recommends this proposal and includes Article 25 to make the necessary changes through the Medicaid waiver.*

**Rlte Share.** The Caseload Estimating Conference estimate includes Rlte Share expenditures of \$14.2 million, including \$7.1 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 Rlte 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 Rlte Share eligible participants if the coverage is similar to the cost and services offered through Rlte 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 2015 fee-based managed care expenditures of \$123.2 million from all sources, of which \$61.6 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 Rlte 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 recommends funding consistent with the caseload conference.*

### **Rhody Health Partners**

**Rhody Health Partners.** The Caseload Estimating Conference estimate includes expenditures of \$206.0 million from all sources, including \$103.5 million from general revenues for the program for FY 2015. This includes shifting \$10.9 million, including \$5.4 million from general revenues, to Rhody Health Options.

The Office's constrained request is \$19.1 million less than its unconstrained request, of which \$9.6 million is from general revenues and includes several savings proposals, discussed separately.

*The Governor's recommendation is \$17.3 million less than the conference estimate for funding of \$188.7 million. He includes \$94.8 million from general revenues, \$7.9 million less than the conference estimate. He includes several initiatives, discussed separately.*

<b>Rhody Health Partners - Constrained Budget Savings Proposals</b>			<b>Governor's Action</b>
<b>Proposals</b>	<b>General Revenues</b>	<b>All Funds</b>	
Managed Care Capitated Payments	\$ (3,297,528)	\$ (6,599,016)	<b>Accept</b>
Hospital Rate Freeze	(991,118)	(1,983,428)	<b>Accept</b>
Hospital Rate Reduction	(901,774)	(1,804,630)	<b>Reject</b>
Health Care Utilization	(2,612,856)	(5,228,850)	<b>Accept</b>
Pharmacy Benefit Management	(1,148,500)	(2,298,379)	<b>Accept</b>
Durable Medical Equipment	(304,200)	(608,764)	<b>Accept</b>
Imaging Services Utilization Review	(304,200)	(608,764)	<b>Accept</b>
<b>Total</b>	<b>\$ (9,560,176)</b>	<b>\$ (19,131,831)</b>	

**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 Rlte Care and Rhody Health Partners program 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 \$21.7 million, including \$10.8 million from general revenues, from reducing the managed care capitation payments by 2.95 percent. This includes savings of \$6.6 million, of which \$3.3 million is from general revenues, in the Rhody Health Partners program.

*The Governor includes the necessary resolution language in Article 25 to make this change and includes savings of \$6.6 million, including \$3.3 million in the Rhody Health Partners program. This action results in lower revenues for the managed care plans that reduces taxes paid by \$0.2 million on the 2.2 percent assessment made on the plan premiums for a net general revenue savings of \$3.2 million.*

**Target - Hospital Rate Freeze.** The Office proposes savings of \$7.9 million from all sources, including \$3.9 million from general revenues, from eliminating the projected inpatient and outpatient hospital rate increases. The Office includes savings of \$2.0 million from all sources, including \$1.0 million from general revenues, in the Rhody Health Partners managed care program from this action which requires a statutory change and a category II change under the global waiver. The 2013 Assembly passed legislation to freeze the outpatient and inpatient rates for hospitals in FY 2014.

It should be noted that there is a potential cost shift to the upper payment limit reimbursement which pays the difference between Medicare and Medicaid payments if this proposal is accepted and the proposal to cap the reimbursement is not.

*The Governor includes Article 25 to freeze the hospital rates to FY 2013 levels and assumes the proposed savings. He also includes the necessary resolution to make the change through the global waiver and assumes a loss of revenue.*

**Target - Rate Reduction.** The Office proposes savings of \$7.2 million from all sources, including \$3.6 million from general revenues, from reducing rates paid to hospitals by two percent including \$1.8 million in savings from all sources in the Rhody Health Partners managed care program, of which \$0.9 million is general revenues. *The Governor does not recommend this proposal.*

**Target - Health Care Utilization.** The Office includes savings of \$5.2 million from all sources, including \$2.6 million from general revenues from addressing the high costs of certain adults with disabilities and certain elderly recipients.

The proposal includes increasing access to community based behavioral health services, including addiction services; increasing employment opportunities through the Sherlock Plan and clubhouse activities; increasing supportive housing opportunities; including dental services in the integrated care initiative; implementing home-based primary care; enhancing communities of care to decrease avoidable emergency room visits; improving access to behavioral health services; and facilitating faster access to long term care services.

It should be noted that certain proposals may also impact services provided to the populations also receiving services through the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals budget since disabled individuals may obtain services through both the Office of Health and Human Services and the Department. *The Governor recommends this proposal and includes Article 25 to make the necessary changes through the Medicaid waiver for this initiative.*

**Target - Pharmacy Benefit Management.** The Office's budget includes savings of \$5.0 million from two actions: recovering the state's share of pharmacy rebates that are collected from managed care organizations for medications billed by physicians and ensuring non-payment for prescriptions submitted by providers not participating in the Medicaid program. This includes savings of \$2.3

million from all sources, including \$1.1 million from general revenues, in the Rhody Health Partners program. *The Governor recommends this proposal.*

**Target - Durable Medical Equipment.** The Office includes savings of \$2.0 million from all sources, including \$1.0 million from general revenues, from reviewing the findings outlined in the federal Office of the Inspector General's audit to ensure that the state's Medicaid program receives the lowest price on a statewide basis. The Office reports that the review will focus on the pricing of incontinence supplies for providers who operate in multiple locations across the state. This includes \$0.6 million from all sources, of which \$0.3 million is general revenues, in the Rhody Health Partners program. *The Governor recommends this proposal and includes a revenue loss.*

**Target - Imaging Services Utilization Review.** The Office includes savings of \$2.0 million from all sources, including \$1.0 million from general revenues, from implementing a prior authorization for imaging services and nuclear cardiology in an inpatient or emergency room setting. This includes savings of \$0.6 million from all sources, including \$0.3 million from general revenues, in the Rhody Health Partners program.

Currently, the Office requires a prior authorization review of radiology imaging services for its Medicaid clients; however, this review is not performed in inpatient or emergency room settings and it is unclear why this is not part of the current review process. *The Governor recommends this proposal and include a revenue loss.*

### **Rhody Health Options**

**Rhody Health Options.** As of November 1, 2013, the state entered into a managed care contract with Neighborhood Health Plan of Rhode Island to managed acute care and long term care services for individuals eligible for both Medicare and Medicaid. Consistent with the Office's testimony, the caseload conference estimate includes \$330.0 million from all sources, including \$163.3 million from general revenues from the redistribution of existing resources from other medical assistance programs to the Rhody Health Options program. *The Governor recommends funding consistent with the November Caseload estimate.*

### **Pharmacy**

The Caseload Estimating Conference estimate includes pharmacy expenses of \$52.9 million; this is \$0.7 million less 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 2015 pharmacy expenditures of \$0.2 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, discussed below. *The Governor recommends funding consistent with the conference estimate.*

**Medicare Drug Benefit - Part D Clawback.** The Caseload Estimating Conference estimate includes

the state payment for the Medicare Part D clawback provision at \$50.4 million, \$0.3 million more than enacted. The Office's request is \$2.5 million more than 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 pay a \$1 co-payment for generic drugs or a \$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 \$420.7 million, which includes \$46.8 million from general revenues. The estimate is \$215.0 million more than enacted, primarily from federal funds to expand Medicaid to certain adults, discussed separately. The estimate is also \$0.8 million more than enacted from general revenues.

The Office's constrained request includes several savings initiatives totaling \$11.8 million from all sources, including \$7.4 million from general revenues, each discussed separately.

*The Governor recommends \$420.2 million from all sources, including \$46.0 million from general revenues for other medical services. His recommendation is \$0.5 million less than the conference estimate, including \$0.3 million less from general revenues.*

Other Medical Services - Constrained Budget Savings Proposals			Governor's Action
Proposal	General Revenues	All Funds	
Adult Dental Services	\$ (4,394,067)	\$ (8,793,410)	<b>Reject</b>
Long Term Care Review*	(1,500,000)	(3,001,801)	<b>Accept</b>
Preventive Services - Medicaid Rate	(1,000,000)	-	<b>Reject</b>
Connect Care Choice Health Home	(536,700)	-	<b>Accept</b>
<b>Total</b>	<b>\$ (7,430,767)</b>	<b>\$ (11,795,211)</b>	
* Governor includes savings of \$1.0 million; \$0.5 million in long term care and accepts the proposals but shows savings in long term care and \$0.5 million in other medical services			

**Medicaid Coverage for Certain Adults.** The Office's request includes the enacted level of \$85.2 million from federal funds to expand Medicaid coverage to adults between ages 19 to 64, without dependent children, with incomes at or below 138 percent of poverty starting January 1, 2014. The November caseload estimate includes updated costs of \$307.1 million for an estimated 35,000 enrollees in FY 2015. *The Governor includes funding consistent with the November estimate.*

**Target - Adult Dental Benefits Services.** The Office proposes savings of \$8.8 million, including \$4.4 million from general revenues from eliminating adult dental benefits.

This proposal was offered in the FY 2013 budget request but was not accepted. Instead, the Assembly restored the dental benefits program and included \$1.8 million in revenue from Neighborhood Health to support the program. The Assembly also adopted Section 2 of Article 19 to require the Office to submit a report to the Chairpersons of the House and Senate Finance Committees that analyzes the dental benefits provided to adults receiving Medicaid. The Office must also examine opportunities to improve access, potentially partner with private entities, and also submit a five-year plan addressing the services. As of December 2013, the report has not been submitted. *The Governor does not recommend this proposal.*

**Target - Long Term Care Financial Eligibility and Medicare Premium Payment Review.** The Office's request includes savings of \$3.0 million, including \$1.5 million from general revenues from reviewing two operations of the Medicaid programs: the manner in which financial eligibility for long term care services is determined and Medicare premiums are paid on behalf of Medicaid eligible individuals.

The Office is in the process of providing more detailed information about the changes; however, one change may be the ability for an estate recovery from the home of an individual who resides in a nursing facility if there is no other person who has a legal right to the property. Currently recoveries are made after a person has passed away and there is no other legal claim to that property.

*The Governor recommends this proposal and includes savings of \$1.0 million, of which \$0.5 million is general revenues from this initiative. He distributes the savings between two programs; he assumes savings of \$0.5 million in other medical services and \$0.5 million in long term care.*

**Target - Enhanced Medicaid Rate for Preventive Services.** The Office proposes savings of \$1.0 million from general revenues from the state leveraging an increased Medicaid rate for certain preventive services available through the Affordable Care Act. However, for a state to receive a one percent increase in its Medicaid rate, it must also cover all preventive services without requiring a cost sharing requirement as identified in the Affordable Care Act to include: genetic testing for women at high risk for breast cancer; intensive behavioral therapy for obese individuals; alcohol misuse counseling; and other services. The Office reports that Rhode Island does not cover all the necessary services and requesting resources and program changes to cover the services so that the state could leverage the higher Medicaid rate would have a significant impact on its budget, but it still assumes \$1.0 million in state savings realizing an increased rate. *The Governor does not recommend this proposal.*

**Connect Care Community Choice Partners Program.** The November caseload estimate includes \$1.6 million from all sources, including \$0.8 million from general revenues, for the fee-for-service Connect Care Community Choice Partners program as part of the Office's integrative care initiative with the Rhody Health Options managed care program.

The Office's request includes general revenue savings of \$536,700 from qualifying the Connect Care Community Choice Partners program as a health home to leverage a 90 percent Medicaid rate for two years (eight quarters). The Office reports that additional services provided by a coordinating care agency that focuses on prevention, reducing wasteful fragmentation and averting the need for unnecessary and costly emergency department visits, hospitalizations and institutionalizations would be subject to the enhanced rate. *The Governor recommends this proposal and includes Article 25 to make the necessary changes through the Medicaid waiver.*

**Children's Health Account.** The enacted budget includes \$9.0 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 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. Each category has a number of specific services within it. The November caseload estimate lowers the receipts by \$0.5 million to \$8.5 million in FY 2015. *The Governor recommends funding consistent with the November caseload estimate.*

### **Central Management**

**Unified Health Infrastructure Project.** The Office requests \$20.2 million more from all sources for total FY 2015 funding of \$40.5 million, including \$7.3 million, or \$3.7 million more than enacted from general revenues, for the Unified Health Infrastructure Project. The Office's FY 2015 request funds five positions assigned to the project, leaving one vacant.

The majority of the project expenses are for contracted services to include: \$24.2 million to Deloitte Consulting for design development and implementation services and initial hosting and ongoing maintenance; \$4.9 million for Connexions to operate the Contact Center; \$1.7 million to CSG Government Solutions for validation and verification activities; \$2.5 million to transition the InRhodes system; \$3.2 million to Public Consulting Group for project management and technical assistance; \$0.6 million for mailroom hardware services; \$1.1 million for state training; and \$2.3 million requested for other contracted services, including connection to the data warehouse and system support.

*The Governor provides \$31.7 million, including \$5.7 million from general revenues for the project. This is \$8.8 million less than requested, including \$1.6 million less from general revenues. The Governor also includes \$27.0 million in his revised recommendation including \$4.3 million from general revenues for the project. He also includes \$7.5 million from all sources in the Department of Human Services for its portion of the project.*

**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 2015 request includes \$0.4 million from general revenues to be matched with \$2.6 million from Medicaid for the \$1 per member per month cost for medical assistance recipients in the exchange. *The Governor recommends funding as requested.*

**Health Care Planning and Accountability Advisory Council.** The Office requests the enacted level of \$150,000 from general revenues 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.*

**Predictive Modeling Initiative.** The enacted budget includes \$2.0 million from all sources, of which \$0.2 million is general revenues for a predictive modeling initiative to make 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.

The Office's FY 2015 request eliminates this funding. The Office is in the process of issuing a request for proposal and it is unclear if this is an on-going cost and at what Medicaid rate the state would be able to leverage federal funds, if it is. *The Governor's recommendation includes funding consistent with the enacted budget for the initiative.*

**Electronic Health Records.** In July 2011, the Office 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 and the Office includes \$11.9 million to support the electronic health records initiative; the request is \$1.8 million less than enacted for updated payments. *The Governor recommends funding as requested.*

**Race to the Top Funding.** The Office requests \$225,780 less than enacted for totaling funding of \$312,000 from the federal Race to Top grant to be used in FY 2015. *The Governor recommends funding as requested.*

**HIV Services and Administration.** The Office's request includes \$3.5 million from all sources, including \$0.5 million from general revenues for HIV services and administration. The request is \$1.6 million less than enacted from Medicaid funds and funds six positions.

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. Funding also supports case management activities.

*The Governor provides \$0.1 million more than requested. He restores \$0.2 million in Medicaid funds that were inadvertently excluded from the request and reduces general revenues by \$70,000 that is no longer required as a Medicaid match.*

**Medicaid Administration Operations.** Excluding other items noted, the Office requests \$49.2 million from all sources, including \$15.0 million from general revenues for Medicaid administration operations. This is \$3.9 million less than enacted including \$0.5 million less from general revenues in FY 2015.

The request includes \$11.6 million from all sources, including \$4.8 million from general revenues for staffing costs. The request includes funding for 97.8 positions leaving four positions vacant and includes updates for Budget Office planning values.

The request includes: \$23.5 million for the HP Enterprises contract for Medicaid management information system costs, including claims processing; \$14.4 million for administration costs; \$5.8 million from all sources for Rite Care and Rite Share administration costs; and \$3.1 million for early intervention services. *The Governor recommends \$0.8 million less than requested from all sources including \$0.3 million less from general revenues from retaining vacancies.*

**Central Administration Operations.** Excluding items previously noted, the Office requests \$10.0 million, including \$7.4 million from general revenues for central administration operations. This is \$0.8 million more from all sources, including \$0.1 million more from general revenues than the enacted budget. The Office does not reduce any funding for central administration in its constrained request.

The Office requests \$9.7 million from all sources for staffing, including \$7.2 million from general revenues, to fund 71.2 positions. The Office includes an initiative in its current services request to increase its ability to leverage restricted receipts through a new cost allocation plan and includes \$0.5 million more than enacted to support staffing costs. *The Governor recommends \$0.6 million less than requested from general revenues from vacant positions remaining unfilled.*

**Special Education.** The Office requests \$27.0 million from federal funds for special education services provided by the local education agencies. This includes the enacted level of \$19.0 million for direct services and \$8.0 million for administration costs, which is \$2.0 million more than enacted. *The Governor recommends funding as requested.*

### 2014-H 7133

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 2015 recommended budget and are summarized below.

Article 23. Hospital Licensing Fee. This article extends the hospital licensing fee in FY 2015 at a rate of 5.246 percent on net patient services revenue for the hospital fiscal year ending on or after September 30, 2012 for all community hospitals except South County and Westerly which, subject to federal approval, will be assessed a 3.30 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 24. Hospital Uncompensated Care. Article 24 extends the uncompensated care payments to the community hospitals with the state making a payment for FY 2016 that does not exceed \$128.3 million. It also eliminates the outpatient upper payment limit reimbursement made to community hospitals; the Governor includes savings of \$11.1 million, of which \$5.5 million is general revenues from the state not making the payment in FY 2015.

Article 25. Medical Assistance. Article 25 includes the statutory authority for the state to freeze hospital rates and eliminate the October 1, 2014 rate increase for the nursing facilities. It includes the necessary resolution language for Assembly approval to make those statutory changes in addition to other program changes requiring legislative approval that are included in the Governor's FY 2015 budget.

The other changes to the Medicaid global waiver for programs under the Office of Health and Human Services that do not require a statutory change include: reducing the payments made to the managed care organizations; implementing program changes to address the utilization of costly services for certain populations; pursuing the Community First Choice Option for home and community based services; coverage for certain pregnant and post-partum women to promote enrollment in a qualified health plan; offering extended family planning services; and instituting an income based, cost sharing requirement for families with children receiving services through the Katie Beckett option. The Governor's budget assumes savings of \$57.1 million, including \$31.6 million from general revenues from the statutory and program changes.

The resolution allows the Office to pursue any requirement or opportunities under the Patient Protection and Affordable Care Act that may require a state plan amendment change but does not have an adverse impact on beneficiaries or state finances.

Finally, the article ensures that the state's RIte Care transitional medical assistance program for certain Rhode Island Works participants continues only if it is matched by Medicaid.

Article 27. Estate Recoveries. Article 27 allows the state to strengthen its medical assistance eligibility and recovery efforts for long term care recipients when an individual has a life estate and to conform to new federal requirements that allow states to recover resources from third party settlements paid to medical assistance recipients.

## Department of Children, Youth and Families

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Program</b>				
Central Management	\$ 7,101,746	\$ 6,876,601	\$ 6,965,728	\$ 6,895,021
Child Welfare	168,205,085	168,948,116	167,966,983	164,953,151
Juvenile Corrections	27,747,612	25,646,916	25,806,047	23,872,199
Children's Behavioral Health	10,619,123	14,440,897	13,234,482	13,296,858
High Education Opportunity Grants	200,000	200,000	200,000	200,000
<b>Total</b>	<b>\$ 213,873,566</b>	<b>\$ 216,112,530</b>	<b>\$ 214,173,240</b>	<b>\$ 209,217,229</b>
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 69,295,780	\$ 67,776,546	\$ 68,557,451	\$ 67,349,824
Contracted Services	4,283,833	7,213,763	7,011,357	6,347,534
<b>Subtotal</b>	<b>\$ 73,579,613</b>	<b>\$ 74,990,309</b>	<b>\$ 75,568,808</b>	<b>\$ 73,697,358</b>
Other State Operations	6,729,118	6,827,751	7,306,771	6,965,544
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	131,852,230	132,166,696	129,652,980	126,264,152
Capital	1,712,605	2,127,774	1,644,681	2,290,175
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
<b>Total</b>	<b>\$ 213,873,566</b>	<b>\$ 216,112,530</b>	<b>\$ 214,173,240</b>	<b>\$ 209,217,229</b>
<b>Sources of Funds</b>				
General Revenue	\$ 152,976,991	\$ 152,340,326	\$ 154,345,717	\$ 148,415,637
Federal Aid	56,692,405	59,346,541	55,788,773	56,127,348
Restricted Receipts	2,614,170	2,448,750	2,448,750	2,448,750
Other	1,590,000	1,976,913	1,590,000	2,225,494
<b>Total</b>	<b>\$ 213,873,566</b>	<b>\$ 216,112,530</b>	<b>\$ 214,173,240</b>	<b>\$ 209,217,229</b>
<b>FTE Authorization</b>	<b>670.5</b>	<b>670.5</b>	<b>670.5</b>	<b>670.5</b>

**Summary.** The Department of Children, Youth and Families requests \$214.2 million from all funds, including \$154.3 million from general revenues, \$55.8 million from federal funds, \$2.4 million from restricted receipts, \$1.6 million from other funds and the enacted level of 670.5 full-time equivalent positions. This is \$0.3 million more than enacted including \$1.4 million more from general revenues primarily reflecting an increase in contracted services based on unpaid bills from previous fiscal years.

*The Governor recommends \$5.0 million less than the unconstrained request including \$5.9 million less from general revenues, \$0.3 million more from federal funds and \$0.6 million more from Rhode Island Capital Plan funds. He recommends the authorized level of full-time equivalent positions and includes an across-the-board 5.0 percent reduction to contracted services.*

**Target Issues.** The Budget Office provided the Department with a general revenue target of \$143.2 million. The amount includes current service adjustments of \$0.8 million and a 7.0 percent target reduction of \$10.6 million. *The Governor's recommendation is \$5.2 million above the target.*

FY 2015 Budget	Budget Office	Children, Youth and Families	Difference
<b>FY 2014 Enacted</b>	\$ 152,976,991	\$ 152,976,991	\$ -
Current Service Adjustments	825,315	1,368,726	543,411
<b>Change to FY 2014 Enacted</b>	<b>\$ 825,315</b>	<b>\$ 1,368,726</b>	<b>\$ 543,411</b>
<b>FY 2015 Current Service/Unconstrained Request</b>	<b>\$ 153,802,291</b>	<b>\$ 154,345,717</b>	<b>\$ 543,411</b>
Target Reduction/Initiatives	(10,578,467)	(11,146,796)	(568,329)
<b>FY 2015 Constrained Target/Request</b>	<b>\$ 143,223,824</b>	<b>\$ 143,198,921</b>	<b>\$ (24,903)</b>
<i>Change to FY 2014 Enacted</i>	<i>\$ (9,753,167)</i>	<i>\$ (9,778,070)</i>	<i>\$ (24,903)</i>

The constrained budget submitted by the agency is \$24,903 below the target. The proposals to achieve the reductions are noted among the items described where appropriate.

### Staffing

**Salaries and Benefits.** The Department requests \$68.6 million for salaries and benefits including \$49.2 million from general revenues and \$19.4 million from federal funds. This is \$0.7 million less than enacted including \$1.0 million less from general revenues and \$0.3 million more from federal funds for the enacted level of 670.5 full-time equivalent positions. It should be noted that the Department shifts 6.0 positions from central management and juvenile corrections to address staffing needs in child welfare and children's behavioral health. The analysis contains further details on these expenses. *The Governor recommends \$0.7 million less than requested including \$1.4 million less from general revenues and \$0.7 million more from federal funds. This includes shifting two positions to a new federal foster care grant, turnover savings from closing a pod at the training school, and statewide medical benefit savings.*

### Placements

**System of Care.** The Department requests \$71.4 million including \$54.6 million from general revenues and \$16.8 million from federal funds for the System of Care. This is \$1.5 million less than enacted from federal funds to reflect the original System of Care contract. The Department's request eliminates \$1.5 million from social service block grant funds included in the enacted budget. 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 Governor recommends \$13,377 more than requested from general revenues to reflect an adjustment to Medicaid and Title IV-E funds. The Governor recommends \$2.4 million less from general revenues for services provided through the System of Care from proposed reductions as described where appropriate.*

**In-State Program for Emotionally Disturbed Girls.** The constrained request proposes creating an in-state program for severely emotionally disturbed adolescent girls for savings of \$0.4 million including \$0.3 million from general revenues. The state does not currently have an in-state program that can provide services for its current caseload of 10 adolescent girls with serious emotional disturbances and the current cost is approximately \$2.0 million annually. In order to meet this goal, the Department would have to work with providers to develop, implement and agree upon a billing structure for a new residential program within the state. The Department asserts that having a program for these girls in-state would allow it to have more consistent oversight regarding care and reduce travel costs associated with transporting these girls to and from Rhode Island when necessary. The savings appear to equate

to 40.0 percent or less if the program is not developed by the beginning of FY 2015. The Department indicates that it will not have a program of this caliber ready for use by the beginning of FY 2015. It should be noted that the majority of these girls are currently receiving services in Massachusetts and do not require extensive travel. *The Governor concurs and includes the requested savings.*

LEA Residential Payments. The constrained request proposes changes to state law that would require local education agencies to fund education costs for children in the Department's care for savings of \$2.6 million from general revenues. The Department proposes that each local education agency be responsible for the cost of education of children and youth that are placed in a residential program that includes delivery of education services. These providers currently include Saint Mary's, Harmony Hill, Groden Center, and a number of out-of-state providers funded through the System of Care. Under this proposal, the Department would remain responsible for residential and treatment services and the responsible local education agency would pay for the total cost of education. *The Governor does not recommend this proposal.*

Discontinue Services Past Age 19. The constrained request proposes transferring 29 individuals from ages 19 to 21 from the Department's care to the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals for savings of \$1.8 million including \$1.3 million from general revenues. The Department currently provides services to 29 youth, ages 19 to 21 that have serious emotional disturbances or developmental disabilities. These youth are in residential placement at an average cost of \$361 per day. The Department indicates that approximately 12 of these youths can be served at the significantly lower cost of \$192 per day by transferring them to the adult system which does not have to charge for the delivery of education services. The higher cost to the Department is primarily the result of educational and vocational training associated with the younger population. The Department has indicated that while the 19 to 21 year olds are receiving education services, they are primarily vocational and skill based services that could be delivered through the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals.

*The Governor recommends \$1.5 million less than the unconstrained request including \$1.1 million less from general revenues and \$0.4 million less from federal funds. He includes Article 26 of 2014 H-7133 that would allow the Department Director to transfer the youth to the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals at the age of 19. This would result in a net savings of \$0.5 million from general revenues after costs assumed by the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals.*

Transfer Six Medically Fragile Youths to the Office of Health and Human Services. The Department currently pays \$1.0 million from general revenues for six medically fragile youth residing in out-of-state facilities. The constrained request transfers financial responsibility to the Office of Health and Human Services which would require the residential facilities to become Medicaid certified providers allowing the state to leverage federal funds for the placements, offsetting state costs. *The Governor concurs; however, it appears that he did fund the cost of the placements in the Office of Health and Human Services' budget. It is expected to be \$1.0 million, but only \$0.5 million from general revenues.*

**System of Care Education.** The Department requests the enacted level of \$1.0 million from general revenues to offset special education costs. The Department of Elementary and Secondary Education is currently transitioning some financial responsibility for children in the Department's care attending school outside of their home districts from the schools to the state. This is the third year of a five-year transition process. The Department evenly distributes these funds between the two System of Care networks to account for special education costs for children at residential programs with on-site schools. The Department does not request additional funding for FY 2015. *The Governor includes the*

*enacted level of funding and excludes additional funding for the third year of the transition process. It is not clear why or what impact this has on available funding for this expense.*

**Groden Center Group Homes.** On September 20, 2013, the Department sent the Commissioner of Elementary and Secondary Education a letter notifying the Commissioner that it reclassified 24 group home beds at the Groden Center to group homes with on-site education services. The reclassification resulted in the Department assuming financial responsibility for the difference between local districts' average special education cost and tuition charged by the Groden Center for youth residing in those beds. The total projected education cost is \$1.4 million in FY 2014 and FY 2015, or \$67,911 per bed for the 21 youth currently in care. The additional cost to the Department is \$0.4 million in FY 2015. The Department did not request additional funding for these beds in either year. *The Governor does not include funding for these beds in either year.*

**Salaries and Benefits - Child Welfare and Behavioral Health.** The Department requests \$43.6 million including \$26.1 million from general revenues and \$17.5 million from federal funds for staffing in the Child Welfare and Behavioral Health programs including 412.0 full-time equivalent positions. This is \$1.1 million more than enacted including \$0.9 million more from general revenues and \$0.2 million more from federal funds to reflect 6.0 positions shifted from other programs and updated salary and benefits rates. The Department indicates that this primarily reflects a new class of social workers that began in July 2013.

*The Governor recommends \$0.1 million more than requested, including \$0.1 million less from general revenues to reflect medical benefit savings and \$0.2 million more from new federal foster care grants.*

**Services Outside the System of Care.** The Department requests \$17.2 million including \$12.4 million from general revenues and \$4.8 million from federal funds for services outside the System of Care. The Department's request includes \$0.6 million less from general revenues and \$0.5 million more than enacted from federal funds to reflect a shift to other in-home based services provided through the family services regions and adjustments to available Title IV-E funds. Non-residential services to children and families include in-home parenting training, individual and family counseling, and emergency services. Providers include North American Family Institute, Child and Family, Bradley Hospital, and Family Services of Rhode Island.

*The Governor adds \$17,475 from general revenues to the request to reflect an adjustment to Medicaid and Title IV-E funds. The Governor also recommends reductions to services outside the System of Care as described below.*

Reduce Family Care Community Partnership Contracts. The Department's constrained request proposes reducing the contract with Family Care and Community Partnership by \$0.9 million from general revenues. The Department contracts with four lead agencies to coordinate a continuum of services offered by a network of providers within each agency's area. The continuum focuses on providing wrap-around services that are evidence-based, family-based, and least restrictive, with a particular emphasis on the identification and inclusion of flexible, less formal supportive networks for children and their families. This appears to be a 15.0 percent rate reduction for the providers. The contract for FY 2014 and FY 2015 is \$6.1 million per year. *The Governor concurs.*

Placement LEA Payments. The Department's constrained request proposes charging local education agencies for education services provided to youth in placement at some facilities for savings of \$1.6 million from general revenues. This would shift the costs from the Department to the local education

agencies. Current providers are Saint Mary's Home for Children, the Groden Center, and Harmony Hill. *The Governor does not recommend this proposal.*

**Foster Care and Adoption.** The Department requests \$23.0 million, including \$17.1 million from general revenues and \$5.9 million from federal funds for foster care and adoption incentive services not included in the System of Care. This includes \$0.3 million more than enacted, \$1.1 million more from general revenues and \$0.8 million less from federal funds. There were 3,638 foster care placements as of December 1, 2014. *The Governor recommends \$18,308 more from general revenues to reflect an adjustment to Title IV-E adoption assistance funds.*

**Foster Care Grants.** Subsequent to the submission of the Department's request, the federal Children's Bureau awarded the Department two foster care grants totaling \$0.8 million, of which \$0.2 million could be used for salary and benefit costs. The Adoption and Well Being and A Family for Every Child grants promote foster care and adoption for children with special needs. *The Governor recommends \$0.6 million from federal funds to reflect these grants.*

**Foster Care - 18 to 21.** The Department requests \$3.1 million from general revenues for foster and aftercare services for youth from ages 18 to 21. This is \$0.9 million less than enacted including \$0.4 million less from general revenues and \$0.5 million less from federal funds. The Department has continued to reduce this population since FY 2008 and its request reflects the continuation of this trend. In FY 2013, 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 December 2013, there were 71 youth between the ages of 18 and 21 being served by the Department receiving foster care and adoption services. Out of home residential services are provided through the System of Care. *The Governor recommends funding as requested.*

**Family Services Units/Child Protective Services.** The Department requests \$1.8 million from general revenues which is \$0.3 million more than enacted for home based therapeutic services provided through Child Protective Services and the Family Services Units. The Services units are located in Providence, Bristol and Wakefield and provide counseling, in-home counseling, emergency assessment services and other services that are provided without removing children from the home. *The Governor recommends funding as requested.*

**Community Based Services.** The Department requests \$10.1 million from all sources, including \$2.5 million from general revenues, \$5.1 million from federal funds and \$2.4 million from restricted receipts for home and community based services to prevent child removal, promote family skills and to aid in developing independent living skills. This is \$0.3 million more than enacted primarily from federal funds including additional federal Title IV-B, Temporary Assistance for Needy Families, and Family Preservation grant funds. *The Governor recommends funding as requested.*

**Community Service Grants.** The Department requests the enacted level of \$210,256 from general revenues for the Department's six community service grants. *The Governor recommends funding as requested.*

**Substance Abuse and Mental Health Grant.** The Department requests \$0.1 million from federal funds for the Substance Abuse and Mental Health Services Administration grant for FY 2015. This is \$0.4 million less than enacted and reflects available funding for services associated with the development of the System of Care. *The Governor recommends funding as requested.*

## Juvenile Corrections

**Training School Education Costs.** The Department requests \$3.6 million, nearly all from general revenues for the 29.5 teachers and education administrators at the training school. This is \$0.5 million less than enacted primarily from general revenues and reflects turnover savings equivalent to approximately six positions and benefit adjustments consistent with Budget Office planning values. As of December 28, 2013, there are 27 positions filled at the school. Other expenses include contracted vocational instructors, books, school supplies, computers software and staff training. *The Governor recommends \$31,409 less than requested primarily from general revenues to reflect a 5.0 percent across-the-board reduction to all non-System of Care contracted services and statewide medical benefit savings.*

Training School Education Privatization. As part of its constrained budget, the Department request includes the privatization of the training school education program for savings of \$1.8 million from general revenues. This proposal would violate the Department's contract with the Howard Teacher's Union. This contract expired in 2012; however, teachers are working under the terms of the previous contract. It appears that this involves eliminating approximately 18 teacher positions. *The Governor does not recommend the proposal.*

**Salaries and Benefits.** The Department requests \$17.4 million from all sources, including \$17.2 million from general revenues and \$0.2 million from federal funds for all other staffing costs including 188.0 positions in the juvenile corrections and probation and parole programs. This is \$1.3 million less than enacted primarily from general revenues and reflects benefit adjustments consistent with Budget Office planning values. As of December 28, 2013, there are 159.0 filled positions in juvenile corrections. The Department indicates that a lower census at the training school has reduced the need for training school staffing and positions are not currently being filled. In FY 2013, the Department averaged 96 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 \$0.1 million less than requested from general revenues to reflect statewide medical benefit savings.*

Training School Capacity Reduction. As part of the constrained request, the Department proposes to reduce total capacity of the training school from 160 to 100 for savings of \$1.2 million from general revenues. The Department indicates that it would be able to reduce overtime expenses and reduce the number of positions through attrition. The Department has closed a pod at the training school based on an average census of 96 youth. It appears that the Department's current services request already assumes the savings from a reduced census and the constrained request assumes further savings for the training school consistent with a census lower than 100. *The Governor includes these savings as proposed to reflect a pod that was closed in FY 2013.*

**Services.** The Department requests \$1.2 million from general revenues for services provided to youth at the Rhode Island Training School. This is \$0.1 million less than enacted from general revenues for medical services at the Rhode Island Training School provided by a contracted nursing service and to reflect fewer services provided to youth on probation and parole based on reduced caseloads. *The Governor recommends funding as requested.*

**Medical Services Contract.** The Department requests \$1.5 million from general revenues for medical, dental, nurse practitioner, and mental health services at the training school. This is \$0.1 million less than enacted and reflects a contract reduction. The Department indicates that the low census has resulted in a reduced need for medical services provided through Lifespan. *The Governor recommends funding as requested.*

Lifespan Contract Reduction. The Department proposes to reduce the contract with Lifespan for savings of \$0.3 million from general revenues. This would reduce the contract for medical services at the training school through Rhode Island Hospital by 19.2 percent. *The Governor concurs.*

**Operations.** The Department requests \$1.5 million for all other operations within the juvenile corrections program, primarily from general revenues. This is \$71,427 less than enacted, including \$71,357 less from general revenues and \$70 less from federal funds. The Department indicates that the request is based on a revised assessment of available federal grants and revised spending projections for various expenses, including other contracted nursing services, barbers, maintenance and repairs to the training school, and staff training. *The Governor recommends \$6,324 less than requested to reflect a 5.0 percent across-the-board reduction to all non-System of Care contracted services.*

### Other Operations

**Salaries and Benefits - Central Management.** The Department requests \$4.3 million from all sources, including \$2.6 million from general revenues and \$1.7 million from federal funds for staffing costs including 41.0 positions in central management. This is \$0.1 million less than enacted including \$0.2 million less from general revenues and \$0.1 million more from federal funds. This primarily reflects shifting 3.0 positions to the child welfare program to reflect the correct utilization of these individuals and other benefit adjustments consistent with Budget Office planning values. *The Governor recommends \$10,767 less than requested from general revenues to reflect statewide medical benefit savings.*

**Social Worker Training.** The Department requests \$2.2 million including \$1.2 million from general revenues and \$1.0 million from federal funds for social worker training. This is \$1.3 million more than enacted, including \$0.8 million more from general revenues and \$0.5 million more from federal funds for the current social worker class and unpaid bills associated with social worker training at the Child Welfare Institute at Rhode Island College. The Department's request includes \$1.3 million for past classes and \$0.8 million for classes in FY 2015. The Department indicates that it owes \$1.3 million to Rhode Island College accumulated since FY 2011 as the result of a lapse in staffing continuity. It appears that the Department inadvertently includes funding for past bills already requested to be paid in FY 2014. *The Governor recommends \$0.5 million less than requested to exclude funds for the FY 2014 bills and to reflect a 5.0 percent across-the-board reduction to all non-System of Care contracted services.*

**Data Analysis Contract.** The Department requests \$0.9 million including \$0.7 million from general revenues and \$0.2 million from federal funds to contract with Yale University for data analysis and to produce federal grant status reports. The Department indicates that these funds were not included in the enacted budget despite the contract being in place since FY 2010 and represents the contract and payment for services provided in previous fiscal years. It appears that the Department's FY 2015 request inadvertently included the \$0.2 million of prior payments already requested for FY 2014. *The Governor recommends \$34,934 less than requested to reflect a 5.0 percent across-the-board reduction to all non-System of Care contracted services. This appears to overfund the contract for FY 2015.*

**Regional Office Consolidation.** The Department requests \$2.9 million, including \$2.8 million from general revenues and \$0.1 million from federal funds for rented office space throughout the state, primarily regional offices and parking lots. This is \$0.5 million more than enacted primarily from general revenues. The Department restores \$0.3 million from savings assumed in the enacted budget from closing the Bristol regional office and requests additional funds to cover rent increases in Bristol and at offices rented by probation and parole. The Department had indicated that it would be able to

use facilities within the care management networks for family visitation and meetings. The Department's request restores these savings and assumes the Bristol regional office will stay open at an increased cost. *The Governor recommends funding as requested.*

Tax Exemption for the Providence Office. The Department's constrained request proposes acquiring tax exempt status for the Providence office at 101 Friendship Street for \$0.2 million in savings from general revenues. The Department indicates that the owner of the property has agreed to reduce the rent by \$248,000 if tax exempt status is granted. It does not appear that such a tax exemption exists in Providence or state tax code. *The Governor does not include this proposal.*

**New Computers.** The Department requests \$0.3 million, including \$0.2 million from general revenues and \$39,993 from federal funds, for two thin client computers and 90 personal office computers within the Department. This is \$0.2 million more than enacted from general revenues and \$5,446 more from federal funds. The Department indicates that many computers throughout the agency are obsolete. It should be noted that this is part of a multiyear request for FY 2014 and FY 2015. *The Governor does not fund this request and recommends that the Department request new computers through Department of Administration information technology resources.*

**Legal Expenses.** The Department's requests \$1,035 from general revenues for services associated with an ongoing lawsuit with Children's Rights, an organization representing children who have alleged maltreatment while in the Department's care. In FY 2013, the Department spent \$0.1 million for legal services including duplication, e-mail, tape, and document storage. The revised request includes \$1,035 to cover these potential expenses; however, the Department's first quarter report shows \$10,000 in expenses in the current fiscal year. The Department estimates approximately \$0.1 million in legal expenses for FY 2014. *The Governor recommends funding essentially as requested for legal expenses and also includes \$0.2 million in the Office of the Attorney General's budget in FY 2014.*

**Accreditation.** The Department's current service request excludes funding 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, it does not request \$0.5 million assumed for these activities and intends to identify an alternative funding source with the Budget Office. *The Governor excludes funding for accreditation.*

**All Other Operations.** The Department requests \$6.3 million, including \$3.9 million from general revenues and \$2.3 million from federal funds for all other operations. This is \$402,163 more than enacted, including \$42,046 less from general revenues for a grant consulting contract, \$0.5 million less from federal funds, and \$35,032 less from restricted receipts. The adjustment reflects revised spending projections based on actual experience for the past two years for security, staff training and rental and lease costs of buildings and vehicles. *The Governor recommends \$0.2 million less than requested from general revenues to reflect a 5.0 percent across-the-board reduction to all non-System of Care contracted services including janitorial, legal, technology support, and temporary clerical services.*

**Capital.** The Department requests the enacted level of \$1.6 million from Rhode Island Capital Plan funds consistent with the Department's capital request. *The Governor recommends \$0.6 million more than requested to reflect updated project schedules. Specific project information is included in the Capital Budget section of this publication.*

## Department of Health

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Program</b>				
Central Management	\$ 13,430,137	\$ 12,051,899	\$ 13,502,165	\$ 12,839,576
Comm. & Family Health & Equity	70,480,793	65,448,925	70,642,319	70,324,712
Environmental & Health Service Reg.	19,546,876	19,326,342	19,684,616	18,804,370
Health Laboratories	7,691,720	8,272,652	8,235,868	7,855,236
Infectious Disease and Epidemiology	4,832,632	6,017,858	6,779,520	6,578,591
Public Health Information	2,469,624	4,416,311	4,011,261	3,625,459
State Medical Examiner	2,528,977	2,496,137	2,546,709	2,572,836
<b>Total</b>	<b>\$ 120,980,759</b>	<b>\$ 118,030,124</b>	<b>\$ 125,402,458</b>	<b>\$ 122,600,780</b>
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 49,494,806	\$ 48,454,764	\$ 52,223,546	\$ 51,166,990
Contracted Services	9,236,584	8,545,005	9,048,943	7,884,484
<b>Subtotal</b>	<b>\$ 58,731,390</b>	<b>\$ 56,999,769</b>	<b>\$ 61,272,489</b>	<b>\$ 59,051,474</b>
Other State Operations	47,777,956	45,376,548	46,541,949	46,061,286
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	13,444,646	14,774,421	17,334,601	17,234,601
Capital	1,026,767	879,386	253,419	253,419
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
<b>Total</b>	<b>\$ 120,980,759</b>	<b>\$ 118,030,124</b>	<b>\$ 125,402,458</b>	<b>\$ 122,600,780</b>
<b>Sources of Funds</b>				
General Revenue	\$ 24,308,001	\$ 23,994,615	\$ 26,387,159	\$ 23,513,130
Federal Aid	62,004,542	61,395,434	64,881,893	65,094,393
Restricted Receipts	34,632,906	32,511,013	34,133,406	33,993,257
Other	35,310	129,062	-	-
<b>Total</b>	<b>\$ 120,980,759</b>	<b>\$ 118,030,124</b>	<b>\$ 125,402,458</b>	<b>\$ 122,600,780</b>
<b>FTE Authorization</b>	<b>494.1</b>	<b>491.1</b>	<b>488.8</b>	<b>491.3</b>

**Summary.** The Department of Health requests \$125.4 million from all sources, including \$26.4 million from general revenues, \$64.9 million from federal funds, and \$34.1 million from restricted receipts. The request is \$4.4 million more than enacted, including \$2.1 million more from general revenues and includes 488.8 positions, which is 5.3 fewer than the enacted authorization and 19.1 positions higher than the revised request.

*The Governor recommends expenditures of \$122.6 million from all sources, including \$65.1 million from federal funds, \$34.0 million from restricted receipts, and \$23.5 million from general revenues. This is \$1.6 million more than enacted and \$2.8 million less than requested, primarily from general revenues. The recommendation includes 491.3 full-time equivalent positions, 2.5 more than requested.*

**Target.** The Budget Office provided the Department of Health with a general revenue target of \$22.8 million. The amount includes current service adjustments of \$0.2 million and a 7.0 percent target reduction of \$1.7 million.

The Department's unconstrained budget request is \$1.8 million above the Budget Office current services estimate, but the constrained budget request submitted by the agency is consistent with 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 of \$23.5 million is \$0.7 million above the target and \$2.9 million below the current services estimate.*

<b>FY 2015 Budget</b>	<b>Budget Office</b>		<b>Health</b>		<b>Difference</b>
<b>FY 2014 Enacted</b>	\$	<b>24,308,001</b>	\$	<b>24,308,001</b>	\$ -
Current Service Adjustments		231,533		1,822,073	1,590,540
New Initiatives		-		257,085	257,085
<b><i>Change to FY 2014 Enacted</i></b>	\$	<b>231,533</b>	\$	<b>2,079,158</b>	\$ <b>1,847,625</b>
<b>FY 2015 Current Service</b>	\$	<b>24,539,534</b>	\$	<b>26,387,159</b>	\$ <b>1,847,625</b>
Target Reduction/Initiatives		(1,690,356)		(3,537,981)	(1,847,625)
<b>FY 2015 Constrained Target/Request</b>	\$	<b>22,849,178</b>	\$	<b>22,849,178</b>	\$ -
<b><i>Change to FY 2014 Enacted</i></b>	\$	<b>(1,458,823)</b>	\$	<b>(1,458,823)</b>	\$ -

**Staffing.** The Department's request includes 488.8 full-time equivalent positions, which is 5.3 fewer positions than the enacted level and 19.1 more than the revised request. The Department indicates that the revised request, which reduces the authorization by 24.4 positions, reflects current filled positions and vacant positions that are in the recruitment process while the FY 2015 request restores 20.0 positions as placeholders for new and potential grant awards. The request assumes all positions are funded for the full year, except for the 20.0 placeholder positions; however, it appears to include more funding than necessary for some of the requested positions. It should be noted that as of the pay period ending December 14, 2013, the Department had 435.2 filled positions, 58.9 positions below the authorized level. The request also includes a transfer of 1.5 positions and \$0.1 million from federal funds to the Department of Human Services for the women, infants and children's nutrition program for services Health continues to provide, though the program was transferred to Human Services in October 2010.

The following table shows the progression of full-time equivalent position totals by program, including the enacted budget, the requests and Governor's recommendation along with the differences. A more detailed analysis of Department staffing costs and changes is included in the individual program sections that follow.

<b>Programs</b>	<b>FY 2014 Enacted</b>	<b>FY 2014 Rev. Req.</b>	<b>FY 2015 Request</b>	<b>Req. to Enacted</b>	<b>FY 2015 Gov. Rev.</b>	<b>Gov. To Enacted</b>	<b>Gov. to Request</b>
Central Management	99.1	63.2	83.0	(16.1)	83.0	(16.1)	-
Community Family Health & Equity	140.1	128.7	128.7	(11.4)	130.2	(9.9)	1.5
Environmental & Health Service Reg.	137.1	145.2	145.9	8.8	145.9	8.8	-
Health Laboratories	59.5	59.2	60.2	0.7	60.2	0.7	-
Infectious Disease and Epidemiology	26.3	33.6	32.4	6.1	32.4	6.1	-
Public Health Information	18.5	25.4	25.2	6.7	25.2	6.7	-
State Medical Examiner	13.5	14.4	13.4	(0.1)	14.4	0.9	1.0
<b>Changes to Enacted</b>	<b>494.1</b>	<b>469.7</b>	<b>488.8</b>	<b>(5.3)</b>	<b>491.3</b>	<b>(2.8)</b>	<b>2.5</b>

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.

As part of its constrained budget, the Department includes a reduction of 17.5 positions and \$1.9 million from all sources, which is equivalent to \$109,283 per position eliminated, which is higher than its FY 2015 unconstrained request average of \$107,952 per position, adjusting for turnover.

*The Governor's recommendation includes 491.3 full-time equivalent positions, which is 2.8 less than the enacted authorization and 2.5 more than requested. The Governor adds 1.0 position inadvertently omitted from the Medical Examiner's Office and maintains the 1.5 positions from the transfer to the Department of Human Services; he transfers the requested funding but keeps the positions in Health.*

### **Community Family Health and Equity**

**Race to the Top.** The Department requests \$1.2 million from federal Race to the Top funds for FY 2015, including \$0.5 million for salaries and benefits for 4.5 positions, \$0.3 million for contracts and \$64,433 for operations, such as printing, office supplies and communications expenses. The request is \$0.9 million more than the enacted budget to reflect implementation of the education plan developed in FY 2013. 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 involves multiple human service agencies and the Department of Elementary and Secondary Education with funding allocated over four years. *The Governor recommends funding as requested.*

**Blood Lead Poisoning Prevention.** The Department requests \$0.8 million from all sources for blood lead poisoning prevention, including \$0.4 million from general revenues, \$0.1 million from federal funds and \$250,000 from restricted receipts. This is \$0.2 million more than enacted, including \$9,691 less from general revenues, and assumes \$250,000 from restricted receipts from another donation from the Providence Water Supply Board to continue the blood lead program, though the funding has not yet been secured. The request includes funding for 6.2 positions, which is consistent with the enacted level, though it appears the request assumes all vacant positions will be filled and staff on extended medical leave will return.

Federal funding for the adult and childhood lead programs ended in FY 2012 and the Department has been spending residual funds since and utilizing portions of other federal grant awards for the program. The 2013 Assembly added \$157,710 from general revenues to bring the funding level to \$0.6 million, which the Department indicated was the minimum required to maintain the program. The Department's request is \$0.2 million above that level and includes the general revenue funding the Assembly added.

*The Governor recommends \$158,739 less from general revenues than requested, which includes removing the additional \$157,710 included for FY 2014 based on the potential receipt of additional funds from the Providence Water Supply Board and \$1,029 from statewide medical benefit savings.*

**All Other Healthy Homes and Environment Programs.** The Department requests \$2.0 million from all sources for all other programs related to healthy homes and environments, including \$0.5 million from general revenues and \$1.5 million from federal funds. The request is \$0.1 million more than enacted, including increases of \$23,655 from general revenues, \$0.1 million from federal funds to reflect an increased grant to test for toxic substances and \$35,310 less from other funds from the completion of the safe and active commuting program. This division provides services to improve and

promote healthy housing conditions and indoor air quality, for prevention and also conducts certification and licensing of lead, asbestos and radon professionals. The request includes funding for 13.8 positions and assumes all positions will be filled. *The Governor's recommendation is \$3,259 less from general revenues than requested to reflect statewide medical benefit savings.*

**Wise Woman Program.** The request includes \$0.8 million from all sources for the Wise Woman Program. This includes the enacted level of \$60,000 from general revenues for a state pilot program that resembles the federal program and \$0.7 million more from federal funds for a new grant award for the federal program which provides screenings, referrals and follow up services for low-income, uninsured and underinsured women ages 40 through 64 who are at risk for heart disease, diabetes and stroke. The request includes \$0.3 million for salaries and benefits for 2.7 positions, \$0.5 million for screening and referral services, and \$34,745 for operating expenses.

As part of its constrained request, the Department eliminates the \$60,000 from general revenues for the state pilot program. The Department did not remove the federal funding, though it would no longer be available if the general revenue match is not provided. The Department indicates that all general revenues in the request are being used to match federal funds whenever possible; however, third party in-kind contributions can be used towards the match and it is possible that this source could be secured if the general revenue funding is eliminated.

*The Governor recommends funding consistent with the unconstrained request.*

**Tobacco Control.** The Department requests \$1.6 million, including \$0.4 million from general revenues and \$1.3 million from federal funds for tobacco control programs, including cessation and the telephone quit line. The request is \$1.1 million less than enacted, primarily from federal funds because the limited diabetes and coordinated chronic disease components of the grant end in FY 2014. The request includes \$0.8 million for salary and benefit expenses for 6.6 full-time equivalent positions; \$0.6 million for services such as cessation, counseling and support; and education and information resources, and \$0.3 million for operating expenses.

As part of its constrained request, the Department proposes to eliminate the program, leaving only the federal quit line funding of \$50,729. This would provide general revenue savings of \$0.4 million and eliminate 6.6 positions. According to the Department, this would make Rhode Island the only state without a tobacco control program.

*The Governor's recommendation is \$1,091 less from general revenues than the unconstrained request to reflect statewide medical benefit savings.*

**Infant and Early Childhood Development.** The Department requests \$9.4 million from federal funds for the initiative that focuses on promoting good health habits, primarily for low income pregnant women, 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 \$4.4 million more than enacted to reflect a new \$5.9 million award for home visitation expansion, the end of a home visitation development grant and updated estimates for other awards and expenditures. The request includes \$1.0 million for 9.2 positions, which is 4.8 additional positions to coincide with the award of the new grant. *The Governor recommends funding as requested.*

**Immunizations.** The Department requests \$38.5 million from all sources for immunization expenses, including \$14.7 million from federal funds and \$23.9 million from restricted receipts. This is \$1.3 million

less than enacted, including \$1.0 million less from federal funds based on the anticipated amount of free vaccines provided by the Centers for Disease Control and Prevention's federal immunization program and \$0.3 million less from restricted receipt expenditures for child and adult immunizations based on vaccine purchasing projections. The request includes \$2.7 million for salaries and benefits for 23.9 positions, consistent with the enacted level. *The Governor recommends funding as requested.*

**RI Launch Program.** The Department requests \$63,725 from federal funds for the RI Launch program, which places mental health clinicians in primary care practices and child care centers to address the needs of children from birth to eight years old and their families that have been identified through a comprehensive screening process to need additional services. Funding for the program is near exhaustion, but the Department has sufficient funding to continue screenings and follow up through FY 2015. The request is \$0.9 million less than enacted, including \$0.7 million for services, \$42,000 for operating expenses and \$0.2 million for salaries and benefits, shifting 1.2 positions to other federal grant programs as this one ends. *The Governor recommends funding as requested.*

**All Other Salaries and Benefits.** The Department requests \$7.0 million from all sources for all other salaries and benefits for the Community, Family Health and Equity program. This includes \$0.8 million from general revenues, \$6.1 million from federal funds and \$0.2 million from restricted receipts. The request is \$0.7 million more than enacted from all sources including \$24,161 more from general revenues, \$0.7 million more from federal funds for several chronic disease prevention and control grants and \$30,422 less from restricted receipts. The request includes 57.6 positions and assumes all vacancies will be filled; however, it appears the request includes more funding than necessary for these positions.

As part of its constrained request, the Department increases staffing expenses by \$8,837, by shifting \$13,885 from general revenues to federal funds and adds benefit expenses not included in the fund shift. This appears to provide more funding than necessary for benefits.

*The Governor's recommendation is \$4,770 less from general revenues than the unconstrained request to reflect statewide medical benefit savings.*

**All Other Operations.** The Department requests \$9.1 million from all sources for all other community, family health and equity program operations, including \$0.4 million from general revenues. The request is \$0.7 million less than enacted, including \$621 from general revenues. It includes the enacted level of \$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 request includes \$3.7 million for prenatal and early childhood programs, including newborn screenings and family planning, \$2.2 million for chronic care and disease management, including cancer, asthma and arthritis, \$1.5 million from preventive and maternal and child health block grant funds, \$0.7 million for a program to eliminate health disparities, including rural, minority and disability health programs, \$0.4 million for oral health services and \$0.6 million for all other programs, including rape, violence and suicide prevention.

As part of its constrained request, the Department reduces operating expenses by \$16,152, including \$26,432 from general revenues for turnover, and program and operating supplies. It also includes \$10,280 more from federal funds, including \$13,409 for salaries and benefits and \$3,129 less for miscellaneous expenses. It is not clear how the reductions will be achieved or why federally funded expenses increase.

*The Governor recommends \$149,748 less from general revenues than requested to reflect shifting grant funding for minority health programs to restricted receipts in the central management program.*

### **Environmental and Health Services Regulations**

**Medical Marijuana Positions.** The Department requests \$257,085 from general revenues, including \$248,000 to fill 3.0 full-time equivalent positions and \$9,085 for operating expenses to administer, monitor and operate the medical marijuana program. The enacted budget does not contain any funding for this program. The use of the requested funds for this purpose was not explicit in the Department's request and was identified from fiscal staff inquiries. Currently, the Department utilizes individuals within the division to perform required duties as needed. The request does not include authorization for 3.0 new positions, but intends to utilize existing vacancies for this program.

As part of its constrained request, the Department does not include the funding for these positions.

*The Governor's recommendation does not include the requested funding for these positions as the request was not clear on the use of the funds.*

**Food Inspector Positions.** The Department requests \$4.3 million from all sources, including \$3.2 million from general revenues and \$1.1 million from federal funds for 45 food protection positions, including 21 food inspectors. This is \$0.6 million more than enacted, including \$0.3 million from both sources to reflect full year funding for the step increases the inspectors receive after six months of work, filling five vacancies and adding one position that was transferred to another program.

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. Although there were delays, five of the positions were filled in FY 2013. The authorization and funding for the last position was shifted to another program within the division to conduct beauty parlor inspections. The Department's FY 2015 unconstrained request includes authorization and funding for this last food inspector position.

Funds are used to support staff that responsible for licensing and regulation of 8,000 food establishments from "farm to table" including restaurants, caterers, food markets, bakeries, food processors, dairy producers, bottlers, bottle beverage plants, and health care facilities. The office also conducts inspections and investigates food related disease outbreaks and complaints.

The Department's constrained request eliminates authorization for 4.0 food inspectors for total savings of \$591,145, including \$637,896 from general revenues. This includes \$485,000 for three filled positions, \$107,896 for one vacant position, and shifts general revenue staffing expenses of \$45,000 to a new federal award. The constrained request also reduces operating expenses by \$44,236, including \$1,750 from general revenues.

*The Governor recommends \$266,769 less from general revenues than the unconstrained request, including \$265,019 for salaries and benefits from filling positions at lower rates and assuming turnover for vacant positions, and \$1,750 less for operating expenses consistent with the constrained request.*

**All Other Salaries and Benefits.** The Department requests expenditures of \$11.5 million from all sources for salaries and benefits for the remaining 105.9 full-time equivalent positions in the environmental and health services regulations program. The request includes \$6.1 million from

general revenues, \$3.6 million from federal funds, and \$1.8 million from restricted receipts. This is \$0.6 million more than enacted from all sources, including \$0.3 million from general revenues. The request restores turnover savings of \$0.3 million included in the enacted budget to fill approximately four positions, shifts expenses of \$0.5 million from general revenues to federal funds to reflect new available funding and makes various adjustments to staffing levels for a net increase of 7.8 positions transferred from other programs.

As part of its constrained request, the Department excludes \$1.0 million and eliminates 6.0 positions; these are discussed separately. It also includes savings of \$6,953 from general revenues from decreasing funding for a position and using existing staff under the three-day rule to perform the duties.

*The Governor's recommendation is \$0.3 million less than requested, including \$0.3 million less from general revenues to reflect additional turnover savings and statewide medical benefit savings, offset by \$0.1 million more from federal funds for a new award for electronic health reporting.*

**Target - Eliminate 1.0 Radiological Health Specialist.** Supporting documents indicate that as part of the Department's constrained request, it includes the elimination of 1.0 Radiological Health Specialist position. The individual will be retiring at the end of FY 2014 and instead of filling the position, the Department proposes to eliminate the position. The position is funded approximately 60 percent from federal funds and 40 percent from general revenues. The supporting documents include general revenue savings of \$50,000, which would be a total of \$125,000 for the position. The Department indicates that it would not have reduced the federal funds, but would have utilized them elsewhere in the division.

However, there is no staffing reduction in the account indicated and the Department indicates it is not included with the other staffing reductions. It appears that the reduction was not made in the constrained budget request. *The Governor does not recommend this proposal.*

**Target - Consolidation of Non-Prescribing Health Professional Boards.** The Department's constrained request includes a proposal to consolidate all of the non-prescribing health professional boards into one board. This includes approximately 22 professional boards that include a variety of professions, such as dietitians, occupational therapists, optometrists, social workers and funeral home directors. This would allow for the elimination of 2.0 positions and \$113,000 from general revenues. This consolidation requires statutory changes. *The Governor does not recommend this proposal.*

**Prescription Drug Monitoring Program.** The Department requests \$90,000 more from general revenues, for a total of \$96,000 from general revenues, to continue the prescription drug monitoring program and maintain the database. It does not include the enacted level of \$0.3 million from federal funds because the grant award expires in February 2014 and the Department has three months to complete all expenditures.

As part of its constrained request, the Department also eliminates the general revenue funding for the prescription drug monitoring program.

*The Governor recommends funding consistent with the constrained request.*

**Target - Certificate of Need.** As part of its constrained request, the Department proposes suspension of the current review and approval process for certificates of need and developing a statewide plan to guide future certificate of need reviews and application determinations. The Department indicates this

would reduce general revenue expenditures by \$40,000 for legal staffing expenses and also result in a revenue loss of equal value. This requires statutory changes, which were not included in the request. *The Governor's recommendation does not make any changes to the current process, but includes the savings.*

**All Other Operations.** Excluding other expenses noted, the Department requests \$3.6 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 \$1.7 million for drinking water quality, \$0.7 million for health professionals' regulation, \$0.6 million for facilities regulation and managed care and \$0.6 million for all other programs and services.

The request is \$1.1 million less than enacted, including \$43,182 less from general revenues with reductions of \$0.7 million from federal funds and \$0.3 million from restricted receipts. General revenue reductions are primarily for printing and testing services. The request also reflects the elimination of a federal grant for highway safety and accident reporting and brings most other expenses closer to FY 2013 expenditures.

As part of its constrained request, the Department proposes several reductions. This includes eliminating \$100,000 from general revenues for four temporary staff positions, three perform licensing functions for health professionals and one is assigned to case management of complaints received at the Board of Nursing. It also includes reductions of \$24,569 from general revenues for miscellaneous operating expenditures, including mileage and records center expenses.

*The Governor's recommendation is consistent with the constrained request, with the exception of shifting the \$100,000 for temporary staff positions to restricted receipts in central management and he adds \$0.2 million from federal funds for a new award for electronic health reporting.*

### **Health Laboratory**

**Salaries and Benefits.** The Department requests \$6.1 million from all sources for salaries and benefits for 60.2 full-time equivalent positions for the Health Laboratory, including \$4.9 million from general revenues and \$1.2 million from federal funds. This is \$0.1 million more than enacted, including \$0.2 million more from general revenues. The request includes 0.7 fewer positions than the enacted level but assumes filling all vacancies. *The Governor recommends \$0.1 million less from general revenues, reflecting adjustments among the different labs, turnover for one position and statewide medical benefit savings.*

**Operations.** The Department requests \$2.2 million from all sources for all other operations in the Health Laboratory program, including \$1.6 million from general revenues and \$0.6 million from federal funds. The request includes \$0.7 million for biological sciences, \$0.4 million for forensic sciences, \$0.5 million for environmental sciences and \$0.5 million for the director's office and centralized costs. This is \$0.4 million more than enacted, including \$0.1 million from general revenues, and includes \$0.2 million more for food testing, \$0.1 million more for forensic DNA backlog reduction and \$0.1 million for adjustments for all other lab functions, including increases for medical supplies and equipment maintenance. *The Governor recommends \$0.3 million less from general revenues, primarily for medical supplies, to make expenses consistent with the FY 2014 revised recommendation.*

**Target - Lab Testing for Tuberculosis and 1.0 Position.** As part of its constrained request, the Department proposes to eliminate lab testing for tuberculosis, which would also eliminate one position

for savings of \$182,435, including \$175,935 from general revenues. This would eliminate 1.0 Clinical Lab Scientist position that is funded 66 percent federally and 34 percent from general revenues; however, the constrained request does not appear to remove sufficient general revenue funding and the federal fund reduction is not included in the constrained request.

Currently, hospital labs are required to submit specimens to the State Health Lab for identification; discontinuing this testing would require the state statute be changed, allowing the hospitals to submit the specimens to other laboratories. The Department also indicates that it currently collects approximately \$57,000 annually in revenue through insurance reimbursements of test fees which would not be collected if the program is discontinued.

*The Governor does not recommend the elimination of lab testing for Tuberculosis.*

**Target - Lab Testing for Ova and Parasites and 1.0 Position.** As part of its constrained request, the Department proposes the elimination of lab testing for ova and parasites, which would eliminate 1.0 Senior Clinical Lab Specialist for savings of \$298,487, including \$162,487 from general revenues. The Department indicates that it currently collects approximately \$11,000 annually in revenue through insurance reimbursements of test fees which would not be collected if the program is discontinued. Testing is performed primarily for the community health centers' patients and the lab has conducted approximately 900 tests per year for the last several years.

The constrained request would eliminate \$115,000 from federal funds provided by the Centers for Disease Control and Prevention to upgrade equipment used exclusively for this purpose. It also reduces expenses in other labs because labs perform multiple functions or tests and multiple labs would be impacted by this cut, even though the cut may be for a specific testing area.

*The Governor does not recommend the elimination of lab testing for ova and parasites.*

### **Infectious Disease and Epidemiology**

**HIV/AIDS.** The Department's request includes \$2.5 million from federal funds for prevention and surveillance functions and tasks of the HIV/AIDS program. This is \$45,856 less than enacted, including \$70,328 less for salaries and benefits offset by increases for media and advertising expenses and medical services. The request includes 13.0 full-time equivalent positions, which is 7.3 more positions than assumed in the enacted budget to reflect cost allocation changes and updated grant priorities from the Centers for Disease Control and Prevention. These expenses were previously included in the Community, Family Health, and Equity program. *The Governor recommends funding as requested.*

**Influenza Hospital Surveillance.** The Department proposes to eliminate the Influenza Hospital Surveillance Project, resulting in general revenue savings of \$94,570 because grant funding for this project was exhausted in FY 2014. This project is a collaborative research project with the Centers for Disease Control and Prevention as well as several other states that involves conducting detailed surveillance, including hospital chart reviews, on Providence County residents who are hospitalized for influenza. Although the program will be discontinued, the Department will still conduct routine surveillance for influenza. The Department will shift the three individuals that comprise the 1.0 full-time equivalent position that performs these duties to other federal grants as well as a small portion to other general revenue accounts.

*The Governor's recommendation eliminates the funding, consistent with the request.*

**All Other Salaries and Benefits.** The Department requests expenditures of \$2.6 million from all sources for all other salary and benefit expenses for 18.4 full-time equivalent positions for the Infectious Disease and Epidemiology program. This is \$47,137 less than enacted, including \$10,406 from general revenues, includes 1.1 positions below the enacted level, and assumes filling all vacant positions. *The Governor's recommendation is \$7,498 less from general revenues than the unconstrained request to reflect statewide medical benefit savings.*

**All Other Operations.** The Department requests expenditures of \$1.6 million from all sources, including \$0.6 million from general revenues and \$1.0 million from federal funds. This is \$0.4 million less than enacted and includes reductions of \$0.5 million for emerging pathogens from an exhausted grant and \$0.1 million for tuberculosis control, offset by \$0.2 million carried forward funding for Epidemiology and Lab Capacity and other program revisions to reflect actual awards for FY 2015.

As part of its constrained request, the Department eliminates tuberculosis clinic contracts for savings of \$314,864, including \$313,794 from general revenues and proposes to eliminate or reduce contracts for prevention services related to sexually transmitted diseases and HIV/AIDS for general revenue savings of \$173,431.

*The Governor recommends funding essentially consistent with the unconstrained request, with the exception of shifting general revenue expenses of \$193,431 to available indirect cost recovery restricted receipts within the central management program.*

### **Public Health Information**

**Vital Records.** The Department requests \$1.7 million from all sources, including \$1.2 million from general revenues and \$0.6 million from federal funds for expenses related to vital records. This is \$0.3 million more than enacted, including \$0.1 million from general revenues. The request includes \$1.3 million for 16.0 positions and \$0.2 million from federal funds for completion of the conversion of death and marriage reporting systems to electronic versions that are compliant with current federal guidelines. It also includes \$0.2 million for operating expenses, including \$85,000 more from general revenues for information technology support and \$19,990 more for operating expenses, primarily postage, printing and supplies.

As part of its constrained request, the Department requests expenditure reductions of \$119,220 from general revenues. This includes \$85,000 for information technology support and \$34,220 from operating supplies, such as postage, printing, and centralized services. It is not clear how these savings will be achieved. The Department indicates that the \$85,000 for information technology support has been shifted to restricted receipts; however, the corresponding restricted receipt increase does not appear to have been included in the request.

*The Governor recommends funding consistent with the constrained request and additionally reduces salary and benefit expenses by \$10,362 from general revenues to reflect updated expense projections. The Governor does not include restricted receipt funding for the items eliminated.*

**Public Health Federal Grants.** The enacted budget includes \$0.5 million and 3.0 positions for four federal grants, including programs for birth defects surveillance, a pregnancy risk assessment monitoring system, coordinated school health and early hearing intervention and detection. The Department requests \$52,653 less than enacted, including \$40,217 less for salaries and benefits from

shifting partial positions to other federal grants and the request reflects updated funding estimates. These grant expenditures were previously included in the Community, and Family Health and Equity program. *The Governor recommends funding as requested.*

**All Other Salaries and Benefits.** The Department requests \$1.2 million from all sources for salary and benefit expenses for 9.2 full-time equivalent positions for the remainder of the Public Health Information program, including \$0.6 million from general revenues and \$0.6 million from federal funds. This is \$0.7 million more than enacted, including \$0.2 million from general revenues and \$0.5 million from federal funds. The request includes an increase of 3.7 positions above the enacted level and assumes filling all vacancies; however, the request appears to include more funding than necessary for these positions.

As part of its constrained request, the Department requests \$199,229 less from general revenues from shifting the expense of 2.0 positions to the Office of Health and Human Services, which can leverage matching federal funds for these positions. The Department indicates it has a verbal agreement with the Office to fund up to 2.0 positions, but the funding for the positions are not included in any of the Office's budget requests. The authorization of the position is not transferred, just the expenditures.

*The Governor recommends \$187,889 less from general revenues than the unconstrained request to reflect funding at the current service level and shifts the expenses for the 2.0 positions to indirect cost recovery restricted receipt funding in central management.*

**All Other Operations.** The Department requests expenditures of \$0.7 million from all sources, including \$0.2 million from general revenues and \$0.5 million from federal funds for all other public health information operations. This is \$0.1 million more than enacted, including \$0.1 million more from general revenues. The request includes \$0.4 million for contracted training services, \$0.1 million for college interns, \$0.1 million for information technology services and \$0.1 million for all other expenses.

As part of its constrained request, the Department proposes to reduce expenditures by \$88,331, including \$68,331 from general revenues and \$20,000 from federal funds. This includes reductions for contracted training services and clerical services, software maintenance agreements and other miscellaneous expenses. It is not clear how the savings will be achieved.

*The Governor recommends a reduction of \$68,331 from general revenues, consistent with the constrained request, but does not recommend the federal fund reduction.*

### **Medical Examiner's Office**

**Medical Examiner Personnel.** The Department's request totals \$2.4 million from all sources for salary and benefit expenses for 15.4 full-time equivalent positions and contracted medical examiners in the Medical Examiner's Office. This includes \$2.2 million from general revenues, \$0.2 million from restricted receipts and \$0.1 million from federal funds. The request is \$12,030 more than enacted, including \$28,404 more from general revenues, \$16,626 less from federal funds and \$252 more from restricted receipts. The request includes 0.1 fewer positions than enacted and 1.0 fewer position than the revised request. Subsequent to submitting the request, the Department indicated it omitted the authorization for a Senior Word Processing Typist, though the funding for the position was included.

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.

As part of its constrained request, the Department proposes to reduce expenditures for contracted medical examiners by \$50,000 from general revenues, bringing this expense down to \$95,000, which is \$149,090 less than FY 2013 reported expenditures and \$170,664 less than the FY 2014 revised request. It does not appear that this reduction is achievable based on prior year expenditures and lack of an increase in staffing to offset these expenses.

*The Governor recommends \$26,127 more from general revenues than the unconstrained request including \$36,277 more for contracted medical examiners to bring expenses to the current services level and \$10,150 less to reflect statewide medical benefit savings. The Governor adds authorization for the omitted position.*

**Operations.** The Department requests expenditures of \$0.3 million from all sources, including \$232,770 from general revenues and \$43,870 from federal funds for all other Medical Examiner Office operations. This is \$5,954 more than enacted from all funds, including \$11,943 more from general revenues for medical equipment repairs, office supplies and miscellaneous operating expenses. The request includes \$75,000 for medical supplies, \$25,500 for insurance expenses, and \$176,140 for all other expenses, including livery, utilities, postage, printing and supplies. *The Governor recommends funding as requested.*

### **Central Management**

**20.0 New Positions.** The FY 2013 enacted budget included 20.0 unfunded positions in central management, added at the Department's request to allow it to fill positions when new or increased federal awards become available. These 20.0 unfunded positions remained in the FY 2013 budget and are included in the FY 2014 enacted budget, still unfunded and vacant. The Department removes the authorization for the positions in the revised request and its FY 2015 request restores these 20.0 positions, but does not include the funding for them. *The Governor maintains the positions, but does not include any funding for them, consistent with the request.*

**Bioterrorism.** The Department requests \$7.8 million from federal funds for bioterrorism preparedness that the Department uses to help 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 request includes \$3.4 million for 27.5 positions, \$0.9 million for grants to cities and towns and \$3.6 million for all other information technology, training and operating expenses. This is \$0.6 million less than enacted to reflect reduced grant funding from sequestration and other federal cuts, including \$0.4 million less for salaries and benefits, eliminating three positions and shifting two positions to other federal grants within the Department, and \$0.2 million for operations.

As part of its constrained request, the Department increases federal funds for bioterrorism by \$74,585. This includes \$3,415 less for medical benefits tied to personnel and \$78,000 more for building equipment and indirect cost recovery. The Department indicates the increase is based on anticipated grant awards, but it is not clear why these expenses would change void of any other adjustments.

*The Governor recommends funding consistent with the unconstrained request.*

**All Other Salaries and Benefits.** The Department requests \$3.6 million from all sources for salaries and benefits for the remaining 35.5 full-time equivalent positions funded in central management, including \$0.7 million from general revenues, \$0.2 million from federal funds and \$2.8 million from restricted receipts. This is \$0.4 million less than enacted, including \$0.5 million more from general revenues, \$18,603 more from federal funds and \$0.9 million less from restricted receipts. The request shifts \$0.9 million from restricted receipts to general revenues, including \$0.5 million within this program and \$0.4 million elsewhere in the Department and includes 11.1 fewer positions than the enacted level reflecting the reallocation of positions to other programs.

As part of its constrained request, the Department shifts general revenue staffing expenses to restricted receipts, including reductions of \$449,123 from general revenues and \$718,926 more from restricted receipts, for a net increase of \$296,803.

*The Governor recommends \$94,484 more than the unconstrained request, including \$0.5 million less from general revenues and \$0.6 million more from restricted receipts, from shifting general revenue staffing expenses to restricted receipts and includes funding for an additional position.*

**Target - Public Information Officer.** As part of its constrained request, the Department proposes to eliminate authorization and funding for 1.0 Public Information Officer and savings of \$121,600, including \$73,000 from general revenues. The position was filled in December 2013. *The Governor does not recommend this reduction.*

**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, and the Rhode Island Blood Center and community health centers. *The Governor recommends funding consistent with the request and the enacted budget.*

**All Other Operations.** The Department requests \$1.7 million from all sources for all other operations in central management, including \$12,300 from general revenues, \$83,000 from federal funds and \$1.6 million from restricted receipts. This is \$1.0 million more than enacted, including \$7,467 less from general revenues, \$18,232 less from federal funds and \$1.0 million more from restricted receipts.

Consistent with the revised request, this includes \$1.2 million from restricted receipts for information technology and human resources expenses that double count expenditures reflected in the Division of Information Technology's budget in the Department of Administration. The request also includes savings of \$0.2 million for various maintenance expenses; however, \$110,000 was removed for expenses that occur annually and will likely be required.

As part of its constrained request, the Department increases general revenue expenses by \$1,347 for legal and miscellaneous expenses and reduces legal expenditures from restricted receipts by \$9,000 for a net increase of \$7,653. It is not clear why these expenditures would be adjusted in this manner.

*The Governor recommends \$0.8 million less from restricted receipts than the unconstrained request. This includes \$1.2 million less for the double counted expenditures, offset by transfers of \$443,179 from general revenues in three other programs to the restricted account. The Governor does not restore the \$110,000 for maintenance expenses.*



## Department of Human Services

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Program</b>				
Central Management	\$ 11,202,255	\$ 10,295,730	\$ 9,985,898	\$ 9,190,122
Child Support Enforcement	8,465,570	8,306,129	8,250,427	8,240,435
Individual and Family Support	166,346,949	176,197,951	161,812,082	161,999,153
Veterans' Affairs	30,140,184	30,656,604	30,509,757	28,390,910
Health Care Quality, Financing and Purchasing	19,201,532	18,550,974	20,113,352	20,000,978
Supplemental Security Income	18,234,514	18,441,510	18,234,514	18,639,135
Rhode Island Works	89,967,380	87,880,020	89,969,733	87,902,070
State Funded Programs	300,544,402	303,103,378	302,419,138	302,355,996
Elderly Affairs	17,987,375	18,235,595	18,549,954	18,743,971
<b>Total</b>	<b>\$ 662,090,161</b>	<b>\$ 671,667,891</b>	<b>\$ 659,844,855</b>	<b>\$ 655,462,770</b>
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 89,025,107	\$ 89,519,255	\$ 93,951,886	\$ 92,391,947
Contracted Services	17,376,303	23,737,076	21,720,926	22,485,068
<b>Subtotal</b>	<b>\$ 106,401,410</b>	<b>\$ 113,256,331</b>	<b>\$ 115,672,812</b>	<b>\$ 114,877,015</b>
Other State Operations	18,798,524	18,238,778	18,067,030	18,050,211
Aid to Local Units of Government	-	-	1,980	-
Assistance, Grants, and Benefits	528,164,043	530,491,874	518,366,257	515,881,758
Capital	2,536,083	3,487,197	1,546,675	466,068
Capital Debt Service	-	-	-	-
Operating Transfers	6,190,101	6,193,711	6,190,101	6,187,718
<b>Total</b>	<b>\$ 662,090,161</b>	<b>\$ 671,667,891</b>	<b>\$ 659,844,855</b>	<b>\$ 655,462,770</b>
<b>Sources of Funds</b>				
General Revenue	\$ 93,479,195	\$ 96,610,196	\$ 98,925,944	\$ 97,273,992
Federal Aid	554,368,102	562,747,841	550,341,518	547,675,923
Restricted Receipts	9,762,500	7,133,846	6,036,074	6,034,874
Other	4,480,364	5,176,008	4,541,319	4,477,981
<b>Total</b>	<b>\$ 662,090,161</b>	<b>\$ 671,667,891</b>	<b>\$ 659,844,855</b>	<b>\$ 655,462,770</b>
<b>FTE Authorization</b>	<b>959.1</b>	<b>959.1</b>	<b>994.1</b>	<b>959.1</b>

**Summary.** The Department of Human Services requests \$659.8 million or \$2.2 million less than enacted, including increases of \$5.4 million from general revenues and \$0.1 million from other funds with decreases of \$4.0 million from federal funds and \$3.7 million from restricted receipts. The Department also requests 994.1 full-time-equivalent positions, 35.0 more than enacted and consistent with the revised request. The request is \$5.0 million more than the Budget Office's general revenue current services target of \$93.9 million.

The Governor recommends expenditures of \$655.5 million, including \$97.3 million from general revenues. This is \$4.4 million less than requested, including reductions of \$1.7 million from general revenues, \$2.7 million from federal funds, \$0.1 million from other funds and \$1,200 from restricted receipts. He recommends 959.1 full-time equivalent positions, consistent with the enacted level and 35.0 positions less than the request. He funds and provides authorization for the 35.0 additional requested positions, but includes a reduction of 35.0 unspecified positions, requiring the Department to manage vacancies accordingly.

**Target.** The Budget Office provided the Department with a general revenue target of \$87.7 million. The amount includes current service adjustments of \$0.5 million and a 7.0 percent target reduction of \$6.3 million, adjusted for certain exclusions.

The constrained budget submitted by the Department meets the 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 \$9.6 million above the target and \$3.3 million above current services.*

<b>FY 2015 Budget</b>	<b>Budget Office</b>	<b>Human Services</b>	<b>Difference</b>
<b>FY 2014 Enacted</b>	<b>\$ 93,479,195</b>	<b>\$ 93,479,195</b>	<b>\$ -</b>
Current Service Adjustments	465,122	4,853,065	4,387,943
New Initiatives	-	593,684	593,684
<b>Change to FY 2014 Enacted</b>	<b>\$ 465,122</b>	<b>\$ 5,446,749</b>	<b>\$ 4,981,627</b>
<b>FY 2015 Current Services</b>	<b>\$ 93,944,317</b>	<b>\$ 98,925,944</b>	<b>\$ 4,981,627</b>
Target Reduction/Initiatives	(6,269,863)	(11,251,489)	(4,981,626)
<b>FY 2015 Recommendation/Request</b>	<b>\$ 87,674,454</b>	<b>\$ 87,674,455</b>	<b>\$ 1</b>
<i>Change to FY 2014 Enacted</i>	<i>\$ (5,804,741)</i>	<i>\$ (5,804,740)</i>	<i>\$ 1</i>

**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 2014 guidelines are as follows.

<b>Percent of Federal Poverty Level based on Annual Income</b>									
<b>Family Size</b>	<b>100%</b>	<b>133%</b>	<b>138%</b>	<b>150%</b>	<b>175%</b>	<b>180%</b>	<b>185%</b>	<b>200%</b>	<b>250%</b>
1	\$ 11,670	\$15,521	\$16,105	\$17,505	\$20,423	\$21,006	\$21,590	\$23,340	\$29,175
2	15,730	20,921	21,707	23,595	27,528	28,314	29,101	31,460	39,325
3	19,790	26,321	27,310	29,685	34,633	35,622	36,612	39,580	49,475
4	23,850	31,721	32,913	35,775	41,738	42,930	44,123	47,700	59,625
5	27,910	37,120	38,516	41,865	48,843	50,238	51,634	55,820	69,775
6	31,970	42,520	44,119	47,955	55,948	57,546	59,145	63,940	79,925
7	36,030	47,920	49,721	54,045	63,053	64,854	66,656	72,060	90,075
8	40,090	53,320	55,324	60,135	70,158	72,162	74,167	80,180	100,225

*For families with more than 8 members, add \$4,060 for each additional member for the 100 percent calculation.*

**Medicaid Expenses - State/National Comparison.** The following table compares national and state 2011 Medicaid spending using the Centers for Medicare and Medicaid Services 2012 Actuarial Report on the Financial Outlook for Medicaid and information from the state's Executive Office of Health and Human Services. Rhode Island's enrollment of children and parents (the state's RItE Care population) is a lower percent of total Medicaid enrollment 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 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	US*	RI	US	RI	US	RI	US	RI	US	RI
Children	27.2	85,155	50.0%	45.0%	\$ 77,400	\$ 256.0	20.0%	14.2%	\$ 2,851	\$ 3,006
Adults	13.2	43,967	24.0%	23.2%	57,800	202.8	15.0%	11.3%	4,362	4,613
Blind/Disabled	9.4	42,442	17.0%	22.4%	169,300	873.3	44.0%	48.5%	17,958	20,576
Aged	4.8	17,567	9.0%	9.3%	77,200	470.1	20.0%	26.1%	15,931	26,760
<b>Total</b>	<b>54.7</b>	<b>189,131</b>	<b>100%</b>	<b>100%</b>	<b>\$381,800</b>	<b>\$1,802.2</b>	<b>100%</b>	<b>100%</b>	<b>\$ 6,982</b>	<b>\$ 9,529</b>

*Source: Centers for Medicare and Medicaid Services 2012 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, 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.

**Staffing.** The Department requests 994.1 full-time equivalent positions in FY 2015, which is 35.0 positions above the enacted authorization and consistent with the revised request. The new positions include 29.0 for the unified health infrastructure project, 6.0 for the supplemental nutrition assistance program, 5.0 for Race to the Top, 3.0 for the Women, Infants, and Children's nutrition program, and 4.0 other positions among the divisions of elderly and veterans' affairs and central management. It also eliminates a number of positions, including 6.0 for Medicaid eligibility determination administration, 3.0 for child support enforcement, and a net reduction of 3.0 positions for cash assistance administration.

The Department has maintained an average of 842.1 filled positions through the pay period ending November 30, 2013, which is 117.0 fewer than authorized, although all the positions are not funded. The request includes filling positions requested last year that were not authorized, existing positions for which turnover was assumed by the General Assembly for the enacted budget, in addition to new positions not included in prior requests. The following table shows the full-time equivalent positions by program.

Staffing Changes	FY 2014 Enacted	FY 2015 Request	Change to Enacted	FY 2015 Gov. Rec.	Gov. to Enacted	Gov. to Request
Central Management	18.0	20.0	2.0	20.0	2.0	-
Office of Child Support	61.2	58.2	(3.0)	58.2	(3.0)	-
Individual & Family Support	444.0	455.0	11.0	455.0	11.0	-
Health Care Determinations	167.3	190.3	23.0	190.3	23.0	-
Elderly Affairs	30.0	31.0	1.0	31.0	1.0	-
Veterans Affairs	238.6	239.6	1.0	239.6	1.0	-
Unidentified	-	-	-	(35.0)	(35.0)	(35.0)
<b>Total</b>	<b>959.1</b>	<b>994.1</b>	<b>35.0</b>	<b>959.1</b>	<b>-</b>	<b>(35.0)</b>

The Department requests \$94.0 million from all sources for salary and benefit expenses. This is \$4.9 million more than enacted, including increases of \$2.0 million from general revenues, \$3.3 million from federal funds and \$0.4 million less from restricted receipts. The request includes \$6.8 million in turnover savings for approximately 70 positions for a full year, which is \$1.8 million less in turnover savings and 22 fewer positions than assumed in the revised request, consistent with filling a higher number of the new positions requested in FY 2014. The request includes \$5.0 million for overtime expenses, which is \$0.5 million more than enacted, including \$0.2 million more for veterans' affairs, and \$0.2 million for cash assistance, Medicaid and supplemental nutrition assistance administration and \$0.1 million for the Office of Rehabilitation Services.

The Department's constrained request shifts general revenue staffing expenses for the general public assistance bridge program, which the constrained request eliminates, to the supplemental nutrition assistance program that utilizes 50 percent federal funding. The total staffing costs and number of positions remain the same, but general revenue staffing expenses would be reduced by \$0.4 million.

*The Governor recommends \$93.4 million from all sources, including \$41.1 million from general revenues, which is a total of \$1.6 million less than requested and \$3.4 million more than enacted. He includes turnover savings of \$7.8 million from maintaining approximately 84 vacant positions, which is \$0.6 million or approximately 8 positions fewer than assumed vacant in the enacted budget. Consistent with his revised budget, he recommends the enacted level of authorized positions; however, he includes the authorization and funding for the 35.0 new positions, but includes an unspecified 35.0 position reduction to be at the discretion of the Department.*

**Unified Health Infrastructure Project.** The Department requests \$7.6 million from all sources including \$4.4 million from general revenues and \$3.2 million from federal funds for 47.0 positions and operations related to the unified health infrastructure project. This is \$5.8 million more than enacted, including \$4.2 million from general revenues and \$1.6 million from federal funds and 29.0 additional positions. The request includes \$2.9 million for salaries and benefits, which is \$1.1 million more than enacted, though it assumes approximately \$2.0 million in turnover savings from delays in filling positions and attrition. It also includes \$4.5 million for information technology expenses through a contract with the main vendor, Deloitte, and \$0.1 million for operating expenses that were not included in the enacted budget.

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, who, 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 includes \$7.5 million from all sources, including \$4.4 million from general revenues for the Department in FY 2015. This is \$85,017 less than requested, including \$22,561 less from general revenues and \$62,456 less from federal funds. This includes reductions of \$5,016 from statewide medical benefit savings and \$80,001 less for postage expenses. His FY 2014 revised recommendation includes \$6.1 million from all sources, including \$3.9 million from general revenues.*

*Statewide, he includes \$39.1 million, including \$10.1 million from general revenues and \$29.0 million from federal funds for FY 2015 in the budgets of the Department of Human Services and Office of Health and Human Services. This is \$16.7 million more than enacted and \$8.9 million less than requested. For FY 2014, he includes \$36.1 million from all sources, including \$8.6 million from general revenues.*

## Cash Assistance Programs

The Caseload Estimating Conference estimate includes \$108.0 million from all sources, including \$29.8 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 \$2.2 million less than enacted, including \$0.4 million more from general revenues. Consistent with the revised request, the Department's request is essentially consistent with the enacted level for cash assistance and does not reflect the estimate adopted at the November Caseload Estimating Conference since the request was submitted prior to the conference. *The Governor recommends funding consistent with the caseload estimate.*

The following table itemizes cash assistance expenditures as enacted by the 2013 Assembly, adopted by the caseload estimators, and recommended by the Governor, along with comparable data for FY 2012 and FY 2013. Each category is discussed separately.

Cash Assistance	FY 2012 Spent	FY 2013 Reported	FY 2014 Nov. CEC	FY 2014 Gov. Rev.	FY 2015 Nov CEC	FY 2015 Gov. Rec.
<b>Rhode Island Works</b>						
Persons	16,000	15,562	15,125	15,125	15,125	15,125
Monthly Cost per Person	\$ 190.05	\$ 185.76	\$ 183.00	\$ 183.00	\$ 182.50	\$ 182.50
General Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Funds	40.1	38.8	37.3	37.3	37.2	37.2
<b>Total Costs*</b>	<b>\$ 40.1</b>	<b>\$ 38.8</b>	<b>\$ 37.3</b>	<b>\$ 37.3</b>	<b>\$ 37.2</b>	<b>\$ 37.2</b>
<b>Child Care</b>						
Subsidies	6,777	6,909	7,170	7,170	7,145	7,145
Annual Cost per Subsidy	\$ 7,066	\$ 7,048	\$ 7,060	\$ 7,060	\$ 7,100	\$ 7,100
General Revenue	\$ 9.7	\$ 9.6	\$ 9.7	\$ 9.7	\$ 9.7	\$ 9.7
Federal Funds	38.7	39.1	41.0	41.0	41.1	41.1
<b>Total Costs*</b>	<b>\$ 48.3</b>	<b>\$ 48.7</b>	<b>\$ 50.6</b>	<b>\$ 50.6</b>	<b>\$ 50.7</b>	<b>\$ 50.7</b>
<b>SSI</b>						
Persons	33,398	33,164	33,590	33,590	33,951	33,951
Monthly Cost per Person	\$ 46.05	\$ 45.59	\$ 45.62	\$ 45.62	\$ 45.62	\$ 45.62
<b>Total Costs/General Revenue*</b>	<b>\$ 18.6</b>	<b>\$ 18.2</b>	<b>\$ 18.4</b>	<b>\$ 18.4</b>	<b>\$ 18.6</b>	<b>\$ 18.6</b>
<b>SSI Transition/Bridge</b>						
Persons	622	515	524	524	550	550
Monthly Cost per Person	\$ 115.41	\$ 90.24	\$ 105.00	\$ 105.00	\$ 105.13	\$ 105.13
General Revenues	\$ 2.6	\$ 1.8	\$ 1.8	\$ 1.8	\$ 1.5	\$ 1.5
Federal Funds	0.4	0.5	0.4	0.4	-	-
<b>Total Costs*</b>	<b>\$ 3.0</b>	<b>\$ 2.3</b>	<b>\$ 2.2</b>	<b>\$ 2.2</b>	<b>\$ 1.5</b>	<b>\$ 1.5</b>
General Revenue	30.8	29.7	29.9	29.9	29.8	29.8
Federal Funds	79.2	78.4	78.6	78.6	78.2	78.2
<b>Total Cash Assistance*</b>	<b>\$ 110.0</b>	<b>\$ 108.1</b>	<b>\$ 108.5</b>	<b>\$ 108.5</b>	<b>\$ 108.0</b>	<b>\$ 108.0</b>

\* 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 to meet the requirement. 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 \$37.2 million entirely from federal funds. The estimate decreased the monthly caseload by 375 cases to a level of 15,125, which is consistent with the FY 2014 estimate. The cost per case is estimated to decrease by \$4.50 to a \$182.50 monthly cost per person, which is \$0.50 less than the FY 2014 estimate. The estimated program expenditures are \$1.7 million less than the enacted budget, primarily from the reduced number of persons and cost per month, \$0.1 million less for transportation expenses along with minor adjustments for clothing and other supportive services. The Department's request is \$2,353 more than the enacted level for the Rhode Island Works program and does not reflect the estimate adopted at the November caseload conference. *The Governor recommends funding consistent with the caseload estimate.*

**Child Care.** The November Caseload Estimating Conference estimate includes child care expenditures of \$50.7 million, of which \$9.7 million is from general revenues. This is \$0.4 million less federal funds than enacted, reflecting 120 additional child care subsidies for a monthly level of 7,145 and increases the annual cost by \$40 to \$7,100 for FY 2015. The Department's request is consistent with the enacted level for the child care program and includes \$1.5 million for the pilot expansion program, even though the pilot program ends on September 30, 2014.

A family is eligible for child care assistance either through the Rhode Island Works program (if they qualify for Works they are automatically eligible for child care assistance) or if they qualify as low income, which is at or below 180 percent of federal poverty. The 2013 Assembly passed legislation for a pilot program allowing families eligible for subsidized child care because their income is at or below 180 percent of poverty to remain eligible until the family income exceeds 225 percent of poverty, from October 1, 2013 through September 30, 2014. *The Governor recommends funding consistent with the caseload estimate.*

**Supplemental Security Income Payments.** The November Caseload Estimating Conference estimate includes FY 2015 direct supplemental security income expenditures at \$18.6 million from general revenues, or \$0.4 million more than enacted. The caseload increased by 436 persons to a monthly

level of 33,951. Estimators increased the monthly cost per person by \$0.43 to \$45.62. It also includes \$53,000 for transaction fees, which is \$7,000 less than enacted. The Department's request is consistent with the enacted level and does not reflect the conference estimate.

As part of its constrained budget, the Department reduces benefit expenditures by \$3.3 million, or 18.3 percent. However, the Department did not provide details regarding this reduction, such as whether it proposes a benefit reduction, an end to the program, or ending the program to new clients. Changes to this program require advanced notice to the Social Security Administration in addition to statute and administrative rules and regulations changes. This reduction was proposed to make resources available for the unified health infrastructure project. The Department's corrective action plan for FY 2014 includes advancing the elimination of this program to May 2014.

The following table includes the separate categories and monthly payments, for calendar years 2013 and 2014. There will be a 1.5 percent cost-of-living adjustment, effective January 1, 2014, which will increase the federal portion of the payment. The increase is reflected in the following table.

Supplemental Security Income Payments	As of 1-1-2013			Beginning 1-1-2014		
	State	Federal	Total	State	Federal	Total
Individual Living Alone	\$ 39.92	\$ 710.00	\$ 749.92	\$ 39.92	\$ 721.00	\$ 760.92
Couple Living Alone	\$ 79.38	\$ 1,066.00	\$ 1,145.38	\$ 79.38	\$ 1,082.00	\$ 1,161.38
Individual Living with Others	\$ 51.92	\$ 473.34	\$ 525.26	\$ 51.92	\$ 480.44	\$ 532.36
Couple Living with Others	\$ 97.30	\$ 710.67	\$ 807.97	\$ 97.30	\$ 721.33	\$ 818.63
Resident in State Licensed Supportive Residential Care	\$ 300.00	\$ 710.00	\$ 1,010.00	\$ 300.00	\$ 721.00	\$ 1,021.00
Resident in Assisted Living	\$ 332.00	\$ 710.00	\$ 1,042.00	\$ 332.00	\$ 721.00	\$ 1,053.00
Supplement	\$ 20.00	\$ 30.00	\$ 50.00	\$ 20.00	\$ 30.00	\$ 50.00

*The Governor recommends funding consistent with the caseload estimate and does not include the proposed reductions in the constrained request or corrective action plan.*

**Additional State Supplemental Payment.** The Department requests the enacted level of \$250,000 from general revenues, which is \$44,586 less than the amount spent in FY 2013, 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 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 at \$1.5 million, entirely from general revenues. The estimate includes \$0.7 million for cash payments and \$0.7 million for burials, maintaining the projected number of persons at the enacted level of 550 and increasing the monthly cost per person by \$0.13 to \$105.13. The estimate is \$0.5 million less than enacted, primarily from federal funds from the elimination of the Medicaid matched medical assistance program because these individuals will likely be eligible for Medicaid under the Affordable Care Act starting January 1, 2014.

The Department requests \$1.6 million, including \$1.5 million from general revenues and \$0.1 million from federal funds; this is \$0.5 million less than enacted and does not reflect the conference estimate. The request includes \$124,000 for Medicaid matched medical benefits, which is 20 percent of the enacted level. It also includes the enacted level of general revenue funding for burials and monthly

benefits. 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 for up to 757 burials per year, for total burial expenditures of \$700,000. This is estimated to save \$1.0 million from all sources, primarily from general revenues. Discussed separately, but related, the constrained request also shifts all but two staff members currently working on the general public assistance program to the supplemental nutrition assistance program. This is estimated to save an additional \$0.4 million from general revenues by shifting the general revenue portion of the salary and benefit expenses for these positions to federal funding at a 50 percent rate. The Department's corrective action plan for FY 2014 includes advancing the elimination of this program to February 2014.

*The Governor recommends funding consistent with the caseload estimate and does not include the proposed program eliminations in the Department's constrained request and corrective action plan.*

**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.

As part of its constrained request, the Department proposes eliminating this program.

*The Governor recommends funding consistent with the unconstrained request and enacted budget; he does not eliminate the program, as proposed in the constrained request.*

### **Cash Assistance Administration**

**Rhode Island Works Pilot.** The Department requests the enacted level of \$1.5 million from federal temporary assistance for needy families block grant funds for wage reimbursements to participating employers and related assistance to the worker for subsidized employment and on-the-job training programs included in Article 18 of the appropriations act. The Department is required to establish a pilot program that promotes innovation, test new ways of delivering services, and award contracts to job development vendors on a competitive basis. The legislation does not explicitly include subsidized employment and on-the-job training, but they may be possible activities to improve work participation rates, and the \$1.5 million is included for these purposes.

The request also includes \$1.5 million from federal temporary assistance for needy families block grant funds for child care assistance, discussed previously with the child care assistance benefits. This is for the expanded eligibility pilot program for income up to 225 percent of poverty when the family is eligible at 180 percent. *The Governor recommends funding as requested for both aspects of this program.*

**Rhode Island Works and Child Care Administration - Staffing.** The Department requests \$13.4 million from all sources for the staffing expenses related to administering the Rhode Island Works and subsidized child care programs, including \$4.6 million from general revenues and \$8.8 million from federal funds. The request is \$0.8 million more than enacted, including \$0.2 million more from general revenues and \$0.5 million more from federal funds, and is \$0.3 million more than the revised request. Consistent with the revised request, the request eliminates authorization for 2.0 positions and

assumes filling vacant, unfunded positions, which increases the staffing costs and reduces turnover savings.

As part of its constrained request, the Department shifts general revenue staffing expenses of \$0.4 million for the general public assistance program to federal sources within the supplemental nutrition assistance program. The request assumes that by eliminating the general public assistance program, the general revenue funded positions will be transferred to the supplemental nutrition assistance program where staffing expenses are split with federal funds. It should be noted that the general revenues for these transferred positions remain budgeted in the Rhode Island Works account in the constrained request while the federal funds are included with the nutrition program. The Department's corrective action plan for FY 2014 includes taking this action in February 2014, thus advancing the program elimination.

*The Governor's recommendation is \$26,202 less from general revenues than requested to reflect statewide medical benefit savings.*

**Rhode Island Works and Child Care Administration - Operations.** The Department requests \$16.3 million from all sources, including \$0.8 million from general revenues and \$15.5 million from federal funds for administration of the Rhode Island Works and child care programs, excluding salaries and benefits. This is \$0.4 million less than enacted, including \$0.1 million more from general revenues.

The request includes grant expenditures of \$8.5 million for training and work activities for Rhode Island Works program recipients and \$1.8 million for child care related programs, including licensing functions, resource and referral services, training programs, on-site technical assistance to family and center based child care agencies and a statewide quality rating and improvement system for providers. The request also includes \$1.7 million for lease and security costs for the field offices, \$1.7 million for the InRhodes eligibility system, \$0.8 million for postage and printing, \$0.3 million for interpreters and translators, and \$0.3 million for the monthly fee to charge the electronic benefit cards for the Rhode Island Works recipients. It also includes \$1.2 million for all other operating expenses, including office supplies, utilities, and various maintenance expenses.

The request inadvertently omits \$0.1 million from general revenues for records storage and retrieval. The enacted budget includes the expense from federal funds; however, the Department indicates it will require general revenues for this expenditure, but did not include it in the request.

*The Governor includes \$107,851 more from general revenues than requested to reflect inclusion of the omitted records storage funding.*

**SSI Payment Administration.** The Department requests \$568,876 from general revenues, which is \$36,471 less than enacted, for administering the state supplemental security income program for individuals, including those whose income is too high to meet the eligibility criteria for the federal supplemental security income program. This includes \$339,409 for 4.0 full-time equivalent positions, which is \$36,562 more than enacted. Consistent with the revised request, it adds authorization and funding for 1.0 new position, increases overtime by \$15,830 to \$20,830, and includes additional turnover savings from maintaining a vacancy. The request also includes \$132,000 for the InRhodes eligibility system, \$25,000 for mail processing, \$72,467 for all other operating expenses, including printing and postage, lease costs for the field offices and office supplies. *The Governor's recommendation is \$1,878 less from general revenues than requested to reflect statewide medical benefit savings.*

## Division of Veterans' Affairs

**Staffing and Operations.** The Department requests \$29.3 million from all sources for staffing and operational expenses in the Division of Veterans Affairs, excluding capital expenditures. This includes \$21.3 million from general revenues, \$7.6 million from federal funds and \$0.5 million from restricted receipts. This is \$1.2 million more than enacted, including increases of \$0.2 million from general revenues, \$1.0 million from federal funds and \$10,000 less from restricted receipts. The request includes \$24.6 million for salaries and benefits, which is \$0.7 million more than enacted, including \$0.2 million for additional overtime expenses and includes 1.0 additional position. The request includes \$1.3 million for the contracted nursing pool and \$0.8 million for other related medical services, which is \$0.2 million more than enacted.

The request also includes \$0.8 million for food, \$0.7 million for janitorial and linen expenses and \$1.0 million for all other operating expenses, including \$0.3 million more for grave liners at the cemetery, consistent with the revised request.

*The Governor includes \$1.0 million less than requested, including reductions of \$1.0 million from general revenues, \$0.1 million from federal funds and \$1,200 from restricted receipts. He adds \$0.4 million from federal funds for contracted nursing expenses from delays in filling positions, adds \$0.2 million from general revenues for additional overtime expenses and assumes \$1.3 million in turnover savings, including \$0.8 million from general revenues and \$0.5 million from federal funds, and includes \$0.1 million less than requested for statewide medical benefit savings. This is essentially consistent with his revised recommendation.*

**Capital Projects.** The Department requests \$1.2 million from all sources, including the enacted level of \$1.1 million from federal funds and \$0.1 million from restricted receipts, for completing projects at both the Veterans' Home and Cemetery. This is \$0.8 million less than enacted to reflect the completion of the renovations at the Veterans' Home in FY 2014 and includes the enacted level of \$140,000 from restricted receipts for new vehicles. *The Governor recommends the requested level of funding for the purchase of new vehicles. This is \$1.1 million less from federal funds than requested to reflect the assumed completion of the projects at the cemetery and renovations at the Veterans' Home in FY 2014.*

## Division of Elderly Affairs

**Pharmaceutical Assistance to the Elderly.** The Department requests \$149,336 from restricted receipts for the pharmaceutical assistance program for FY 2015, which is \$155,148 less than enacted. This includes \$174,484 less from general revenues, thus eliminating all general revenue funding for the program and \$19,336 more from restricted receipts. The request includes \$92,254 for salaries and benefits for 1.0 position that was budgeted elsewhere in the division in the enacted budget at a lower level. Consistent with the revised request, it reduces expenses for the contract with Hewlett-Packard for processing the point of sale pharmaceutical transactions by \$72,897 to \$57,103 to reflect FY 2013 expenditures and eliminates all other operating expenses.

Since passage of the Affordable Care Act in 2010, the program has provided partial reimbursements for certain medications purchased by eligible individuals who are in the deductible phase of a Medicare Part D program. These reimbursements are funded from general revenues in the enacted budget; however, it appears that the Department has excluded the reimbursements altogether from its request. In addition, the request includes negative \$22 for operating expenditures in the request, consistent with FY 2013 expenditures.

Subsequent to submitting the request, the Department indicated it inadvertently eliminated the general revenue funding from both requests. For FY 2012, FY 2013 and the FY 2014 revised request, the Department used the surplus restricted receipt rebate funds in lieu of general revenues. However, there is likely insufficient funding in the restricted account to do so for FY 2015. *The Governor's budget adds \$174,484 from general revenues for the pharmaceutical reimbursements and assumes restricted receipts will be insufficient to cover these expenses.*

**Indirect Cost Recovery.** Most federal grants allow for recovery of overhead costs, in addition to direct administrative costs, through the application of a negotiated indirect cost rate to lower state general revenue costs. The enacted budget assumes savings of \$0.4 million from general revenues from assuming an indirect cost recovery rate of not less than 5.0 percent and budgets these recovered funds as restricted receipts. Consistent with the revised request, the FY 2015 request reverses this action, shifting these restricted receipts back to general revenues. The Division indicates it already maximizes the limit for administrative expenses on certain grants and the recovery amount possible from the non-assessed grants would total closer to \$50,000.

These savings have been included in each budget back through FY 2010, but were not achieved. Before the Division became part of the Department of Human Services, it was included on a request for proposals put forth by the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals for a third party to examine if there is a more cost-effective manner to extract administrative funding from federal grant awards. Requests for proposals are currently under review and a decision is anticipated in late December 2013 or early January 2014 for awarding a contract. *The Governor restores funding as requested.*

**All Other Staffing.** The Department requests \$3.2 million from all sources, including \$1.2 million from general revenues and \$2.0 million from federal funds for all salaries and benefits for 30.0 full-time equivalent positions, excluding the pharmaceutical assistance position discussed separately. This is \$24,908 less than enacted, primarily from federal funds. The request adds authorization for 1.0 new position, assumes swapping a higher paid position for one at a lower rate, and adds \$5,565 for overtime expenses. *The Governor's recommendation is \$4,884 less from general revenues than requested to reflect statewide medical benefit savings.*

**Home Care Services.** The Department requests \$3.4 million from all sources, including \$1.7 million from general revenues for the home care services program. This is \$0.3 million more than enacted, including \$0.1 million from both general revenues and federal funds to reflect an 8.4 percent increase in expected program utilization. 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. It is designed to reduce the occurrence of low-income elderly moving into an assisted living or nursing home setting.

As part of its constrained request, the Department proposes to eliminate these services for savings of \$3.4 million, including \$1.7 million from general revenues. The implementation of the Affordable Care Act in January 2014 will not affect these services and this population. The proposal does not include an estimate of potential impacts to the state's long term care expenses. The Department's corrective action plan for FY 2014 includes advancing the elimination of this program to February 2014.

*The Governor's recommendation includes funding consistent with the unconstrained request.*

**Adult Day Care Services.** The Department's request includes \$2.8 million from all sources, including \$1.4 million from both general revenues and federal funds for adult day care services. This is \$0.2 million or 8.4 percent more than the enacted level, including \$116,379 more from general revenues. This program serves low-income elders, who pay a portion of their day care services, and is designed to reduce the occurrence of low-income elderly moving into an assisted living or nursing home setting.

As part of its constrained request, the Department eliminates these services for savings of \$2.8 million, including \$1.4 million from general revenues. The implementation of the Affordable Care Act in January 2014 will not affect these services and this population. The proposal does not include an estimate of potential impacts to the state's long term care expenses. The Department's corrective action plan for FY 2014 includes advancing the elimination of this program to February 2014.

*The Governor's recommendation includes funding consistent with the unconstrained request.*

**Case Management Services.** The Department's request includes \$0.9 million from all sources, including \$0.5 million from general revenues for elder case management services. This is \$17,493 more than enacted from all sources, including \$24,226 from general revenues, representing a 2.0 percent increase. Consistent with the revised request, it appears that the request inadvertently reduces federal funds while increasing the general revenues required to secure the federal funds. Case management programs assist older Rhode Islanders who wish to remain at home as long as possible, reducing the occurrence of low-income elderly moving into an assisted living or nursing home setting. The state leverages federal funds for both individuals eligible for Medicaid and those not Medicaid eligible, but eligible through the provisions in the Global Waiver.

As part of its constrained request, the Department requests to eliminate these services for individuals who are not Medicaid eligible for savings of \$0.6 million, including \$0.3 million from general revenues. Medicaid eligible individuals will continue to receive these services and the non-Medicaid individuals would have to pay for the services out of pocket. The implementation of the Affordable Care Act in January 2014 will not affect these services and this population. The Department's corrective action plan for FY 2014 includes advancing the elimination of this program to February 2014.

*The Governor's recommendation includes funding essentially consistent with the unconstrained request, with the exception of restoring \$24,417 from federal funds inadvertently omitted.*

**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 eliminates this program for general revenue savings of \$81,512. This reduction has been proposed in prior budget requests.

*The Governor's recommendation includes funding consistent with the unconstrained request.*

**All Other Grant Programs and Operations.** The Department requests \$7.2 million from all sources for all other grants and operating expenses for the Division, including \$0.5 million from general

revenues and \$6.7 million from federal funds. This is \$249,436 more than enacted, primarily from federal funds for grant awards. Consistent with the revised request, it includes \$0.3 million more for grant awards for The Point; however, these awards will expire prior to FY 2015. Requested expenditures primarily mirror reported expenditures for FY 2013, are consistent with the revised request, and do not appear to accurately reflect anticipated awards and award levels for FY 2015. *The Governor recommends funding as requested.*

### **Other Programs**

**Health Care Determination Administration.** The Department requests \$17.1 million from all sources for health care determination expenses, including \$8.1 million from general revenues and \$8.9 million from federal funds. This is \$0.3 million less than enacted, including \$0.2 million more from general revenues and \$0.5 million less from federal funds. The request includes \$13.3 million for salary and benefit expenses, including \$6.6 million from general revenues, which is \$0.4 million more than enacted, including \$0.3 million more from general revenues. The request shifts authorization and funding for 6.0 positions to the supplemental nutrition assistance program, reduces overtime expenses by \$10,000, and assumes maintaining approximately two vacant positions and filling all other existing vacancies within the program.

The request includes \$1.0 million for the InRhodes eligibility system contract for processing medical assistance applications, which is \$0.6 million less than enacted from the transition to the unified health infrastructure project. It also includes \$0.9 million for lease and security costs for the field offices, which is \$0.2 million more than enacted and \$0.6 million for audit expenses, which is \$0.3 million less. Consistent with the enacted budget, the request includes \$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.

*Consistent with his revised recommendation, the Governor includes \$40,869 less than requested, and shifts salary and benefit expenses of \$0.6 million from general revenues to federal funds. He assumes that for 29 of the eligibility technicians that currently make Medicaid determinations, the Department can leverage 75 percent federal funding, instead of the regular 50 percent, for the full fiscal year based on updated guidance issued by the Centers for Medicare and Medicaid Services. This requires the Department and staff to be compliant with certain conditions and standards, and approval from the Centers, for which a request has not yet been submitted.*

**Child Support Enforcement.** The Department requests \$8.3 million from all sources for expenditures related to child support enforcement. This includes \$2.4 million from general revenues and \$5.9 million from federal funds and is \$215,143 less than enacted, including \$2,620 more from general revenues. It includes \$4.9 million for salaries and benefits for 58.2 positions, which is \$95,498 and 3.0 positions less than enacted. The request includes the enacted level of \$55,000 for overtime expenditures, assumes turnover for approximately four positions, and removes authorization and funding for 3.0 vacant positions, consistent with the revised request. The Department requests \$3.4 million for all operating expenses, which is \$119,645 less than enacted, and includes \$1.5 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 is \$9,992 less from general revenues than requested to reflect statewide medical benefit savings.*

**Women, Infants and Children's Nutrition Program.** The Department requests \$26.0 million from federal funds for the benefits and administration of the Women, Infants and Children's nutrition

program. This includes the enacted level of \$19.4 million for benefit payments, \$6.5 million or \$0.3 million more from administrative funds, and \$130,926 or \$9,074 less for the farmer's market program. From administrative funds, the request includes \$1.5 million or \$0.3 million more for salaries and benefits for 15.0 full-time equivalent positions, which is \$0.3 million and 3.0 positions above the enacted level from converting Adil contracted positions to staff and reduces the corresponding contracted expenses by \$0.1 million. It also includes \$4.2 million, or \$75,000 more, for the various vendors in the field who issue the benefit vouchers to recipients, \$0.7 million, or \$71,230 more for information technology and claims processing, and \$0.2 million, or \$67,032 more for all other operating expenses, including printing, audit fees and office supplies. *The Governor recommends funding as requested.*

**Supplemental Nutrition Assistance Program - Benefits.** Consistent with the revised request, the Department requests \$300.6 million from federal funds for direct benefit payments for the Supplemental Nutrition Assistance program in FY 2015. This is \$2.4 million more than enacted and \$1 above the amount spent in FY 2013. *The Governor recommends funding as requested.*

**Supplemental Nutrition Assistance Program - Technology Improvement Grant.** The enacted budget includes \$270,018 from federal funds from a two-year technology improvement grant for document imaging and to help individuals who cannot get to a field office access to the program's applications and online services. No funding was included in the request because the Department anticipated spending the award in FY 2014; however, it now intends to spend \$405,375 in both FY 2014 and FY 2015. As of December 9, 2013, no funds have been spent and the award expires on September 30, 2014. The original plan overlapped scanning programs that will be developed for the unified health infrastructure project, so the Department is developing a new plan for document scanning and imaging that will compliment and be compatible with that system. *The Governor includes \$405,375 from federal funds for this project, \$135,357 more than enacted. He also includes the same amount in FY 2014.*

**Supplemental Nutrition Assistance Program - Penalty.** The Department requests the enacted level of \$150,000 from supplemental nutrition assistance bonus funding to address the state's recent penalties. This reflects the remaining bonus funds available and is intended for payments related to the second penalty. The federal Food and Nutrition Services unit that oversees the program assessed the state with a penalty to be paid in FY 2014 for having accuracy below and error rates above the national benchmark average for FY 2011. The state must spend half of the penalty, \$259,626, towards the improvement plan and if the state can improve error rates to the satisfaction of the federal agency, it will not be assessed the remainder of the penalty. The Department possesses approximately \$0.4 million in bonus funding it received several years back which can be used for this purpose. The Department contracted with Change and Innovation who began reviewing processes and making recommendations and changes in FY 2014.

Subsequently, the state was assessed a penalty for FY 2012 for the same infractions as the FY 2011 penalty. Because of the new FY 2012 penalty, the remaining half of the FY 2011 penalty is officially being charged as well. The state was supposed to pay that half of the FY 2011 penalty by September 30, 2013, unless it filed an appeal of the FY 2012 penalty; the state filed an appeal. The state may have to invest half of the FY 2012 penalty, or \$197,269 into system improvements as well, in addition to other penalty payments in FY 2014 or FY 2015. *The Governor recommends the \$150,000 requested.*

**Supplemental Nutrition Assistance Program - Staffing and Operations.** The Department requests \$18.9 million from all funds, including \$8.2 million from general revenues and \$10.7 million from

federal funds, for staffing and operating expenses related to administration of the supplemental nutrition assistance program. This is \$0.5 million more than enacted, primarily from general revenues. The request includes \$11.9 million for salaries and benefits, including authorization and funding for 6.0 positions shifted from the Medicaid eligibility division, increases overtime by \$0.2 million for a total of \$1.0 million, and assumes turnover savings from approximately two additional positions. It also includes the enacted level of \$100,000 for the outreach program through University of Rhode Island, \$2.4 million for administrative grants to participating vendors, \$1.4 million for the electronic benefit cards, \$0.8 million for printing and postage expenses, and \$0.7 million for lease and security costs. The request contains \$1.2 million for the InRhodes eligibility system, which is \$0.2 million less than enacted, and \$0.6 million or \$0.1 million less than enacted, for all other operating expenditures, such as interpreters, audit fees, utilities and office supplies.

As part of its constrained request, the Department eliminates the \$100,000 award for the outreach program through the University of Rhode Island. The constrained request also assumes enhanced staffing from savings assumed elsewhere. It includes \$0.8 million, \$0.4 million from both general revenues and federal funds, for positions associated with the elimination of the general public assistance program. These are currently general revenue funded positions for which this program can leverage federal funding for half of the costs. This transfer would reduce the total savings assumed from eliminating the general public assistance program. The Department indicates that higher staffing levels are needed to provide services in a timely manner and prevent further penalties.

*The Governor recommends \$137,538 less from general revenues than the unconstrained request, including \$100,000 from the elimination of the outreach program through the University of Rhode Island, as included in the constrained request, and \$37,538 to reflect statewide medical benefit savings.*

**LIHEAP and Weatherization Assistance Programs.** The Department requests \$30.3 million from all sources for benefits and operating expenses related to the low income home energy assistance and weatherization assistance programs. This is \$9.8 million less than enacted, primarily for benefit and grant awards due to the spending of prior year awards, exhaustion of stimulus funding and reduced federal awards in the current year. The request includes \$29.3 million for benefits and grants for home energy and weatherization projects, \$0.8 million for salary and benefit expenses for 8.0 positions and \$0.2 million for operating expenses.

The low income home energy assistance 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 grants range from \$300 to \$450 depending on income level. 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 Governor recommends funding as requested.*

**Race to the Top.** The Department requests \$10.6 million from federal Race to the Top funds, which is \$0.9 million more than enacted. The request includes \$0.7 million for salaries and benefits, which is \$0.5 million more than enacted and includes authorization and funding for 5.0 new positions, for a total of 7.5 positions. It also includes \$9.9 million, or \$0.4 million more than enacted, for contracts and grants for several programs and initiatives the Department developed. These includes expanding the Bright Stars quality rating and improvement system, a new professional development technical assistance center for community-based technical support to improve programs, a contract with the

Community College of Rhode Island to award credits for experience for early childhood workers who want to obtain an early childhood degree, quality improvement grants to help providers improve the quality of the care provided and quality awards to providers who have a high rating in order to help them maintain high quality of care.

The Department received the award in December 2011, made no expenditures in FY 2012 and spent \$168,879 in FY 2013. It filled 2.0 positions in July 2012, 0.5 positions in August 2013, and 4.0 positions in December 2013; it will advertise the final position in January 2014. *The Governor recommends funding as requested.*

**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 motor fuel tax. The state leverages Medicaid funds under the global waiver for certain transportation expenses that were previously state only and the requested increase of \$33,579 from the enacted budget, including \$18,252 from general revenues, reflects 8.4 percent growth for these expenses. The Department provides transportation services for both Medicaid and non-Medicaid eligible elderly and disabled persons to doctor's appointments, dialysis, cancer treatment, adult day care centers, senior meal sites and services for the visually impaired.

As part of its constrained request, the Department proposes to eliminate the program for non-Medicaid individuals and those receiving services through the global waiver for savings of \$2.2 million, including \$2.0 million from general revenues. It continues to include \$4.5 million for transportation services, including \$4.2 million from the gas tax for Medicaid clients. Individuals not eligible for Medicaid may apply for a disability status, allowing for paratransit service through RIde with a \$4 one-way co-pay. The impact on the Rhode Island Public Transit Authority is not contemplated in this proposal. Individuals determined not to be disabled would have to pay for transportation expenses out of pocket.

The proposal does not include an estimate of potential impacts to the state's transportation system or the individuals affected. This has been proposed by the Department in the past. The Department's corrective action plan for FY 2014 includes advancing the elimination of these programs to February and April 2014.

*The Governor's recommendation is essentially consistent with the unconstrained request, with the exception of \$2,383 less from gas tax funds to reflect updated revenue estimates.*

**Community Services Block Grant.** The Department requests \$3.4 million from federal funds for expenses related to the community service block grant, including salaries and benefits. This is \$1.0 million less than enacted for grant awards, primarily due to federal sequestration. The request includes \$3.3 million for direct grants awarded to the state's nine community action agencies, \$0.1 million for staffing expenses and \$4,066 for all other operating expenditures. *The Governor recommends funding as requested.*

**Community Service Grants.** The Department requests \$119,696 more than the enacted level of \$3.2 million from general revenues for community service grants that 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. The Department indicates the increase was an error and it intended to request funding consistent with the enacted level. *The Governor recommends funding consistent with the enacted budget.*

**Community Health Centers.** The Department requests \$0.7 million, including \$0.3 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 \$0.3 million less than enacted from all sources, including \$167,323 less from general revenues which represents a 33.8 percent decrease and is consistent with the Budget Office's current services level, from assuming that a portion of these individuals will gain health insurance through the implementation of the Affordable Care Act. 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. If individuals receiving these services do not gain access to health insurance, the community health centers must continue to see these individuals, but the state will no longer pay for the treatment costs if the individual cannot afford the care provided. The Department's corrective action plan for FY 2014 includes advancing the elimination of this program to February 2014. *The Governor's budget eliminates funding for this program for FY 2015, consistent with the constrained request.*

**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 2,471 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 includes a 25 percent reduction to the payment the state makes to Head Start, for general revenue savings of \$200,000. It should be noted that this funding is reported as part of the state's maintenance of effort requirement for the temporary assistance to needy families block grant; any reductions to programs used to meet the maintenance of effort requirement could impact the state's ability to reach that requirement.

*The Governor recommends \$0.8 million, consistent with the enacted level and unconstrained request.*

**Work Support Strategies Grant.** The request includes \$0.5 million from general revenues for the second Work Support Strategies grant from the Urban Institute; this is \$78,590 more than enacted. The request includes \$0.2 million, or \$0.1 million less for 1.0 filled position and shifts authorization and funding for a vacant position elsewhere in the department. It adds \$164,000 for a project manager, and includes \$125,000 for information technology and computer expenses, which includes \$50,000 more for newly required computer and software upgrades needed for compatibility with newer systems, and \$44,476 for all other miscellaneous costs.

This is a three-year grant for \$1.3 million, which began in March 2012 and will be used to streamline access to and delivery of the services of the four major programs that support low income families: supplemental nutrition assistance program, medical assistance, Rhode Island Works and subsidized child care. *The Governor's recommendation is \$1,039 less from general revenues than requested to reflect statewide medical benefit savings.*

**Workforce Innovation New Position.** The Department requests \$101,237 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. This is \$100,421 more than enacted and \$4,083 more than the revised request. The only funding included is for the 1.0 position; no operating expenses are requested. The position was filled in the first quarter of FY 2014.

The project will undertake job preparation 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 second, creating 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 Governor recommends funding as requested.*

**Office of Rehabilitation Services - Medicaid Services.** The Department requests \$0.9 million, including \$0.5 million from both general revenues and federal funds, for three programs managed by the Office of Rehabilitation Services that provide services eligible for federal matching funds under provisions of the global Medicaid waiver. The services include social services for the blind, personal care attendants, and home modifications; these services are aimed to help an individual maintain independence and reduce the occurrence of individuals moving into assisted living or nursing home settings. The request includes \$0.4 million for personal care attendants, \$0.3 million for social services for the blind and \$0.2 million for home modification services. The request is \$42,388 more than enacted, including \$24,475 more from general revenues. This reflects increases of 4.6 percent for personal care attendants and 8.4 percent for social services for the blind and the enacted level of funding for home modification services, adjusted for the FY 2015 federal Medicaid match rate.

As part of its constrained request, the Department includes the elimination of these three programs. These services would still be available through the current providers and the community action agencies, but individuals would have to pay for the services out of pocket if the waiver services were eliminated. This reduction has been included in prior budget requests. The Department's corrective action plan for FY 2014 includes advancing the elimination of these programs to February 2014. *The Governor's recommendation includes funding consistent with the unconstrained request.*

**Office of Rehabilitation Services - Staffing and Operations.** The Department requests \$27.2 million from all sources for staffing and operations for the Office of Rehabilitation Services, including \$3.7 million from general revenues, \$23.3 million from federal funds and \$0.2 million from restricted receipts. This is \$1.4 million less than enacted, including \$0.2 million less from general revenues and \$1.2 million less from federal funds. The request includes \$12.6 million for staffing costs, which is \$0.4 million more than enacted and contains benefit rates consistent with Budget Office planning values, assumes several existing vacancies will be filled, and eliminates authorization and funding for 1.0 vacant position, consistent with the revised request.

The Department requests \$14.6 million to support operations, which is \$1.8 million less than enacted, primarily to reflect expected sequestration reductions and carrying in fewer funds from FY 2014. The request includes the enacted level of \$180,000 from restricted receipts from vending stand proceeds for maintenance, including food and supplies. It also includes \$5.6 million for rehabilitation services, \$2.6 million for medical services and supplies for individuals applying for disability, \$0.7 million for education and training programs, and \$0.5 million for grant awards within the vocational rehabilitation program. The request also includes \$2.1 million for contracted temporary clerical services to assist with processing applications, \$1.1 million for lease costs for the offices located at 20 Fountain Street in Providence, and \$2.1 million for all other operating expenditures, such as utilities, postage, printing and audit fees, which is \$1.1 million less than enacted. *The Governor's recommendation is \$11,464 less from general revenues than requested to reflect statewide medical benefit savings.*

**Capital - Blind Vending Facilities.** The Department requests \$225,955 from Rhode Island Capital Plan funds for the ongoing construction and renovation of statewide vending facilities. This is \$60,955

more than the enacted budget and the capital request submitted in August 2013; it is consistent with the revised request. The Department indicates that its intent was to request \$165,000, consistent with the enacted level. There are currently 15 facilities that operate under the name COFFEE PLUS and staff is trained through the Department's Office of Rehabilitation Services. *The Governor recommends \$165,000 from Rhode Island Capital Plan funds, consistent with the enacted level.*

**Housing and Shelters.** The Department requests \$1.4 million from all sources, including \$0.6 million from general revenues and \$0.8 million from federal funds, for housing and shelter support expenses. This includes \$1.2 million for general support to seven locations and \$0.2 million for linen and laundry expenses. The request is \$24,606 more than enacted, including \$70,000 more from general revenues and \$45,394 less from federal funds. However, the Department indicates it inadvertently requested additional general revenues. *The Governor recommends \$70,000 less from general revenues than requested to reflect the intended request.*

**All Other Grants and Programs.** The Department requests \$1.3 million, primarily from federal funds for all other grant awards and programs. This includes federal funding of \$0.8 million for family violence prevention, \$0.3 million for refugee services, \$0.2 million for emergency food assistance and \$916 from general revenues for the toy lending library. The request is \$39,860 more than enacted, including \$209 less from general revenues and \$40,069 more from federal funds for updated awards. *The Governor recommends funding as requested.*

**All Other Staffing.** The Department requests \$3.4 million from all sources, including \$1.8 million from general revenues, \$1.1 million from federal funds and \$0.5 million from restricted receipts, for all other staffing expenses. This is \$0.1 million less than enacted, including \$0.2 million less from general revenues. The request adds authorization and funding for 2.0 new positions in central management, consistent with the revised request, shifts expenses of \$0.1 million from general revenues to restricted receipts, and assumes additional turnover savings for approximately one and a half positions. *The Governor's recommendation is \$7,764 less from general revenues than requested to reflect statewide medical benefit savings.*

**All Other Operations.** The Department requests \$386,173 for all other operating expenses, including \$49,183 from general revenues and \$336,990 from federal funds. This is \$34,660 less than enacted, including \$3,746 more from general revenues. The request includes \$250,000 in unidentified expenditures from the federal Social Services Block Grant that can be used for other services provided through the grant or in lieu of general revenue expenditures that supplement the grant. It also includes \$50,297 for lease and security costs which is \$11,133 less than enacted, \$10,058 for computer and information technology expenses which is \$8,573 more than enacted and \$75,818 for all other expenses, such as office supplies, printing and postage, utilities and interpreters and translators, which is \$32,100 less than enacted. *The Governor recommends funding as requested.*



## Dept. of Behavioral Healthcare, Developmental Disabilities and Hospitals

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Program</b>				
Central Management	\$ 1,245,491	\$ 1,524,852	\$ 1,583,145	\$ 1,510,085
Services for the Dev. Disabled	224,341,124	226,011,261	227,703,958	227,781,977
Hosp. & Comm. System Support	3,576,368	3,746,539	4,997,494	3,928,659
Hospital & Comm. Rehab. Services	114,402,136	110,681,110	122,199,279	120,507,163
Behavioral Healthcare Services	94,283,289	97,933,635	96,260,472	90,298,726
<b>Total</b>	<b>\$ 437,848,408</b>	<b>\$ 439,897,397</b>	<b>\$ 452,744,348</b>	<b>\$ 444,026,610</b>
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 122,773,297	\$ 127,670,710	\$ 129,846,261	\$ 129,438,423
Contracted Services	1,264,615	1,392,288	1,404,386	1,259,791
<b>Subtotal</b>	<b>\$ 124,037,912</b>	<b>\$ 129,062,998</b>	<b>\$ 131,250,647</b>	<b>\$ 130,698,214</b>
Other State Operations	12,690,968	12,860,375	13,946,315	13,546,317
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	289,977,401	288,168,427	287,144,020	282,068,467
Capital	11,142,127	9,805,597	20,403,366	17,713,612
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
<b>Total</b>	<b>\$ 437,848,408</b>	<b>\$ 439,897,397</b>	<b>\$ 452,744,348</b>	<b>\$ 444,026,610</b>
<b>Sources of Funds</b>				
General Revenue	\$ 202,091,382	\$ 200,935,077	\$ 208,058,457	\$ 201,791,368
Federal Aid	217,759,723	219,882,621	215,327,828	215,194,293
Restricted Receipts	7,396,872	9,551,440	9,608,663	9,608,663
Other	10,600,431	9,528,259	19,749,400	17,432,286
<b>Total</b>	<b>\$ 437,848,408</b>	<b>\$ 439,897,397</b>	<b>\$ 452,744,348</b>	<b>\$ 444,026,610</b>
<b>FTE Authorization</b>	<b>1,423.4</b>	<b>1,422.4</b>	<b>1,422.4</b>	<b>1,422.4</b>

**Summary.** The Department requests \$452.7 million from all sources including \$208.1 million from general revenues, \$215.3 million from federal funds, \$19.7 million from Rhode Island Capital Plan funds and \$9.6 million from restricted receipts in its FY 2015 request. The request is \$14.9 million more than the FY 2014 enacted budget and includes \$6.0 million more from general revenues, \$9.1 million more from Rhode Island Capital Plan funds, \$2.2 million more from restricted receipts and \$2.4 million less from federal funds.

The Department requests 1,422.4 positions, one fewer than the current authorized level. This reflects the transfer of a vacant administrator position in the Division of Behavioral Healthcare Services.

The Department's constrained request totals \$429.7 million, of which \$195.8 million is general revenues, which is \$23.0 million from all sources, including \$12.3 million from general revenues, less than the request.

The Department's constrained request lowers the staffing authorization by 114.4 positions to reflect downsizing the Eleanor Slater Hospital footprint.

*The Governor recommends \$6.2 million more than enacted and \$8.7 million less than requested from all sources, including \$0.3 million less than enacted and \$6.3 million less than requested from general revenues. He recommends the staffing reduction.*

**Target Issues.** The Budget Office provided the Department with a general revenue target of \$190,359,045. The amount includes current service adjustments of \$2.6 million and a 7.0 percent target reduction of \$14,317,928, excluding community service grants.

FY 2015 Budget	Department of		
	Budget Office	BHDDH	Difference
<b>FY 2014 Enacted</b>	\$ 202,091,382	\$ 202,091,382	\$ -
Current Service Adjustments	2,585,591	5,967,075	3,381,484
<b>Change to FY 2014 Enacted</b>	\$ 2,585,591	\$ 5,967,075	\$ 3,381,484
<b>FY 2015 Current Service/Unconstrained Request</b>	\$ 204,676,973	\$ 208,058,457	\$ 3,381,484
Target Reduction/Initiatives	(14,317,928)	(12,298,412)	2,019,516
<b>FY 2015 Constrained Target/Request</b>	\$ 190,359,045	\$ 195,760,045	\$ 5,401,000
<i>Change to FY 2014 Enacted</i>	\$ (11,732,337)	\$ (6,331,337)	\$ 5,401,000

The constrained budget submitted by the Department is \$5.4 million above the target. The proposals to achieve the reductions are noted among the items described below where appropriate. Of the \$12.3 million in savings initiatives, \$1.9 million is unidentified; the Department has not provided any information on how it will meet these savings. *The Governor's budget is \$11.4 million above the target.*

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 Partners managed care plans or on a fee-for-service basis through the Office of Health and Human Services.

### Departmentwide

**Capital Projects.** The Department requests \$20.2 million from Rhode Island Capital Plan and Medicaid funds for capital projects at the Pastore and Zambarano campuses and community facilities, which is \$8.8 million more than enacted. The Capital Budget section of this analysis includes project descriptions.

It should be noted, the Department did not adjust any of its capital projects in its constrained request for its proposed initiatives, specifically downsizing at Eleanor Slater Hospital. *The Governor recommends \$2.3 million less than requested.*

## Division of Developmental Disabilities

**Division of Developmental Disabilities.** The state provides residential, day programming, family supports or medical services to support adults with developmental disabilities. As of October 2013, when the budget request was submitted, there were 4,207 individuals receiving services through either the state run system or through community based providers according to the Article 28 caseload report the Department is required to submit. This includes approximately 3,627 individuals receiving direct residential/day programming and/or family supports. There are also approximately 580 individuals who do not receive direct services but receive case management services from the division.

It should be noted that when the Article 28 report was submitted in November 2012, there were 4,191 individuals receiving services through either the state run system or through community based providers. This included 3,644 individuals receiving direct residential/day programming and/or family supports and 547 individuals who do not receive direct services but receive case management services from the division. When comparing the October 2013 report to the November 2012 report, there are 16 additional individuals in the current year; however, there are 17 fewer receiving direct services and 33 more receiving only case management services.

Caseload Report	Nov. 2012	Oct. 2013	Change
Residential & Community Based Services	3,644	3,627	(17)
Case Management Services	547	580	33
Total	4,191	4,207	16

The Department's request includes \$227.7 million from all sources, \$111.0 million from general revenues for the program to support adults with developmental disabilities in its FY 2015 request, \$3.4 million more than enacted, including \$1.5 million more from general revenues.

The Department's constrained request is \$3.5 million less than its current service request including \$1.7 million less from general revenues. The constrained budget proposals include: implementing a waiting list for savings of \$2.5 million from all sources, including \$1.2 million from general revenues; \$1.0 million from closing one of its special care facilities; and shifting operations of the state-operated group homes to the private providers, although the Department does not include any savings in FY 2015 from the initiative. Each proposal is discussed separately.

*The Governor recommends \$227.8 million, including \$111.4 million from general revenues which is \$0.1 million more than requested and \$3.6 million more than the constrained budget request. He adds \$0.8 million from all sources, including \$0.6 million from general revenues for an anticipated transfer of developmentally disabled youth, between the ages of 19 to 21, from the Department of Children, Youth and Families as proposed in Article 26.*

**Privately Operated System.** The Department requests \$178.4 million including \$89.1 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 \$0.9 million less than enacted, including \$0.5 million more from general revenues and \$1.3 million less from federal funds for the updated Medicaid rate. The current services request is also \$0.3 million less from all sources compared to FY 2013 final expenditures and the Department has not provided an explanation for this change.

The Department's constrained request includes savings of \$2.5 million from all sources, including \$1.2 million from general revenues to the current services request from instituting a waiting list. The Department also proposes the closure of 27 currently state run group homes to be turned over to the community providers, but does not include any savings in its FY 2015 request. Each proposal is discussed separately.

*The Governor concurs with the unconstrained request and adds \$0.8 million to account for the transfer of eligible 19 to 21 year olds from the Department of Children, Youth and Families in to the adults system.*

*It should be noted that he shifts \$1.1 million in program expenses to general revenues in the privately operated system, which appears to overfund the required state Medicaid match for program expenses by \$0.2 million.*

**Target - Waiting List.** The Department includes savings of \$2.5 million from all sources, including \$1.2 million from general revenues for implementing a waiting list for Medicaid eligible individuals who also meet the criteria for the developmental disability waiver program. It should be noted that there is no current services adjustment for a caseload change since the year to year change is minimal and the Department has been asked but has not provided the methodology for the savings. The Department includes funding for one additional position to manage the waiting list.

Rhode Island is one of ten states that do not currently have a waiting list for residential or community based services for adults with developmental disabilities. *The Governor does not recommend this proposal.*

**Target - RICLAS Homes to Private Providers.** The Department's constrained budget proposes to turn over 26 homes, supporting approximately 200 residents to the community agencies. The Department does not include any savings in its FY 2015 budget and assumes an 18-month to two year time-frame to implement the proposal.

The Department's FY 2014 request included savings of \$7.1 million from all sources, of which \$3.5 million is from general revenues from this proposal. The Department added \$14.9 million to support services through the privately operated system for adults with developmental disabilities for this action. *The Governor does not recommend this proposal.*

**Privately Operated Community Programs Management Contract.** The Department requests \$481,080 from all sources for the management contract with Burns and Associates to manage Project Sustainability. This is \$66,190 more than enacted, \$33,095 from general revenues matched by Medicaid. *The Governor recommends \$447,985 from all sources; \$33,095 more than enacted from Medicaid funds but omits the \$33,095 needed for the state match.*

**Rhode Island Community Living and Supports Programs.** 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 November 2013, there were 196 clients in the state run facilities with 29 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 services request includes \$36.5 million for these clients from all funds, which equates to a daily rate of \$447.15, or \$163,122 annually. The request is \$3.8 million more from all sources, adding \$1.0 million from general revenues to adjust for the updated Medicaid rate.

The Department proposes savings of \$1.0 million, including \$0.4 million from general revenues from closing one of the three special needs facilities, discussed separately.

*The Governor includes \$36.4 million, including \$16.1 million from general revenues; he does not accept the proposal to close one special needs facility, discussed separately.*

**Current Services - State Operated Program.** The Department requests \$34.5 million from all sources, including \$16.2 million from general revenues to operate the state-run program. This includes \$33.1 million from all sources, including \$15.5 million from general revenues for staffing in FY 2015. The request funds 337.6 positions, leaving 50.0 vacant and includes adjustments consistent with updated benefits rates based on Budget Office planning values.

The Department adds \$3.5 million to the enacted budget for staffing costs at the state-run program for adults with developmental disabilities offset by other program savings. This includes the enacted level of \$4.1 million for overtime and funds 337.6 positions to provide services to 200 developmentally disabled adults in the state-run system. The Department requests \$0.6 million for contracted nursing and dental services. *The Governor recommends funding essentially as requested with the exception of \$86,138 from general revenues for statewide benefit adjustments.*

**State Operated System Client Revenue.** The Department requests \$0.3 million more than enacted for a total of \$1.9 million from restricted receipts to reflect client resources, including the \$749.92 monthly supplemental security income payments made to clients in the state-run developmental disabilities system to support their living costs, such as rent, food, utilities and other daily living expenses. This reflects the updated collection for the 196 individuals in the state-run system.

The Department's constrained budget downsizes the state-run system and adjusts the client revenue accordingly by reducing the restricted receipts by \$0.1 million for receipts of \$1.8 million for those in the remaining group homes. *The Governor recommends funding as requested.*

**Target - Close Special Needs Facilities.** The Department proposes savings of \$1.0 million, including \$0.4 million from general revenues, from closing one of the three special care facilities in the state-run system and eliminates 15.0 positions. The savings do not include shifting costs to other state supported institutions such as nursing homes or the state-run Eleanor Slater Hospital. The Department proposed this initiative in its FY 2014 budget request, but it was not accepted by the Governor.

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 Funded 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, which allows the state to provide day programming services to individuals who are Medicaid eligible, but do not meet the requirements for services provided through the primary developmental disabilities waiver. Services are provided by the same community based agencies for those individuals who receive day programming services through the Medicaid waiver.

The Department requests \$1.3 million from all sources, \$148,849 more than enacted including \$80,000 more from general revenues in its current services request. This is consistent with prior year spending of \$1.3 million in FY 2010, \$1.2 million in FY 2011 and FY 2012, \$1.3 million in FY 2013, and \$1.3 million in the revised request. *The Governor recommends funding as requested.*

**Other Medicaid Funded Day Services.** The Department requests \$1.2 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 \$0.4 million more than enacted, primarily from federal funds which appears to be an error and is \$0.3 million less than the revised request and FY 2013 actual expenses of \$1.5 million. The Department has indicated that it inadvertently omitted \$0.3 million from general revenues required to match the federal funds.

This program is available to individuals who are not eligible for services through either the primary Medicaid waiver or Medicaid funded services through the rehabilitation option. For those individuals, the state provides day programming services to approximately 300 individuals funded by Medicaid through the global waiver or through the state only program, included in the next section. *The Governor recommends funding as requested which continues to underfund the \$0.3 million from general revenues required for the Medicaid match.*

**Developmental Disabilities Other State Services.** The Department requests \$7.1 million for other state services for adults with developmental disabilities, including \$4.5 million from general revenues in its FY 2015 request. This is \$0.8 million less than enacted from all sources, including \$0.1 million less from general revenues. This includes staffing costs in the division as well as state funded direct services to individuals who are either eligible for programs through the Medicaid waiver or the services are not eligible to be matched by Medicaid. This includes an out-of-state placement, parent subsidies and day programming services. *The Governor includes funding as requested with the exception of \$43,457 savings from the statewide medical benefit adjustment.*

### **Division of Behavioral Health**

**Community Mental Health Rehabilitation Services - Medicaid Option.** The Department requests \$66.1 million from all sources, including \$33.0 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 \$10.2 million more than enacted and \$12.8 million more than FY 2013 spent.

This includes \$7.3 million more from general revenues for projected program costs and adjusts for the expiration of the health homes initiative and an updated Medicaid rate. *The Governor recommends funding as requested.*

**Target - Health Home Rate Reduction.** The Department proposes savings of \$0.8 million from all sources, including \$0.4 million from general revenues from a three percent rate reduction to health home services provided by the community health centers.

The Department reports that Rhode Island has one of the highest behavioral health home rates in the country. The enhanced Medicaid rate for the health home initiative ends September 30, 2013, when the rate for the services will revert to the regular Medicaid rate. *The Governor increases the reduction to five percent and includes savings of \$1.3 million, including \$0.7 million from general revenues.*

**Target - Community Supportive Psychiatric Treatment Services.** The Department includes savings of \$0.4 million from all sources, including \$0.2 million from general revenues, requiring pre-authorization for community psychiatric supportive treatment services. The Department indicates that with the health homes program, this service should not be required; however, providers are still billing for this service. The Department proposes to use a prior authorization method for these services; however, it appears that the Department is unable to analyze who this service is being billed for so it cannot determine the impact. *The Governor's budget includes the savings.*

**Target - Unexplained.** The Department's constrained request includes a \$3.2 million reduction, including \$1.6 million from general revenues that the Department has not explained. *The Governor does not include the reduction.*

**Substance Abuse Treatment Services - Medicaid Option.** The Department requests the enacted level of \$5.5 million from all funds, \$2.8 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. This is \$1.0 million more than the revised request to reflect a new contract for residential treatment services entered into in FY 2014.

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 both FY 2010 and FY 2011, \$4.8 million for FY 2012 and \$5.4 million in FY 2013 for the treatment services. *The Governor recommends funding as requested.*

**Other Community Mental Health Treatment Programs - Medicaid.** The Department requests \$1.2 million from all sources, including \$0.6 million from general revenues for other community mental health treatment programs in FY 2015. This is \$2.5 million less from all sources and \$1.3 million less from general revenues. 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 FY 2014 enacted budget assumes that as of January 1, 2014, this program will be ending because individuals receiving this limited program will either be eligible for Medicaid or required to purchase coverage through the exchange and the program will not be needed. The Department reports that it requests funding to continue to provide services for individuals who cannot afford coverage through the exchange or for services not covered by the managed care plans. *The Governor eliminates funding for this program and assumes those not eligible for Medicaid through the expansion will obtain coverage through HealthSource RI, the state's health benefit exchange.*

**State Only Mental Health Treatment Services.** The Department requests the enacted level of \$0.7 million for state only mental health treatment services in its FY 2015 current service request. Services support individuals who are not eligible for Medicaid but can receive outpatient and residential treatment services. The Department has not reported what the expenses are for or how many clients are enrolled in these services. The Department's request is consistent with the revised budget but \$0.2 million more than FY 2013 actual expenses.

The Department's constrained request is \$328,000 less than its current services request for health care; each savings proposal is discussed separately. *The Governor recommends funding consistent with the constrained request.*

**Target - Providence Center Diversion Program.** The Department includes general revenue savings of \$0.2 million from general revenues from eliminating the contract with The Providence Center to

provide diversion services. The Department assumes that this activity will be covered by either Medicaid or the managed care plans. *The Governor recommends the reduction.*

**Target - NAMI-RI Supports and Education Program.** The Department includes savings of \$128,000 from general revenues from discontinuing the contract with the NAMI-RI to provide family supports and services and education on mental illness and wellness promotions to Rhode Island schools. The Department reports that the organization is one of the few mental health promotion activities funded by the state. *The Governor recommends the reduction.*

**Target - Adolescent Residential Services.** The Department proposes general revenue savings of \$120,000 from eliminating funding for three agencies providing adolescent residential services, including Phoenix House. *The Governor recommends the reduction.*

**Target - Rhode Island Council Hotline.** The Department proposes general revenue savings of \$19,000 from eliminating support for the Rhode Island Council Hotline since the service is no longer needed with the establishment of the United Way's 211 system; however, the Department indicates that the United Way does not provide data to the Department on the calls for its population as the council does. It is unclear why this was not eliminated in the Department's request. *The Governor recommends the reduction.*

**Other Substance Abuse Treatment Services - Medicaid.** The Department requests \$0.5 million from all sources, including \$0.3 million from general revenues for other Medicaid funded substance abuse treatment services in its current services request. This is \$1.8 million less from all sources, including \$0.9 million less from general revenues and assumes continuing the transfer of individuals to either Medicaid or coverage through the exchange.

The FY 2014 enacted budget assumes that as of January 1, 2014, this program will be ending because individuals receiving this limited program will either be eligible for Medicaid or required to purchase coverage through the exchange and the program will not be needed. The Department reports that it requests funding to continue to provide services for individuals who cannot afford coverage through the exchange or for services not covered by the managed care plans. *The Governor eliminates funding for this program and assumes those not eligible for Medicaid through the expansion will obtain coverage through HealthSource RI, the state's health benefit exchange.*

**Municipal Substance Abuse Task Forces.** The Department provides \$0.9 million for the municipal substance abuse task forces; this includes \$0.5 million from federal substance abuse block grant funds and \$0.4 million from general revenues in FY 2015. The 2013 Assembly provided \$0.7 million and the Department added \$0.2 million from federal block grant funds.

Funding supports 35 municipal substance abuse prevention task forces, 3 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.*

**Other State Only Substance Abuse Programs.** The Department's request eliminates \$2.3 million from all other state only services including detoxification and treatment and assumes that individuals receiving services will either be eligible for Medicaid or coverage through the exchange leaving \$25,693 for other services. *The Governor recommends funding as requested.*

**Emergency Room Diversion Pilot Program.** The enacted budget includes one-time funding of \$250,000 from general revenues for a pilot program to address emergency room department utilization for non-emergency purposes by individuals with substance abuse issues. The Department prepared the Non-Emergency Hospital Diversion Program report and included the Sobering Treatment Opportunity Program to address emergency room usage by individuals impaired by substance abuse related issues, as an alternative treatment/referral service to the emergency room department, to foster their entry into a continuum of care for treatment and recovery. The Department eliminates the funding; however, it issued a Request for Proposals for a three-year pilot program with funding available for the first year. *The Governor excludes funding as requested.*

**Community Medication Assistance Drug Expenses.** The Department requests \$0.2 million from all sources, including \$0.1 million from general revenues for the community medication assistance drug program. This is \$0.5 million less than enacted from all sources and \$0.3 million less from general revenues. The 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 FY 2014 enacted budget assumes that as of January 1, 2014, this program will be ending because individuals receiving this limited program will either be eligible for Medicaid or required to purchase coverage through the exchange and the program will not be needed. The Department reports that it requests funding to continue to provide services for individuals who cannot afford coverage through the exchange or for services not covered by the managed care plans.

*The Governor eliminates funding for this program and assumes those not eligible for Medicaid through the expansion will obtain coverage through HealthSource RI, the state's health benefit exchange.*

**Methadone Maintenance Treatment Services.** The Department requests \$0.4 million from all sources including \$0.2 million from general revenues for methadone maintenance treatment services matched by Medicaid under the global waiver. This is \$0.9 million less than enacted, including \$0.5 million from general revenues.

As of January 1, 2014, this program will be no longer be required because individuals receiving this limited program will either be eligible for Medicaid or required to purchase coverage through the exchange and the program will not be needed. The Department reports that it requests funding to continue to provide services for individuals who cannot afford coverage through the exchange or for services not covered by the managed care plans.

*The Governor eliminates this program and includes savings of \$1.3 million, including \$0.7 million from general revenues. He assumes those not eligible for Medicaid through the expansion will obtain coverage through HealthSource RI, the state's health benefit exchange.*

**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 recently paroled but who remain incarcerated from a lack of treatment beds.

The Department proposes savings of \$1.0 million from general revenues from eliminating the program in its constrained request. The Department assumes that as of January 1, 2014, newly eligible Medicaid individuals who require residential care may be able to receive services through a managed care plan that can leverage Medicaid for this activity or funded through insurance purchased through the exchange. Funding is provided for in the Office of Health and Human Services' budget for this activity through the Medicaid expansion program. *The Governor recommends the proposal to eliminate the program and assumes those not eligible for Medicaid through the expansion will obtain coverage through HealthSource RI, the state's health benefit exchange.*

**Substance Abuse Treatment Block Grant.** The Department requests \$6.6 million from federal funds for the substance abuse treatment block grant, \$0.5 million more than enacted. Funding is awarded to community agencies to support local programs and the Department is in the process of providing the updated list of grantees. Funding is consistent with FY 2012 and FY 2013 expenses. *The Governor recommends funding as requested.*

**Mental Health Block Grant.** The Department requests the enacted level of \$1.3 million from the federally funded mental health block grant in its unconstrained and constrained requests. 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 \$1.6 million from federal funds, \$0.2 million more 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 \$3.4 million for the federally funded access to recovery grant, \$3,263 more than enacted in its current services and constrained requests. 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.*

**Post-Traumatic Stress Grant.** The Department adds \$14,249 for a total of \$512,076 for projected funding for the post-traumatic stress services federal grant.

The Department's constrained request inadvertently reduces funding by \$256,280. *The Governor includes \$0.5 million.*

**Transformation Transfer Initiative Grant.** The Department reduces funding by \$140,000 in FY 2015 to reflect the expiration of the federal transformation transfer initiative grant. *The Governor recommends funding as requested.*

**Parolee Treatment Grant.** The Department's request includes the expiration of the parolee treatment grant and reduces its request by \$165,000 from federal funds. Funding has been awarded to The Providence Center for a diversion program. *The Governor recommends funding as requested.*

**State Epidemiological Outcome Workgroup Grant.** The Department requests \$128,650 from federal funds for a state epidemiological outcome workgroup grant. The request is \$2,350 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.*

**Salaries and Benefits.** The Department requests \$3.0 million from all funds, \$0.8 million less than enacted for salaries and benefits to fully fund 29.0 positions in the Division of Behavioral Health and includes benefit adjustments based on Budget Office planning values. The Department transfers six positions to other programs, including three to central management and three to hospital and community support.

The Department's constrained request adds \$41 from general revenues for a benefit adjustment. It is unclear why this change was made since there is no change to the request for salaries. *The Governor recommends funding as requested with the exception of \$9,695 from general revenues for statewide medical benefit savings.*

**All Other Operations.** The Department requests \$1.4 million from all sources, including \$0.1 million from general revenues for all other expenditures in the behavioral healthcare program. This includes \$1.3 million for grants, primarily from federal funds and \$0.2 million for all other operating expenses and is \$6,783 more than enacted, including \$18,866 from general revenues. *The Governor recommends funding as requested.*

### **Eleanor Slater Hospital**

**Hospital Operations.** 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 2015 budget request of \$122.2 million, including \$53.1 million from general revenues is based on a census of 275 patients which equates to an annual cost per person of \$444,361 taking into account the capital plan funding. It should be noted that the Department applies a Medicaid rate of 44.9 percent to the hospital expenses in FY 2015, which is significantly lower than the published state rate of 50.03 percent.

Excluding its capital request, the Department's adds \$1.1 million; however, it decreases Medicaid funding by \$3.2 million and increases general revenues by \$2.6 million and restricted receipts by \$1.7 million in FY 2015. The Department adds \$2.6 million for staffing costs and \$1.0 million for operating. *The Governor recommends \$120.5 million, including \$50.2 million from general revenues and he corrects for the appropriate Medicaid rate which lowers state costs by \$1.8 million in FY 2015.*

**Hospital Licensing Fee.** The enacted budget includes \$5.3 million from all sources to pay the 5.35 percent fee assessed on state and community hospitals' gross patient services revenue for the hospital year ending September 30, 2012, including \$2.6 million from general revenues.

The Department's request adds \$0.3 million for a payment of \$5.6 million. It is unclear why this adjustment is being made. *The Governor includes \$5.3 million for the payment.*

**Southwick Group Home Closure.** The enacted budget includes savings of \$0.5 million from all sources from closing the Southwick group home in Lincoln and transitioning the four residents to one of the three other homes that have vacancies. The cost to operate each group home is approximately \$1.0 million from all sources. The residents' families have obtained a court injunction to stop the relocation of the clients and closure of the home. The FY 2015 request does not include any funding for the home but as of January 1, 2014, the home remains open and the revised request adds \$0.2 million from all sources, including \$0.1 million from general revenues for it. *The Governor's budget assumes the group home's closure in FY 2014 and does not include any funding in FY 2015.*

**Hospital Overtime.** The Department requests the enacted level of \$7.1 million from all sources for overtime at the hospital; however inadvertently shifts \$0.6 million in expenses to general revenues for an incorrect adjustment for the Medicaid rate. *The Governor adds \$0.5 million for expenses in the current year and corrects the Medicaid rate.*

**Other Salaries and Benefits.** The Department requests \$84.4 million from all sources for staffing at the state hospital in FY 2015. This is \$2.6 million more than enacted and includes updated benefit costs based on Budget Office planning values. The request also restores \$2.5 million in turnover savings to fund 846 full-time equivalent positions.

As noted in the FY 2014 revised analysis, 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 adds \$1.7 million from increased revenue from billing third party payors which will be used to support staffing costs. If the Department is not able to increase its billing activities and the receipts are not collected, the Department will need to add general revenues, able to be matched by Medicaid, to backfill any loss of receipts. Receipts collected in FY 2012 totaled \$5.0 million which dropped down to \$4.0 million in FY 2013. *The Governor recommends \$0.5 million less than requested, including \$0.3 million more in assumed turnover savings and \$0.2 million in savings from statewide medical benefit adjustments.*

**Barber and Hairdresser Services.** The Department requests \$100,000 from general revenues for contracted barber and hairdresser services for patients at the state-run hospital. The Department submitted a corrective action plan in December 2013 to address budget shortfalls. One proposal was to achieve savings of \$50,000 from charging patients for barber and hairdresser services. The patient would pay from their \$50 monthly personal needs allowance if an individual receives supplemental security income or disability, and the revenues would be collected and shown as a restricted receipt. *The Governor's budget includes a general revenue savings of \$100,000 and shifts expenses to the restricted receipt account.*

**Dental, Podiatry and Optometry Services.** The Department requests \$3.8 million from all sources for contracted medical services including dental, podiatry and optometry. A portion of the services are not eligible because of a lack of documentation that the procedures were medically necessary. The Department submitted a corrective action plan in December 2013 that includes general revenue savings of \$50,000 from shifting state expenses to Medicaid from documenting the necessity of allowable medical services in the final six months of FY 2014. The Department reports that in FY 2013 \$275,000 in expenses did not have the proper documentation for federal reimbursement. *The Governor's budget includes savings of \$100,000 from general revenues and shifts expenses to Medicaid.*

**Contracted Medical and Other Services.** In addition to the funding requested for the employees at the state hospital, the Department also requests \$6.3 million for various contracted services in FY 2015. This is \$305,000 more than enacted from all sources to fund additional medical services, including physicians, nurses, counseling, in-patient and rehabilitation services. The Department has been asked to provide a reason for the increase in nursing services since there has been a substantial increase in staffing compared to FY 2013. *The Governor recommends funding as essentially as requested; he reduces general revenues by \$12,843.*

**Hospital Beds.** The Department's request includes \$300,000 from all funds to replace current hospital beds with new hospital beds in FY 2015. The Department submitted a corrective action plan in December 2013 that includes not purchasing new hospital beds for savings of \$150,000, including \$75,000 from general revenues in the final six months of FY 2014.

*The Governor's budget includes a full year of savings of \$300,000, including \$150,000 from general revenues. It should be noted the Department's request for Rhode Island Capital Plan funding for new hospital equipment is also recommended by the Governor.*

**Other Operations.** The Department requests \$10.8 million for all other operations, which is \$2.2 million less than enacted; however, adds \$0.7 million from general revenues and reduces Medicaid reimbursements by \$2.8 million. The request includes \$3.3 million for pharmaceuticals, \$2.8 million for medical supplies and \$1.7 million for administrative costs. *The Governor reduces expenses by \$0.6 million from all sources, including medical supplies, for the state-run facility.*

**Target - Downsize Hospital Operations.** The Department includes savings of \$11.9 million from all sources, including \$5.9 million from general revenues from downsizing operations at the state-run hospital. The proposal will reduce the hospital census and staffing by closing two psychiatric patient care units and one medical unit, discharging patients to other settings and reduce staff through lay-offs. It should be noted this proposal does not factor in the cost of transferring a patient to another facility that may impact another Department's budget, such as the Office of Health and Human Services. The proposal reduces staffing by 99.4 positions.

The hospital currently operates 17 patient care units (nine psychiatric, eight medical) with a plan to reduce the number of units to 14, with a change in census by FY 2015. The potential units for closure would be two units in Adolf Meyer and a medical unit at the Zambarano Campus. Personnel expenses account for approximately 75 percent of the hospital's operating budget. *The Governor does not include this proposal.*

**Target - Forensic Unit Downsize.** The Department proposes savings of \$1.1 million from all sources, including \$0.6 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 not guilty by reason of insanity (Rhode Island General Law Section 40.1-5.3-4) and those from the Department of Corrections who require specialized services (Rhode Island General Law Section 40.1-5.3-6). The Department would retain responsibility for the care and treatment of these individuals by statute (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 (APS) 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 include this proposal.*

**Target - Laboratory Services.** The Department proposes eliminating laboratory testing services provided through Eleanor Slater Hospital to the Departments of Corrections and Children, Youth and Families for savings of \$0.3 million, including \$0.2 million from general revenues. The Department has reported that it has not informed either department of its proposed change. *The Governor does not include this proposal.*

**Target - Unexplained.** The Department's request further reduces general revenues by \$316,743; however, it has not provided an explanation for this decrease. *The Governor does not include the reduction.*

## Hospital and Community System Support

**Salaries and Benefits.** The Department requests \$2.6 million from all sources to support 24.6 positions in the hospital and community support program. The request includes \$1.7 million from general revenues and \$0.9 million from indirect cost recovery restricted receipts. The request adds three positions transferred from the behavioral health program and includes adjustments based on Budget Office planning values. *The Governor recommends \$0.2 million less than requested from general revenues for additional turnover savings.*

**Operations.** The Department requests \$94,318 from all sources, including \$89,985 from general revenues for operations in the home and community system support program. This includes \$72,257 for operating and the enacted level of \$22,061 for contracted services, including \$20,000 to maintain the billing system and is \$9,530 more than enacted from general revenues. *The Governor recommends funding as requested.*

## Central Management

**Salaries and Benefits.** The Department requests \$1.4 million from all sources, including \$0.9 million from general revenues for staffing costs in central management. This is \$373,204 more than enacted and includes fully funding 11 positions. The Department's request shifts three employees from the behavioral health care program. The request also includes adjustments for updated benefit rates. *The Governor recommends \$73,060 less than requested including \$41,781 from turnover savings and statewide medical benefit adjustments.*

**Operations.** The Department requests \$132,700 from all sources, including \$127,363 from general revenues for all other operations in the central management program. This is \$35,550 less from general revenues.

The Department's request includes \$129,858 for operating and other expenses and \$2,842 for contracted services. The request eliminates the \$40,000 included in the enacted budget for phone services provided by the Department of Corrections to notify staff when a sex offender is residing at Harrington Hall since it reports that the Department of Corrections has not billed for the services; the Department of Corrections reports that it was unaware that the funding is available. *The Governor recommends funding as requested.*

## Office of the Child Advocate

	FY 2014		FY 2014		FY 2015		FY 2015
	Enacted		Revised		Request		Recommended
<b>Expenditures by Category</b>							
Salaries and Benefits	\$ 630,096	\$	605,546	\$	697,754	\$	641,886
Contracted Services	500		500		500		500
<b>Subtotal</b>	<b>\$ 630,596</b>	<b>\$</b>	<b>606,046</b>	<b>\$</b>	<b>698,254</b>	<b>\$</b>	<b>642,386</b>
Other State Operations	17,052		18,431		21,910		18,431
Aid to Local Units of Government	-		-		-		-
Assistance, Grants, and Benefits	-		-		-		-
Capital	1,000		1,000		1,000		1,000
Capital Debt Service	-		-		-		-
Operating Transfers	-		-		-		-
<b>Total</b>	<b>\$ 648,648</b>	<b>\$</b>	<b>625,477</b>	<b>\$</b>	<b>721,164</b>	<b>\$</b>	<b>661,817</b>
<b>Sources of Funds</b>							
General Revenue	\$ 608,651	\$	575,477	\$	671,164	\$	611,817
Federal Aid	39,997		50,000		50,000		50,000
Restricted Receipts	-		-		-		-
Other	-		-		-		-
<b>Total</b>	<b>\$ 648,648</b>	<b>\$</b>	<b>625,477</b>	<b>\$</b>	<b>721,164</b>	<b>\$</b>	<b>661,817</b>
<b>FTE Authorization</b>	<b>6.0</b>		<b>6.0</b>		<b>6.0</b>		<b>6.0</b>

**Summary.** The Office of the Child Advocate requests \$721,164 which is \$72,516 more than enacted from all funds. The request includes \$62,513 more from general revenues and \$10,003 more from federal funds. The request also includes the enacted level of 6.0 positions. *The Governor recommends \$59,347 less than requested and the enacted level of positions.*

**Target Issues.** The Budget Office provided the Office with a general revenue target of \$572,500. The amount includes current service adjustments of \$6,940 and a 7.0 percent target reduction of \$43,091. *The Governor's recommendation is \$39,317 above the target.*

The constrained budget submitted by the agency is consistent with the target. The proposals to achieve the reductions are noted among the items described below where appropriate.

FY 2015 Budget		Budget Office		Child Advocate		Difference
<b>FY 2014 Enacted</b>	<b>\$</b>	<b>608,651</b>	<b>\$</b>	<b>608,651</b>	<b>\$</b>	<b>-</b>
Current Service Adjustments		6,940		62,513		55,573
<b>Change to FY 2014 Enacted</b>	<b>\$</b>	<b>6,940</b>	<b>\$</b>	<b>62,513</b>	<b>\$</b>	<b>55,573</b>
<b>FY 2015 Current Service / Unconstrained Request</b>	<b>\$</b>	<b>615,591</b>	<b>\$</b>	<b>671,164</b>	<b>\$</b>	<b>55,573</b>
Target Reduction/Initiatives		(43,091)		(98,664)		(55,573)
<b>FY 2015 Constrained Target/Request</b>	<b>\$</b>	<b>572,500</b>	<b>\$</b>	<b>572,500</b>	<b>\$</b>	<b>-</b>
<i>Change to FY 2013 Enacted</i>	<i>\$</i>	<i>(36,151)</i>	<i>\$</i>	<i>(36,151)</i>	<i>\$</i>	<i>-</i>

**Salaries and Benefits.** The Office requests \$697,754 for salaries and benefits for its 6.0 enacted positions. This is \$67,658 more than enacted, including \$57,391 more from general revenues and \$10,267 more from federal funds. It appears that the Office's request intended to fund only current service adjustments consistent with Budget Office instructions, but inadvertently overstates costs by \$18,454.

The Office's constrained request proposes a pay reduction and reduces funding for salaries and benefits by \$98,664 or 25.0 percent to the unconstrained request and \$41,273 to the enacted. This would reduce the salaries for all positions within the Office. This proposal is contrary to the collective bargaining agreements for three employees. The constrained request includes the salary reduction rather than eliminating the vacant senior monitoring and evaluation specialist position. Elimination of any position would result in adequate savings to meet the Budget Office target. *The Governor recommends \$55,868 less than requested including \$55,947 less from general revenues to reflect a correction to projected personnel costs and statewide medical benefit savings.*

**Other Operations.** The Office requests \$23,410, which is \$5,122 more than enacted from general revenues and \$264 less from federal funds for all other expenses. The increase includes \$2,050 for mileage and travel expenses, \$1,300 for monthly fees associated with a parking space at the Family Court in Providence, \$700 for a cell phone for the assistant child advocate and \$972 for other adjustments. *The Governor recommends \$3,479 less than requested for mileage, travel and office expenses consistent with his revised recommendation.*

## Commission on the Deaf and Hard of Hearing

	FY 2014		FY 2014		FY 2015		FY 2015
	Enacted		Revised		Request		Recommended
<b>Expenditures by Category</b>							
Salaries and Benefits	\$ 329,980	\$	327,389	\$	466,138	\$	333,438
Contracted Services	112,634		112,183		72,134		108,646
<b>Subtotal</b>	<b>\$ 442,614</b>	<b>\$</b>	<b>439,572</b>	<b>\$</b>	<b>538,272</b>	<b>\$</b>	<b>442,084</b>
Other State Operations	25,495		26,195		30,195		28,695
Aid to Local Units of Government	-		-		-		-
Assistance, Grants, and Benefits	-		-		-		-
Capital	3,500		3,500		-		3,500
Capital Debt Service	-		-		-		-
Operating Transfers	-		-		-		-
<b>Total</b>	<b>\$ 471,609</b>	<b>\$</b>	<b>469,267</b>	<b>\$</b>	<b>568,467</b>	<b>\$</b>	<b>474,279</b>
<b>Sources of Funds</b>							
General Revenue	\$ 391,609	\$	389,267	\$	488,467	\$	394,279
Federal Aid	-		-		-		-
Restricted Receipts	80,000		80,000		80,000		80,000
Other	-		-		-		-
<b>Total</b>	<b>\$ 471,609</b>	<b>\$</b>	<b>469,267</b>	<b>\$</b>	<b>568,467</b>	<b>\$</b>	<b>474,279</b>
<b>FTE Authorization</b>	<b>3.0</b>		<b>3.0</b>		<b>4.0</b>		<b>3.0</b>

**Summary.** The Commission on the Deaf and Hard of Hearing requests \$568,467 or \$96,858 more than enacted, which is \$91,774 more than the current service target provided by the Budget Office. The Commission also requests 4.0 positions which is 1.0 more than the enacted level. *The Governor recommends \$94,188 less than requested from general revenues and includes the enacted level of positions.*

**Target Issues.** The Budget Office provided the Commission with a general revenue target of \$368,924. The amount includes current service adjustments of \$5,084 and a 7.0 percent target reduction of \$27,769.

The constrained budget submitted by the agency is consistent with the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's budget is \$0.1 million above the target.*

			Deaf and Hard		
FY 2015 Budget	Budget Office	of Hearing	of Hearing	Difference	
<b>FY 2014 Enacted</b>	<b>\$ 391,609</b>	\$	<b>391,609</b>	\$	<b>-</b>
Current Service Adjustments	5,084		5,084		-
New Initiatives	-		91,774		<b>91,774</b>
<b>Change to FY 2014 Enacted</b>	<b>\$ 5,084</b>	<b>\$</b>	<b>96,858</b>	<b>\$</b>	<b>91,774</b>
<b>FY 2015 Current Service/ Unconstrained Request</b>	<b>\$ 396,693</b>	<b>\$</b>	<b>488,467</b>	<b>\$</b>	<b>(4,567)</b>
Target Reduction/Initiatives	(27,769)		(119,543)		(91,774)
<b>FY 2015 Constrained Target/Request</b>	<b>\$ 368,924</b>	<b>\$</b>	<b>368,924</b>	<b>\$</b>	<b>-</b>
<b>Change to FY 2014 Enacted</b>	<b>\$ (22,685)</b>	<b>\$</b>	<b>(22,685)</b>	<b>\$</b>	<b>-</b>

**Staff Interpreter Position.** The Commission requests \$90,286 from general revenues for 1.0 staff interpreter, which is not funded in the enacted budget. This includes an entire year of salaries and benefits consistent with FY 2015 planning values. The Commission indicates that having a full-time interpreter would improve interoffice communication and reduce its reliance on contracted interpreter services.

The Commission's constrained budget excludes funding and authorization for 1.0 staff interpreter. *The Governor does not recommend this position.*

**Salaries and Benefits.** The Commission requests \$335,853 for salaries and benefits to fully fund its current level of 3.0 positions. This is \$5,872 more than enacted and includes adjustments consistent with the Budget Office planning values. *The Governor recommends \$2,414 less than requested to reflect statewide medical benefits savings.*

**Translation and Interpreter Services.** The Commission requests the enacted level of \$51,634 from general revenues for Communication Access Real Time Translation and emergency interpreter services. The Commission has underspent general revenues intended for these services since FY 2009 and reports that it has been receiving complaints from constituents regarding the availability of services. Final expenses in FY 2013 were \$43,367.

The Commission's constrained request eliminates emergency interpreter services and reducing real time translation services for savings of \$27,769. First responders, hospitals, and officials delivering emergency press conferences would not have access to the emergency referral service. *The Governor recommends \$1,488 less than requested to offset the cost of increased operating expenses.*

**Emergency and Public Communications.** The 2013 Assembly created the Emergency and Public Communications Access program to be administered by the Commission. This is funded with \$80,000 annually, including \$20,500 for interpreters and translators, \$40,000 for a new contractor to manage the program and \$500 for a conference on emergency readiness. This also includes \$19,000 for electronic communications equipment to be installed at state facilities, costs associated with advertising, travel, training, and additional computer equipment to accommodate the contracted employee. The Commission requests the enacted level of funding. *The Governor recommends funding as requested.*

**Other Operations.** The Commission requests \$10,695, or \$700 more than enacted from general revenues for all other operating expenses, including costs associated with attending conferences, a Blackberry for an interpreter referral specialist, and other operating costs associated with client services and education.

The Commission's constrained request excludes the \$700 for the Blackberry. *The Governor recommends the unconstrained level of funding.*

## Governor's Commission on Disabilities

		FY 2014 Enacted		FY 2014 Revised		FY 2015 Request		FY 2015 Recommended
<b>Expenditures by Category</b>								
Salaries and Benefits	\$	344,732	\$	343,029	\$	347,303	\$	346,020
Contracted Services		11,458		17,778		16,712		16,718
<b>Subtotal</b>	<b>\$</b>	<b>356,190</b>	<b>\$</b>	<b>360,807</b>	<b>\$</b>	<b>364,015</b>	<b>\$</b>	<b>362,738</b>
Other State Operations		25,443		55,088		66,110		-
Aid to Local Units of Government		-		-		-		-
Assistance, Grants, and Benefits		114,551		75,758		76,116		76,116
Capital		959,152		993,959		520,357		1,000,628
Capital Debt Service		-		-		-		66,320
Operating Transfers		-		-		427,545		3,000
<b>Total</b>	<b>\$</b>	<b>1,455,336</b>	<b>\$</b>	<b>1,485,612</b>	<b>\$</b>	<b>1,454,143</b>	<b>\$</b>	<b>1,508,802</b>
<b>Sources of Funds</b>								
General Revenue	\$	357,711	\$	356,352	\$	359,642	\$	358,275
Federal Aid		129,989		156,330		141,350		141,350
Restricted Receipts		10,365		15,930		9,177		9,177
Other		957,271		957,000		943,974		1,000,000
<b>Total</b>	<b>\$</b>	<b>1,455,336</b>	<b>\$</b>	<b>1,485,612</b>	<b>\$</b>	<b>1,454,143</b>	<b>\$</b>	<b>1,508,802</b>
<b>FTE Authorization</b>		<b>4.0</b>		<b>4.0</b>		<b>4.0</b>		<b>4.0</b>

**Summary.** The Governor's Commission on Disabilities requests \$1.5 million which is \$1,193 less than enacted from all sources for FY 2015. The request includes \$1,931 more from general revenues, \$11,361 more from federal funds, \$1,188 less from restricted receipts and \$13,297 less from Rhode Island Capital Plan funds and the authorized level of 4.0 positions. *The Governor recommends \$1,367 less than requested from general revenues to reflect statewide medical benefit savings and the enacted level of positions.*

**Target Issues.** The Budget Office provided the Commission with a general revenue target of \$334,467. The amount includes current service adjustments of \$1,931 and a 7.0 percent target reduction of \$25,175. *The Governor's recommendation is \$23,808 above the target.*

		Budget Office		Commission on Disabilities		Difference
<b>FY 2015 Budget</b>						
<b>FY 2014 Enacted</b>	<b>\$</b>	<b>357,711</b>	<b>\$</b>	<b>357,711</b>	<b>\$</b>	<b>-</b>
Current Service Adjustments		1,931		1,931		-
<b>Change to FY 2014 Enacted</b>	<b>\$</b>	<b>1,931</b>	<b>\$</b>	<b>1,931</b>	<b>\$</b>	<b>-</b>
<b>FY 2015 Current Service/ Unconstrained Request</b>	<b>\$</b>	<b>359,642</b>	<b>\$</b>	<b>359,642</b>	<b>\$</b>	<b>-</b>
Target Reduction/Initiatives		(25,175)		(25,175)		-
<b>FY 2015 Constrained Target/Request</b>	<b>\$</b>	<b>334,467</b>	<b>\$</b>	<b>334,467</b>	<b>\$</b>	<b>-</b>
<b>Change to FY 2014 Enacted</b>	<b>\$</b>	<b>(23,244)</b>	<b>\$</b>	<b>(23,244)</b>	<b>\$</b>	<b>-</b>

The constrained budget submitted by the agency is consistent with the Budget Office target. The proposals to achieve the reductions are noted among the items described below where appropriate.

**Salaries and Benefits.** The Commission's unconstrained request includes \$347,303 from all sources for salaries and benefits for its 4.0 full-time equivalent positions, including \$72 more from general revenues and \$2,499 more from federal funds to reflect current staffing and a higher level of Help America Vote Act funding in an election year. This includes an increase of \$1,931 to reflect statewide benefit adjustments consistent with Budget Office planning values. The Commission does not assume turnover savings, consistent with the enacted budget.

The Commission's constrained request includes \$16,712 less from general revenues to reflect 11.0 unpaid furlough days. *The Governor does not concur with the constrained request and includes funding as requested with the exception of \$1,283 to reflect statewide medical benefit savings.*

**Fellowships.** The Commission's unconstrained request includes \$25,757 including \$14,718 from general revenues and \$11,039 from federal funds for 11 fellowships, which is \$4,656 more than enacted. The Commission requests three additional fellows for FY 2015 including one Mary Brennan fellowship, and two Americans with Disabilities Act fellows. Fellows receive different levels of compensation based on the number of activities and hours worked.

The Commission's constrained request reduces general revenue funding for the Mary Brennan fellowship and other fellowships by \$7,359 from general revenues, or 50.0 percent. The Commission does not reduce federally funded fellowships. *The Governor recommends the unconstrained level of funding.*

**Election Expenses.** The Commission requests \$92,895 from federal Help America Vote Act funds, which is \$6,020 less than enacted. Funding supports improved voter access, education, and transportation to polling places for individuals with disabilities. This also includes funding for polling place identification flags, mailings, and polling place inspections before the 2014 elections. The Commission indicates that this would exhaust Help America Vote Act funds. Grantee funding can be spent at the Commission's discretion through April 2016. *The Governor recommends funding as requested.*

**Other Operations.** The Commission requests \$44,214 from all sources, which is \$10,897 more than enacted for all other Commission operations. This includes \$1,859 more from general revenues, \$10,226 more from federal funds and \$1,188 less from restricted receipts for lease payments for a copier, new computer software, constituent management software, a communications consultant and other minor operating adjustments.

The Commission's constrained request reduces general revenue funding by \$1,104 for other operations and excludes the request for new computer software. *The Governor recommends \$84 less than the unconstrained request to reflect postage costs.*

**Accessibility Capital Projects.** The Commission requests \$943,974 from Rhode Island Capital Plan funds for accessibility renovations to state-owned facilities. This is \$13,297 less than enacted, which reflects a shift of some expenses to the current year. The Commission plans to continue 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 recommends \$56,026 more than requested to reflect updated project schedules. The Governor also recommends merging all projects into a single accessibility project.*

## Office of the Mental Health Advocate

	FY 2014		FY 2014		FY 2015		FY 2015
	Enacted		Revised		Request		Recommended
<b>Expenditures by Category</b>							
Salaries and Benefits	\$ 473,848	\$	471,881	\$	593,392	\$	480,514
Contracted Services	1,800		1,800		4,300		1,800
<b>Subtotal</b>	<b>\$ 475,648</b>	<b>\$</b>	<b>473,681</b>	<b>\$</b>	<b>597,692</b>	<b>\$</b>	<b>482,314</b>
Other State Operations	10,496		10,035		11,396		12,696
Aid to Local Units of Government	-		-		-		-
Assistance, Grants, and Benefits	-		-		-		-
Capital	-		-		-		-
Capital Debt Service	-		-		-		-
Operating Transfers	-		-		-		-
<b>Total</b>	<b>\$ 486,144</b>	<b>\$</b>	<b>483,716</b>	<b>\$</b>	<b>609,088</b>	<b>\$</b>	<b>495,010</b>
<b>Sources of Funds</b>							
General Revenue	\$ 486,144	\$	483,716	\$	609,088	\$	495,010
Federal Aid	-		-		-		-
Restricted Receipts	-		-		-		-
Other	-		-		-		-
<b>Total</b>	<b>\$ 486,144</b>	<b>\$</b>	<b>483,716</b>	<b>\$</b>	<b>609,088</b>	<b>\$</b>	<b>495,010</b>
<b>FTE Authorization</b>	<b>3.7</b>		<b>3.7</b>		<b>5.0</b>		<b>3.7</b>

**Summary.** The Office of the Mental Health Advocate requests \$609,088 from general revenues, \$122,944 more than enacted for adjustments to salary and benefits consistent with Budget Office planning values and other operating adjustments in its unconstrained current services request. The Office also requests 5.0 positions, 1.3 above the current authorization.

*The Governor recommends \$495,010 and the enacted level of 3.7 positions. This is \$8,866 more than enacted, \$114,078 less than requested and \$36,985 more than the constrained request.*

**Target Issues.** The Budget Office provided the Office with a general revenue target of \$458,025. The amount includes current service adjustments of \$6,356 and a 7.0 percent target reduction of \$34,475.

			Mental Health		
FY 2015 Budget	Budget Office	Advocate	Difference		
<b>FY 2014 Enacted</b>	<b>\$ 486,144</b>	<b>\$ 486,144</b>	<b>\$ -</b>		
Current Service Adjustments	6,356	14,890	8,534		
New Initiatives	-	108,104	108,104		
<b>Change to FY 2014 Enacted</b>	<b>\$ 6,356</b>	<b>\$ 122,994</b>	<b>\$ 116,638</b>		
<b>FY 2015 Current Service/Unconstrained Request</b>	<b>\$ 492,500</b>	<b>\$ 609,088</b>	<b>\$ 116,638</b>		
Target Reduction/Initiatives	(34,475)	(151,063)	(116,588)		
<b>FY 2015 Constrained Target/Request</b>	<b>\$ 458,025</b>	<b>\$ 458,025</b>	<b>\$ -</b>		
<i>Change to FY 2014 Enacted</i>	<i>\$ (28,119)</i>	<i>\$ (28,119)</i>	<i>\$ -</i>		

The constrained budget submitted by the agency meets the target. The proposals to achieve the reductions are noted among the following items, described where appropriate. *The Governor's recommendation is \$36,985 above the target.*

**Positions.** The Office requests \$108,104 from general revenues for 1.3 positions more than authorized, including a new social worker position to assist with non-legal issues that the Office addresses with its clientele, such as housing and health care, and to convert a part-time attorney to full-time to address current caseloads.

The Office eliminates the requested staffing increase in its constrained request. *The Governor includes the current staffing level of 3.7 positions; he does not recommended the additional positions.*

**Other Salary and Benefit Adjustments.** The Office requests \$485,288 for all other salary and benefit adjustments, \$11,440 more than enacted to fully fund 3.7 positions consistent with the Budget Office planning values.

The Office proposes 24 pay reduction days in the FY 2015 constrained request for savings of \$37,961 to meet the Budget Office general revenue target. *The Governor recommends \$6,666 more than enacted and \$4,774 less than the unconstrained request to reflect statewide benefit adjustments. He does not include the pay reduction days.*

**Other Operations.** The Office requests \$3,400 more than enacted for a total of \$15,696 for other operations. This includes \$4,000 for psychiatric evaluations which is \$2,500 more than enacted and consistent with the revised request. Since the evaluations are on an as-needed basis the Office estimates the cost based on past spending and the Office spent \$3,900 in FY 2012 but only \$1,500 in FY 2013. The request also adds \$900 for all other expenses incurred by the Office totaling \$11,969 in its unconstrained request.

The Office's constrained request is \$4,998 less than its unconstrained request and \$1,798 less than the enacted budget. It eliminates the increase for psychiatric evaluations and reduces funding for mileage reimbursement. *The Governor recommends \$2,200 more than enacted and \$1,200 less than the unconstrained request.*

## Department of Elementary and Secondary Education

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Program</b>				
State Aid	\$ 744,785,949	\$ 742,602,437	\$ 783,242,964	\$ 779,793,138
School Housing Aid	69,949,504	67,663,036	69,949,504	67,949,504
Teachers' Retirement	81,691,253	80,891,937	91,241,746	89,829,396
RI School for the Deaf	6,772,873	6,970,100	7,029,245	6,823,642
Central Falls School District	38,399,591	38,399,591	38,888,156	38,845,852
Davies Career & Technical School	17,790,183	19,821,746	18,733,233	19,072,269
Met. Career & Tech. School	14,598,382	18,007,034	11,522,812	11,797,264
Administration	251,985,531	253,173,631	236,633,720	235,090,412
<b>Total</b>	<b>\$1,225,973,266</b>	<b>\$1,227,529,512</b>	<b>\$1,257,241,380</b>	<b>\$1,249,201,477</b>
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 87,767,725	\$ 40,486,727	\$ 82,092,526	\$ 40,294,601
Contracted Services	43,658,294	48,692,764	44,535,322	39,777,947
<b>Subtotal</b>	<b>\$ 131,426,019</b>	<b>\$ 89,179,491</b>	<b>\$ 126,627,848</b>	<b>\$ 80,072,548</b>
Other State Operations	12,468,861	14,137,222	12,907,294	12,988,345
Aid to Local Units of Government	1,052,885,097	1,092,419,438	1,092,572,040	1,130,202,708
Assistance, Grants, and Benefits	21,470,207	21,252,584	19,660,664	19,910,664
Capital	7,723,082	10,540,777	5,473,534	6,027,212
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
<b>Total</b>	<b>\$1,225,973,266</b>	<b>\$1,227,529,512</b>	<b>\$1,257,241,380</b>	<b>\$1,249,201,477</b>
<b>Sources of Funds</b>				
General Revenue	\$ 964,706,909	\$ 961,127,886	\$1,016,110,007	\$1,007,205,243
Federal Aid	225,746,654	228,824,552	208,243,487	208,495,934
Restricted Receipts	27,658,516	25,993,892	27,270,198	27,253,972
Other	7,861,187	11,583,182	5,617,688	6,246,328
<b>Total</b>	<b>\$1,225,973,266</b>	<b>\$1,227,529,512</b>	<b>\$1,257,241,380</b>	<b>\$1,249,201,477</b>
<b>FTE Authorization</b>				
Administration	171.4	171.4	179.4	154.9
Davies	126.0	126.0	126.0	126.0
School for the Deaf	60.0	60.0	59.0	60.0
<b>Total Authorized Positions</b>	<b>357.4</b>	<b>357.4</b>	<b>364.4</b>	<b>340.9</b>

**Summary.** The Board requests \$1,257.2 million from all sources of funds and 364.4 full-time equivalent positions. The staffing request is 7.0 positions more than enacted. General revenues in the unconstrained request total \$1,016.1 million, which is \$51.4 million over the FY 2014 enacted level.

*The Governor recommends \$1,249.2 million, which is \$23.2 million more than enacted and \$8.0 million less than requested. He recommends \$1,007.2 million from general revenues, which is \$42.5*

million more than enacted and \$8.9 million less than requested. He fully funds the fourth year of the funding formula adopted by the 2010 Assembly and recommends \$6.1 million for group home aid which is \$0.8 million less than current law requirements.

Federal funds are \$0.3 million more than requested and Rhode Island Capital Plan funds are \$0.6 million more to reflect the Governor's capital budget proposal. He reduces the authorized level of full-time equivalent positions by 16.5 to reflect the end of Race to the Top funding.

**Target Issues.** The Budget Office provided the Department with a general revenue target of \$1,010.2 million. The amount includes current service adjustments of \$47.8 million and a 7.0 percent target reduction, adjusted for certain exclusions, of \$2.3 million.

The constrained budget submitted by the agency is \$132,172 above the target. The proposals to achieve the reductions are noted among the items described below where appropriate.

*The Governor's recommendation is \$3.0 million below the target to reflect lower estimates for school housing aid and teacher retirement.*

FY 2015 Budget	Budget Office	Elementary and Secondary Ed.	Difference
<b>FY 2014 Enacted</b>	<b>\$ 964,706,909</b>	<b>\$ 964,706,909</b>	<b>\$ -</b>
Current Service Adjustments	47,768,061	46,591,841	(1,176,220)
New Initiatives	-	4,811,257	4,811,257
<b>Change to FY 2014 Enacted</b>	<b>\$ 47,768,061</b>	<b>\$ 51,403,098</b>	<b>\$ 3,635,037</b>
<b>FY 2015 Current Service/ Unconstrained Request</b>	<b>\$ 1,012,474,970</b>	<b>\$ 1,016,110,007</b>	<b>\$ 3,635,037</b>
Target Reduction/Initiatives	(2,286,586)	(5,789,451)	(3,502,865)
<b>FY 2015 Constrained Target/Request</b>	<b>\$ 1,010,188,384</b>	<b>\$ 1,010,320,556</b>	<b>\$ 132,172</b>
<i>Change to FY 2014 Enacted</i>	<i>\$ 45,481,475</i>	<i>\$ 45,613,647</i>	<i>\$ 132,172</i>

**Funding Formula Distribution.** The Board requests \$742.9 million for state aid to local school districts, not including Central Falls School district and the Met School. This represents the fourth year of the education funding formula adopted by the 2010 Assembly. The request is \$35.5 million more than the enacted level based on updated data including enrollment and poverty. This is consistent with the Budget Office current service calculation. *The Governor recommends funding as requested.*

**Central Falls School District.** The budget includes \$38.9 million from general revenues to support the Central Falls School district for FY 2015, which is \$0.5 million more than enacted. The increase reflects year four of the funding formula as well as an allocation from the stabilization fund. The formula includes a stabilization fund for the Central Falls school district until the city can begin paying its local share. This is the first year the Department has requested stabilization funding and includes \$1.8 million in its request. The request also includes a \$1.3 million reduction representing year four of the funding formula. This reduction reflects a declining Central Falls enrollment primarily due to the proliferation of charter schools. *The Governor recommends \$42,304 less than requested to correctly show the amount requested based on the funding formula calculation.*

**Metropolitan Career and Technical School.** The Board requests \$10.5 million for the Metropolitan Career and Technical School for FY 2015, which is \$0.5 million less than enacted. The Met School is funded pursuant to the funding formula with the state paying its share for each student and the sending districts contributing a local share. The decline is related to the transition from total state support to the formula which includes local support and a lower cost per student.

Using projected FY 2015 enrollments of 875 and free and reduced price lunch students of 613, total formula aid is projected to be \$7.2 million, or approximately \$3.8 million less than FY 2014 enacted aid. This decrease will be transitioned over six years, the remainder of the ten-year transition plan. The projected FY 2015 share of the \$548,442 decrease will be offset by a projected increase in the local share of \$1.1 million, which yields a net increase of \$557,000. The local revenue estimate uses FY 2014 tuition rates and will change when the FY 2015 tuition rates become available. *The Governor recommends funding as requested.*

**Career and Technical Education Categorical Funding.** The Board requests \$3.5 million for career and technical education categorical funding for FY 2015, which is \$0.5 million more than enacted. The request reflects the second year of career and technical education categorical funding. 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 is 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 developed criteria for the purpose of allocating funds provided by the Assembly each year and prorates 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.*

**Early Childhood Categorical Funding.** The Board requests \$3.0 million for early childhood categorical funding as part of the education funding formula, which is \$1.0 million more than enacted. The request reflects year four of the ten year phase in period. 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 is used to increase access to voluntary, free, high-quality pre-kindergarten programs. In FY 2014, nine organizations are receiving funds through a request for proposal process. This pilot program began in FY 2010 with \$700,000. *The Governor recommends funding as requested.*

**High Cost Special Education.** The Board requests \$1.5 million for high cost special education students as part of the education funding formula, which is \$0.5 million more than enacted. The request reflects year four of the ten year phase-in period. 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 assumes 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 prorates 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 Department has indicated that the total cost of full implementation for FY 2015 would be \$10.4 million. *The Governor recommends funding as requested.*

**Transportation Categorical Funding.** The Board requests \$4.4 million for transportation categorical funding, which is \$1.1 million more than enacted. The request reflects year four of the ten year phase-in period. 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 provides funding to mitigate the excess costs associated with transporting students to out-of-district non-public schools and

within regional school districts. The state assumes the costs of non-public out-of-district transportation for those districts participating in the statewide transportation system. The state shares in the cost associated with transporting students within regional school districts. The state and regional school districts share equally the student transportation costs net any federal sources of revenue for these expenditures. The Department prorates 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.*

**School Breakfast.** The Board requests the enacted level of \$270,000 for the administrative cost reimbursement to districts for the school breakfast program. Food is paid from federal sources. The 2005 Assembly passed legislation that would provide a per breakfast subsidy, subject to appropriation, to school districts based on each district's proportion of the number of breakfasts served in the prior school year relative to the statewide total in the same year. *The Governor recommends legislation contained in Article 28 to remove the state appropriation requirement for a savings of \$270,000. The requirement to provide the breakfast program would not change.*

**Textbook Reimbursement.** The Board requests the enacted level of \$240,000 from general revenues for textbook reimbursement. The state reimburses districts for the cost of providing textbooks to non-public school students in the areas of English/language arts and history/social studies in kindergarten through 12<sup>th</sup> grade. *The Governor recommends legislation contained in Article 28 to eliminate the reimbursement requirement for savings of \$240,000. The requirement for districts to provide the textbooks would not change.*

**Education Telecommunications Access Fund.** The Department requests \$1.5 million, including \$0.4 million from general revenues, to fully fund the education telecommunications access fund for FY 2015 which is consistent with the FY 2014 revised request and \$0.4 million less than enacted. The telecommunications education access fund is designed to provide financial assistance to qualified libraries and schools to acquire, install, and use telecommunications technologies to access the Internet. This fund is supported by a \$0.26 monthly surcharge levied upon each residence and business telephone access line. The federal allocation varies based on the result of the local education agencies' technology surveys and applications.

The decrease reflects a lower request from local education agencies than anticipated which also coincides with fewer revenues. In FY 2014, the Department requested \$400,000 in additional funding from general revenues to ensure that all districts would receive telecommunications access funds. Based on collections for the first half of FY 2014, the Department will collect \$1.1 million in revenue from the monthly surcharge levied upon each residence and business telephone access line. The \$0.4 million from general revenues will allow the Department to fully fund the districts based on this year's grant requests. *The Governor recommends funding as requested.*

**Teacher Retirement.** The Board requests \$91.2 million to fund the state's share of the employer contribution for teacher retirement costs, an increase of \$9.6 million to the FY 2014 enacted level based on FY 2015 planning values and a 3.0 percent growth in teacher payroll. Prior to changes enacted in a special legislative session during the fall of 2011, teachers had contributed 9.5 percent of their salaries; beginning July 1, 2012, teachers contribute 8.75 percent. 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 \$89.8 million, \$1.4 million less than requested to reflect revisions to payroll growth assumptions based on FY 2013 experience.*

**School Housing Aid.** The Board requests \$69.9 million from general revenues for school housing aid. This is consistent with the enacted amount. The Department has indicated that it believes this is sufficient to fund new project completions as there will be savings from districts refinancing and the reimbursement cycle for projects ending. The Department has \$880.0 million in active projects for FY 2015 and districts have indicated that \$35.1 million worth of new projects will be complete by June 30, 2014 in order to be eligible for FY 2015 school housing aid.

To encourage municipalities to refinance their bonds, the 2013 General Assembly enacted changes to legislation that entitles towns to 80 percent of the total savings from bond refinancings, rather than the typical local share, for bond refinancings occurring between July 1, 2013 and December 31, 2015. According to the Rhode Island Health and Educational Building Corporation, Providence, Central Falls Pawtucket, and North Providence refinanced their bonds for a total savings of \$2.8 million. The local districts receive 80 percent or \$2.2 million of the savings and the state would realize \$0.6 million of the savings. *The Governor recommends \$2.0 million less than requested to reflect revisions made in FY 2014 and the state's share of savings from refinancing.*

**Group Home Aid.** The Board requests \$6.3 million to fund beds for communities hosting group homes, which is \$0.8 million less than enacted based on a total of 451 beds, 16 fewer than enacted, and a proposal from the Department to change the way funding for group home beds affects total funding. Current law provides \$15,000 per bed which would require \$6.9 million, or \$240,000 less than enacted and \$558,761 more than requested. This proposal appears to deduct the impact of group home beds from the education funding data which results in a decrease in funding that is phased-in over the remaining years of the transition period. Additionally, the reduction is shown in the group home aid total rather than the formula aid total. This is a departure from current practice in which the required fixed payment is made for each bed open as of December 31 outside the other formula distributions.

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. The 2010 funding formula legislation retained that language.

*The Governor recommends \$6.1 million for group home aid, based on 451 beds. Consistent with the Department's request, his proposal appears to deduct the impact of group home beds from the education funding data which results in a decrease in funding that is phased-in over the remaining years of the transition period. This is a departure from current practice in which the required fixed payment is made for each bed open as of December 31 outside the other formula distributions. Based on the December 31, 2013 report from the Department of Children, Youth and Families, the actual bed count is 448, which makes the Governor's recommendation \$753,000 less than current law requirements. The Governor's FY 2014 revised recommendation fails to include \$60,000 for the four additional beds in Exeter-West Greenwich noted in the December 31<sup>st</sup> report.*

**Statewide Student Transportation System.** The Board's request for \$16.5 million is \$1.6 million less than enacted from restricted receipts for the statewide transportation system to correct a calculation error made by the Department. This adjustment is consistent with the FY 2013 closing. The 2009 Assembly adopted legislation mandating use of a statewide transportation system for all students. Districts reimburse the state for their share of the cost, offsetting this expenditure. Those fees are deposited into a restricted receipt account and used to fund the expenses. *The Governor recommends funding as requested.*

**Race To The Top.** The Board requests \$8.1 million to work on education reforms funded by the Race to the Top grant. This is \$15.7 million less than enacted as a result of the federal grants ending in September, 2014. On August 24, 2010, Rhode Island was notified it would be awarded Race to the Top grant funds. The Department's total award of \$75.0 million will be spent through September 30, 2014. 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 full-time equivalent positions. *The Governor recommends funding as requested.*

**Race to the Top - Early Childhood.** The Department requests \$5.4 million from Race to the Top – Early Childhood grant funds, which is \$0.9 million more than enacted as a result of the utilization of larger than anticipated carryover funds. In December 2011, the state was awarded \$50.0 million to be used to improve education for pre-school students. In FY 2015, the Department requests \$1.6 million from this grant for salaries and benefits that are not included in this total. This amount is consistent with the FY 2014 revised request. 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 Governor recommends funding as requested.*

**Nutrition Grants.** The Board requests authorization to spend \$52.5 million from federal nutrition program funds. This is \$2.6 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. *The Governor recommends funding as requested.*

**Special Education Grants.** The Board requests authorization to spend \$46.5 million, \$0.9 million less than enacted from federal special education funds to reflect fewer than anticipated carryover funds. The funds are distributed to school districts and provide administrative support. Most of the funds must be distributed to local education agencies serving children directly. Federal funds are combined with state and local funds to provide children with disabilities free and appropriate public education, including special education and related services. *The Governor recommends funding as requested.*

**Title I Grants.** The Board requests \$52.9 million in federal fund expenditures from Title I funds. This is \$1.7 million less than the enacted level based on fewer than anticipated carryover funds and the ending of stimulus funds. Title I funds go directly to local schools, where they are used to provide extra help to low-achieving students.

Title I fund distributions to states are calculated through four distinct formulas based upon different levels of poverty; however, funds are allocated to districts as one amount. *The Governor recommends funding as requested.*

**Vocational Education Grants.** The Board requests \$5.3 million from federal vocational education grants. This is \$1.2 million less than the enacted level to reflect the vocational rehabilitation grant no longer being funded through the Department. Education Funds are used to improve vocational educational programs throughout the state. *The Governor recommends funding as requested.*

**Teacher Quality/Professional Development Grants.** The Board requests \$13.7 million from federal funds that support teacher quality and professional development. This is \$0.4 million less than enacted to reflect a reduction in available grants. *The Governor recommends funding as requested.*

**Channel 36 Transition Grant.** The request eliminates the \$0.3 million grant to Channel 36 provided in the enacted budget. The FY 2014 enacted budget includes a \$300,000 pass through grant to assist in the transition of Channel 36 from a state agency to control of the Rhode Island PBS Foundation.

The Department has proposed eliminating this assistance in an effort to achieve savings. It should be noted that grant support at some level was intended to be provided for two years. *The Governor recommends \$250,000 for FY 2015.*

**Longitudinal Data Systems.** The Board requests \$1.6 million for longitudinal data systems from federal funds, which is \$4,953 more than enacted to reflect anticipated expenditures. These grants are intended to enable local educational agencies to design, develop, and implement statewide, longitudinal data systems to efficiently and accurately manage, analyze, disaggregate, and use individual student data. *The Governor recommends funding as requested.*

**Public Charter School Program.** The Board requests \$1.8 million from federal funds for the Public Charter School program, which is \$42,350 less than enacted. 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 makes subgrants to developers of charter schools who have applied for a charter. *The Governor recommends funding as requested.*

**State Assessments.** The Board requests \$3.8 million from federal funds for state assessments, which is \$0.2 million more than enacted to reflect anticipated expenditures. This is consistent with the FY 2014 revised request. These grants are used to support the development of the additional state assessments and standards required by federal law. These grants are also used to support the administration of those assessments or to carry out other activities related to ensuring that the state's schools and local educational agencies are held accountable for results. *The Governor recommends \$42,041 more than requested to reflect available funds.*

**Progressive Support and Intervention.** The Department requests \$2.7 million in general revenue funding to restore the Progressive Support and Intervention program. The 2011 General Assembly eliminated the general revenue support for these activities in the FY 2012 budget as they were being funded through the federal Race to the Top grant. The Department requests reinstatement of these general revenue funds for direct grant support for the state's lowest performing schools to cover a portion of the costs of school improvement and turnaround (eligible districts include Providence, Central Falls, Pawtucket, East Providence, Newport, and Cranston), direct financial support to cover a portion of the costs necessary to fund the teacher induction program, and support for the continued development and implementation of the school improvement monitoring process.

The Department excludes this request from its constrained budget. *The Governor does not recommend funding for this initiative.*

**Teacher Evaluation.** The Department requests \$0.3 million from general revenues to continue teacher evaluation support systems implemented with Race to the Top funds including teacher evaluation software licenses. Race to the Top funding will expire in September 2014. The request includes \$0.2 million from general revenues to fund 2.5 new full-time equivalent positions. These new positions would support teacher certification through data analysis and develop professional practice training for evaluators. The remaining \$0.1 million will support teacher evaluation through technical assistance for local education agencies and research into new practices for the Department of Elementary and Secondary Education. The request includes funding for software that provides local education agencies with access to roster verification, schedules observations, and keeps track of evaluation ratings.

The Department excludes this request from its constrained budget. *The Governor does not recommend funding or staffing for this initiative.*

**Data Systems.** The Department requests \$0.5 million in new general revenue funding and 2.0 new full-time equivalent positions to continue to provide helpdesk services to assist local education agencies with access to recently created data systems through helpdesk support and to provide single sign on services to all users of these data systems. This program was previously funded through Race to the Top federal funds, but will no longer receive funding when the Race to the Top grants end in September 2014. One position would serve as a technical liaison between the Department and local education agencies by setting up operational systems, providing training, and to discuss data quality. The second position would be a performance management executive responsible for the operation and maintenance of the Department's performance management system.

The Department excludes this request from its constrained budget. *The Governor does not recommend funding or staffing for this initiative.*

**Professional Development.** The Board requests \$0.4 million from general revenues to provide professional development for school leaders in the lowest performing schools to accelerate achievement and transform identified schools and to fund 2.0 new full-time equivalent positions. This program was previously funded through Race to the Top federal funds, but will no longer receive funding when the Race to the Top grants end in September 2014. Additionally, the Department requests 2.0 full-time equivalent positions. A transformation specialist will serve as the technical liaison with districts and an education specialist will serve as the coordinator and developer of a Dual Language Initiative that will research the current innovations in dual language programs that are emerging in Utah and Delaware. This position will work with an advisory group to design a Rhode Island program, assess the current level of dual language programming in Rhode Island, and meet with experts and local education agency leaders to gain input on how the Dual Language Initiative can be successfully launched.

The Department excludes this request from its constrained budget. *The Governor does not recommend funding or staffing for this initiative.*

**Teacher Assessment.** The Department requests \$0.5 million from general revenues and 1.5 full-time equivalent positions to continue to provide teacher assessment training for local education agencies. These positions would assist teachers by providing training in data analysis and maintenance support for the Department's instructional management system. The funds will also go towards maintenance and support for two teacher assessment data tools. The growth visualization tool allows multiple stakeholders including educators, parents, students, and policy makers to view district and school-level data for all public schools and educators. The instructional management system combines curriculum, assessment, instructional practice tools, and student data for educators and administrators into one system.

The Department excludes this request from its constrained budget. *The Governor does not recommend funding or staffing for this initiative.*

**Vision Services.** The Department requests \$0.2 million from general revenue funding for vision services. This is a \$0.3 million reduction in the second year of a three year transition of the costs for services provided by the Paul Sherlock Center to visually impaired students from state funds to local education agencies enacted by the 2012 General Assembly. *The Governor recommends funding as requested.*

**Department of Justice Settlement.** The Department requests \$125,000 from general revenues for a federal monitor as part of a settlement with the United States Department of Justice for violations of

Title II of the American with Disabilities Act. The Department of Justice discovered that individuals with intellectual and developmental disabilities were being segregated through a "Training Thru Placement" sheltered program at the Harold A. Birch Vocational Program at Mount Pleasant High School. The Department of Justice's investigation found that the majority of people receiving state and city-funded employment and daytime services through the segregated program could and wanted to work and receive services in more integrated community settings.

Under the Americans with Disabilities Act, people with disabilities have the right to receive services in the most integrated settings appropriate for them. As part of the settlement, the Department of Education must make certain remedial actions. The request will fund the remedies and the cost of the federal monitor that would validate compliance.

In addition to the Department, the Office of Health and Human Services, the Departments of Human Services, and Behavioral Healthcare, Development Disabilities and Hospitals are included in the investigation. The settlement and monitoring fees will be allocated among these agencies. The allocation methodology has been agreed to among the impacted agencies, but the scope and extent of the federal monitor's activities remains unknown as of December 2013. Therefore, the request is an estimate and a future meeting with the Department of Justice will determine the enforcement phase of the investigation. *The Governor recommends funding as requested.*

**New Municipal Oversight Positions.** The Board requests \$0.2 million for the 2.0 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 Board's approved budget model and implementation of best practices in school finance and state and federal rules and regulations and generally accepted accounting principles. In 2013, the Department requested 2.0 full-time equivalent positions and \$0.2 million to fund the positions. The Assembly authorized the full-time equivalent positions, but not the requested funding. The Department maintains that it cannot fulfill the obligations of this requirement without 2.0 additional positions.

The 2012 Assembly enacted legislation that requires the newly developed uniform chart of accounts to include a standardized budget process and requires that all districts, state schools and charter school implement a budget model approved by the Regents and use best practices established by the Department. It requires school districts to use the uniform budget process and failure to comply with this requirement would allow the state to withhold education aid. It also requires the Department, in consultation with the Division of Municipal Finance, to review and report deficits to the Auditor General, Superintendents, Mayors, town managers and others.

The Department excludes this request from its constrained budget. *The Governor does not recommend funding, consistent with the constrained request.*

**Other Salaries and Benefits.** The Department's request includes \$20.0 million, or \$0.9 million less from all funds, for its 156.4 administrative positions. The request includes \$0.3 million more from general revenues to reflect current service adjustments. It also includes \$1.1 million less from federal funds, partially as a result of the end of the Race to the Top grant. The Department intends to fund all but two of the 22.0 Race to the Top positions for the first quarter of FY 2015. The Department requests funding for the continuation of 8.0 new positions discussed previously. *The Governor recommends \$53,333 less than requested, including \$68,298 less from general revenues to reflect additional turnover and statewide medical benefit savings.*

**Met School Capital.** The Board requests \$1.0 million from Rhode Island Capital Plan funds for three projects for the Metropolitan Career and Technical School. This is \$2.5 million less than enacted for the East Bay Campus capital project as a result of advancing funds in the 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 this fall. The school is currently under construction.

*The Governor shifts \$0.3 million from FY 2014 to FY 2015 to reflect a revised construction schedule for the replacement of the HVAC system. A detailed analysis of the projects is included in the Capital Budget section of this publication.*

**Other Capital.** The Board requests \$3.2 million from Rhode Island Capital Plan funds for FY 2015 for capital projects at the state's career and technical centers. This is \$0.1 million more than enacted and includes work at Cranston, East Providence, Warwick, and Woonsocket centers. The state is making significant repairs and renovations at the career and technical centers for the districts to consider taking ownership of the facilities. *The Governor shifts \$15,152 from FY 2014 to FY 2015, consistent with the revised recommendation.*

**Grant and Programming Revisions.** The Board's request for \$23.9 million includes adjustments in state, federal and restricted receipt expenditures producing a total increase of \$34,194, including an increase of \$27,863 from general revenues. This reflects an increase in telecommunication and internet costs offset by a small decrease in insurance costs. Federal funds for all other grants, not noted previously, increase by \$0.2 million. Most of the changes reflect actual grant awards and projected expenditures.

*The Governor recommends \$0.2 million more than requested to reflect the inclusion of a new federal adult education grant. The recommendation also includes \$10,048 more from general revenues to reflect an increase in miscellaneous office expenses.*

### **Davies Career and Technical School**

**Funding Formula Adjustment.** The Board requests \$17.6 million from all sources for the fourth year of the funding formula. This is \$0.8 million more than enacted including \$0.6 million less from general revenues. 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 2015 is the fourth year of the funding formula.

Using enrollments of 875 and free and reduced price lunch students of 604, total formula aid is projected to be \$8.1 million or approximately \$4.7 million less than FY 2014 enacted aid. This decrease will be transitioned over six years, the remainder of the ten-year transition plan. *The Governor recommends funding as requested.*

**Capital.** The Board requests \$1.1 million from Rhode Island Capital Plan funds for capital projects at the Davies Career and Technical School. This is \$0.2 million more than enacted, \$0.1 million for the repair of the HVAC system and \$0.1 million for general asset protection projects. *The Governor shifts \$0.3 million from FY 2014 to FY 2015 for HVAC system to reflect a revised construction schedule. A detailed description of these projects is included in the Capital Budget section of the publication.*

## Rhode Island School for the Deaf

**Salaries and Benefits.** The Board's budget request contains \$5.8 million in salary and benefit expenditures for the school's 60.0 full-time equivalent positions. This is \$48,252 less than enacted, including \$71,864 less from general revenues as a result of the elimination of an executive staff assistant position and benefit updates. The School for the Deaf currently has 70 students. *The Governor recommends \$47,753 less than requested to reflect statewide medical benefit savings.*

**Specialized Care Services.** Consistent with its revised request, the Board requests \$0.5 million for specialized care contracted services for FY 2015 such as speech pathologists, behavior specialists and personal care attendants. This is \$0.1 million more than enacted, including \$2,758 less from general revenues to reflect anticipated expenditures. This would provide \$0.3 million from fee for service restricted receipts for FY 2015. The School for the Deaf has defined its core program as one that will support the needs of all students with hearing loss, deaf or hard of hearing, which 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 \$16,000 less than requested to reflect historical expenditures.*

**Operating Adjustments.** The Board requests \$0.7 million for all other operating expenditures, which is \$169,735 more than enacted including \$139,855 more from general revenues for various operating adjustments including utilities, office supplies and maintenance repairs. The Board also includes \$49,000 not included in the enacted budget from Permanent School funds for computer and information technology supplies and support. *The Governor recommends \$141,850 less than requested from general revenues to encourage the school to use rental income to offset the decreases.*



## Public Higher Education

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Program</b>				
Office of Higher Education	\$ 11,184,829	\$ 10,022,766	\$ 9,035,661	\$ 10,146,782
University of Rhode Island	729,115,237	733,317,569	761,395,448	736,882,787
Rhode Island College	166,198,139	166,941,105	172,540,920	169,312,648
Community College of RI	151,000,745	152,464,205	158,368,042	156,381,010
<b>Total</b>	<b>\$1,057,498,950</b>	<b>\$1,062,745,645</b>	<b>\$1,101,340,071</b>	<b>\$1,072,723,227</b>
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 444,339,101	\$ 444,374,639	\$ 467,000,977	\$ 459,186,332
Contracted Services	21,615,651	20,795,980	20,634,648	20,454,821
<b>Subtotal</b>	<b>\$ 465,954,752</b>	<b>\$ 465,170,619</b>	<b>\$ 487,635,625</b>	<b>\$ 479,641,153</b>
Other State Operations	198,337,064	194,721,001	199,628,251	195,928,291
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	294,904,940	297,442,356	307,664,663	306,753,251
Capital	45,667,373	51,983,900	51,967,228	35,492,094
Capital Debt Service	52,634,821	53,427,769	51,444,304	54,908,438
Operating Transfers	-	-	3,000,000	-
<b>Total</b>	<b>\$1,057,498,950</b>	<b>\$1,062,745,645</b>	<b>\$1,101,340,071</b>	<b>\$1,072,723,227</b>
<b>Sources of Funds</b>				
General Revenue	\$ 180,013,795	\$ 179,134,843	\$ 199,483,895	\$ 191,738,963
Federal Aid	6,190,306	5,032,194	5,092,287	5,092,287
Restricted Receipts	702,583	702,583	644,000	644,000
Other	870,592,266	877,876,025	896,119,889	875,247,977
<b>Total</b>	<b>\$1,057,498,950</b>	<b>\$1,062,745,645</b>	<b>\$1,101,340,071</b>	<b>\$1,072,723,227</b>
<b>Uses of Funds</b>				
Unrestricted Use Funds	\$ 598,175,802	\$ 592,997,532	\$ 625,833,154	\$ 616,539,720
Restricted Use Funds	459,323,148	469,748,113	475,506,917	456,183,507
<b>Total</b>	<b>\$1,057,498,950</b>	<b>\$1,062,745,645</b>	<b>\$1,101,340,071</b>	<b>\$1,072,723,227</b>
<b>FTE Authorization</b>	<b>3,471.8</b>	<b>3,385.7</b>	<b>3,477.4</b>	<b>3,604.1</b>
<i>Limited to Third Party Funds</i>	<i>776.2</i>	<i>661.3</i>	<i>776.2</i>	<i>642.9</i>
<b>Total Authorized Positions</b>	<b>4,248.0</b>	<b>4,247.0</b>	<b>4,253.6</b>	<b>4,247.0</b>

**Summary.** The Board requests \$43.8 million of new spending above the FY 2014 enacted budget for FY 2015 including \$19.5 million more in general revenue support, \$8.2 million more from other unrestricted sources and \$16.2 million more from restricted sources. The Board requests total funding from all sources of \$1,101.3 million for FY 2015, which is 4.1 percent growth over the FY 2014 enacted budget. The Board requests \$625.8 million from unrestricted use funds and \$475.5 million from restricted use funds. The unrestricted request represents 3.6 percent growth over FY 2014 revised expenditure projections.

The Governor recommends \$1,072.7 million from all sources, which is 1.4 percent growth over the FY 2014 enacted budget. He includes \$616.5 million in unrestricted use fund expenditures and \$456.2 million in restricted use fund expenditures. He recommends \$191.7 million from general revenues, which is \$11.7 million more than enacted and \$7.7 million less than requested. Of the \$11.7 million increase, \$10.0 million is intended to ensure that no institution raises tuition for FY 2015. He includes language in the appropriations act that requires the institutions to maintain tuition charges at the FY 2014 level and internal student financial aid at the same level as FY 2014. He intends that the institutions make the reductions necessary to avoid raising tuition while ensuring that there are no reductions to student aid below the FY 2014 level.

**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 \$170.5 million. The amount includes current service adjustments of \$1.2 million and a 7.0 percent target reduction, adjusted for certain exclusions, of \$10.7 million.

The constrained budget submitted by the agency is \$0.8 million below 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 \$21.2 million more than the target.*

FY 2015 Budget	Budget Office	Higher Education	Difference
<b>FY 2014 Enacted</b>	\$ 180,013,795	\$ 180,013,795	\$ -
Current Service Adjustments	1,165,599	17,837,340	16,671,741
New Initiatives		1,632,760	1,632,760
<b>Change to FY 2014 Enacted</b>	\$ 1,165,599	\$ 19,470,100	\$ 18,304,501
<b>FY 2015 Current Service/ Unconstrained Request</b>	\$ 181,179,394	\$ 199,483,895	\$ 18,304,501
Target Reduction/Initiatives	(10,677,247)	(29,807,410)	(19,130,163)
<b>FY 2015 Constrained Target/Request</b>	\$ 170,502,147	\$ 169,676,485	\$ (825,662)
<i>Change to FY 2014 Enacted</i>	\$ (9,511,648)	\$ (10,337,310)	\$ (825,662)

**Full-Time Equivalent Positions.** The FY 2015 request includes authority for 4,253.6 full-time equivalent positions, provided that 776.2 of those positions would be limited to third-party sources. This is 5.6 more than the enacted level, including 12.8 fewer positions at the Office to reflect the end of Office operations as of July 1, 2014, 8.4 more positions at the University and 10.0 more positions at the Community 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 4,247.0 full-time equivalent positions, which is 1.0 less than enacted for the former Office of Higher Education, which he proposes re-establishing as the Office of Postsecondary Education. He also recommends shifting 133.3 third party-funded research positions to non-research positions at the University and Community College; however, the intent was to provide the positions as requested.*

**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 recommends \$10.8 million less than requested including \$0.9 million less from general revenues of which \$0.5 million reflects changes in debt service expenditures on general obligation bonds for the University and College and \$0.4 million reflects statewide medical benefit savings. The Governor reduces requested expenditures from University tuition and fees by \$8.9 million which would provide a 3.0 percent increase over FY 2013 spent amounts. He also lowers requested expenditures from Community College tuition and fees by \$1.4 million to fund personnel at the FY 2014 enacted level.*

**Higher Education Funding.** Expenditures in Public Higher Education increased 74.8 percent during the period FY 2004 through FY 2014, which is an annual rate of 7.5 percent. Public Higher Education would grow 79.3 percent if the Board's FY 2015 request were funded, which is an annual rate of 7.2 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. Additionally, the Rhode Island State Crime Lab became part of the University's appropriation in FY 2012 and is included in the numbers above.

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 2015 recommendation represents 78.2 percent growth during the period of FY 2004 through FY 2015, which is an annual rate of 7.1 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 miscellaneous revenue such as interest income. The unrestricted budget is similar to the general revenue budget of other agencies and departments. The Board's unrestricted budget includes \$625.8 million, of which \$199.5 million is from general revenues. The general revenue portion is \$19.5 million more than the FY 2014 enacted budget; other unrestricted sources increase \$8.2 million.

*The Governor recommends \$616.5 million from unrestricted sources, which is \$18.4 million more than enacted and \$9.3 million less than requested. General revenues are \$11.7 million more than enacted and \$7.7 million less than requested. Of the \$11.7 million increase to the enacted budget, \$10.0 million is intended to ensure that no institution raises tuition for FY 2015.*

**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 including 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 staffing, utilities and insurance related to research space and so forth. 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 \$475.5 million for FY 2015. This is an increase of \$16.2 million, or 3.5 percent over the enacted FY 2014 level. Compared to the revised allocation, the request is \$5.7 million more.

*The Governor recommends \$456.2 million, which is \$3.1 million less than enacted and \$19.3 million less than requested to reflect his capital budget recommendation.*

**Salaries and Benefits.** The Board requests \$467.0 million for salary and benefit expenditures, of which \$369.0 million is from unrestricted sources and \$98.0 million is from restricted sources. The request represents a \$21.8 million or 6.3 percent increase from the FY 2014 enacted level in unrestricted funding, and a \$0.8 million increase in restricted funding, or 1.0 percent. Compared to the institutions' FY 2014 revised projections, the unrestricted increase is \$10.6 million or 3.0 percent and a \$0.3 million decrease in restricted funding, or 0.3 percent. The Board's request includes benefit adjustments consistent with Budget Office planning values and funding for 5.6 new positions.

*The Governor recommends \$14.8 million more than enacted and \$7.8 million less than requested. The unrestricted recommendation is \$14.0 million more than enacted and \$7.8 million less than requested. This includes \$0.5 million from general revenues for statewide medical benefit savings.*

**Contracted Services.** The Board requests \$20.6 million for contracted services for FY 2015, of which \$11.9 million is from unrestricted sources and \$8.7 million is from restricted sources. This is \$1.0 million less than the FY 2014 enacted budget and \$0.2 million less than the FY 2014 revised allocation. Compared to the revised allocation, unrestricted sources increase \$0.3 million or 2.9 percent and restricted sources decrease \$0.5 million or 5.4 percent. *The Governor recommends \$1.2 million less than enacted and \$0.2 million less than requested.*

**Other Operating Expenses.** The Board requests \$199.6 million for other operating expenditures in FY 2015, of which \$85.1 million is from unrestricted sources and \$114.5 million is from restricted sources. This is \$1.3 million more than the FY 2014 enacted operating expenses. Compared to the institutions' FY 2014 revised projections, the unrestricted increase is \$4.0 million, or 4.9 percent and the restricted increase is \$0.2 million or 0.2 percent. *The Governor recommends \$2.4 million less than enacted and \$3.7 million less than requested.*

**Grants and Scholarships.** The Board requests \$307.7 million for total grants and scholarships expenditures for FY 2015, an increase of \$12.8 million, or 4.3 percent over the enacted FY 2014 budget. The unrestricted budget accounts for \$121.1 million, an increase of \$7.7 million, or 6.4 percent. The restricted budget includes \$186.6 million, a 2.7 percent increase of \$5.0 million.

Total scholarships, grants, waivers and other aid from the three institutions would provide aid equal to 27.5 percent of the tuition and mandatory fees based on the Board's target budget. Revised FY 2014 estimates are for 26.0 percent. For FY 2013, that share was 23.7 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 2015. It began the program in FY 1996 with loans of \$33.8 million. *The Governor recommends \$11.8 million more than enacted and \$0.9 million less than requested.*

**Capital.** The Board requests \$55.0 million in total expenditures for capital outlays and improvements for FY 2015. The request includes \$39.9 million from Rhode Island Capital Plan funds of which \$17.1 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 excluded \$50.0 million for a roads and parking project and the operating request includes \$0.7 million for renovations to the Crime Lab at the University of Rhode Island not included in the capital request. *The Governor recommends \$10.2 million less than enacted and \$19.5 million less than requested.*

**Debt Service.** The Board requests \$51.4 million in total expenditures for debt service expenses for FY 2015. Of this total, \$32.0 million is unrestricted. General revenues and tuition and fees are used to support general obligation bond debt service. It should be noted that if the Board's capital request is approved, unrestricted debt service expenses would increase to almost \$60.0 million for FY 2016.

*The Governor recommends \$2.3 million more than enacted and \$3.5 million more than requested. His capital budget recommendation includes \$125.0 million of new general obligation bonds to be submitted to the voters on the November 2014 ballot for the first phase of a project to renovate and build additions to the College of Engineering complex at the University of Rhode Island. Assuming this is approved by the voters, annual debt service of \$10.3 million based on a 5.0 percent interest rate and a 20-year term would most likely begin to appear in the FY 2016 budget.*

**Enrollment.** FY 2015 enrollment, based on revised estimates, would be 31,635 full-time equivalent students, which is 0.3 percent lower than the reported FY 2013 level. Among the changes reflected in the Board's FY 2014 revised budget estimates is an increase of 1.0 percent at the University that includes 179 more students and a 1.0 percent decrease at the Community College that includes 74 fewer students. *The Governor's recommendation appears to reflect the Board's enrollment projections.*

**Tuition and Fees.** The Board's FY 2015 request includes \$389.9 million from tuition and fees. This represents a \$19.2 million, or 5.2 percent increase in revenues over the FY 2013 level and is \$2.1 million or 0.5 percent more than the revised allocation. The Board instructed the institutions to submit requests with no increase in tuition for FY 2015. The institutions all complied and all indicated in the budget request that they were requesting additional general revenue support in lieu of increasing tuition rates. The additional revenues represent revised enrollment projections.

*The Governor recommends \$1.5 million less than requested in expenditures from tuition and fees which provides 3.0 percent growth over his revised recommendation. He includes language in the appropriations act that requires the institutions to maintain tuition charges at the FY 2014 level and internal student financial aid at the same level as FY 2014. He intends that the institutions make the reductions necessary to avoid raising tuition while ensuring that there are no reductions to student aid.*

## Office of Higher Education/Postsecondary Commissioner

Office of Higher Education/Postsecondary Commissioner	FY 2014 Enacted	FY 2014 Gov. Rev.	FY 2015 Request	FY 2015 Governor
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 1,042,826	\$ 1,039,210	\$ 79,922	\$ 1,076,515
Contracted Services	924,000	165,000	114,000	129,000
<b>Subtotal</b>	<b>\$ 1,966,826</b>	<b>\$ 1,204,210</b>	<b>\$ 193,922</b>	<b>\$ 1,205,515</b>
Other State Operating	2,466,838	2,357,880	2,433,735	2,473,263
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	6,751,165	6,460,676	6,408,004	6,468,004
Capital	-	-	-	-
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
<b>Total</b>	<b>\$ 11,184,829</b>	<b>\$ 10,022,766</b>	<b>\$ 9,035,661</b>	<b>\$ 10,146,782</b>
<b>Sources of Funds</b>				
General Revenue	\$ 4,994,523	\$ 4,990,572	\$ 3,943,374	\$ 5,054,495
Tuition and Fees	-	-	-	-
Other Unrestricted	-	-	-	-
<b>Total Unrestricted</b>	<b>\$ 4,994,523</b>	<b>\$ 4,990,572</b>	<b>\$ 3,943,374</b>	<b>\$ 5,054,495</b>
<b>Restricted</b>	<b>6,190,306</b>	<b>5,032,194</b>	<b>5,092,287</b>	<b>5,092,287</b>
<b>All Sources</b>	<b>\$ 11,184,829</b>	<b>\$ 10,022,766</b>	<b>\$ 9,035,661</b>	<b>\$ 10,146,782</b>
<b>FTE Authorizations</b>				
	<b>12.8</b>	<b>11.8</b>	<b>-</b>	<b>11.8</b>
<i>Third-Party Funded Positions</i>	1.0	1.0	1.0	1.0
<b>Total Positions</b>	<b>13.8</b>	<b>12.8</b>	<b>1.0</b>	<b>12.8</b>

**Summary.** The Board requests \$9.0 million in FY 2015 expenditures from all sources and 1.0 full-time equivalent position for system-wide applications. This is \$2.1 million less than enacted. The 2012 Assembly enacted legislation that abolished the Board of Governors for Higher Education and the Board of Regents, effective January 1, 2013 and created a new 11 member Rhode Island Board of Education. It also abolished the Office of Higher Education effective July 1, 2014. The staffing request for 1.0 federally funded full-time equivalent position is 12.8 fewer than authorized for FY 2014 to reflect the elimination of the Office.

*The Governor recommends \$10.1 million, including \$5.1 million from general revenues. This is \$1.0 million less than enacted including \$0.1 million more from general revenues. The Governor recommends 12.8 full-time equivalent positions, which is 1.0 less than authorized.*

**Unrestricted Budget.** The unrestricted budget accounts for \$3.9 million which is \$1.1 million less than enacted to reflect the elimination of Office support based on the current law requirement that the Office be abolished effective July 1, 2014. Preliminary plans for higher education restructuring suggest a need for some support and staffing but no formal request for funding or positions has been submitted.

*The Governor recommends \$5.1 million, which is \$0.1 million more than enacted and \$1.1 million more than requested. He also recommends legislation that creates a new Office of Postsecondary Commissioner.*

**Full-Time Equivalent Positions.** The Office requests 1.0 full-time equivalent position, which is 12.8 fewer than the FY 2014 enacted budget based on the elimination of the Office effective July 1, 2014. *The Governor recommends 12.8 full-time equivalent positions, which is 1.0 less than enacted and reflects the elimination of an executive assistant position. His recommendation appears to assume the same positions as the enacted budget.*

<b>Office of Higher Education/ Postsecondary</b>			
<b>Commissioner Changes to Enacted</b>	<b>Request</b>	<b>Governor</b>	<b>Difference</b>
Current Year Revisions	\$ -	\$ (3,951)	\$ (3,951)
Higher Education Restructuring	(1,044,507)	10,565	1,055,072
Dual Enrollment Program	(60,000)	-	60,000
Shepard Building	53,358	53,358	-
Community Service Grants	-	-	-
<b>Total</b>	<b>\$ (1,051,149)</b>	<b>\$ 59,972</b>	<b>\$ 1,111,121</b>

**Current Year Revisions.** The revised allocation of \$5.0 million from general revenues is consistent with the enacted budget. *The Governor's recommendation is \$3,951 less than requested to reflect statewide medical benefit savings.*

**Higher Education Restructuring.** The 2012 Assembly enacted legislation that abolished the Board of Governors for Higher Education and the Board of Regents effective January 1, 2013 and created a new 11 member Rhode Island Board of Education. It also abolished the Office of Higher Education effective July 1, 2014. The unrestricted request eliminates the \$1.0 million in the enacted budget to support the operations of the Office of Higher Education and eliminates the 12.8 full-time equivalent positions that were allocated to the Office. The request maintains the 1.0 federally funded position dedicated to veterans affairs.

At its December 9 meeting, the Board voted unanimously to approve the general principles of a restructuring proposal that would include a 15-member Board of Education responsible for setting goals, performance measures and working on system-wide initiatives. The Board would be split into two Councils, one for elementary and secondary education and one for higher education that would have full statutory authority for governance and regulatory functions. A coordinating committee, comprised of the Board Chair, the Council Chairs and the two Commissioners would be responsible for setting meeting agendas. Specific legislation has not been developed, but is expected to be introduced with the Governor's budget.

*The Governor recommends legislation in Article 20 to restructure the Board of Education. It proposes a 15-member board which would be responsible for setting goals and working on system-wide initiatives and whose members would serve on one of two seven-member councils, one for elementary and secondary education and one for higher education. These councils would have full statutory authority for governance and regulatory functions. It also transfers a limited number of management authorities currently held by the Board to the presidents. The legislation omits creation of a Coordinating Committee as approved by the Board of Education. It appears that this could be done administratively.*

*His budget includes \$1.1 million to support the new Office of Postsecondary Commissioner and provides 11.8 full-time equivalent positions in addition to the 1.0 federally funded position dedicated to veterans affairs.*

**Dual Enrollment Program.** The unconstrained request eliminates the \$60,000 enacted to support the dual enrollment program. This funding 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. The Office has indicated that it has removed this funding because the Office is being eliminated. Another option is to allocate the funding to the institutions to be used for the same purpose. *The Governor recommends the enacted level of \$60,000.*

**Shepard Building.** The unrestricted budget request includes \$2.4 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 \$53,358 or 2.3 percent more than the revised allocation. The Office has indicated that the request is the continuation of an attempt to move the funding allocation for the Shepard Building to 50 percent funding from the state via general revenues in the Office's budget and 50 percent from the University's budget. *The Governor recommends funding as requested.*

**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.*

**College Access Challenge Grant.** The request includes \$1.5 million for the College Access Challenge Grant, which is \$1.0 million less than enacted based on projected expenditures. The majority of the grant funds will be used for programs dedicated to improved access at the three institutions of higher education. This is the fourth year of funding for this five-year grant. The Office spent \$4,385 in FY 2011, \$0.2 million in FY 2012 and \$1.4 million in FY 2013. The FY 2014 enacted budget includes \$2.5 million.

Maintenance of effort requirements have been an issue since the inception of the grant. The final FY 2012 and FY 2013 budgets included an additional \$153,864 and \$142,000, respectively, from general revenues in Higher Education Assistance Authority's budget. *The Governor recommends funding as requested. He also includes \$51,597 in the Higher Education Assistance Authority's FY 2014 revised budget for maintenance of effort requirements.*

**Other Restricted Use Operations.** The restricted budget request is for \$3.6 million, which is \$0.1 million less than the FY 2014 enacted budget. The restricted budget reflects federal expenditure authority for grants, primarily passed through to the institutions and the College Crusade for Higher Education. *The Governor recommends funding as requested.*

## University of Rhode Island

University of Rhode Island	FY 2014 Enacted	FY 2014 Gov. Rev.	FY 2015 Request	FY 2015 Governor
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 263,291,072	\$ 264,566,322	\$ 279,761,033	\$ 273,770,506
Contracted Services	15,896,281	15,450,355	15,534,256	15,507,647
<b>Subtotal</b>	<b>\$ 279,187,353</b>	<b>\$ 280,016,677</b>	<b>\$ 295,295,289</b>	<b>\$ 289,278,153</b>
Other State Operating	149,419,279	146,096,588	148,842,827	145,869,837
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	229,677,504	229,718,252	236,950,976	236,950,976
Capital	30,222,287	35,355,402	40,407,804	22,084,394
Capital Debt Service	40,608,814	42,130,650	39,898,552	42,699,427
Operating Transfers	-	-	-	-
<b>Total</b>	<b>\$ 729,115,237</b>	<b>\$ 733,317,569</b>	<b>\$ 761,395,448</b>	<b>\$ 736,882,787</b>
<b>Sources of Funds</b>				
General Revenue	\$ 85,698,666	\$ 85,339,177	\$ 96,141,128	\$ 91,503,988
Tuition and Fees	261,698,823	258,460,370	269,272,487	267,720,376
Other Unrestricted	23,296,553	23,656,466	24,188,377	24,188,377
<b>Total Unrestricted</b>	<b>\$ 370,694,042</b>	<b>\$ 367,456,013</b>	<b>\$ 389,601,992</b>	<b>\$ 383,412,741</b>
<b>Restricted</b>	<b>358,421,195</b>	<b>365,861,556</b>	<b>371,793,456</b>	<b>353,470,046</b>
<b>All Sources</b>	<b>\$ 729,115,237</b>	<b>\$ 733,317,569</b>	<b>\$ 761,395,448</b>	<b>\$ 736,882,787</b>
<b>FTE Authorizations</b>				
	<b>1,863.3</b>	<b>1,937.9</b>	<b>1,871.7</b>	<b>1,955.3</b>
<i>Limited to Third-Party Funds</i>	593.2	518.6	593.2	501.2
<b>Total</b>	<b>2,456.5</b>	<b>2,456.5</b>	<b>2,464.9</b>	<b>2,456.5</b>

**Summary.** The University, including the Rhode Island State Crime Lab, requests \$761.4 million and 2,464.9 full-time equivalent positions for FY 2015, an increase of \$32.3 million or 4.4 percent to the FY 2014 enacted budget and an increase of \$19.2 million or 2.6 percent to the revised allocation. General revenues, requested at \$96.1 million, are \$10.4 million more than enacted and the revised allocation. The staffing request includes an increase of 8.4 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 \$736.9 million, which is \$7.8 million more than enacted and \$24.5 million less than requested. He recommends \$91.5 million from general revenues, which is \$5.8 million more than enacted and \$4.6 million less than requested. He recommends 2,456.6 full-time equivalent positions, consistent with the total enacted authorization. He shifts 92.0 third-party funded research positions to non-research positions; however the intent was to provide the positions as requested.*

**Tuition and Enrollment.** The FY 2015 budget assumes no increase in tuition over the FY 2014 level. This is the second year of a tuition freeze. Mandatory fees increase \$56 or 3.6 percent. The average room and board cost would increase \$166 or 1.4 percent over FY 2014. The University is also projecting a decrease in enrollment of 99 full-time equivalent students which is 0.7 percent. In-state enrollment is projected to decrease by 171 full-time equivalent students and out-of-state enrollment is projected to increase by 72 full-time equivalent students. The University has indicated that Rhode Island high school graduates are projected to decrease by 20 percent from FY 2011 to FY 2017. This

is consistent with enrollment projections for elementary and secondary education. High school graduates in the northeast are expected to decrease by 6 percent or 38,489 students during the same period.

For FY 2015, the University is projecting that of 14,447 full-time equivalent students, 8,298 or 57.4 percent will be in-state and 6,149 or 42.6 percent will be out-of state. During FY 2013, the University made an effort to increase its recruitment of out-of-state students in an effort to generate more revenue as it was directed to hold tuition level with the prior year's rate.

*The Governor's budget assumes \$1.6 million less in expenditures from tuition and fees which would provide a 3.6 percent increase to his revised recommendation. He includes language in the appropriations act that requires the institutions to maintain tuition charges at the FY 2014 level and internal student financial aid at the same level as FY 2014. He intends that the institutions make the reductions necessary to avoid raising tuition while ensuring that there are no reductions to student aid below the FY 2014 level.*

<b>University Undergraduate Tuition and Fees</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>Change to FY 2014</b>	
<b>Resident</b>				
Tuition	\$ 10,878	\$ 10,878	\$ -	0.0%
Fees	1,572	1,628	56	3.6%
<b>Total</b>	<b>\$ 12,450</b>	<b>\$ 12,506</b>	<b>\$ 56</b>	<b>0.4%</b>
<b>Nonresident</b>				
Tuition	\$ 26,444	\$ 26,444	\$ -	0.0%
Fees	1,572	1,628	56	3.6%
<b>Total</b>	<b>\$ 28,016</b>	<b>\$ 28,072</b>	<b>\$ 56</b>	<b>0.2%</b>
<b>Average Room and Board</b>	<b>\$ 11,586</b>	<b>\$ 11,752</b>	<b>\$ 166</b>	<b>1.4%</b>
<b>Undergraduate and Graduate Enrollment</b>				
In-State	8,469	8,298	(171)	-2.0%
Out-of-State	6,077	6,149	72	1.2%
<b>Total</b>	<b>14,546</b>	<b>14,447</b>	<b>(99)</b>	<b>-0.7%</b>

**Staffing.** The request for 2,464.9 full-time equivalent positions is 8.4 more than the enacted level. The enacted authorization and the request assume that 593.2 of those will be limited to third-party sources.

*The Governor recommends 2,456.6 full-time equivalent positions, consistent with the total enacted authorization. He shifts 92.0 third-party funded research positions to non-research positions; however, the intent was to provide the positions as requested.*

**Unrestricted Budget Summary.** The unrestricted budget, including the Rhode Island State Crime Lab, accounts for \$389.6 million, which is an increase of \$18.9 million or 5.1 percent to the FY 2014 enacted budget and \$13.2 million or 3.5 percent to the revised allocation. Sources of funds for the increase from the revised budget include \$10.4 million more general revenues, \$2.3 million more from tuition and fees and \$0.5 million more 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 \$14.4 million less than the unconstrained request including \$14.6 million less from general revenues. The proposals to achieve the reductions are noted among the items described below where appropriate.

The Governor recommends \$383.4 million in unrestricted expenditures. This is \$12.7 million more than enacted and \$6.2 million less than requested. General revenues are \$5.8 million more than enacted and \$4.6 million less than requested. He includes language in the appropriations act that requires the institutions to maintain tuition charges at the FY 2014 level and internal student financial aid at the same level as FY 2014. He intends that the institutions make the reductions necessary to avoid raising tuition while ensuring that there are no reductions to student aid below the FY 2014 level.

<b>University of Rhode Island Changes to Enacted</b>			
	<b>Request</b>	<b>Governor</b>	<b>Difference</b>
Current Year Revisions	\$ 5,671,506	\$ (3,238,029)	\$ (8,909,535)
New Positions	870,000	794,954	(75,046)
Other Salaries and Benefits	4,267,597	8,172,640	3,905,043
URI Foundation/Alumni Contract	94,166	94,166	-
New Program Areas	1,268,328	1,268,328	-
Student Aid	5,483,002	6,743,032	1,260,030
Energy Costs	347,308	347,308	-
Tibbits Land Lease	(107,300)	107,300	214,600
State Crime Lab	106,597	12,342	(94,255)
Unpaid Accounts	374,000	374,000	-
Community Service Grants	-	-	-
Debt Service	(1,445)	628,563	630,008
Other Operating Adjustments	534,191	(2,371,305)	(2,905,496)
<b>Total</b>	<b>\$ 18,907,950</b>	<b>\$ 12,933,299</b>	<b>\$ (5,974,651)</b>

**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 \$376.4 million, \$5.3 million or 2.0 percent more than enacted from tuition and fees including the enacted level of general revenues and \$0.4 million more from other University sources. The increase results from higher enrollment projections than assumed in the enacted budget as well as a change in the mix in the in-state and out-of-state students. The University is projecting FY 2014 enrollment of 14,546, which is an increase of 179 or 1.0 percent compared to the enrollment assumptions in the FY 2014 enacted budget. More significant is the change in the mix of in-state and out-of-state enrollment. The enacted budget assumed 8,563 students would be in-state. The revised allocation assumes 94 or 1.0 percent fewer in-state students. The enacted budget also assumed 5,804 students would be out-of-state. The revised allocation is for 273 or 5.0 percent more out-of-state students. Out-of-state students pay 125 percent higher tuition and fees than in-state students.

Changes to the enacted budget include \$9.7 million more for salaries and benefits and \$1.3 million more for student aid offset by \$5.4 million less for contracted services and all other operating expenses. Student aid can be seen as a discount to the tuition and the expenditure is directly related to tuition and fee revenue. More students mean more in tuition and fee revenue which translates to more in unrestricted student aid. Over the past few years, the University has made an effort to increase student aid at a faster pace than the tuition increases in an effort to minimize the increase to the students. The increase in personnel costs correspond to the request for new positions, contractual obligations and benefit rate updates. As of the pay period ending November 2, 2013, the University had 8.1 vacancies. The University averaged 48.2 vacant positions for FY 2013 and through October, has averaged 34.7 vacant positions.

*The Governor recommends \$8.9 million less than requested including \$0.4 million less from general revenues of which \$0.1 million reflects statewide medical benefit savings and \$0.2 million is for revised debt service projections. The Governor reduces requested expenditures from University tuition and fees by \$8.6 million which would provide a 3.0 percent increase over FY 2013 spending.*

**New Staff Positions.** Unrestricted expenditures increase \$0.9 million to fund 8.43 new positions. These include 3.0 tenure track faculty positions, 2.0 lecturers and 3.43 staff positions. Two of the staff positions are related to global and experiential learning and the remaining 1.43 positions are for custodial staff for the LBGTO and Student Athletic Development Centers. The University has indicated that for FY 2015, similar to its request for FY 2014, the request for new positions and new funding support the President's transformational goals and the University's strategic academic plan. *The Governor recommends \$75,046 less than requested to fund the new positions.*

**Other Salaries and Benefits.** Excluding the new positions mentioned above, the unrestricted budget includes \$201.4 million for all other salary and benefit expenditures. This is \$4.3 million or 2.2 percent more than the revised allocation. The majority of additional funds relates to faculty promotions, contractual obligation and benefit increases consistent with Budget Office instructions. The requested turnover reflects 14.5 vacant positions. Including the Crime Lab, the University had 34.6 vacant positions as of the January 11, 2014 pay period. No salary increases are budgeted for faculty, non-classified and classified staff. *The Governor recommends \$8.2 million or 4.4 percent more than his revised allocation. This is 11.0 percent more than FY 2013 spending.*

**URI Foundation/Alumni Contract.** The unrestricted budget request includes \$3.5 million for the fundraising and alumni relations contract with the University of Rhode Island Foundation which is \$0.1 million more than the revised allocation. The Foundation is a separate 501(c)3 nonprofit organization, separate and distinct from the University. The University has a fee for service contract with the Foundation to provide fundraising services. A new contract was negotiated during FY 2013. *The Governor recommends funding as requested.*

**New Fee for Nursing Academic Programs.** The unrestricted budget includes \$1.3 million in new expenditures associated with new fees related to specific academic programs. One is a new nursing curriculum professional fee to make it consistent with the pharmacy and engineering programs that already have such a fee. Expenses funded from the new nursing fee include testing through Health Education Systems, certified background checks, CPR classes, other nursing exams, laboratory supplies and equipment and clinical site expenses related to the nursing program.

The University is also requesting increases in several other non-mandatory fees such as a music fee, transcript fee and document fee for additional security at commencement, additional tents, staging

rentals and seating. In addition, one new mandatory fee of \$24 per semester relates to the new Anna Fascitelli Fitness and Wellness Center. *The Governor recommends funding as requested.*

**Student Aid.** The unrestricted budget includes \$99.8 million for student aid, which is \$5.5 million or 5.8 percent greater than the FY 2014 allocation and 19.2 percent greater than FY 2013 expenditures. The additional funding is intended to increase the yield of the freshman and transfer class and contribute positively to retention of all classes. 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 39.5 percent for FY 2015 and 37.7 percent of tuition and fee revenues for FY 2014. Student aid and waivers represented 34.5 percent of tuition and fee revenues for FY 2013, 34.1 percent for FY 2012, and 30.5 percent for FY 2011. This is a nearly 30 percent increase in the five year period. Total student aid has increased by \$30.6 million from FY 2011 to FY 2015. The largest increase in the waiver category during this period has been in National Guard waivers which increased 134.1 percent.

*The Governor recommends funding as requested. It should be noted that Governor made changes among categories in his revised recommendation causing a discrepancy when comparing the FY 2015 recommendation to the FY 2014 revised recommendation.*

**Energy Costs.** The unrestricted budget includes \$8.4 million for energy costs. This is \$0.3 million or 4.3 percent more than the FY 2014 revised allocation. A portion of the increase is related to new and renovated buildings. The request is \$2.4 million or 39.1 percent more than spent in FY 2013 and \$1.4 million or 20.1 percent more than spent in FY 2012. Some of the additional costs associated with new buildings coming online are offset by savings from the energy performance contract.

As part of its constrained budget request, the University proposes eliminating energy costs. It would appear that this reduction is not realistic. The University has indicated that meeting the constrained target budget is equivalent to a personnel reduction of between 150 and 175 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 and debt service. This is the same proposal the University submitted last year in its constrained request. *The Governor recommends funding consistent with the unconstrained request.*

**Tibbits Land Lease.** The unrestricted budget removes the \$0.1 million that was provided in the enacted and revised budgets for lease costs associated with Tibbits Land. The removal of funding reflects the end of a lease purchase agreement for Tibbits land. This lease has ended and the University has taken ownership of this land. It is used for playing fields for outdoor intramural and club sports. *The Governor recommends funding as requested.*

**State Crime Lab.** The unrestricted budget includes \$1.1 million for the State Crime Lab, which is \$0.1 million more than the FY 2014 allocation. The majority of the increase is for one-time expenses associated with moving the lab from its current location in Fogarty Hall in July 2014. These expenses include moving expenses, cost of reinforcing the new doors with new keyed and electronic pass locks, an alarm system for all windows and doors, and new security cameras for monitoring the property.

The move will provide the Crime Lab with additional space for its analytical sections and will allow the consolidation of all laboratory services into a single building on the same floor. It will also provide the laboratory with its own classroom space for training of law enforcement officers and with space for a training laboratory for University students. Interior security cameras will be used to

monitor the evidence room and the firing tank room during operational hours. Exterior cameras will be used to monitor activity around the building after hours. It should be noted that the Crime Lab's customer base is agencies that investigate evidence related to federal, state or local crimes. It should be noted that the restricted budget includes a new request for \$0.7 million from Rhode Island Capital Plan funds, not included in the capital request to make renovations to the space the Crime Lab will be moving into in July.

The constrained budget request reduces general revenues by \$0.2 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. This is the same proposal submitted as part of the FY 2014 constrained budget request.

*The Governor recommends funding as requested with the exception of the \$0.1 million for moving costs. He does not recommend renovations as part of his capital budget recommendation either.*

**Unpaid Accounts.** The unrestricted budget request includes \$2.8 million in unpaid accounts. This is \$0.4 million or 15.6 percent more than the revised allocation. This amount is 1 percent of the tuition and fee budget, which represents a reasonable and responsible reserve for bad debt according to the University. The University Controller projects bad debt expenses based on the history and the anticipated balance required for "Allowance for Bad Debt" reported in the audited Financial Statement of Net Position. The Allowance is based on prior years' history, tuition increases as well as outstanding tuition and fees expected at the end of the fiscal year. The economy over the last few years has impacted the collection of outstanding balances resulting in the 15.6 percent increase over the revised allocation.

The constrained budget includes a \$1.8 million or 6.5 percent reduction. 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 and debt service. This is similar to the proposal that was submitted as part of the FY 2014 budget. The University has indicated that meeting the constrained target budget is equivalent to a personnel reduction of between 150 and 175 positions depending on which positions are eliminated. *The Governor recommends funding consistent with the unconstrained request.*

**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 including pass through grants to other agencies. 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, and two pass throughs to the Special Olympics and \$500,000 for the Jason Project at the Mystic Aquarium.

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. *The Governor recommends funding consistent with the unconstrained request.*

**Debt Service.** The unrestricted request includes \$23.8 million for debt service costs, which is \$1,445 less than the revised allocation. The unrestricted budget funds debt service payments on general obligation bonds and revenue bonds. This is \$0.7 million or 3.2 percent more than spent in FY 2013 and \$4.4 million or 22.9 percent more than spent in FY 2012. The increase over FY 2012 and FY 2013 reflects debt service costs associated with a new chemistry building and the Environmental Biotechnology Building. Of the total request, \$20.6 million is for general obligation bond debt that is supported exclusively from general revenues.

The constrained budget includes a \$3.2 million or 13.4 percent reduction in debt service. This is the same proposal that was submitted as part of the FY 2014 budget. The University has indicated that meeting the constrained target budget is equivalent to a personnel reduction of between 150 and 175 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 and debt service.

*The Governor recommends an additional \$0.6 million to reflect updated projections.*

**Other Operating Adjustments.** Excluding items noted previously, the unrestricted budget includes \$42.3 million for all other operating and contracted services expenditures. This is a \$0.5 million or 1.3 percent more than the revised allocation. This includes \$0.1 million is for insurance costs for new and renovated buildings with the remainder in miscellaneous office and operating expenses. Overall these expenditures are 3.8 percent less than spent in FY 2012 and 6.6 percent less than spent in FY 2013.

The constrained request reduces operating expenses by \$1.1 million. The University indicates in its budget submission that the 7.0 percent target reduction is equivalent to a personnel reduction of between 150 and 175 positions. It has opted to make other reductions including a significant reduction in unidentified or miscellaneous operating expenses instead.

*The Governor recommends \$2.4 million less than the revised allocation and \$2.9 million less than requested. The Governor intends that the institutions make the reductions necessary to avoid raising tuition while ensuring that there are no reductions to student aid.*

**Restricted Budget.** The restricted budget request, including the Rhode Island State Crime Lab, is for \$371.8 million, which is a 3.7 percent increase of \$13.4 million over the FY 2014 enacted budget. Compared to the revised allocation, the request is \$15.0 million or 4.1 percent more. The increase to the enacted budget includes \$1.6 million more for salaries and benefits, \$0.5 million more for student aid, \$9.9 million more for capital improvements funded from Rhode Island Capital Plan funds, \$0.6 million less for debt service, and \$0.9 million more 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.

The majority of the \$13.4 million increase to the enacted budget is from Rhode Island Capital Plan funds, \$9.9 million or 73.9 percent. The operating budget includes one new \$0.7 million project that is not included in the capital request to renovate a portion of a facility located on Liberty Lane in West

Kingston that currently houses an academic department; 60 percent or 7,000 square feet of the building will be vacated and the Crime Lab is slated to move into that space in the summer of 2014.

*The Governor recommends \$18.3 million less than requested from Rhode Island Capital Plan funds. Those projects are described in detail in the Capital Budget section of this analysis.*

## Rhode Island College

Rhode Island College	FY 2014 Enacted	FY 2014 Gov. Rev.	FY 2015 Request	FY 2015 Governor
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 94,869,076	\$ 92,990,878	\$ 97,864,577	\$ 96,342,268
Contracted Services	2,609,896	2,401,395	2,399,312	2,370,419
<b>Subtotal</b>	<b>\$ 97,478,972</b>	<b>\$ 95,392,273</b>	<b>\$ 100,263,889</b>	<b>\$ 98,712,687</b>
Other State Operating	24,597,438	26,113,783	27,235,720	26,874,712
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	26,339,572	26,309,572	28,840,065	28,299,572
Capital	8,913,729	10,502,382	4,330,318	6,178,594
Capital Debt Service	8,868,428	8,623,095	8,870,928	9,247,083
Operating Transfers	-	-	3,000,000	-
<b>Total</b>	<b>\$ 166,198,139</b>	<b>\$ 166,941,105</b>	<b>\$ 172,540,920</b>	<b>\$ 169,312,648</b>
<b>Sources of Funds</b>				
General Revenue	\$ 42,891,874	\$ 42,532,152	\$ 49,403,106	\$ 47,171,225
Tuition and Fees	65,509,607	65,501,907	65,501,907	65,505,516
Other Unrestricted	6,838,966	7,746,102	7,712,045	7,712,045
<b>Total Unrestricted</b>	<b>\$ 115,240,447</b>	<b>\$ 115,780,161</b>	<b>\$ 122,617,058</b>	<b>\$ 120,388,786</b>
<b>Restricted</b>	<b>50,957,692</b>	<b>51,160,944</b>	<b>49,923,862</b>	<b>48,923,862</b>
<b>All Sources</b>	<b>\$ 166,198,139</b>	<b>\$ 166,941,105</b>	<b>\$ 172,540,920</b>	<b>\$ 169,312,648</b>
<b>FTE Authorizations</b>				
	<b>841.6</b>	<b>841.6</b>	<b>841.6</b>	<b>841.6</b>
<i>Limited to Third-Party Funds</i>	82.0	82.0	82.0	82.0
<b>Total</b>	<b>923.6</b>	<b>923.6</b>	<b>923.6</b>	<b>923.6</b>

**Summary.** Rhode Island College requests \$172.5 million from all sources and 923.6 full-time equivalent positions, of which 82.0 would be limited to third party sources. This is an increase of \$6.3 million or 3.8 percent to the FY 2014 enacted budget and an increase of \$5.2 million or 3.1 percent to the revised budget allocation. The staffing request is consistent with the enacted authorization.

*The Governor recommends \$169.3 million, which is \$3.1 million more than enacted and \$3.2 million less than requested. The Governor recommends \$47.2 million from general revenues, which is \$4.3 million more than enacted and \$2.2 million less than requested. He recommends staffing consistent with the enacted authorization.*

**Tuition and Enrollment.** The FY 2015 budget assumes that tuition and fees will remain at the same level as FY 2014. This is the second year of a tuition freeze. Room and board increases \$291 or 2.9 percent. The FY 2015 enrollment projections also assume that enrollment will be consistent with FY 2014 enrollment.

*The Governor's budget assumes the requested revenues with a \$3,609 adjustment for debt service. He includes language in the appropriations act that requires the institutions to maintain tuition charges at the FY 2014 level and internal student financial aid at the same level as FY 2014. He intends that the institutions make the reductions necessary to avoid raising tuition while ensuring that there are no reductions to student aid below the FY 2014 level.*

College Undergraduate Tuition and Fees	FY 2014	FY 2015	Change to FY 2014	
<b>Resident</b>				
Tuition	\$ 6,530	\$ 6,530	\$ -	0.0%
Fees	1,072	1,072	-	0.0%
<b>Total</b>	<b>\$ 7,602</b>	<b>\$ 7,602</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Nonresident</b>				
Tuition	\$ 17,228	\$ 17,228	\$ -	0.0%
Fees	1,072	1,072	-	0.0%
<b>Total</b>	<b>\$ 18,300</b>	<b>\$ 18,300</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Average Room and Board</b>	<b>\$ 10,117</b>	<b>\$ 10,408</b>	<b>\$ 291</b>	<b>2.9%</b>
<b>Undergraduate and Graduate Enrollment</b>				
In-State	5,860	5,860	-	0.0%
Out-of-State	830	830	-	0.0%
<b>Total</b>	<b>6,690</b>	<b>6,690</b>	<b>-</b>	<b>0.0%</b>

**Staffing.** The request for 923.6 full-time equivalent positions is consistent with the enacted level. The enacted authorization and the request assume that 82.0 of those will be limited to third-party sources. *The Governor recommends staffing as requested.*

**Unrestricted Budget.** The unrestricted budget accounts for \$122.6 million, which is an increase of \$7.4 million, or 6.4 percent to the enacted budget, and \$6.5 million or 5.6 percent to the revised allocation. Sources of funds for the increase to the revised allocation include \$6.5 million more from general revenues and \$34,057 less 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 \$8.9 million less than the unconstrained request, all from general revenues. The proposals to achieve the reductions are noted among the items described below where appropriate.

*The Governor recommends \$120.4 million in unrestricted expenditures. This is \$5.1 million more than enacted and \$2.2 million less than requested. He includes language in the appropriations act that requires the institutions to maintain tuition charges at the FY 2014 level and internal student financial aid at the same level as FY 2014. He intends that the institutions make the reductions necessary to avoid raising tuition while ensuring that there are no reductions to student aid below the FY 2014 level.*

College Changes to Enacted	Request	Governor	Difference
Current Year Revisions	\$ 899,436	\$ 539,714	\$ (359,722)
Salaries and Benefits	4,634,193	3,266,013	(1,368,180)
Student Aid	731,489	-	(731,489)
Computer Supplies and Software	447,032	232,853	(214,179)
Electronic Library Resources	241,334	(2,312)	(243,646)
Debt Service	(2,976)	618,512	621,488
Other Operating Adjustments	426,103	493,559	67,456
<b>Total</b>	<b>\$ 7,376,611</b>	<b>\$ 5,148,339</b>	<b>\$ (2,228,272)</b>

**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 \$116.1 million, \$0.9 million or 0.8 percent more than enacted from other unrestricted sources. Tuition and fees and general revenues are at the enacted level. The College is projecting FY 2014 enrollment of 6,690, which is the same as the enrollment assumptions in the enacted budget.

Changes to the enacted budget include \$0.7 million less in salaries and benefits, \$0.2 million less in student aid, and \$1.7 million more in all other expenses almost entirely for the purchase of new library resources. As of the pay period ending November 2, 2013, the College had 38.0 vacant positions. Based on an average cost per position of \$100,661, the College would need 13.2 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 expenditure is directly related to tuition and fee revenue. Fewer students mean less in tuition and fee revenue which translates to less in unrestricted student aid; however, the enrollment and tuition and fee revenue is projected to be at the enacted level yet the revised allocation includes \$0.3 million less for student aid.

*The Governor recommends \$0.4 million less from general revenues than requested. This includes \$0.1 million in statewide medical benefit savings and \$0.2 million for general obligation bond debt service.*

**Salaries and Benefits.** Unrestricted expenditures for salaries and benefits total \$83.1 million and are \$4.6 million or 5.9 percent more than the FY 2014 allocation and \$2.1 million or 2.6 percent more than spent in FY 2013. The request assumes that all positions will be filled. The revised allocation includes \$1.3 million of turnover savings that is restored in the request. The request also reflects benefit adjustments consistent with Budget Office instructions and no salary increases. Of its 841.6 authorized positions, the College had 38.0 vacant positions as of the November 2, 2013 pay period. For FY 2013, the College averaged 803.8 filled positions.

The College's proposal for meeting the target reduction is to reduce faculty and staff by 80 positions for savings of \$8.9 million which equates to \$110,847 a position. The average cost per position including both salaries and benefits is \$105,284 which suggests that the College would need to eliminate or keep 84.2 positions vacant.

*The Governor recommends \$1.4 million less than requested. This includes \$0.1 million for statewide medical benefit savings. The Governor intends that the institutions make the reductions necessary to avoid raising tuition while ensuring that there are no reductions to student aid.*

**Student Aid.** The budget includes \$14.3 million for student aid, which is \$0.7 million or 5.4 percent greater than the FY 2014 allocation and \$0.8 million or 6.2 percent more than FY 2013 expenditures. 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 22.1 percent of tuition and fee revenues for FY 2015. Student aid and waivers represented 21.0 percent for FY 2014, 20.5 percent for FY 2013 and FY 2012 and was 20.8 percent for FY 2011.

The constrained request includes a \$16,427 reduction in student aid.

*The Governor recommends the enacted level of funding.*

**Computer Supplies and Software.** The unrestricted budget includes \$3.8 million for computer supplies including the cost of maintenance of various software systems, which is \$0.4 million more than the revised allocation. The College is increasingly using software for student assessments and tutoring. Spending for the same expenditures for FY 2013 were \$2.5 million.

The FY 2014 allocation includes funding 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 constrained request includes a \$4,363 reduction.

*The Governor recommends \$0.2 million less than requested. The Governor intends that the institutions make the reductions necessary to avoid raising tuition while ensuring that there are no reductions to student aid.*

**Electronic Library Resources.** The unrestricted budget includes \$0.2 million for electronic library resources. The College is increasingly using software to educate students in various disciplines as well as for student assessment and tutoring. Over the past year the College has been exploring ways to modernize its library and make it more compatible with the increased use of technology. It is devoting less space to books and repurposing that space for student assessment and tutoring space.

The constrained request includes a \$3,320 reduction.

*The Governor recommends \$0.2 million less than requested. The Governor intends that the institutions make the reductions necessary to avoid raising tuition while ensuring that there are no reductions to student aid.*

**Debt Service.** The unrestricted request includes \$4.6 million for debt service costs, which is \$2,976 less than the revised allocation. The unrestricted budget funds debt service payments on general obligation bonds and revenue bonds. This is \$0.3 million more than spent in FY 2013 and \$2.1 million more than spent in FY 2012. Of the total, \$3.9 million is for general obligation bond debt that is funded exclusively from general revenues. *The Governor recommends \$0.6 million more than requested to reflect debt service on general obligation bonds associated with the academic buildings project approved by the voters in November 2012.*

**Other Operating Adjustments.** Excluding the items noted previously, the unrestricted budget includes \$12.1 million for all other operating expenditures, which is \$0.4 million more than the revised allocation. Spending for these same expenditures are 2.3 percent more than spent in FY 2012 and 0.3 percent less than spent in FY 2011.

The constrained request includes a \$13,947 reduction.

*The Governor recommends \$0.1 million more than requested. The Governor intends that the institutions make the reductions necessary to avoid raising tuition while ensuring that there are no reductions to student aid.*

**Restricted Budget.** The restricted budget request is for \$49.9 million, which is \$1.0 million or 2.0 percent less than enacted for FY 2014. It is \$1.2 million less than the revised allocation. Compared to the enacted budget, the request includes \$1.0 million less for salaries and benefits, \$0.2 million less for contracted services, \$5,476 more for debt service, \$2.0 million more for student aid to reflect more students receiving Pell grants, \$1.9 million less for capital expenditures and \$41,465 more for operating expenditures.

The request includes an increase in \$0.1 million for food purchases in the dining center. This is based on an increase of \$120 or 2.8 percent for meal plans, which the Board of Governors approved. Food costs for FY 2013 were 8.0 percent greater than FY 2012. FY 2012 actual food costs were 7.6 percent more than FY 2011.

Rhode Island Capital Plan funds decrease by \$1.9 million essentially to reflect a reduction of \$2.0 million for the infrastructure modernization project.

*The Governor recommends \$1.0 million less than requested for the infrastructure modernization project. All projects are described in detail in the Capital Budget section of this analysis.*

## Community College of Rhode Island

Community College of Rhode Island	FY 2014 Enacted	FY 2014 Gov. Rev.	FY 2015 Request	FY 2015 Governor
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 85,136,127	\$ 85,778,229	\$ 89,295,445	\$ 87,997,043
Contracted Services	2,185,474	2,779,230	2,587,080	2,447,755
<b>Subtotal</b>	<b>\$ 87,321,601</b>	<b>\$ 88,557,459</b>	<b>\$ 91,882,525</b>	<b>\$ 90,444,798</b>
Other State Operating	21,853,509	20,152,750	21,115,969	20,710,479
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	32,136,699	34,953,856	35,465,618	35,034,699
Capital	6,531,357	6,126,116	7,229,106	7,229,106
Capital Debt Service	3,157,579	2,674,024	2,674,824	2,961,928
Operating Transfers	-	-	-	-
<b>Total</b>	<b>\$ 151,000,745</b>	<b>\$ 152,464,205</b>	<b>\$ 158,368,042</b>	<b>\$ 156,381,010</b>
<b>Sources of Funds</b>				
General Revenue	\$ 46,428,732	\$ 46,272,942	\$ 49,996,287	\$ 48,009,255
Tuition and Fees	56,072,861	53,942,148	55,101,113	55,101,113
Other Unrestricted	4,745,197	4,555,696	4,573,330	4,573,330
<b>Total Unrestricted</b>	<b>\$ 107,246,790</b>	<b>\$ 104,770,786</b>	<b>\$ 109,670,730</b>	<b>\$ 107,683,698</b>
<b>Restricted</b>	<b>43,753,955</b>	<b>47,693,419</b>	<b>48,697,312</b>	<b>48,697,312</b>
<b>All Sources</b>	<b>\$ 151,000,745</b>	<b>\$ 152,464,205</b>	<b>\$ 158,368,042</b>	<b>\$ 156,381,010</b>
<b>FTE Authorizations</b>				
	<b>754.1</b>	<b>794.4</b>	<b>764.1</b>	<b>795.4</b>
<i>Limited to Third-Party Funds</i>	100.0	59.7	100.0	58.7
<b>Total</b>	<b>854.1</b>	<b>854.1</b>	<b>864.1</b>	<b>854.1</b>

**Summary.** The Community College requests \$158.4 million from all sources and 864.1 full-time equivalent positions for FY 2015. This is an increase of \$7.4 million or 4.9 percent over the FY 2014 enacted budget and \$4.3 million or 2.8 percent more than the revised allocation. The request also assumes 864.1 full-time equivalent positions which is 10.0 more than the enacted authorization assuming that 100.0 of the total positions would be limited to funding from third party sources.

*The Governor recommends \$156.4 million, which is \$5.4 million more than enacted and \$2.0 million less than requested. The Governor recommends \$48.0 million from general revenues, which is \$1.6 million more than enacted and \$2.0 million less than requested.*

**Tuition and Enrollment.** The FY 2015 budget assumes that tuition and fees will remain at the same level as FY 2014. Tuition was frozen at the FY 2014 level for FY 2013. The FY 2015 enrollment projections assume that enrollment will decrease by 19 full-time equivalent students or 0.2 percent.

*The Governor's budget assumes the requested revenues. He includes language in the appropriations act that requires the institutions to maintain tuition charges at the FY 2014 level and internal student financial aid at the same level as FY 2014. He intends that the institutions make the reductions necessary to avoid raising tuition while ensuring that there are no reductions to student aid below the FY 2014 level.*

<b>Community College</b>			<b>Change to</b>	
<b>Tuition and Fees</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2014</b>	
<b>Resident</b>				
Tuition	\$ 3,624	\$ 3,624	\$ -	0.0%
Fees	326	326	-	0.0%
<b>Total</b>	<b>\$ 3,950</b>	<b>\$ 3,950</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Nonresident</b>				
Tuition	\$ 10,256	\$ 10,256	\$ -	0.0%
Fees	326	326	-	0.0%
<b>Total</b>	<b>\$ 10,582</b>	<b>\$ 10,582</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Enrollment</b>	<b>10,517</b>	<b>10,498</b>	<b>(19)</b>	<b>-0.2%</b>

**Staffing.** The request for 864.1 full-time equivalent positions is 10.0 more than the FY 2014 enacted authorization. It assumes that of the total positions, 100.0 will be limited to funding from third party sources. *The Governor recommends 854.1 full-time equivalent positions, consistent with the total enacted authorization. The recommendation shifts 41.3 third-party funded research positions to non-restricted positions; however the intent was to provide the positions as requested.*

**Unrestricted Budget.** The unrestricted budget accounts for \$109.7 million, which is \$2.4 million or 2.3 percent more than the enacted budget and \$3.4 million or 3.2 percent more than the revised allocation. The increase to the revised allocation includes \$3.6 million more from general revenues, \$0.2 million less from tuition and fees and \$17,634 more from 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 \$6.3 million less than the unconstrained request, all from general revenues. The proposals to achieve the reductions are noted among the items described below where appropriate.

<b>Community College Changes to Enacted</b>	<b>Request</b>	<b>Governor</b>	<b>Difference</b>
Current Year Revisions	\$ (949,575)	\$ (2,476,004)	\$ (1,526,429)
New Positions	762,760	449,980	(312,780)
Other Salaries and Benefits	1,021,693	2,367,017	1,345,324
Vehicle Purchases	195,000	195,000	-
Technology Initiatives and Equipment			
Upgrades	300,000	300,000	-
Enrollment Program Supplies	119,603	119,603	-
Administrative Systems Licensing	156,969	156,969	-
Building Repairs and Maintenance	196,857	196,857	-
Student Aid	500,000	-	(500,000)
Debt Service	1,550	288,654	287,104
Other Operating Expenses	119,083	(1,160,898)	(1,279,981)
<b>Total</b>	<b>\$ 2,423,940</b>	<b>\$ 437,178</b>	<b>\$ (1,986,762)</b>

*The Governor recommends \$107.7 million in unrestricted expenditures. This is \$0.4 million more than enacted and \$2.0 million less than requested. General revenues are \$1.6 million more than enacted and \$2.0 million less than requested. He includes language in the appropriations act that requires the institutions to maintain tuition charges at the FY 2014 level and internal student financial aid at the same level as FY 2014. He intends that the institutions make the reductions necessary to avoid raising tuition while ensuring that there are no reductions to student aid below the FY 2014 level.*

**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 \$0.9 million or 0.9 percent less than enacted including \$0.8 million less from tuition and fees, the enacted level from general revenues and \$0.2 million less from other Community College sources. The decrease reflects 74 or 1.0 percent fewer students than assumed in the enacted budget.

The Community College requests \$2.2 million or 2.7 percent more for salaries and benefits. Of the 754.1 authorized positions, the Community College had 52.9 vacant positions as of the November 2, 2013 pay period. Based on a cost per position of \$78,394, the request reflects filling 28.0 vacant positions on the unrestricted side. The revised salary and benefit allocation is 5.6 percent more than spent in FY 2013 and 7.6 percent more than spent in FY 2012. Expenditures for building repairs are \$1.8 million less than enacted. Final FY 2013 expenditures were \$5.3 million and the enacted budget included \$3.4 million. The Community College used unrestricted sources to make major building renovations to its facilities in FY 2013, requiring less resources available for FY 2014.

*The Governor recommends \$1.5 million less than requested including \$0.2 million from general revenues to reflect statewide medical benefit savings. He also lowers requested expenditures from tuition and fees by \$1.4 million. This would fund personnel at the FY 2014 enacted level as well as shift \$0.6 million in expenses associated with unpaid accounts to building maintenance and repairs to incentivize the Community College to reduce its bad debt allowances.*

**New Positions.** The unconstrained request includes \$0.8 million for 10.0 new full-time equivalent positions. This includes 4.0 faculty positions for the English and math departments to better address the needs and high volume demand for remedial courses. Information from the Community College suggests that 70 percent of students entering the Community College are in need of remedial coursework. The other 6.0 faculty positions are conversions from adjunct faculty to full-time positions.

The constrained request removes the funding and requested new positions. *The Governor recommends \$0.4 million to convert 6.0 adjunct faculty positions to full-time positions.*

**Other Salaries and Benefits.** Unrestricted expenditures for salaries and benefits total \$83.0 million, which is \$1.0 million or 1.2 percent more than the FY 2014 allocation. The increase reflects benefit adjustments consistent with Budget Office instructions. There are no salary increases assumed. Of the 754.1 authorized positions, the Community College had 52.9 vacant positions as of the November 2, 2013 pay period. For FY 2013, the Community College averaged 803.8 filled positions.

As part of its unconstrained request, the Community College proposes savings of \$1.6 million, which based on a cost per position of \$80,782, represents 19.8 vacant positions.

*The Governor recommends \$2.4 million or 3.0 percent more than his revised recommendation and 5.7 percent growth over FY 2013 spent amounts.*

**Vehicle Purchases.** The unrestricted budget includes \$0.4 million for vehicle purchases, which is \$0.2 million more than the revised allocation. The Community College has a total of 33 vehicles and is requesting replacement of six in FY 2015. The current vehicle fleet of the Community College includes 33 vehicles worth an estimated \$1.1 million. It has a variety of vehicles including vans, pick-up trucks, cars, sports utility vehicles, and dump trucks among others.

The constrained request removes the \$0.4 million requested as part of the unconstrained request. *The Governor recommends funding consistent with the unconstrained request.*

**Technology Initiatives and Equipment Upgrades.** The unrestricted budget includes \$0.9 million for technology initiatives and upgrades to existing equipment, which is \$0.3 million more than the revised allocation. The Community College has indicated that this is one of the first steps toward enabling the College to set up redundant administrative system locations for a single price point. The plan is to have some redundancy at the State's new facility on Jefferson Boulevard but to also build a redundant system at the Lincoln Campus. These redundant profiles will be built out over the next several years as funding permits.

It appears that the request for additional funds is intended to replace funding passed through the Office of Higher Education for PeopleSoft. With the discontinuance of the Office as of June 30, 2014, the Community College is assuming that much of the operational budget will be gone, especially any discretionary monies such as those set aside for administrative systems implementation at the three schools. Since these monies were initiated around 2005 or 2006, the Community College has consistently been allocated around \$300,000 per year. It should be noted that the Office's FY 2015 budget request does include \$0.9 million but does not suggest how it will be allocated or distributed.

The constrained request eliminates the entire \$0.9 million requested for technology initiatives and equipment upgrades. *The Governor recommends funding consistent with the unconstrained request.*

**Enrollment Related Program Supplies.** The unrestricted budget includes \$2.5 million for academic departmental supplies, which is \$0.1 million more than the revised allocation to reflect additional need based on increased enrollment. These supplies are mostly disposable ones used in departments such as Biology, Chemistry, Nursing, Dental and Allied Health. These program costs increase as enrollment increases, increased costs from vendors, and the need to turnover overly used equipment.

The constrained request removes \$0.5 million. *The Governor recommends funding consistent with the unconstrained request.*

**Administrative Systems Licensing.** The unrestricted budget includes \$1.4 million, \$0.2 million more than the revised allocation for administrative systems licensing expenditures. This includes \$0.1 million for the Oracle/Elucian annual maintenance agreement which is the core administrative and operating system, \$29,725 for the BlackBoard annual license for academic based classroom teaching and mobile tools, and \$42,161 for network security licensing including the networking hubs that support all information technology. *The Governor recommends funding as requested.*

**Building Repairs and Maintenance.** The unrestricted budget includes \$1.0 million for building repairs and maintenance. This is \$0.2 million more than the revised allocation to address the ongoing needs of the aging facilities. Spending in FY 2012 and FY 2013 was \$0.9 million for the same types of expenditures. *The Governor recommends funding as requested.*

**Student Aid.** The unrestricted budget includes \$4.4 million for student aid, which is \$0.5 million more than the revised allocation. It is \$0.7 million or 18.9 percent more than spent in FY 2013. Student aid can be seen as a discount to the tuition and the expenditure is directly related to tuition and fee revenue. For FY 2015, student aid is estimated to be 3.4 percent of tuition and fee revenue. 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 rose to 2.5 percent for FY 2014.

The constrained request removes the additional \$0.5 million requested. *The Governor recommends funding as enacted, which is \$0.5 million less than requested and \$69,081 more than the constrained request.*

**Debt Service.** The unrestricted budget includes \$2.6 million for debt service expenditures. This is \$1,550 more than the revised allocation. The unrestricted budget funds debt service payments on general obligation bonds and revenue bonds. Of the total, \$1.8 million is for debt service on general obligation bonds that are funded exclusively from general revenues.

The change to the enacted budget reflects a reduction associated with the energy service contract to reflect the Community College using its own sources requiring less Certificates of Participation to be issued. The Community College is authorized to enter into an energy services contract for an amount not to exceed \$11.5 million over seven years. The Community College has opted to use its own funds and has programmed \$4.5 million from College funds of which \$3.9 million is already spent, requiring only \$6.6 million from Certificates of Participation. *The Governor's recommendation is \$0.3 million more than requested to reflect updated debt service payments on general obligation bonds.*

**Other Operating Expenses.** Excluding the items noted previously, the request includes \$12.7 million for all other operating expenditures, which is \$0.1 million or 0.9 percent more than the revised allocation. This includes an additional \$33,982 for insurance premiums, \$28,458 more for utilities and \$38,643 for other miscellaneous operating expenditures.

The request includes a reduction of \$150,000 in bad debt expenses. A year end accounting entry records bad debt allowance based on a formula applied to unpaid accounts receivables. The Community College reports that it has been able to reduce this cost primarily by adhering to a schedule of "drops for non-payment". Over the last several years, the Community College has been consistent about the dates and follow-up notifications decreasing its accounts receivable considerably.

The constrained request eliminates the \$1.6 million requested for building renovations. *The Governor recommends \$1.3 million less than requested. He intends that the institutions make the reductions necessary to avoid raising tuition while ensuring that there are no reductions to student aid.*

**Restricted Budget.** The restricted budget request is for \$48.7 million, which is \$4.9 million or 11.3 percent more than the FY 2014 enacted budget and \$1.0 million or 2.0 percent more than the FY 2014 revised allocation. Salaries and benefits are \$0.2 million more than enacted, student aid is \$2.9 million more and capital expenditures are \$2.0 million more. All other expenditures are \$0.2 million less.

External financial aid and college work study awards are estimated at \$31.1 million which is \$2.9 million more than enacted and level with FY 2013 spending. The Community College indicates that it is difficult to predict the changes in the federal aid programs from year to year. The majority of the rest of the increase is for Rhode Island Capital Plan funded projects, specifically an additional \$1.9

million more for the Knight Campus Renewal project. *The Governor recommends funding as requested.*



## Rhode Island State Council on the Arts

	FY 2014		FY 2014		FY 2015		FY 2015
	Enacted		Revised		Request		Recommended
<b>Expenditures by Category</b>							
Salaries and Benefits	\$ 591,821	\$	573,133	\$	666,982	\$	598,368
Contracted Services	25,500		25,500		25,500		25,500
<b>Subtotal</b>	<b>\$ 617,321</b>		<b>598,633</b>		<b>\$ 692,482</b>		<b>\$ 623,868</b>
Other State Operations	83,981		83,981		83,981		83,981
Aid to Local Units of Government	-		-		-		-
Assistance, Grants, and Benefits	1,461,657		1,461,657		1,531,657		2,461,657
Capital	602,536		602,536		602,536		602,536
Capital Debt Service	-		-		-		-
Operating Transfers	-		-		-		-
<b>Total</b>	<b>\$ 2,765,495</b>	<b>\$</b>	<b>2,746,807</b>	<b>\$</b>	<b>2,910,656</b>	<b>\$</b>	<b>3,772,042</b>
<b>Sources of Funds</b>							
General Revenue	\$ 1,335,630		1,317,591	\$	1,465,446	\$	2,340,158
Federal Aid	797,329		796,680		812,674		799,348
Restricted Receipts	-		-		-		-
Other	632,536		632,536		632,536		632,536
<b>Total</b>	<b>\$ 2,765,495</b>	<b>\$</b>	<b>2,746,807</b>	<b>\$</b>	<b>2,910,656</b>	<b>\$</b>	<b>3,772,042</b>
<b>FTE Authorization</b>	<b>6.0</b>		<b>6.0</b>		<b>6.0</b>		<b>6.0</b>

**Summary.** The Rhode Island Council on the Arts requests \$2.9 million, or \$0.1 million more than enacted from all sources including \$0.1 million more from general revenues, \$15,345 more from federal funds, and the enacted level 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 \$0.9 million more than requested, primarily from general revenues to reflect the Governor's Cultural Economy initiative. He recommends the enacted level of positions.*

**Target Issues.** The Budget Office provided the Council with a general revenue target of \$1.3 million. The amount includes current service adjustments of \$5,182 and a 7.0 percent target reduction, adjusted for certain exclusions, of \$71,341. *The Governor's budget is \$1.1 million above the target.*

FY 2015 Budget		Budget Office		Arts Council		Difference
<b>FY 2014 Enacted</b>	<b>\$</b>	<b>1,335,630</b>	<b>\$</b>	<b>1,335,630</b>	<b>\$</b>	<b>-</b>
Current Service Adjustments		5,182		59,816		54,634
New Initiatives		-		70,000		70,000
<b>Change to FY 2014 Enacted</b>	<b>\$</b>	<b>5,182</b>	<b>\$</b>	<b>129,816</b>	<b>\$</b>	<b>124,634</b>
<b>FY 2015 Current Service/ Unconstrained Request</b>	<b>\$</b>	<b>1,340,812</b>	<b>\$</b>	<b>1,465,446</b>	<b>\$</b>	<b>124,634</b>
Target Reduction/Initiatives		(71,341)		(195,975)		(124,634)
<b>FY 2015 Constrained Target/Request</b>	<b>\$</b>	<b>1,269,471</b>	<b>\$</b>	<b>1,269,471</b>	<b>\$</b>	<b>-</b>
<i>Change to FY 2013 Enacted</i>	<i>\$</i>	<i>(66,159)</i>	<i>\$</i>	<i>(66,159)</i>	<i>\$</i>	<i>-</i>

The constrained budget submitted by the agency meets the target. The proposals to achieve the reductions are noted among the items described where appropriate.

**Creative and Cultural Economy.** The Creative and Cultural Economy program is a new initiative that focuses on investing in arts based infrastructure projects and promoting the state as an artistic hub.

*The Governor's recommends \$35.0 million from new general obligation bonds to be submitted to the voters on the November 2014 ballot. This includes \$30.0 million for renovations to theaters and performance spaces throughout the state and \$5.0 million for cities, towns and nonprofit organizations to renovate and improve museums and arts centers located in historic structures identified by the Historic Preservation and Heritage Commission. Bond funds will be administered by the Commerce Corporation and the Historical Preservation and Heritage Commission in consultation with the Council.*

*The Governor also recommends \$1.0 million from general revenues in the Council's budget for new welcome signs to be placed at the state's major borders, murals on overpasses, and other enhancements to transportation corridors and districts throughout the state.*

**Salaries and Benefits.** The Council requests \$0.7 million, which is \$75,161 more than enacted for salaries and benefits for 6.0 positions. This includes \$59,816 more from general revenues and \$15,345 more from federal funds. The increase reflects benefits for a new employee whose predecessor waived them, the reclassification of three positions and accompanying salary and benefit increases. The Council's request inadvertently alters the salaries of 4.0 other positions. *The Governor recommends \$68,614 less than requested including \$55,288 less from general revenues for salaries and benefits. He does not recommend \$36,178 for reclassification and salary increases and assumes \$32,436 to reflect the correct costs for other positions and statewide medical benefit savings.*

**Main Street Initiative.** The Council requests \$70,000 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 indicates that it intended to request \$0.3 million for this initiative and inadvertently omitted the remaining \$0.2 million.

The Council's constrained request excludes the Main Street Initiative. *The Governor does not include funding for the Main Street Initiative. He does include \$1.0 million for another similar initiative.*

**Discretionary Grants.** The Council requests the enacted level of \$0.6 million from general revenues for discretionary grants, which are awarded to artists and organizations throughout the state, ranging from individual artisans to venues such as the Providence Performing Arts Center. The Council indicates that it inadvertently omitted \$0.2 million in additional general revenue funds from its request to reach its goal of awarding \$1.0 million from discretionary grants, a goal that was set by the Council in the late 1990s.

The Council's constrained request reduces funding for discretionary grants by \$0.1 million or 21.0 percent from the unconstrained request. *The Governor recommends the enacted level of funding, consistent with the unconstrained request.*

**Community Service Grants.** The Council requests the enacted level of \$321,657 from general revenues for community service grants. Information received subsequent to the request suggests two

community grants totaling \$7,082 will not be awarded in FY 2014. *The Governor recommends funding as requested.*

**National Endowment for the Arts Grants.** The Council requests the enacted level of \$550,000 from federal funds for National Endowment for the Arts grants. 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.*

**Other Operations.** The Council requests the enacted level of \$79,481 including \$18,606 from general revenues and \$60,875 from federal funds for all other operations, including the lease of a copier, office supplies, posting fees for grant application websites and other operating expenses. *The Governor recommends funding as requested.*

**Percent for Art Program.** The Council's request includes the enacted level of \$632,536 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 such as posting online, newspaper advertising, and choosing requests for proposals. *The Governor recommends funding as requested.*



## Rhode Island Atomic Energy Commission

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 1,022,501	\$ 1,005,661	\$ 1,049,232	\$ 1,044,239
Contracted Services	12,318	-	-	-
<b>Subtotal</b>	<b>\$ 1,034,819</b>	<b>\$ 1,005,661</b>	<b>\$ 1,049,232</b>	<b>\$ 1,044,239</b>
Other State Operations	320,912	138,810	97,708	97,708
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	81,000	81,000	79,227	129,227
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
<b>Total</b>	<b>\$ 1,436,731</b>	<b>\$ 1,225,471</b>	<b>\$ 1,226,167</b>	<b>\$ 226,935</b>
<b>Sources of Funds</b>				
General Revenue	\$ 861,710	856,770	\$ 918,190	913,197
Federal Aid	267,044	60,724	-	-
Restricted Receipts	-	-	-	-
Other	307,977	307,977	307,977	357,977
<b>Total</b>	<b>\$ 1,436,731</b>	<b>\$ 1,225,471</b>	<b>\$ 1,226,167</b>	<b>\$ 1,271,174</b>
<b>FTE Authorization</b>	<b>8.6</b>	<b>8.6</b>	<b>8.6</b>	<b>8.6</b>

**Summary.** The Rhode Island Atomic Energy Commission requests \$1.2 million and 8.6 full-time equivalent positions for its FY 2015 unconstrained request. This is \$210,564 less than the FY 2014 enacted budget, including \$56,480 more from general revenues and \$267,044 less from federal funds. *The Governor recommends \$1.3 million, which is \$45,007 more than requested, including \$4,993 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 \$808,761. The amount includes current service adjustments of \$7,926 and a 7.0 percent target reduction of \$60,875. The Commission's constrained budget is equal to the target reduction. *The Governor's recommendation is \$104,436 above the target.*

	Budget Office	Atomic Energy Commission	Difference
<b>FY 2015 Budget</b>			
<b>FY 2014 Enacted</b>	\$ 861,710	\$ 861,710	\$ -
Current Service Adjustments	7,926	56,480	48,554
New Initiatives	-	-	-
<b>Change to FY 2014 Enacted</b>	<b>7,926</b>	<b>56,480</b>	<b>48,554</b>
<b>FY 2015 Current Service/Unconstrained Request</b>	<b>\$ 869,636</b>	<b>\$ 918,190</b>	<b>\$ 48,554</b>
Target Reduction/Initiatives	<b>(60,875)</b>	<b>(109,429)</b>	<b>(48,554)</b>
<b>FY 2015 Constrained Target/Request</b>	<b>\$ 808,761</b>	<b>\$ 808,761</b>	<b>\$ -</b>
<i>Change to FY 2014 Enacted</i>	<i>\$(52,949)</i>	<i>\$(52,949)</i>	<i>\$ -</i>

**Salaries and Benefits.** The Commission requests \$1.0 million for salaries and benefits for 8.6 full-time equivalent positions. This is \$26,731 more than enacted, including \$49,440 more from general revenues, \$19,144 less from federal funds and \$3,565 less from University of Rhode Island sponsored research funds. The increase reflects the full year salary of the Director who was hired September 3, 2013 and updates to benefit rates. The increase also reflects a shift in funding of student interns to general revenues. These expenses had been paid through a federal Nuclear Engineering Education grant which has ended. The Nuclear Engineering Education grant also funded student design projects at the facility.

As a part of the FY 2015 constrained request, the Commission proposes \$111,249 in savings from the layoff of the Principal Reactor Operator position.

*The Governor's recommendation is \$4,993 less than requested, all from general revenues, to reflect statewide medical benefit savings.*

**Federal Grants.** The Commission does not request any funds from federal grants, for which the enacted budget includes \$247,900. The Commission does not anticipate receiving any more funds from these grants in FY 2014 or FY 2015. *The Governor recommends funding as requested.*

**Capital.** The Commission requests \$50,000 for capital asset protection projects. This is consistent with the enacted amount. The Commission has spent \$53,914 on asset protection projects in FY 2014, \$59,257 in FY 2013, and \$49,315 in FY 2012. A detailed analysis of the project is included in the *Capital Budget Section* of this publication. *The Governor recommends \$100,000 from Rhode Island Capital Plan funds, \$50,000 more than enacted for a building study to evaluate the overall condition of the facility and other asset protection projects. This is consistent with the capital budget.*

**All Other Operations.** The Commission's request for all other operations includes \$128,755 from all funds, which is \$10,605 more than enacted. This includes \$7,040 more from general revenues and \$3,565 more from other funds. The additional general revenues increase would cover an estimated three percent increase in non-discretionary costs such as trash pickup and propane delivery as a result of assumed inflation. *The Governor recommends funding as requested.*

## Rhode Island Higher Education Assistance Authority

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Program</b>				
Scholarship and Grant Program	\$ 4,281,726	\$ 4,333,323	\$ 5,781,726	\$ 4,281,726
Loans Program	13,274,020	12,316,514	12,080,967	13,330,967
Tuition Savings Program	9,207,989	8,330,082	7,834,268	6,834,268
<b>Total</b>	<b>\$ 26,763,735</b>	<b>\$ 24,979,919</b>	<b>\$ 25,696,961</b>	<b>\$ 24,446,961</b>
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 3,084,563	\$ 2,266,596	\$ 2,410,235	\$ 2,410,235
Contracted Services	7,830,000	7,830,000	7,830,000	7,830,000
<b>Subtotal</b>	<b>\$ 10,914,563</b>	<b>\$ 10,096,596</b>	<b>\$ 10,240,235</b>	<b>\$ 10,240,235</b>
Other State Operations	2,267,446	2,550,000	1,925,000	1,925,000
Aid to Local Units of Government	-	-	1,000,000	-
Assistance, Grant, and Benefits	13,081,726	12,333,323	\$ 12,281,726	12,281,726
Capital	500,000	-	250,000	-
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
<b>Total</b>	<b>\$ 26,763,735</b>	<b>\$ 24,979,919</b>	<b>\$ 25,696,961</b>	<b>\$ 24,446,961</b>
<b>Sources of Funds</b>				
General Revenue	\$ 4,281,726	\$ 4,333,323	\$ 5,781,726	\$ 4,281,726
Federal Aid	13,274,020	12,316,514	12,080,967	13,330,967
Restricted Receipts	-	-	-	-
Other	9,207,989	8,330,082	7,834,268	6,834,268
<b>Total</b>	<b>\$ 26,763,735</b>	<b>\$ 24,979,919</b>	<b>\$ 25,696,961</b>	<b>\$ 24,446,961</b>
<b>FTE Authorization</b>	<b>23.0</b>	<b>23.0</b>	<b>25.0</b>	<b>25.0</b>

**Summary.** The Rhode Island Higher Education Assistance Authority requests \$25.7 million from all sources of funds for its FY 2015 unconstrained budget or \$1.1 million less than the enacted budget. This includes \$1.5 million more from general revenues, \$1.3 million less from federal funds, and \$1.4 million less from tuition savings funds. The Authority requests 25.0 full-time equivalent positions, 2.0 more than enacted. The Department also submitted a constrained request that includes \$4.0 million from general revenues, consistent with the Budget Office target.

The request is \$1.5 million more than the Budget Office's general revenue current services target of \$4.3 million. The Department submitted a constrained request that includes \$4.0 million from general revenues, consistent with the Budget Office Target. *The Governor recommends \$24.4 million, \$1.3 million less than requested, including \$1.5 million less from general revenues, \$1.3 million more from federal funds, and \$1.0 million less from tuition savings funds. He recommends adding staffing consistent with the request.*

**Target Issues.** The Budget Office provided the Department with a general revenue target of \$4.0 million. The amount includes a 7.0 percent target reduction of \$299,721. The constrained budget submitted by the Department equals the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$299,721 more than the target.*

FY 2015 Budget	Higher Education		
	Budget Office	Assist. Auth.	Difference
<b>FY 2014 Enacted</b>	\$ 4,281,726	\$ 4,281,726	\$ -
Current Service Adjustments	-	1,500,000	1,500,000
<b>Change to FY 2014 Enacted</b>	\$ -	\$ 1,500,000	\$ 1,500,000
<b>FY 2015 Current Service/Unconstrained Request</b>	\$ 4,281,726	\$ 5,781,726	\$ 1,500,000
Target Reduction/Initiatives	(299,721)	(1,799,721)	(1,500,000)
<b>FY 2015 Constrained Target/Request</b>	\$ 3,982,005	\$ 3,982,005	\$ -
<i>Change to FY 2014 Enacted</i>	\$ (299,721)	\$ (299,721)	\$ -

**Guaranty Agency.** The Authority funds its loan operations with revenues from loan processing issuance fees, portfolio management fees, default aversion fees paid by the federal government, and the Authority's share of collections on defaulted loans. In 1998, Congress passed the Higher Education Act which required guaranty agencies to establish a Federal Student Loan Reserve Fund. The Reserve Fund contains revenues from guarantee fees and reinsurance received for lender claims paid and can be used to pay the guaranty agency for default prevention activities.

On March 21, 2010, the United State House of Representatives passed the Reconciliation Act of 2010 concerning health care reform. The legislation included a provision to end subsidies to lenders and originate all loans directly through the federal government. As a result, the Authority no longer originates student loans. This development started the discussion regarding phasing out these operations. At the time, the Authority believed it would be required to service its existing portfolio for five to eight years. However, the federal budget passed by Congress in November significantly affects the Authority's income received from default aversion fees, beginning July 1, 2014. These federal budget cuts will reduce the agency's funding by approximately 40 percent after July 1, 2014. *The Governor's budget does not address the future of the Authority operation.*

#### Scholarships and Grants

	FY 2014 Enacted	FY 2015 Unconstrained	Change to Enacted	FY 2015 Gov. Rec.	Change to Enacted
<b>Uses</b>					
<b>Need-Based Scholarships and Grants</b>					
General Revenues	\$ 4,281,726	\$ 5,781,726	\$ 1,500,000	\$ 4,281,726	\$ -
Tuition Savings Fees	8,000,000	6,500,000	(1,500,000)	6,500,000	(1,500,000)
Guaranty Agency Reserves	-	-	-	1,500,000	1,500,000
<i>Subtotal</i>	<i>\$ 12,281,726</i>	<i>\$ 12,281,726</i>	<i>\$ -</i>	<i>\$ 12,281,726</i>	<i>\$ -</i>
<b>Other Grant Programs</b>					
Academic Promise	\$ 800,000	\$ 1,000,000	\$ 200,000	\$ -	\$ (800,000)
<i>Subtotal</i>	<i>\$ 800,000</i>	<i>\$ 1,000,000</i>	<i>\$ 200,000</i>	<i>\$ -</i>	<i>\$ (800,000)</i>
<b>Total</b>	<b>\$ 13,081,726</b>	<b>\$ 13,281,726</b>	<b>\$ 200,000</b>	<b>\$ 12,281,726</b>	<b>\$ (800,000)</b>
<b>Sources</b>					
General Revenues	\$ 4,281,726	\$ 5,781,726	\$ 1,500,000	\$ 4,281,726	\$ -
Tuition Savings Fees	8,800,000	7,500,000	(1,300,000)	6,500,000	(2,300,000)
Guaranty Agency Reserves	-	-	-	1,500,000	1,500,000
<b>Total</b>	<b>\$ 13,081,726</b>	<b>\$ 13,281,726</b>	<b>\$ 200,000</b>	<b>\$ 12,281,726</b>	<b>\$ (800,000)</b>

**Need-Based Scholarships and Grants.** The Authority requests \$12.3 million for need-based scholarships and grants, including \$5.8 million from general revenues, \$1.5 million more than the enacted level, and \$6.5 million from tuition savings funds, \$1.5 million less than the enacted level. In FY 2014, the Authority is anticipating awarded grants to 24,000 students with a maximum grant of \$750 and an average award of \$512.

The FY 2015 constrained request reduces general revenue funding for need-based scholarships and grants by \$1.8 million. While the Authority did not specify how it would achieve the savings, a reduction of this magnitude is equivalent to approximately 3,500 fewer awards given or approximately \$75 less per award to the same number of students.

*The Governor recommends \$12.3 million for need-based scholarships and grants, consistent with the request and enacted budget. However, the Governor recommends using \$1.5 million guaranty agency reserves in lieu of tuition savings fees. His recommendation from general revenues is consistent with the enacted budget.*

**Academic Promise Scholarship Program.** The Authority requests \$1.0 million from Tuition Savings fees for the Academic Promise Scholarship program for FY 2015, \$0.2 million more than enacted. The request for \$1.0 million would support 100 students over a four-year college career. In order to be eligible for the scholarships, the student must be a graduating high school senior who is planning to enroll in a postsecondary institution on a full-time basis, demonstrates academic promise and shows financial need. Eligibility is calculated using a formula that takes into account the student's expected family contribution as determined by the Free Application for Federal Student Aid and his/her score on a standardized college admission examination. The student with the highest ranking is offered the first scholarship, and so on. *The Governor's recommendation removes funding for the Academic Promise program, though the intent appears to have been to fully fund the program.*

**Enacted Staffing Reduction.** The FY 2015 request reflects a \$0.9 million reduction from federal funds to align funding with the enacted staffing level consistent with the FY 2014 revised request. The FY 2014 enacted budget reduced the Authority's full-time equivalent position cap from 36.0 to 23.0 but did not reduce the expenditure accordingly. This adjustment corrects that. The Authority currently has 22.0 filled positions. *The Governor recommends funding as requested.*

**New Positions.** The Department requests \$190,000 from federal funds for 2.0 new full-time equivalent positions. The two new positions will be used specifically to assist in training at schools throughout the state in the uses of enhancements already developed for WaytogoRI.org. The Authority's revised request assumes a January 1, 2014 start date.

The Authority currently has 1.0 position performing these duties. The Authority has been attempting to use current employees to assist with school training, but according to the Authority, the skill set for trainers does not exist within the Authority's current staff. *The Governor recommends funding and staffing as requested.*

**Other Salaries and Benefits.** The FY 2015 request includes \$3.1 million for all other salaries and benefits for the Authority's 23.0 full-time equivalent positions, which is \$44,639 more than enacted. This includes \$40,453 more from federal funds and \$4,186 more from tuition savings fees to reflect benefit updates consistent with the planning values provided by the Budget Office and no turnover savings. The Authority has 22.0 positions currently filled. *The Governor recommends funding as requested.*

**CollegeBoundfund Marketing.** The Authority requests \$0.1 million less than enacted from tuition savings funds for advertising and promotion expenses. Since 2010, AllianceBernstein, by contract with the Authority, funds the first \$750,000 of marketing and promotion costs for the CollegeBoundfund program for the advertising program 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 to align more closely with its recent levels of advertising expenses. The Authority did not request any additional advertising funds for FY 2014. The Authority spent \$33,105 over \$750,000 in FY 2012 and \$15,812 in FY 2013. *The Governor recommends funding as requested.*

**Collections.** The Authority requests \$7.1 million from federal funds for costs related to the management of its loan portfolio, which is \$10,000 more than enacted. This includes \$5.0 million for commissions to contracted collection agencies, and \$15,000 for contracted services related to costs associated with defaulted loan portfolio. The request also includes \$2.1 million for fees paid to the Student Loan Marketing Association (“Sallie Mae”) for managing collections for the Authority. *The Governor recommends funding as requested.*

**Default Aversion.** The Authority requests \$0.5 million for default aversion services, which is consistent with the enacted amount. 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. Returned fees have declined in recent years, largely the result of a smaller loan portfolio, caused by the Health Care and Education Act of 2010, which prohibits state or private guaranty agencies from originating student loans. *The Governor recommends funding as requested.*

**All Other Operations.** The Authority requests \$2.5 million for all other operations for FY 2015, a decrease of \$0.5 million. This includes no general revenues, \$0.5 million less from federal funds and \$11,711 less from tuition savings funds. The majority of this decrease is for general office and utility costs to reflect fewer staff. *Consistent with his revised recommendation, the Governor recommends \$250,000 less than requested, which reflects the removal of funding for depreciation and amortization costs for the guaranty agency that are reported in financial statements but not required for the budget since it is not an expenditure.*

## Historical Preservation and Heritage Commission

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 1,752,731	\$ 1,669,926	\$ 1,734,121	\$ 1,718,591
Contracted Services	4,975	68,100	3,100	3,100
<b>Subtotal</b>	<b>\$ 1,757,706</b>	<b>\$ 1,738,026</b>	<b>\$ 1,737,221</b>	<b>\$ 1,721,691</b>
Other State Operations	110,364	86,104	101,309	110,899
Aid to Local Units of Government	-	-	-	-
Assistance, Grant, and Benefits	623,379	2,177,397	2,212,398	2,133,686
Capital	1,015,500	503,700	1,013,700	1,136,551
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
<b>Total</b>	<b>\$ 3,506,949</b>	<b>\$ 4,505,227</b>	<b>\$ 5,064,628</b>	<b>\$ 5,102,827</b>
<b>Sources of Funds</b>				
General Revenue	\$ 1,357,510	\$ 1,340,796	\$ 1,398,946	\$ 1,280,610
Federal Aid	609,949	2,175,422	2,160,013	2,183,588
Restricted Receipts	454,491	420,320	420,320	434,910
Other	1,084,999	568,689	1,085,349	1,203,719
<b>Total</b>	<b>\$ 3,506,949</b>	<b>\$ 4,505,227</b>	<b>\$ 5,064,628</b>	<b>\$ 5,102,827</b>
<b>FTE Authorization</b>	<b>16.6</b>	<b>16.6</b>	<b>16.6</b>	<b>16.6</b>

**Summary.** The Historical Preservation and Heritage Commission requests \$5.1 million, which is \$1.6 million more than enacted from all sources. This includes \$41,436 more from general revenues, \$1.6 million more from federal funds, \$34,171 less from restricted receipts, and \$350 more from Department of Transportation reimbursement funds. The Commission requests 16.6 full-time equivalent positions, the authorized level. The Commission also submitted a constrained request that totals \$1.2 million from general revenues and includes \$168,436 less from general revenues than the unconstrained request. *The Governor recommends \$5.1 million from all sources, including \$1.3 million from general revenues and 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 \$1,287,265. The amount includes current service adjustments of \$16,387 and a 7.0 percent target reduction of \$86,632.

	Budget Office	HPHC	Difference
<b>FY 2015 Budget</b>			
<b>FY 2014 Enacted</b>	\$ 1,357,510	\$ 1,357,510	\$ -
Current Service Adjustments	16,387	41,436	25,049
<b>Change to FY 2014 Enacted</b>	<b>\$ 16,387</b>	<b>\$ 41,436</b>	<b>\$ 25,049</b>
<b>FY 2015 Current Service/Unconstrained Request</b>	<b>\$ 1,373,897</b>	<b>\$ 1,398,946</b>	<b>\$ 25,049</b>
Target Reduction/Initiatives	(86,632)	(168,436)	(81,804)
<b>FY 2015 Constrained Target/Request</b>	<b>\$ 1,287,265</b>	<b>\$ 1,230,510</b>	<b>\$ (56,755)</b>
<i>Change to FY 2014 Enacted</i>	<i>\$ (70,245)</i>	<i>\$ (127,000)</i>	<i>\$ (56,755)</i>

The Commission's current services request is \$25,049 above the target and its constrained request is \$56,755 below the target. *The Governor's recommendation is \$6,655 less than the target.*

**Eisenhower House.** The Commission requests \$1.2 million, which is \$1,047 more than enacted from all funds for staffing, operations, and renovations to Eisenhower House. This includes \$0.2 million from general revenues for house staffing and operations, consistent with current planning values and historical expenditures, and \$1.0 million from Rhode Island Capital Plan funds, reflective of an updated project schedule for substantial renovations to the house.

As part of its constrained request, the Commission includes \$8,280 less from general revenues for the staffing of Eisenhower House, consistent with an 8-week furlough of the 1.0 full-time staff member who is responsible for the house's operations. It should be noted that planned rehabilitation of the property will prohibit rentals until May 2015. No impact from the lack of house staffing is provided by the Commission and no associated operations savings are assumed.

*The Governor recommends \$1.3 million from all sources for the Eisenhower House. He maintains current staffing and operations, but excludes \$840 for statewide medical benefit savings and \$15,000 for building maintenance. He recommends \$1.2 million from Rhode Island Capital Plan funds for the house's renovation and reconstruction, which is \$0.1 million more than requested to ensure project completion by May 2015. A detailed analysis of the project is included in the Capital Budget section of this publication.*

**All Other Salaries and Benefits.** Excluding staffing costs associated with Eisenhower House, the Commission requests \$1.6 million from all sources for salaries and benefits, which is \$20,087 less than enacted. The request is consistent with current service adjustments and step increases for FY 2015 and includes \$31,029 more from general revenues offset by decreases of \$34,617 from federal funds and \$16,499 from restricted receipts. This reflects the Commission's Survey and Planning grant award for FY 2014 and lessened demand for specific preservation programs funded from restricted receipts, including historic preservation loans and easements. The request includes 15.6 authorized full-time equivalent positions.

As part of its constrained request, the Commission includes \$207,657 less from all sources for salaries and benefits consistent with an 8-week furlough of the entire staff, including \$160,156 less from general revenues. The Commission notes that if enacted, the furloughs would have an adverse impact on Commission review of architectural and archeological projects for public and private institutions, including the Departments of Transportation and Revenue.

*The Governor recommends \$1.6 million from all sources, which is \$14,690 less than the unconstrained request. He includes \$0.1 million less from general revenues and \$0.1 million more from federal funds, to reflect shifting staff costs to grant funds including the Hurricane Sandy Disaster relief grant and the Survey and Planning grant. He includes \$28,187 less than requested from all funds, including \$5,266 from statewide benefit savings and \$22,921 less to reflect updated estimates.*

**Historic Preservation – Sandy Disaster Relief.** The Commission requests \$1.6 million from federal funds for a new historic preservation grant program to assist historic property owners with the restoration of historic buildings and archeological sites damaged by Hurricane Sandy in 2012. In May of 2013, the Historic Preservation Fund was created by the National Park Service to provide state preservation agencies with funding to give technical assistance and provide emergency repairs to historic and archeological resources impacted by the storm. Rhode Island was granted a total award of

\$3.2 million in the first quarter of FY 2014. The Commission anticipates providing grants from November 2013 through calendar year 2015; the grant is also included in the revised FY 2014 request.

*The Governor recommends \$1.6 million in expenditures from this grant, but uses \$69,999 for salary and benefit expenditures associated with the grant's administration.*

**Other Grant Programs.** The Commission requests \$56,771, which is \$18,566 less than enacted from federal funds for its Survey and Planning and Preserve America grant programs. This includes \$9,131 less to reflect the FY 2014 award received for the Survey and Planning grant program and \$9,434 less than enacted from federal funds for its Preserve America grant program, which has expired and is not anticipated to be revived at the federal level. *The Governor recommends funding as requested.*

**Preservation Programs.** Excluding salaries and benefits, the Commission requests \$0.5 million, which is \$8,312 less than enacted from all funds for its preservation programs, including \$9,360 more from general revenues and \$17,672 less from restricted receipts. The request includes \$0.4 million from restricted receipts for the Historic Preservation Loan Fund and \$57,305 from all funds for preservation operations. This reflects historical expenditures for preservation programs and shifts funding sources due to the increasingly limited use of those programs.

As part of its constrained request, the Commission includes \$14,590 more from restricted receipts for miscellaneous office expenses. This would likely make general revenues available for other uses.

*The Governor recommends \$43,642, which is \$5,877 more than requested, including \$8,713 less from general revenues and restricted receipt funding consistent with the constrained request.*

**Community Service Grants.** The Commission requests the enacted amount of \$136,301 from general revenues for nine community service grants. *The Governor recommends funding as requested.*

**All Other Operations.** The Commission requests \$18,329 which is \$350 more than enacted from all sources for all other operations. This includes the enacted amount of \$17,000 for grants to state preservation organizations and \$350 more from Department of Transportation reimbursement funds to support archeological review of Department construction projects. *The Governor recommends funding as requested.*



## Office of the Attorney General

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Program</b>				
Criminal	\$ 20,507,020	\$ 32,449,369	\$ 27,851,342	\$ 26,154,222
Civil	5,618,395	6,087,829	6,788,699	5,733,404
Bureau of Criminal Identification	1,503,119	1,531,403	1,740,256	1,542,124
General	2,771,567	2,972,763	3,234,610	3,073,613
<b>Total</b>	<b>\$ 30,400,101</b>	<b>\$ 43,041,364</b>	<b>\$ 39,614,907</b>	<b>\$ 36,503,363</b>
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 23,696,875	\$ 23,448,604	\$ 26,041,155	\$ 23,574,796
Contracted Services	4,595,747	6,497,205	2,351,319	1,707,122
<b>Subtotal</b>	<b>\$ 28,292,622</b>	<b>\$ 29,945,809</b>	<b>\$ 28,392,474</b>	<b>\$ 25,281,918</b>
Other State Operations	1,864,590	6,161,765	3,237,265	3,226,111
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	-
Capital	242,889	6,933,790	7,985,168	7,995,334
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
<b>Total</b>	<b>\$ 30,400,101</b>	<b>\$ 43,041,364</b>	<b>\$ 39,614,907</b>	<b>\$ 36,503,363</b>
<b>Sources of Funds</b>				
General Revenue	\$ 23,656,979	\$ 24,013,794	\$ 26,711,170	\$ 23,587,146
Federal Aid	1,619,532	2,829,090	1,366,319	1,366,309
Restricted Receipts	5,073,590	15,956,675	11,249,918	11,249,908
Other	50,000	241,805	287,500	300,000
<b>Total</b>	<b>\$ 30,400,101</b>	<b>\$ 43,041,364</b>	<b>\$ 39,614,907</b>	<b>\$ 36,503,363</b>
<b>FTE Authorization</b>	<b>233.1</b>	<b>233.1</b>	<b>238.1</b>	<b>233.1</b>

**Summary.** The Office of the Attorney General's current service request is \$39.6 million from all sources, including \$26.7 million from general revenues. This is \$9.2 million or 30.3 percent more than enacted, including \$3.1 million more from general revenues, \$0.3 million less from federal funds, \$6.2 million more from restricted receipts and \$0.2 million more from other funds. The Office requests 238.1 full-time equivalent positions, 5.0 positions above the authorized level. *The Governor recommends \$36.5 million from all sources, including \$23.6 million from general revenues and 233.1 full-time equivalent positions. This is \$6.1 million more than enacted, and \$3.1 million less than requested.*

**Target Issues.** The Budget Office provided the Office with a general revenue target of \$22,244,710. The amount includes current service adjustments of \$251,755 and a 7.0 percent target reduction of \$1,664,024.

FY 2015 Budget	Office of the		
	Budget Office	Attorney General	Difference
<b>FY 2014 Enacted</b>	\$ 23,656,979	\$ 23,656,979	\$ -
Current Service Adjustments	251,755	3,054,191	2,802,436
<b>Change to FY 2014 Enacted</b>	\$ 251,755	\$ 3,054,191	\$ 2,802,436
<b>FY 2015 Current Service/Unconstrained Request</b>	\$ 23,908,734	\$ 26,711,170	\$ 2,802,436
Target Reduction/Initiatives	(1,664,024)	-	1,664,024
<b>FY 2015 Constrained Target/Request</b>	\$ 22,244,710	\$ 26,711,170	\$ 4,466,460
<i>Change to FY 2014 Enacted</i>	\$ (1,412,269)	\$ 3,054,191	\$ 4,466,460

The Office did not submit a constrained budget; its unconstrained budget exceeds the target by \$4.5 million. *The Governor's budget recommendation is \$1.3 million above the Budget Office target.*

### Overhead

**Parking Expenses.** The Office requests \$184,927 from all funds, including \$165,125 from general revenues to pay for parking expenses. This is \$76,649 more than enacted from all sources, including \$65,813 from general revenues to reflect a new vendor contract for the Office to provide additional parking spaces for its employees. As of December 28, 2013, the Office had 228.1 filled positions. The request for additional resources for parking expenses was submitted to the Asset Forfeiture and Money Laundering Section of the United States Department of Justice for approval to be funded from Google settlement funds, but it was not approved.

The Office indicates that the requested increase will pay for approximately 40 additional parking spaces, an average of \$1,916 per parking space annually. The FY 2014 enacted budget includes \$108,278 and appears to pay for approximately 57 parking spaces. The Office also indicates this will address safety concerns stemming from its employees being followed when walking to their respective vehicles in the late afternoon or at night. *The Governor recommends \$4,987 less than requested from general revenues to reflect anticipated expenses.*

**Asset Protection.** The Office requests \$287,500 from Rhode Island Capital Plan funds for its asset protection projects for FY 2015. This is consistent with the approved capital plan and is \$237,500 more than enacted. Funds are expected to be used for continuous upgrade to its heating ventilation and air conditioning system, as well as other interior renovations, including office spaces. *The Governor recommends \$12,500 more than requested based on estimated project costs.*

### Criminal Division

**New Staff - 3.0 Positions.** The Office requests \$0.4 million from general revenues to support 3.0 new positions, including 2.0 full-time staff attorneys and 1.0 senior investigator position, based on projected needs for the Criminal Division. The Office notes additional staff is necessary to maintain the desired level of proficiency when handling all legal matters and caseloads. The request assumes funding for the positions for a full year. *The Governor does not include the requested funding or positions.*

**Other Salaries and Benefits.** The Office requests \$15.9 million from all sources, including \$14.5 million from general revenues for other salaries and benefits for 148.1 full-time equivalent positions within the Criminal Division. This is \$1.0 million more than enacted, including \$1.1 million from general revenues to restore all turnover savings, step increases and updated benefit rates consistent with Budget Office planning values. The enacted budget assumed \$0.6 million in turnover savings,

equating to holding 6.0 full-time equivalent positions vacant for FY 2015. The request also includes \$0.1 million of general revenue support for positions previously funded from federal funds and restricted receipts to reflect the Office's expectation of limited available resources from these sources based on current year experience. As of December 14, 2013, the Criminal Division had 146.1 filled positions, which is 3.0 positions below the authorized level and 5.0 positions below the requested level.

*The Governor recommends \$14.5 million from all sources, including \$13.2 million from general revenues. This is \$1.3 million less than requested, including \$1.2 million from general revenues to reflect \$1.1 million in turnover savings consistent with the enacted budget and \$82,591 from statewide medical benefit savings.*

**Unidentified Projects - Google.** The Office requests \$10.0 million from restricted receipts for unidentified projects that are expected to be funded from Google settlement funds. This is \$6.0 million more than enacted and reflects the Office's expectation to receive funding approval from the Asset Forfeiture and Money Laundering Section of the United States Department of Justice. The state's share of the settlement is \$110.0 million and the Office is expecting to spend a significant portion of its share in the current year for several projects; however, those projects have to be approved by the United States Department of Justice due to funding restrictions. *The Governor recommends funding as requested.*

**Operations.** The Office requests \$1.6 million from all sources, including \$1.3 million from general revenues for all other operations. This is \$32,627 less than enacted, including \$183,602 more from general revenues which is offset by the elimination of federal resources from the background check grant, for which the enacted budget includes \$0.2 million. The request includes \$75,190 for projected revisions for the case management system, increases of \$30,566 for security supplies based on FY 2013 experience and \$27,956 for software licensing maintenance agreements based on ongoing technology and software upgrades. FY 2013 expenses for security supplies were \$96,979, \$14,541 more than enacted. Other increases for computer equipment and clerical services are based on FY 2013 expenditures, which were \$38,831. *The Governor recommends \$2,307 less than requested, including \$151,571 less from general revenues to fund operations expenditures closer to the enacted level. He does not include additional funds for the witness protection program.*

## Civil Division

**Tobacco Enforcement Litigation.** The Office requests \$0.6 million from general revenues for tobacco enforcement litigation expenditures. This is \$0.3 million more than enacted to reflect projected increases primarily for outside counsel. In FY 2013, the Office spent \$7,391 but indicates that several invoices were delayed into FY 2014, which would require a \$0.3 million 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 the leading 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 does not include the requested funding and assumes available funds at the end of the current year can be reappropriated for FY 2015. The Governor's recommendation also assumes funding for tobacco litigation for FY 2015 would be revisited for the FY 2016 appropriations act as part of the supplemental budget based on the progression of this case and current year expenditure experience.*

**New Staff - 1.0 Position.** The Office requests \$0.1 million from general revenues to support 1.0 new paralegal clerk position, which will perform legal research and analysis of law sources in order to

assist attorneys with their caseloads. The Office notes additional staff is necessary to maintain the desired level of proficiency when handling all legal matters and caseloads. The request assumes funding for the position for a full year. *The Governor does not include the requested funding or the position.*

**Other Salaries and Benefits.** The Office requests \$5.4 million from all sources, including \$4.8 million from general revenues for other salaries and benefits for 45.0 full-time equivalent positions within the Civil Division. This is \$0.5 million more than enacted, nearly all from general revenues, for step increases and updated benefit rates consistent with the Budget Office planning values. The request restores the \$0.2 million in turnover savings included in the enacted budget, equating to holding 2.0 full-time equivalent positions vacant. As of December 14, 2013, the Civil Division had 45.0 total filled positions, which is 1.0 position above the authorized level and 1.0 position below the requested level. *The Governor recommends \$5.1 million from all sources, including \$4.5 million from general revenues for salaries and benefits for the Civil Division. This is \$337,424 less than requested to reflect \$308,875 in turnover savings and \$28,549 from statewide medical benefit savings.*

**Consumer Education.** The Office requests \$267,516 from restricted receipts which have been recovered by the consumer protection unit from deceptive trade practice cases over the course of several years and deposited into a restricted receipts account. The total funds available are approximately \$300,000. The requested funding will be used to support the design and implementation of the case management information system for the Civil Division. This system is expected to improve efficiency by eliminating duplicate information and processes associated with the current manual system and function in collaboration with state law enforcement in the various district courts on all civil matters. *The Governor recommends funding as requested.*

**Operations.** The Office requests \$0.4 million, nearly all from general revenues for all other operations. This is \$26,820 more than enacted, including \$39,453 from general revenues to reflect increases for building maintenance and repairs and annual membership dues based on FY 2013 experience. FY 2013 expenses were \$90,815 or \$21,267 more than enacted and \$6,021 less than requested. Other increased expenses include snow removal, printing and advertising, and state fleet services based on projected Office needs. *The Governor recommends \$44,529 less than requested, including \$75,341 from general revenues to reflect reductions for building maintenance and repairs and engineering services based on prior year expenditure experience.*

### **Bureau of Criminal Identification**

**New Staff - 1.0 Position.** The Office requests \$0.1 million from general revenues to support 1.0 new administrative fingerprint expert position which is expected to provide assistance in implementing the federal mandates that require all healthcare workers to have background checks prior to volunteering and/or employment. The Office notes additional staff is necessary to maintain the desired level of proficiency when handling all fingerprinting matters. The request assumes funding for the position for a full year. *The Governor does not include the requested funding or the position.*

**Other Salaries and Benefits.** The Office requests \$1.6 million from general revenues for other salaries and benefits for 18.0 full-time equivalent positions within the Bureau of Criminal Identification. This is \$0.1 million more than enacted for step increases and updated benefit rates consistent with Budget Office planning values. The request restores \$0.1 million of turnover savings included in the enacted budget, equating to holding 1.0 full-time equivalent position vacant. As of December 14, 2013, the Bureau had 17.0 filled positions, 2.0 positions below the authorized and requested levels. *The Governor recommends \$1.5 million from general revenues, which is \$69,479*

*less than requested to reflect \$60,375 in additional turnover savings and \$9,104 from statewide medical benefit savings.*

**Operations.** The Office requests \$0.1 million from general revenues for all other operations. This is \$2,306 less than enacted to reflect reductions for travel expenses and office equipment and supplies, partially offset by increases for building maintenance and repairs and clerical services based on projected Office needs. *The Governor recommends \$0.1 million or \$2,500 less than requested to eliminate funding for clerical services, as enacted.*

### **General Division**

**Salaries and Benefits.** The Office requests \$2.7 million from general revenues for salaries and benefits for 21.0 full-time equivalent positions within the General Division. This is \$0.2 million more than enacted for step increases and updated benefit rates consistent with Budget Office planning values. The request restores \$0.1 million in turnover savings assumed in the enacted budget, equating to holding 1.0 full-time equivalent position vacant. As of December 14, 2013, the General Division had 20.0 filled positions, which is 1.0 position below the authorized and requested levels. *The Governor recommends \$2.5 million, which is \$162,344 less than requested to reflect \$145,648 in turnover savings and \$16,696 from statewide medical benefit savings.*

**All Other Operations.** The Office requests \$0.2 million from general revenues for all other operations. This is \$4,364 more than enacted to reflect increases for utilities that are partially offset by savings from building maintenance and repairs, office equipment and supplies and technology services based on projected Office needs. *The Governor recommends \$0.2 million or \$10,752 less than requested to reflect reductions for technology services, computer equipment, records storage and snow removal based on prior year expenditures.*



## Department of Corrections

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Program</b>				
Central Management	\$ 9,132,903	\$ 8,810,817	\$ 9,352,881	\$ 9,188,970
Parole Board	1,392,433	1,315,621	1,555,472	1,459,102
Custody and Security	116,179,933	117,951,716	123,840,036	119,558,624
Institutional Support	33,198,057	30,743,230	31,577,122	34,866,127
Inst. Rehab. & Population Mgmt.	10,018,845	10,015,920	9,885,935	9,620,945
Healthcare Services	19,639,269	19,583,660	20,187,781	19,751,408
Community Corrections	15,141,087	15,024,410	15,258,609	15,129,522
<b>Total</b>	<b>\$ 204,702,527</b>	<b>\$ 203,445,374</b>	<b>\$ 211,657,836</b>	<b>\$ 209,574,698</b>
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 159,312,987	\$ 159,446,298	\$ 167,401,494	\$ 162,786,652
Contracted Services	10,953,542	11,061,936	11,293,913	10,638,512
<b>Subtotal</b>	<b>\$ 170,266,529</b>	<b>\$ 170,508,234</b>	<b>\$ 178,695,407</b>	<b>\$ 173,425,164</b>
Other State Operations	15,453,529	16,462,579	15,616,439	15,472,911
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	1,193,908	1,211,908	1,211,908	1,211,908
Capital	17,788,561	15,262,653	16,134,082	19,464,715
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
<b>Total</b>	<b>\$ 204,702,527</b>	<b>\$ 203,445,374</b>	<b>\$ 211,657,836</b>	<b>\$ 209,574,698</b>
<b>Sources of Funds</b>				
General Revenue	\$ 185,379,198	\$ 186,042,042	\$ 194,505,286	\$ 188,725,295
Federal Aid	1,788,688	2,520,639	1,521,779	1,654,703
Restricted Receipts	64,890	66,153	54,639	54,639
Other	17,469,751	14,816,540	15,576,132	19,140,061
<b>Total</b>	<b>\$ 204,702,527</b>	<b>\$ 203,445,374</b>	<b>\$ 211,657,836</b>	<b>\$ 209,574,698</b>
<b>FTE Authorization</b>	<b>1,419.0</b>	<b>1,419.0</b>	<b>1,421.0</b>	<b>1,419.0</b>
<b>Prison Population</b>	<b>3,152</b>	<b>3,192</b>	<b>3,170</b>	<b>3,170</b>

**Summary.** The Department's request includes \$211.7 million from all sources, including \$194.5 million from general revenues and 1,421.0 full-time equivalent positions. This is \$7.0 million or 3.4 percent above the enacted budget, including \$9.1 million more from general revenues and 2.0 full-time equivalent positions above the authorized level. The Department's request is based on a population of 3,170, an increase of 18 inmates compared to the enacted population.

*The Governor recommends \$209.6 million from all sources, including \$188.7 million from general revenues and 1,419.0 full-time equivalent positions. This is \$2.1 million less than requested, including \$5.8 million less from general revenues and 2.0 fewer positions. The Governor assumes a population of 3,170, consistent with the Department's request.*

**Target Issues.** The Budget Office provided the Department with a general revenue target of \$174,104,115. The amount includes current service adjustments of \$1,812,042 and a 7.0 percent target reduction of \$13,087,125.

<b>FY 2015 Budget</b>	<b>Budget Office</b>	<b>Department of Corrections</b>	<b>Difference</b>
<b>FY 2014 Enacted</b>	<b>\$ 185,379,198</b>	<b>\$ 185,379,198</b>	<b>\$ -</b>
Current Service Adjustments	1,812,042	9,126,088	7,314,046
<b>Change to FY 2014 Enacted</b>	<b>\$ 1,812,042</b>	<b>\$ 9,126,088</b>	<b>\$ 7,314,046</b>
<b>FY 2015 Current Service/Unconstrained Request</b>	<b>\$ 187,191,240</b>	<b>\$ 194,505,286</b>	<b>\$ 7,314,046</b>
Target Reduction/Initiatives	(13,087,125)	(20,401,171)	(7,314,046)
<b>FY 2015 Constrained Target/Request</b>	<b>\$ 174,104,115</b>	<b>\$ 174,104,115</b>	<b>\$ -</b>
<i>Change to FY 2014 Enacted</i>	<i>\$ (11,275,083)</i>	<i>\$ (11,275,083)</i>	<i>\$ -</i>

The constrained budget submitted by the Department meets the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's budget recommendation is \$14.6 million above the Budget Office target.*

**Population.** The enacted budget assumes a population of 3,152, which is 18 fewer inmates than the Department's population projection of 3,170 for FY 2015 and 40 fewer inmates than the revised request. The Department's request includes additional population related expenses of \$0.2 million from general revenues to reflect the FY 2015 population projection and updated costs.

The following table depicts the recent history of budgeted and actual prison population from FY 2005 through the FY 2015 budget request. The average population for the first five months of FY 2014 is 3,240. Total cost per inmate, including staff, can be expressed by dividing the Institutional Corrections' budget by the number of inmates. This is \$58,514 for the FY 2015 request and \$58,876 for the FY 2014 revised request. The enacted budget includes \$56,801. FY 2013 actual expenditures suggest a cost of \$52,409.

<b>History</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<i>Request</i>	<i>3,305</i>	<i>3,299</i>	<i>3,200</i>	<i>2,583</i>	<i>3,803</i>	<i>4,008</i>	<i>3,709</i>	<i>3,416</i>	<i>3,231</i>	<i>3,152</i>	<i>3,170</i>
Governor	3,640	3,244	3,375	3,289	3,848	4,008	3,643	3,416	3,231	3,152	3,170
Enacted	3,575	3,244	3,375	3,289	3,848	3,767	3,450	3,239	3,194	3,152	
Revised Request	3,575	3,375	3,723	4,018	3,869	3,669	3,350	3,264	3,146	3,192	
Governor Revised	3,377	3,375	3,723	3,925	3,869	3,659	3,350	3,265	3,146	3,192	
Final	3,377	3,475	3,755	3,925	3,788	3,551	3,273	3,192	3,146		
<i>Actual</i>	<i>3,361</i>	<i>3,510</i>	<i>3,771</i>	<i>3,860</i>	<i>3,773</i>	<i>3,502</i>	<i>3,273</i>	<i>3,191</i>	<i>3,160</i>		

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 2015 budget in May 2013. 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 2015 population projection of 3,170 on the

expected population average for the latter part of the year, which is anticipated to be lower than the 3,192 assumed in the FY 2014 revised request. *The Governor's recommendation assumes a population of 3,170, as requested, which is 18 more inmates than enacted.*

### **Institutional Corrections**

**Population: Per Diem Expenditures.** The Department requests \$12.3 million from general revenues for population related expenditures that are calculated on a per diem basis, excluding staffing. This is \$234,308 more than enacted to reflect a projected increase based on FY 2013 expenditure experience. In FY 2013, the Department spent \$4,026 per inmate due to increased treatment costs for several inmates, including out-of-state medical treatment and supervision. This request assumes \$3,869 per inmate for items such as food, linen, household supplies, and medical services; the enacted budget assumes \$3,817. *The Governor recommends funding as requested.*

**State Criminal Alien Assistance Funds.** The Department requests \$0.7 million from federal State Criminal Alien Assistance funds, which is \$26,045 less than enacted. 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 federal award for FY 2015 is expected to be consistent with the grant awarded for FY 2014 and the Department's budget requests increased general revenues to offset this potential shortfall. *The Governor's recommendation includes \$0.8 million from federal funds, which provides for general revenue savings of \$105,679, compared to enacted based on the actual FY 2014 award to reflect use of these funds instead.*

**Weapons Requalification.** The Department requests \$0.5 million from general revenues for expenses associated with the annual weapons requalification for correctional officers. This includes overtime and benefit expenses as well as ammunition, transportation and firing range rental costs. The 2008 Assembly adopted legislation requiring biennial weapons requalification and the FY 2009 enacted budget includes funding reflective of this legislative change. On April 25, 2013, the Rhode Island Supreme Court upheld an arbitration decision to allow for annual weapons requalification for correctional officers. This request reflects estimated costs associated with annual weapons requalification for the Department. *The Governor recommends funding as requested.*

**Correctional Industries Offset.** The FY 2014 enacted budget includes an initiative aimed at reducing general revenue expenses by \$1.0 million from shifting supervision costs for work crews from general revenues to Correctional Industries' internal service fund. The Department requests \$0.3 million from general revenues to reflect partial savings and shifted remaining expenses to the internal service fund. The Department maintains that Correctional Industries does not anticipate having enough available cash to absorb all of the supervision costs and therefore, it anticipates realization of partial savings. *The Governor recommends funding as requested.*

**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. Other expenses include inmate payroll and landscaping supplies, including fertilizers, seeds and trash bags. *The Governor's recommendation includes this proposal and the savings.*

**Transfer Officer Cost to RICAP.** The Department requests \$0.3 million from general revenues to pay for additional overtime costs to provide supervision for outside vendors and equipment during

construction within secured facilities. Funding is expected to pay for correctional officers who are required to maintain the security and safety of contractors present in a secured facility for a capital project.

As part of its constrained budget, the Department proposes to transfer of \$0.5 million in overtime costs from general revenues to Rhode Island Capital Plan funds. This proposal follows the logic that overtime costs for correctional officers to ensure the security and safety of contractors should be part of the total costs for that project.

*The Governor includes the transfer of \$0.8 million from general revenues to Rhode Island Capital Plan funds for supervision costs related to construction within secured facilities. This is not an allowable use of Rhode Island Capital Plan funds.*

**Institutional Corrections Staffing.** The Department requests \$144.4 million from all funds, including \$143.4 million from general revenues for staffing costs within its Institutional Corrections program. This is \$7.2 million more than enacted, including \$7.8 million from general revenues to primarily reflect increased overtime expenses based on current population. The Department is experiencing an increase in its awaiting trial population, which has resulted in the opening of additional housing modules and the utilization of overtime to pay for additional posts' supervision. The request also includes \$2.4 million for updated benefit rates based on Budget Office planning values.

The enacted budget includes turnover savings of \$6.6 million from general revenues. This suggests that 1,145.2 of the 1,204.0 authorized positions are funded. The Department's budget request restores \$1.7 million of the savings to reflect filling additional positions. As of December 28, 2013, the Department had 1,171.0 filled positions or 33.0 fewer than the authorized level. *The Governor recommends \$140.0 million from all funds, which is \$4.4 million less than requested to reflect \$2.1 million in additional turnover savings, \$0.7 million from overtime expenses and \$0.7 million from statewide medical benefit savings.*

**Medical Contracts and Equipment.** The Department requests \$1.8 million from general revenues for medical contracts and equipment as well as substance abuse treatment services based on the needs of the current population. This is \$0.3 million more than enacted to reflect projected increases for dental and physician services that are partially offset by an anticipated reduction for substance abuse treatment services based on the expected value of the contracts. The Department indicates a chief dental position and a physician position are currently vacant and, therefore, anticipates additional contracted services will be needed until the positions are filled. The request also includes \$150,000 to replace its existing and most frequently utilized dental equipment. *The Governor does not recommend the requested increase and further reduces medical contracts by \$20,143 based on prior year expenditure experience.*

**State Fleet and Leases.** The Department requests \$0.8 million from general revenues for state fleet services and lease expenses for FY 2015. This is \$0.2 million more than enacted and includes projected expenses of \$83,296 for new vehicle leases as well as an increase of \$124,570 for state fleet expenses based on FY 2013 expenditure experience. FY 2013 expenses were \$0.9 million. The Department indicates the increase for state fleet services reflects projected gasoline prices and needed vehicle repairs. *The Governor recommends \$0.8 million, \$22,398 less than requested to reflect a reduction for projected expenses for new vehicle leases based on prior year expenditure experience.*

**Staff Development Grants.** The Department requests \$86,645 from federal funds to support existing staff development programs for FY 2015. This is \$27,513 less than enacted to reflect expected reductions from federal resources. Grant funds are awarded to enhance numerous staff activities aimed

at crime control, prevention and overall improvement of the criminal justice system. These activities include 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 \$0.2 million from federal funds to support its existing educational programs, including special education for eligible inmates. This is \$88,386 less than enacted to reflect grant funds anticipated for FY 2015. 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 as requested.*

**Inmate Payroll.** The Department requests \$1.1 million from general revenues for inmate payroll expenses for all inmate services provided to the Department. This is consistent with the enacted budget. Funding is expected to pay for inmates performing menial jobs for \$1 per day up to \$3 per day for correctional industries' assignments. Menial jobs include laundry, kitchen, and/or cleaning assignments. Inmates typically utilize the money earned to pay for court fines, medical co-pays, copies of medical records, and commissary purchases. *The Governor recommends funding as requested.*

**Facilities Maintenance and Repairs.** The Department requests \$1.9 million from general revenues for facilities maintenance and repair expenses for FY 2015. This is \$32,899 less than enacted to reflect the Department's projection since this expense fluctuates annually. Maintenance activities include repairs of immediate nature to interior spaces, the infrastructure and building exteriors. For FY 2013, the Department spent \$2.1 million for facilities maintenance and repair expenses. *The Governor recommends \$1.8 million, \$100,244 less than requested to reflect funding reduction for snow removal based on prior year expenditure experience.*

**Capital Projects.** The Department requests \$15.6 million from Rhode Island Capital Plan funds for its capital projects for FY 2015. This is \$1.9 million less than enacted to reflect revised project schedules based on delays experienced through the Division of Purchasing's bidding process as well as inclement weather delays. The Department notes that three roof projects were awarded in FY 2013 to begin in April, but the work did not start until late May/early June due to contract delays.

*The Governor recommends \$19.1 million, which is \$3.6 million more than requested, including an additional \$0.8 million for overtime costs for required supervision during construction projects. A more detailed description of the capital projects is available in the Capital Budget section of this publication.*

**All Other Institutional Corrections Operations.** The Department requests \$6.5 million, nearly all from general revenues for all other operations for the Institutional Corrections' program. This is \$13,834 less than enacted, including \$109,780 from general revenues to reflect anticipated general operation expenses for FY 2015. The request includes expenses for vendors that are providing qualified expert services to the Department and educational testing services for inmates in line to receive their general education diploma. This is partially offset by savings from computer equipment, land and lawn maintenance, security and program supplies, office equipment, snow removal and a minor surplus from litter work crews based on revenues achieved in FY 2013.

*The Governor recommends \$6.1 million, \$0.4 million less than requested to reflect savings primarily from a \$95,183 reduction to contracted services for facilities' maintenance, inmate classification and ground maintenance, including tree cutting and filling potholes. He also includes savings of \$32,188 from office supplies expenses based on current expenditures.*

**Target - Closing High Security Facility.** The Department's constrained budget request includes general revenue savings of \$5.7 million for FY 2015 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 2014 enacted budget includes \$12.5 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 of the facility's 95 inmates under the interagency compact with other states at a cost of \$3.2 million. The remaining \$3.6 million is expected to pay for the remaining 15 inmates transferred to another facility within the system, as well as maintenance and utility expenses to keep the High Security Center operational in case of a population influx. *The Governor's recommendation does not include this proposal.*

**Target - Elimination of Double Time Rate.** The Department's constrained budget request includes general revenue savings of \$0.3 million from eliminating the double time rate for correctional officers who are working more than 16 hours consecutively. The Department is proposing to make legislative changes that would limit all overtime to time and a half, including overtime hours for those working over 16 hours consecutively. This is currently in the collective bargaining contracts. *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 2015 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 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 - Transfer Correctional Officer Training to the Department of Public Safety.** The Department's constrained budget request includes general revenue savings of \$2.1 million from transferring annual expenditures and staff from the Department of Corrections to the Department of Public Safety. The objective behind this proposal would be to place its training unit into the Department of Public Safety's Municipal Police Academy. Although this proposal would lower the Department's budget, it would not reduce the overall state budget since the costs would just be shifted from the Department of Corrections to the Department of Public Safety. *The Governor's recommendation does not include this proposal.*

**Target - Sell the Former Gloria McDonald Facility.** The Department proposes a constrained budget that includes \$1.6 million in new revenues from selling the former Gloria McDonald female facility which is currently vacant. The Department's initial plans were to transform the facility into storage spaces for other departmental units. This facility became operational in 1984 with an average population of 134 females and an operational capacity of 150 females. This is a converted hospital building, which features dormitory style living arrangements. The facility was closed late 2010 and the female population was transferred to the facility formerly known as the Reintegration Center. This proposal is a one-time savings. *The Governor's recommendation does not include this proposal.*

**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. The facility was closed again in November 2011 due to continuous decline of the inmate population. This proposal is a one-time savings to offset departmental expenditures. *The Governor's recommendation does not include this proposal.*

### **Other Programs**

**New Staff - 2.0 Positions.** The Department requests \$145,303 from general revenues to support 2.0 new full-time equivalent positions for the Parole Board. The positions include 1.0 Field Investigator and 1.0 Senior Word Processing Typist, which are expected to assist in implementing functions related to recent legislation on Good Conduct Certificate. The Department indicates the positions were included as part of its impact statement prior to the passage of this legislation. The request assumes funding for the positions for a full year.

*The Governor includes funding as requested; however, he does not include the additional positions. His recommendation assumes the Department can fill the positions through adjustments of existing vacancies.*

**All Other Salaries and Benefits.** The Department requests \$22.1 million, nearly all from general revenues for all other salaries and benefits for 215.0 full-time equivalent positions for the three remaining departmental programs. This is \$0.2 million more than enacted to reflect updated benefit rates based on Budget Office planning values. The enacted budget includes turnover savings of \$0.8 million from general revenues. This suggests that 208.0 of the 215.0 authorized positions are funded. The Department's revised budget includes \$1.1 million of savings from turnover to reflect keeping administrative positions vacant in order to achieve additional savings. As of December 28, 2013, the Department had 193.0 filled positions or 22.0 fewer than the authorized level.

The FY 2014 enacted budget includes salary and benefit costs for Parole Board members, including the state share of employee retirement costs based on the salary paid. Board members do not receive retirement benefits and this was included in error. *The Governor recommends \$22.0 million, \$0.2 million less than requested to reflect \$70,000 from adjusting retirement benefits to exclude Board members and \$134,741 from statewide medical benefit savings.*

**Departmental Systems Programming Services.** The Department requests \$0.5 million from general revenues to pay for continuous programming changes to its probation and parole inmate tracking databases as well as the electronic medical records system. This is \$140,000 more than enacted to pay for consultant services to make both systems operational. The Department maintains that software upgrades are required to track inmates properly and process medical claims through the Medicaid system.

*The Governor recommends \$0.4 million or \$115,000 less than requested to reflect a reduction for consultant services for the Department's database system that tracks the inmate population. His recommendation includes the requested increase of \$25,000 for programming changes to the electronic medical records system.*

**Recidivism Reduction Grant.** The Department requests \$0.1 million from federal funds to reflect a carried forward balance from a federal grant awarded to develop and implement 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 safe and successful transition from prison or jail to the community. This is \$65,099 more than enacted to reflect the originally anticipated grant schedule for funding allocation. The grant was originally awarded for FY 2012

through the end of the first quarter of FY 2014, but the Department received an extension through the end of the first quarter of FY 2015. 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. *The Governor recommends funding as requested.*

**Community Corrections Grants.** The Department requests \$0.1 million from federal funds to support existing community corrections programs for the current fiscal year. This is consistent with the enacted budget. Funding is expected to support several programs and initiatives for offenders returning to their communities and/or reuniting with their families. These programs include domestic violence and crime prevention, education and victim services, and justice information sharing initiatives. Grant funds can also be used to provide housing, job training, and other assessment and discharge services to improve the effectiveness and efficiency of criminal justice systems, processes, and procedures. *The Governor recommends funding as requested.*

**All Other Operations.** The Department requests \$3.9 million from general revenues for all other operations for the Department's other programs. This is \$44,077 less than enacted, including \$27,839 from general revenues to reflect anticipated general operation expenses for FY 2015. The request includes \$0.4 million for rental expenses for the probation and parole unit, \$0.4 million for medical supplies, and \$0.1 million for court overhead charges for office space and utilities. Other requested expenses include computer equipment, land and lawn maintenance, security and program supplies, office equipment and snow removal. *The Governor recommends \$3.8 million, \$69,627 less than requested to primarily reflect savings of \$22,874 from court overhead costs based revised charges issued by the Judiciary and \$26,753 from legal services and travel expenses based on current expenditures.*

**Target - Transfer Cost for Lawn Maintenance.** The Department's constrained budget request includes general revenue savings of \$21,060 for FY 2015 from allocating a charge to other state agencies located on the Pastore Complex. These agencies have their lawns maintained by the Department's ground maintenance staff. Although this proposal would reduce the Department's budget, it would not reduce the responsibility to pay; it would be reflected elsewhere within those agencies' budget. The Judiciary currently has a practice similar to this proposal, but given the hardship and push-back it would generate, this meager cost-savings for the Department would simply be reflected as a new expense within the resources allocated for other state agencies. *The Governor's recommendation does not include this proposal.*

## Judicial Department

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Program</b>				
Supreme Court	\$ 31,365,614	\$ 31,906,875	\$ 36,080,317	\$ 30,188,377
Defense of Indigent Persons	3,562,240	3,542,240	3,542,240	3,542,240
Commission on Judicial Tenure & Discipline	115,627	115,054	116,038	115,513
Superior Court	22,695,509	22,371,420	22,863,456	22,708,957
Family Court	21,109,265	20,726,785	21,690,393	20,955,333
District Court	12,843,456	12,415,149	12,347,782	12,291,337
Traffic Tribunal	8,090,350	8,580,578	8,855,747	8,760,119
Workers' Compensation Court	7,842,060	7,834,530	7,932,640	7,932,640
<b>Total</b>	<b>\$ 107,624,121</b>	<b>\$ 107,492,631</b>	<b>\$ 113,428,613</b>	<b>\$ 106,494,516</b>
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 80,347,055	\$ 80,074,366	\$ 81,831,180	\$ 80,936,752
Contracted Services	2,382,741	2,158,246	2,208,263	2,109,813
<b>Subtotal</b>	<b>\$ 82,729,796</b>	<b>\$ 82,232,612</b>	<b>\$ 84,039,443</b>	<b>\$ 83,046,565</b>
Other State Operations	9,877,792	10,317,221	11,289,274	10,607,659
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	11,315,642	11,022,031	10,851,188	10,851,188
Capital	3,700,891	3,920,767	7,248,708	1,989,104
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
<b>Total</b>	<b>\$ 107,624,121</b>	<b>\$ 107,492,631</b>	<b>\$ 113,428,613</b>	<b>\$ 106,494,516</b>
<b>Sources of Funds</b>				
General Revenue	\$ 91,681,359	\$ 91,405,406	\$ 96,255,432	\$ 92,421,668
Federal Aid	2,624,248	2,063,760	1,909,247	1,909,247
Restricted Receipts	11,803,514	11,838,182	10,613,934	10,813,601
Other	1,515,000	2,185,283	4,650,000	1,350,000
<b>Total</b>	<b>\$ 107,624,121</b>	<b>\$ 107,492,631</b>	<b>\$ 113,428,613</b>	<b>\$ 106,494,516</b>
<b>FTE Authorization</b>	<b>726.3</b>	<b>726.3</b>	<b>726.3</b>	<b>726.3</b>

**Summary.** The Judiciary requests \$113.4 million from all sources, including \$96.3 million from general revenues for FY 2015. This is \$5.8 million more than enacted, including \$4.6 million more from general revenues, which reflects an increase of over 5 percent. Consistent with the enacted authorization, the Department requests 726.3 full-time equivalent positions.

*The Governor recommends \$106.5 million, \$6.9 million less than requested including \$3.9 million less from general revenues and \$3.3 million less from Rhode Island Capital Plan funds. He recommends the enacted level of 726.3 positions.*

**Target Issues.** The Budget Office provided the Judiciary with a general revenue target of \$86.5 million. The amount includes current service adjustments of \$0.6 million and an adjusted 7.0 percent target reduction of \$5,783,436.

The Department did not submit a constrained budget. The budget submitted by the agency is \$9.8 million above the target. *The Governor recommends \$92.4 million, which is \$5.9 million more than the target set by the Budget Office.*

<b>FY 2015 Budget</b>	<b>Budget Office</b>	<b>Judiciary</b>	<b>Difference</b>
<b>FY 2014 Enacted</b>	\$ 91,681,359	\$ 91,681,359	\$ -
Current Service Adjustments	583,956	583,956	-
<b>Change to FY 2014 Enacted</b>	\$ 583,956	\$ 583,956	\$ -
<b>FY 2015 Current Service/ Unconstrained Request</b>	\$ 92,265,315	\$ 96,255,432	\$ -
Target Reduction/Initiatives	(5,783,436)	-	5,783,436
<b>FY 2015 Constrained Target/Request</b>	\$ 86,481,879	\$ 96,255,432	\$ 9,773,553
<i>Change to FY 2014 Enacted</i>	\$ (5,199,480)	\$ 4,574,073	\$ 9,773,553

**Staffing.** The Judiciary requests \$81.8 million from all sources for salaries and benefits for 726.3 positions. The enacted budget includes \$2.3 million of turnover, which is decreased by \$0.4 million to \$1.9 million in the Department's FY 2015 request. As of the final pay period in November, the Judiciary had 42.8 vacant positions. Based on current vacancies, it appears that actual turnover will be higher during FY 2015.

*The Governor recommends \$80.9 million for salaries and benefits, which is \$0.6 million more than enacted and \$0.9 million less than requested, of which \$0.3 million reflects statewide benefit savings. The recommendation includes turnover savings at the enacted level as well as the authorized level of 726.3 positions.*

### **Overhead Functions**

**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 \$45,180 less than enacted from general revenues to reflect the estimate of expected retirements for those eligible judges. There are currently seven 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 \$7.3 million from general revenues for its court computer technology expenses including the personnel that are assigned to this function. One of the missions of the Department is to implement and support information technologies that improve decision making processes of judges and magistrates, as well as being responsible for overseeing the development and implementation of a technology system that includes computer maintenance, systems, software, interagency technical training, 24/7 network monitoring and interagency help desk. The request is \$2.2 million more than enacted and reflects increased costs for computers, software, and licensing agreements. Of the increase, \$1.5 million is programmed for new and updated software throughout the court system, with \$0.5 million included for licensing and maintenance agreements.

*The Governor recommends \$5.7 million, which is \$0.4 million more than enacted and \$1.7 million less than requested, this reflects the Governor's recommendation for the Judiciary to seek alternative sources for information technology projects, including Certificates of Participation or Information*

*Technology Investment funds. These sources are not appropriated for the Judiciary in the FY 2015 recommended budget.*

**Facilities and Operations.** The Department requests \$6.5 million from general revenues for the maintenance of the judicial complex facilities. This is \$0.2 million more than enacted to reflect an increase of operating expenses paid by non-judicial agencies occupying space within the courthouses, offset by savings for personnel and security services throughout the Department. The facilities and operations division is responsible for the execution and coordination of various services relating to the courthouses, infrastructure and grounds. *The Governor recommends \$13,939 less than requested to reflect statewide benefit savings.*

**Finance, Budget and Employee Relations.** The Judiciary requests \$1.9 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 the restoration of turnover savings for 1.0 position in the finance and budget department. *The Governor recommends \$10,345 less than requested to reflect statewide benefit savings.*

**Community Outreach and Public Support.** The Judiciary requests \$1.0 million from general revenues to support 7.6 full-time time equivalent positions in the community outreach and public support function for FY 2015. This is \$16,659 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 reflects more funding for interpreter services and subscription fees to multilingual services, as well as adjustment to Budget Office planning values for personnel expenses. *The Governor recommends \$6,602 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 \$345 less than enacted primarily 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 \$962 less than requested to reflect statewide benefit savings.*

**Education.** The Judiciary requests \$0.3 million from general revenues for the education function which is \$10,488 more than enacted to reflect increased operating expenditures. The education function includes overseeing mandatory continuing legal education for attorneys and the education program for judges and magistrates. *The Governor recommends \$1,779 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 clerks and record center functions. This is \$44,784 more than enacted, the majority of which represents benefit adjustments consistent with Budget Office planning values. 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 \$20,402 less than requested to reflect statewide benefit savings.*

**Disciplinary Board/Counsel.** The Department requests \$1.3 million from restricted receipts to support 10.8 full-time equivalent positions in the Rhode Island Supreme Court Disciplinary Counsel Office for FY 2015. This is \$37,312 less than enacted to reflect projected filled positions and 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 Association 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 2015. This is \$6,668 less than enacted, which reflects operating expenditure updates and benefit adjustments, consistent with Budget Office planning values. The Law Library is a complete, publicly accessible legal reference service with over 110,000 volumes and computer aided legal research.

*The Governor's recommendation is \$0.3 million less than requested to reflect a reduction to subscription services, consistent with his FY 2014 revised recommendation. This is being recommended to reflect a downward revision for these costs by the Budget Office, although they were not reduced in the request.*

**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 2015. This is \$4,388 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 \$4,487 less than requested to reflect statewide benefit savings.*

**Board of Bar Examiners.** The Judiciary requests \$0.2 million from general revenues to support the Board of Bar Examiners for FY 2015. This is \$52,737 more than enacted and reflects funding the 1.0 position that staffs the Board. The position was vacant and not fully funded in the enacted budget; however, the position has been filled and the increase reflects an entire year of funding. The Board of Bar Examiners tests the legal knowledge of Bar applicants by administering the Rhode Island Bar examination. *The Governor recommends \$508 less than requested to reflect statewide benefit savings.*

**Indigent Defense Services.** The Department requests \$3.5 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 interest. In FY 2012 actual expenses were \$3.2 million, with \$3.4 million spent in FY 2013. The request is \$20,000 less than enacted to more closely align with historical expenditure patterns. *The Governor requests funding as requested.*

**Capital Projects.** The Department requests \$4.7 million from Rhode Island Capital Plan funds for its capital projects for FY 2015. This includes an additional \$2.8 million for the expansion of the Noel Judicial Complex in Kent County and \$0.5 million more for upgrades to the Licht Judicial Complex in Providence. Funding is consistent with the amounts requested in the Judiciary's capital budget request, which is explained in the Capital Budget Section of this analysis. *The Governor recommends \$3.3 million less than requested to reflect delays in the Noel and Licht judicial complex projects.*

**Community Service Grants.** The Judiciary requests \$0.3 million from general revenues for four separate community service grants for justice related initiatives. This includes advocating for victims of domestic violence, and providing legal services for low income individuals. The request is \$0.2

million less than enacted to reflect the removal of funding for a one-time grant related to indigent offender recidivism rates. *The Governor recommends funding as requested.*

### **Supreme Court**

**Case Management System.** The Judiciary requests \$0.7 million, which is \$1.1 million less than enacted 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. *The Governor recommends funding as requested.*

**Salaries and Benefits.** The Judiciary's request includes \$4.5 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 includes turnover for four positions in the Division, and the request reflects the restoration of funding for two of those positions. *The Governor recommends \$0.5 million less than requested, including \$0.4 million to maintain the enacted level of turnover and \$0.1 million to reflect statewide benefit savings.*

**E-Citation Grant.** The Judiciary's request removes the enacted amount of \$0.2 million from federal funds to reflect the removal of the program from its budget. The Department had originally planned to implement the program, which allows for the immediate transfer of citation from law enforcement officials to the court system; however, due to the availability of staff, the Judiciary has decided to not proceed with the program. The Judiciary has noted that the funding is available for use by other state agencies and local law enforcement agencies. *The Governor recommends funding as requested.*

**All Other Operations.** The Judiciary requests \$1.7 million for all other operating expenses of the Supreme Court. This is \$0.1 million more than enacted and includes \$142,735 more from general revenues. A portion of the increase is due to additional restricted receipts to reflect a revised amount of projected available funds. 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 \$18.6 million from general revenues for the salaries and benefits of the Superior Court's 165.7 full-time equivalent positions. This is \$0.2 million more than enacted primarily to reflect adjustments to benefit expenses consistent with Budget Office planning values. *The Governor recommends \$0.1 million less than requested to reflect statewide benefit savings.*

**All Other Operations.** The Judiciary requests \$1.8 million for all other operations of the Superior Court. This is \$0.1 million less than enacted including \$38,561 less from general revenues. Reductions included in the request reflect lower anticipated expenses for temporary staff in the Superior Court and travel reimbursements for jurors based on the length and number of trials projected during FY 2015. *The Governor recommends \$62,500 less than requested to maintain funding at the enacted level.*

## District Court

**Salaries and Benefits.** The Judiciary's request includes \$10.5 million from all sources, \$0.4 million less than enacted, for the salaries and benefits of the District Court's 93.0 full-time equivalent positions. The change to the enacted budget includes \$0.2 million less each from general revenues and restricted receipts. The 2013 Assembly provided \$0.3 million and 3.0 positions for operational support of the newly formed Veteran's Court within the state's District Court. The request appears to remove this funding, despite the Assembly's increase in funding and position authorization for this initiative. It should be noted that the new positions have not been filled.

*The Governor recommends funding essentially as requested, but includes a reduction of \$56,445 to reflect statewide benefit savings, and shifts \$0.2 million of general revenue funded personnel expenditures to restricted receipts derived from small claims mediation. These receipts are traditionally used to offset personnel costs, but were inadvertently excluded from the request.*

**All Other Operations.** The Judiciary requests \$0.6 million for all other operating expenses for the District Court. This is \$0.1 million less than enacted, primarily from general revenues. The reduction reflects lower costs for temporary staff for the District Court due to the filling of certain vacant positions. *The Governor recommends funding as requested.*

## Family Court

**Salaries and Benefits.** The Judiciary's request includes \$19.2 million from all sources, \$18.1 million from general revenues, for the salaries and benefits of the Family Court's 173.7 full-time equivalent positions. This is \$0.8 million more than enacted including \$1.2 million more from general revenues offset by \$0.4 million less from federal funds. The enacted budget includes turnover for 10.0 positions, and the request reflects restoring funds for 7.0 positions, along with updated benefit planning values consistent with Budget Office instructions. *The Governor recommends \$0.6 million less than requested, including \$0.5 million to maintain the enacted level of turnover and \$0.1 million to reflect statewide benefit savings.*

**Juvenile Justice Grant.** The request includes \$0.3 million, \$0.1 million less than enacted in federal juvenile justice grant awards for FY 2015. 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 recommends funding as requested.*

**All Other Operations.** The Judiciary requests \$1.1 million for all other operations of the Family Court for FY 2015. This is \$0.1 million less than enacted. The majority of the general revenue decrease is in temporary service provided by Adil for the Juvenile Drug Court and increases for the rental of parking spaces from the Rhode Island Convention Center Authority.

*The Governor recommends \$0.1 million less than requested, including \$37,500 less from general revenues to reflect historical and revised expenditure levels, and \$0.1 million less from federal funds to reflect lower funding for consultant services in the Family Court. The revision was included by the Budget Office subsequent to the Judiciary's request.*

## Traffic Tribunal

**Salaries and Benefits.** The Judiciary's request includes \$7.6 million from general revenues for the salaries and benefits of the Traffic Tribunal's 78.2 full-time equivalent positions. The request is \$0.5

million more than the enacted budget, which includes turnover for six positions. The request reflects restoring funds for four of those positions and also includes adjustments to reflect Budget Office planning values for FY 2015. *The Governor recommends \$46,950 less than requested to reflect statewide benefit savings.*

**All Other Operations.** The request includes \$0.8 million from general revenues for all other operating expenses of the Traffic Tribunal. This is \$0.3 million more than enacted almost entirely for security services. These are for Capital Police overtime expenses that were previously in the Department of Public Safety's budget. These expenditures are tracked through an internal service fund, which is funded from the Judiciary's budget, then used by the Capital Police for its personnel expenditures associated with court activities. *The Governor recommends \$48,678 less than requested to reflect a reduction to software maintenance agreements to fund them at the enacted level.*

### **Workers' Compensation Court**

**Salaries and Benefits.** The Judiciary's request includes \$6.5 million from restricted receipts for the salaries and benefits of the Workers' Compensation Court's 50.0 full-time equivalent positions. The enacted budget includes turnover for 2.0 positions, and the request includes \$0.2 million more than enacted to reflect restoring funds for 1.5 positions and adjustments to benefit expenses consistent with Budget Office planning values. *The Governor recommends funding as requested.*

**All Other Operations.** The request includes \$0.6 million from restricted receipts for all other operations at the Workers' Compensation Court. This is \$66,841 less than enacted and reflects additional information technology support. *The Governor recommends funding as requested.*

### **Judicial Tenure and Discipline**

**Judicial Tenure and Discipline.** The Judiciary requests \$0.1 million from general revenues to support the Commission on Judicial Tenure and Discipline for FY 2015. This is \$411 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 \$525 less than requested to reflect statewide benefit savings.*



## Military Staff

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended*
<b>Expenditures by Program</b>				
National Guard	\$ 19,885,343	\$ 20,214,284	\$ 18,987,865	\$ 19,014,074
Emergency Management	23,272,171	29,007,391	20,690,071	-
<b>Total</b>	<b>\$ 43,157,514</b>	<b>\$ 49,221,675</b>	<b>\$ 39,677,936</b>	<b>\$ 19,014,074</b>
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 10,056,130	\$ 10,376,164	\$ 11,203,276	\$ 7,742,984
Contracted Services	2,058,039	2,478,133	2,307,127	1,267,908
<b>Subtotal</b>	<b>\$ 12,114,169</b>	<b>\$ 12,854,297</b>	<b>\$ 13,510,403</b>	<b>\$ 9,010,892</b>
Other State Operations	7,296,414	8,184,139	7,434,809	5,076,261
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	17,821,010	21,334,295	14,084,158	497,000
Capital	5,925,921	6,848,944	4,648,566	4,429,921
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
<b>Total</b>	<b>\$ 43,157,514</b>	<b>\$ 49,221,675</b>	<b>\$ 39,677,936</b>	<b>\$ 19,014,074</b>
<b>Sources of Funds</b>				
General Revenue	\$ 3,869,983	\$ 3,640,037	\$ 4,396,659	\$ 1,842,096
Federal Aid	34,878,752	41,330,122	32,729,415	14,779,178
Restricted Receipts	1,000,779	771,058	664,529	442,800
Other	3,408,000	3,480,458	1,887,333	1,950,000
<b>Total</b>	<b>\$ 43,157,514</b>	<b>\$ 49,221,675</b>	<b>\$ 39,677,936</b>	<b>\$ 19,014,074</b>
<b>FTE Authorization</b>	<b>117.0</b>	<b>117.0</b>	<b>117.0</b>	<b>85.0</b>

\* Reflects the Governor's recommendation to separate the programs into two stand-alone agencies.

**Summary.** The Military Staff's request includes \$39.7 million from all sources, including \$4.4 million from general revenues, \$32.7 million from federal funds, \$0.7 million from restricted receipts, \$1.9 million from Rhode Island Capital Plan funds and the enacted level of 117.0 full-time equivalent positions.

*The Governor includes Article 18 of 2014-H 7133 which includes the separation of the National Guard and the Emergency Management Agency into two stand-alone agencies. The recommendation did not include any changes to the position authorization; however, it transfers all funding and positions from the Military Staff to the Emergency Management Agency.*

**Target Issues.** The Budget Office provided the Department with a general revenue target of \$3.6 million. The amount includes current service adjustments of \$14,123 and a 7.0 percent target reduction, adjusted for certain exclusions, of \$0.3 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.

<b>FY 2015 Budget</b>	<b>Budget Office</b>	<b>Military</b>	<b>Difference</b>
<b>FY 2014 Enacted</b>	\$ 3,869,983	\$ 3,869,983	\$ -
Current Service Adjustments	14,123	526,676	512,553
<b>Change to FY 2014 Enacted</b>	\$ 14,123	\$ 526,676	\$ 512,553
<b>FY 2015 Current Service/ Unconstrained Request</b>	\$ 3,884,106	\$ 4,396,659	\$ 512,553
Target Reduction/Initiatives	(271,887)	(794,678)	(522,791)
<b>FY 2015 Constrained Target/Request</b>	\$ 3,612,219	\$ 3,601,981	\$ (10,238)
<i>Change to FY 2014 Enacted</i>	\$ (257,764)	\$ (268,002)	\$ (10,238)

*The Governor recommends \$19.0 million for the Military Staff, including \$1.8 million from general revenues. This is \$0.5 million more than enacted from general revenues and \$1.8 million more from all sources. He recommends \$2.6 million more than requested, and includes the enacted level of positions.*

**Activations.** The Military Staff requests \$0.2 million from general revenues to support the activation of National Guard troops in order for the Agency to provide support to civil authorities during both emergency and non-emergency events. The request reflects a three year average of the amount of funds the Military Staff has previously spent for these types of activations, which have not been included in previous budgets. It should be noted that this amount appears to reflect the total amount of expenditures for activations, which includes the 25 percent state match in addition to the 75 percent match from federal sources.

As part of its constrained request, the Military Staff excludes this \$0.2 million. *The Governor does not recommend this account be funded at the beginning of each year, but he does include \$75,000 for FY 2015 to reflect the National Guard activation for 2015 inaugural activities.*

**Indirect Cost Recovery.** Indirect cost recoveries are typically available on federal funds at a rate determined by a state agency and its federal sponsor, with the funds deposited as restricted receipts, which can then be used in lieu of general revenues. The Military Staff's enacted budget includes \$0.5 million from restricted receipts that were to be derived from indirect cost recoveries, including \$0.2 million each for the Emergency Management and National Guard programs. The National Guard component was not allowed under the agreement between the Guard and its federal sponsor. The request includes \$0.2 million from general revenues to restore funding to the National Guard program accordingly. *The Governor recommends funding as requested.*

**All Other Salaries and Benefits.** The Military Staff requests \$7.4 million for salaries and benefits for the Rhode Island National Guard. The request includes \$7.0 million from federal funds and \$0.4 million from general revenues for 84.5 full-time equivalent Guard positions. The request is \$0.2 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 \$57,359 more than requested to reflect statewide benefit savings offset by additional resources to reflect six months of funding for a position that has traditionally been 50.0 percent funded by the Emergency Management Agency. Supporting documents note that this is being recommended to reflect the separation of the Military Staff and Emergency Management Agency in FY 2015.*

**Rhode Island Capital Plan Fund Projects.** The Military Staff requests \$1.9 million from Rhode Island Capital Plan funds for six ongoing capital projects. The request is \$1.5 million less than enacted, which primarily reflects the removal of \$1.5 million that was being used as the state's match

for federal reimbursements to entities affected by Hurricane Sandy. Other changes include \$0.8 million less for the Benefit Street Arsenal Rehabilitation project, which is nearing completion, and \$0.8 million more for the Emergency Management Agency Building project. It should be noted that the requested amounts for certain projects are inconsistent with the funding requested in the Military Staff's FY 2015 through 2019 capital request. These projects are described in greater detail in the Capital Budget Section of this analysis. *The Governor recommends \$62,667 more than enacted to reflect revisions to the National Guard's capital plan that were submitted subsequent to the original capital request.*

**Firefighting Services.** The National Guard requests \$0.2 million less than enacted from federal funds to support firefighter operations. Actual operating expenditures are approximately \$30,000 per year; however, based on the Governor's recommendation, the enacted budget inadvertently included the higher total. The request removes these funds to reflect anticipated receipts and expenditures for firefighting operations. *The Governor recommends funding as requested.*

**Counterdrug Asset Forfeiture.** The Military Staff's request includes \$0.1 million of restricted receipts that were not included in the enacted budget to reflect funds available from asset forfeitures generated from the Guard's counterdrug activities. The funds are part of the state's overall Google settlement, and would be used to purchase equipment and other supplies in support of the Guard's counterdrug operations. *The Governor recommends funding as requested.*

**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 proposed the elimination of these benefits as part of its constrained request. The Military Staff has noted that it included this option without considering a change to the general laws or whether it assumed who would pay for the expenses if they were removed from the Military Staff's budget. *The Governor includes \$100,000 and does not recommend any changes to the military education benefits program.*

**Military Funeral Honors.** The National Guard requests \$0.1 million from general revenues for the projected cost for military funeral honors in FY 2015. Retired military members are paid a \$50 stipend to perform military honors at 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 is \$3,557 more than enacted to reflect the projected stipend payments during FY 2015.

As part of its constrained request, the Agency excludes the entire amount for stipend payments in FY 2015. *The Governor recommends \$7,557 less than requested to reflect a revised estimate for stipend payments in FY 2015.*

**Maintenance Projects.** The Military Staff requests the enacted level of \$2.6 million from federal sources to reflect additional funding from the National Guard Bureau for various maintenance projects throughout the Agency. The request programs funds for many smaller scale projects that do not qualify as capital projects. This includes painting, roof and window repairs and other maintenance projects throughout the Military Staff buildings. *The Governor recommends funding as requested.*

**Field Training Sites.** The Department requests \$2.1 million, \$34,720 less than enacted from federal funds for improvements to Army National Guard Training sites. 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 decrease from the enacted level reflects projected awards and expenditures for the improvements. *The Governor recommends funding as requested.*

**All Other Operations.** The National Guard requests \$3.9 million, \$0.1 million more than enacted from all sources for all other operations at the Guard. This includes \$79,998 more from general revenues and \$20,571 more from federal funds. The changes primarily reflect increases in operations for both the Army and Air National Guard.

As part of its constrained request, the Military Staff excluded \$22,500 from general revenues for maintenance expenditures at state owned armories. *The Governor recommends \$0.1 million more than requested, including \$79,998 more from general revenues to reflect a revised estimate of operating funding available from the federal sponsor as well as the corresponding state match. He does not recommend the additional reductions proposed in the constrained budget.*

### **Emergency Management Agency**

**Salaries and Benefits.** The Military Staff requests \$3.4 million for salaries and benefits in the Emergency Management Agency for 32.5 full-time equivalent positions. This includes \$2.5 million from federal funds, \$0.8 million from general revenues and \$0.1 million from restricted receipts. The request is \$0.5 million more than enacted, including \$1.1 million more from federal funds offset by \$0.6 million less from restricted receipts. The enacted budget includes turnover savings equivalent to 1.0 position 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 first pay period in October, the Agency had 9.0 vacant positions.

*The Governor recommends \$43,234 less than requested to reflect statewide medical benefit savings, as well as a reduction of six months of funding for a position that has traditionally been 50.0 percent funded by the Emergency Management Agency for a position in the National Guard. Supporting documents note that this is being recommended to reflect the separation of the Military Staff and Emergency Management Agency in FY 2015. He also transfers these funds from the Military Staff's budget to a newly distinct Emergency Management Agency budget.*

**Statewide Communications Network.** The Agency requests \$1.6 million, \$163 more than enacted from general revenues for the Rhode Island Statewide Communications Network. Funding is used for a contract with Motorola to maintain 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 actual cost for the contract, which was renegotiated for a lower cost at the beginning of FY 2014.

The Military Staff has included additional savings of \$0.4 million as part of its constrained request. It appears the savings are achievable, as the contract has been finalized. It is unclear why these savings were excluded from the unconstrained request. *The Governor recommends funding as requested in the constrained request; however, he transfers all funding for the network from the Military Staff's budget to a newly distinct Emergency Management Agency budget.*

**Indirect Cost Recovery.** Indirect cost recoveries are typically available on federal funds at a rate determined by a state agency and its federal sponsor, with the funds deposited as restricted receipts, which can then be used in lieu of general revenues. The Military Staff's enacted budget includes \$0.5 million of restricted receipts derived from indirect cost recoveries, including \$0.2 million each for the Emergency Management and National Guard programs. The enacted budget removed \$0.2 million each from general revenues and federal funds, while restricted receipts were added in their place. The restricted receipts included for the Emergency Management Agency were not achievable due to lower than anticipated cost recovery amounts; however, the Agency was able to achieve the general revenue savings elsewhere in its budget. Because the savings were achieved without reducing federal funds to offset additional restricted receipts, the Agency is requesting the federal funds be replaced to properly reflect their anticipated receipts and expenditures in FY 2015. The request includes \$76,843 of restricted receipts derived from indirect cost recoveries. *The Governor recommends funding as requested; however, he transfers all funding from the Military Staff's budget to a newly distinct Emergency Management Agency budget.*

**Tropical Storm Irene.** In August 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. The enacted budget includes \$5.5 million from federal sources that were to be used for reimbursements. Because the reimbursements will be made before FY 2015, the Military Staff's request removes the funding. *The Governor recommends funding as requested and transfers all funding from the Military Staff's budget to a newly distinct Emergency Management Agency budget.*

**Disaster Funding.** The Military Staff requests \$5.6 million from federal funds for reimbursements to entities in the state that have applied for federal disaster relief. The enacted budget did not include these funds due to the timing of the reimbursements, and the request reflects projected reimbursements to be made in FY 2015 for entities affected by Hurricane Sandy and the blizzard of 2012. *The Governor recommends \$0.4 million more than requested to reflect a revised federal award and transfers all funding from the Military Staff's budget to a newly distinct Emergency Management Agency budget.*

**Emergency Operations and Performance Grants.** The Military Staff requests \$1.6 million, \$1.2 million less than enacted from federal funds to reflect projected awards and expenditures for emergency operations. Funds are used for construction and renovation of a state or local government's principal emergency management operations center, and also provide support for emergency operations. *The Governor recommends \$0.2 million more than requested to reflect a revised federal award and transfers all funding from the Military Staff's budget to a newly distinct Emergency Management Agency budget.*

**Homeland Security Grants.** The Military Staff requests \$2.7 million, \$0.6 million more than enacted from federal funds to reflect anticipated awards and expenditures from these grants for FY 2015. 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 \$0.1 million more than requested to reflect a revised federal award and transfers all funding from the Military Staff's budget to a newly distinct Emergency Management Agency budget.*

**Urban Areas Security Initiatives Grants.** The Military Staff's request does not include funding from Urban Areas Security Initiative grants, for which the enacted budget included \$0.8 million. 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 removal of funding in the request reflects the discontinuation of grant funding for this program from the Department of Homeland Security. *The Governor recommends \$5,005 less than requested to reflect the removal of all funding from these grants. No funding is transferred to the Emergency Management Agency as it has been exhausted.*

**Other Federal Grants.** The Military Staff requests \$5.1 million, \$2.0 million less than enacted from federal funds to reflect projected grant awards and expenditures. The request includes numerous changes to multiple grants to reflect carried forward funds from previous years, as well as updated expenditure plans. Changes include \$1.3 million more for flood mitigation and \$0.2 million more for interoperable communication grants.

*The Governor recommends \$0.6 million less than requested to reflect revised federal awards, which excludes prior year grant funding that is no longer available due to the expiration of funds. These funds were inadvertently included in the request. The Governor transfers the remaining funding from these grants from the Military Staff's budget to a newly distinct Emergency Management Agency budget.*

**All Other Operating.** The Staff requests \$0.1 million, \$34,494 more than enacted from restricted receipts for all other operations in the Emergency Management Agency. The request includes minor adjustments to operating costs at the Agency, which have been revised to reflect available restricted receipts and planned expenditures.

*The Governor recommends \$0.3 million more than requested, including \$49,900 less from general revenues for all other operations. The increase of federal funding reflects available federal operating assistance. He transfers these funds from the Military Staff's budget to a newly distinct Emergency Management Agency budget.*

## Department of Public Safety

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Program</b>				
Central Management	\$ 5,347,515	\$ 6,011,521	\$ 5,615,766	\$ 5,364,991
E-911	5,488,731	5,444,296	5,642,904	5,428,479
Fire Marshal	4,027,066	3,722,951	6,045,852	5,331,144
Capitol Police	3,987,445	3,641,703	3,829,987	3,703,351
Sheriffs	17,827,108	17,484,637	19,508,534	18,098,299
Municipal Police Training Academy	562,173	586,804	643,846	642,779
State Police	86,237,711	87,517,080	97,158,455	89,252,571
<b>Total</b>	<b>\$ 123,477,749</b>	<b>\$ 124,408,992</b>	<b>\$ 138,445,344</b>	<b>\$ 127,821,614</b>
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 76,764,459	\$ 75,360,294	\$ 82,141,062	\$ 77,542,663
Contracted Services	263,200	552,506	457,000	327,400
<b>Subtotal</b>	<b>\$ 77,027,659</b>	<b>\$ 75,912,800</b>	<b>\$ 82,598,062</b>	<b>\$ 77,870,063</b>
Other State Operations	11,852,455	14,961,180	13,114,558	12,300,541
Aid to Local Units of Government	-	-	75,000	-
Assistance, Grants, and Benefits	26,457,620	28,758,079	28,439,110	28,524,110
Capital	8,140,015	4,776,933	14,218,614	9,126,900
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
<b>Total</b>	<b>\$ 123,477,749</b>	<b>\$ 124,408,992</b>	<b>\$ 138,445,344</b>	<b>\$ 127,821,614</b>
<b>Sources of Funds</b>				
General Revenue	\$ 96,361,799	\$ 94,644,689	\$ 101,864,937	\$ 95,967,834
Federal Aid	6,155,535	10,448,443	6,878,821	6,894,275
Restricted Receipts	12,753,188	12,853,755	12,762,669	12,863,854
Other	8,207,227	6,462,105	16,938,917	12,095,651
<b>Total</b>	<b>\$ 123,477,749</b>	<b>\$ 124,408,992</b>	<b>\$ 138,445,344</b>	<b>\$ 127,821,614</b>
<b>FTE Authorization</b>	<b>645.2</b>	<b>634.2</b>	<b>683.2</b>	<b>634.2</b>

**Summary.** The Department of Public Safety requests expenditures of \$138.4 million, which is \$15.0 million more than enacted from all sources. This includes \$101.9 million from general revenues, \$6.9 million from federal funds, \$12.8 million from restricted receipts, and \$16.9 million from other fund sources. The Department requests 683.2 full-time equivalent positions, 38.0 more than authorized. The Department also submits a constrained request that totals \$93.4 million and includes \$8.4 million less from general revenues than the unconstrained request.

*The Governor recommends \$127.8 million from all sources, which is \$4.3 million more than enacted and \$10.6 million less than requested. His general revenue recommendation is \$0.4 million less than enacted and \$5.9 million less than requested. He recommends 634.2 full-time equivalent positions, 11.0 less than the current authorized level and 49.0 less than requested.*

**Target Issues.** The Budget Office provided the Department of Public Safety with a general revenue target of \$93.4 million. The amount includes current service adjustments of \$2.7 million, including the elimination of funding for salaries and benefits for State Police Training Academy recruits, and a 7.0 percent target reduction of \$5.6 million.

FY 2015 Budget	Budget Office	Department of Public Safety	Difference
<b>FY 2014 Enacted</b>	<b>\$ 96,361,799</b>	<b>\$ 96,361,799</b>	<b>\$ -</b>
Current Service Adjustments	2,716,428	2,252,657	(463,771)
New Initiatives	-	3,250,482	3,250,482
<b><i>Change to FY 2014 Enacted</i></b>	<b><i>\$ 2,716,428</i></b>	<b><i>\$ 5,503,138</i></b>	<b><i>\$ 2,786,710</i></b>
<b>FY 2015 Current Service/Unconstrained Request</b>	<b>\$ 99,078,227</b>	<b>\$ 101,864,937</b>	<b>\$ 2,786,710</b>
Target Reduction/Initiatives	(5,632,239)	(8,420,769)	(2,788,529)
<b>FY 2015 Constrained Target/Request</b>	<b>\$ 93,445,988</b>	<b>\$ 93,444,169</b>	<b>\$ (1,819)</b>
<i>Change to FY 2014 Enacted</i>	<i>\$ (2,915,811)</i>	<i>\$ (2,917,630)</i>	<i>\$ (1,819)</i>

The constrained budget submitted by the agency is \$1,819 less than the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's recommendation is \$2.5 million more than the target.*

**Staffing Authorization.** The Department requests 683.2 full-time equivalent positions, 38.0 more than authorized. This includes 2.0 new positions in the Department's Central Management division, 3.0 new fire safety inspectors in the Office of the State Fire Marshal, and 33.0 new State Police recruit positions. It should be noted that the enacted budget includes funding for 36.0 new State Police trooper positions; recruits are scheduled to graduate from the 55<sup>th</sup> State Police Training Academy in December 2013.

*The Governor recommends 634.2 full-time equivalent positions, which is 11.0 less than the current authorized level. He recommends converting a general counsel position to a paralegal position in Central Management, eliminating 10.0 State Police positions to reflect recent retirements, and eliminating the Municipal Police Training Academy director position.*

### **E-911 Telephone System**

**Salaries and Benefits.** The Department requests \$4.5 million from general revenues for salaries and benefits for the authorized amount of 50.6 full-time equivalent positions for E-911. This is \$256,472 more than enacted. Consistent with the revised request, the Department includes \$210,990 for a full year of funding for 3.0 telecommunicator positions assumed vacant in the enacted budget. The Department anticipates filling the positions on April 1, 2014. Consistent with the enacted budget, the request does not include turnover savings.

As part of its constrained request, the Department includes maintaining 3.0 authorized full-time equivalent telecommunicator positions vacant for the fiscal year, but notes that these vacancies would increase the number of calls in-queue and wait times for emergency callers. As the positions are currently vacant, it is possible that call processing would not be impacted as predicted. *The Governor recommends funding consistent with the constrained request and further reduces general revenues by \$23,856 to reflect statewide medical benefit savings.*

**Communication Systems.** The Department requests \$0.7 million, which is \$119,830 less than enacted from general revenues for E-911 communication systems. The request reflects the renegotiation of two telecommunication contracts, including the elimination of contracted secondary answering point

services. The Department now maintains a secondary public safety answering point in North Providence. *The Governor recommends funding as requested.*

**Other Operations.** The Department requests \$0.5 million, which is \$17,531 more than enacted from general revenues for all other E-911 operations. The request includes \$21,850 from general revenues for E-911 office supplies, and technology support systems, consistent with the revised FY 2014 request. These expenses appear to have been mistakenly excluded from the Department's FY 2014 request, and were therefore excluded from the enacted budget. *The Governor recommends funding as requested.*

### **Fire Marshal**

**Fire Safety Inspectors.** The Department requests \$229,121 from general revenues for a full year of funding for 3.0 new full-time fire safety inspector positions to be hired on April 1, 2014, in the Office of the State Fire Marshal. The request reflects an anticipated significant increase in workload associated with planning and construction in the Interstate 195 Redevelopment District. The Office anticipates plans for approximately \$400 million of development projects that will begin the review process in the fourth quarter of FY 2014. It should be noted; however, that the anticipated increase in the Office's workload is dependent on the publication of development guidelines and the review and acceptance of plans by the Redevelopment District.

As part of its constrained request, the Department excludes this funding. *The Governor does not recommend adding these positions.*

**Increase to 40-Hour Work Week.** The Department requests \$0.4 million from all funds, including \$332,879 from general revenues to increase the standard 35-hour work week to a 40-hour work week for all authorized positions in the Office of the State Fire Marshal. The request reflects the increase in workload experienced by the Office following statutory changes to plan review standards and significant municipal cut-backs in local fire departments, including the cities of Providence, Warwick, and Cranston.

As part of its constrained request, the Department excludes the change. *The Governor does not recommend changing the work week.*

**All Other Salaries and Benefits.** The Department requests \$3.0 million, which is \$175,426 more than enacted from all sources to fully fund the Fire Marshal's authorized 36.0 full-time equivalent positions. This includes \$77,890 more from general revenues, \$103,633 more from Fire Training Academy receipts to fund a clerk previously funded from general revenues, \$1,892 more from Quonset Development Corporation funds, and \$7,988 less from federal funds. The request restores \$0.2 million of turnover savings included in the enacted budget and includes benefit rate adjustments consistent with Budget Office instructions.

As part of its constrained request, the Department proposes maintaining 2.0 authorized full-time equivalent positions vacant for the fiscal year to generate \$107,596 of general revenue savings. The FY 2014 revised budget request anticipates these positions will be filled on April 1, 2014. The Department notes that the suggested vacancies would have a detrimental impact on the Fire Marshal's ability to fulfill increased workload from recent changes to plan review guidelines.

*The Governor recommends \$0.1 million less than requested from all funds, including \$0.2 million less from general revenues. He assumes position vacancies consistent with the constrained request, and*

*includes turnover savings consistent with current staffing. He shifts 20.0 percent of funding for the State Fire Marshal position from general revenues to Fire Training Academy restricted receipts and excludes \$9,312 to reflect statewide medical benefit savings.*

**Bomb Disposal Unit Grants.** The Department requests \$0.1 million from federal funds for the purchase of equipment and fire safety supplies in support of the Bomb Disposal unit and for hazardous materials training programs held at the State Fire Training Academy. *The Governor recommends funding as requested.*

**Fire Training Academy.** The Department requests \$1.9 million from Rhode Island Capital Plan funds for the second phase of construction at the Fire Training Academy. This is \$1.1 million more than enacted reflective of an updated project schedule. *The Governor recommends funding as requested.*

**Other Operations.** The Department requests \$0.5 million for all other Fire Marshal Operations. This is \$12,312 more than enacted from all sources, including \$10,659 more from general revenues, \$1,739 more from restricted receipts associated with the Fire Training Academy, and \$86 less from other funds. The revised request includes \$1,795 more than enacted for contracted services for the Fire Marshal K-9 unit, and \$14,023 more for fuel and utilities, consistent with historical expenditures. Also included is \$7,314 less for research and reference materials related to the adoption of the 2012 fire code. These materials were purchased in FY 2013.

*The Governor recommends \$6,200 less than requested from all funds, including \$11,500 less from general revenues. He shifts insurance expenditures for the Fire Training Academy from general revenues to restricted receipts and eliminates \$5,000 for staff training.*

## **Capitol Police**

**Salaries and Benefits.** The Department requests \$3.7 million from general revenues for Capitol Police salaries and benefits. This is \$164,258 less than enacted, reflecting a shift in fund sources. The request fully funds 38.0 full-time equivalent positions and restores \$0.1 million of turnover savings included in the enacted budget to fill a currently vacant officer position on December 1, 2013, consistent with the revised FY 2014 request.

It should be noted that the current staffing authorization for the Division is 43.0 full-time equivalent positions funded from general revenues. The enacted budget assumes an additional 8.0 positions are funded through an internal service fund and are not reflected in the expenditure totals. The request includes the total authorization of 51.0 full-time positions; however, it shifts funding for 3.0 positions from general revenues to Capitol Police rotary funds. It should be noted that the Capitol Police Rotary is funded from payments made by other state departments. The requested decrease in general revenues is not actual state savings.

As part of its constrained request, the Department proposes maintaining 2.0 full-time officer positions vacant for the fiscal year to generate \$143,111 of savings from general revenues. *The Governor recommends \$0.1 million less than requested, including \$28,247 more for adjustments to benefits, mistakenly omitted from the request and \$13,370 less for statewide medical benefit savings. He maintains the enacted level of turnover and includes the requested shift of 3.0 positions to Capitol Police Rotary funds.*

**All Other Operations.** The Department requests \$0.2 million from general revenues for all other Capitol Police operations. This is \$6,800 more than enacted and includes \$3,400 less for

telecommunication expenses reflective of the use of radios provided to the division by the State Police in FY 2013. Also included is \$8,300 more for the Capitol Police fleet, consistent with historical expenditures, and \$1,400 to replace a computer in the Division's main office. *The Governor recommends \$9,188 less than requested to reflect an updated loan payment schedule for the Capitol Police fleet.*

## **Sheriffs**

**Increase to 40-Hour Work Week.** The Department requests \$0.9 million from general revenues to increase the standard 35-hour work week to 40 hours for 98 employees in the Division of Sheriffs. The request reflects a 2005 agreement between the Division of Sheriffs and the Department of Administration to increase the hourly work week of specific employees. The Department requests to honor the agreement in response to increased staffing needs reported by the Judiciary; however, no operational information regarding the predicted impact of this change has been provided. The request reflects current staffing, the hourly wages, and associated benefits of impacted employees and would bring the number of Sheriffs with a 40-hour work week from 58 to 156. It appears 11 sheriffs would maintain a 35-hour work week, as would those who fill the 10 current vacant positions, and 3 administrative staff.

As part of its constrained request, the Department excludes the change. *The Governor recommends increasing the work week for 6.0 positions and includes \$0.1 million for FY 2015. Supporting documents reflect the intent to transition 6.0 impacted positions to the increased work week each successive fiscal year. It is not clear how the work week increase will be implemented; the Budget Office indicates it will likely be based on seniority.*

**All Other Salaries and Benefits.** The Department requests \$17.3 million, which is \$0.8 million more than enacted from general revenues for all other salaries and benefits for the authorized 180.0 full-time equivalent positions. The request restores the full \$0.7 million of turnover savings included in the enacted budget. It is highly unlikely that all positions will be filled in the year, necessitating the elimination of all turnover.

As part of its constrained request, the Department proposes maintaining 8.0 authorized full-time equivalent Deputy positions vacant for FY 2015. The suggested vacancies are anticipated to generate \$0.8 million of savings from general revenues. The Department reports that should the suggested vacancies be enacted for FY 2015, the Division's ability to fulfill its obligations would be jeopardized. It should be noted, however, that the Division is currently operating with 10.0 vacancies, 9.0 of which are sheriff positions. *The Governor recommends \$16.8 million, which is \$0.5 million less than requested; this includes \$0.1 million to reflect statewide medical benefit savings and \$0.4 million in turnover savings.*

**Supply and Equipment Purchases.** The Department requests \$0.1 million from general revenues for basic supplies and equipment for the Sheriffs. This is \$50,000 more than enacted from general revenues to reflect the Department's belief that the Sheriffs are not properly equipped to perform the Division's statutory obligations. No information has been provided regarding specific items to be purchased. It appears that Google forfeiture funds available to the Department may be able to be used for these expenses, rather than general revenues. *The Governor recommends funding as requested.*

**All Other Operations.** The Department requests \$1.2 million from general revenues for all other Sheriffs operations. This is \$0.1 million less than enacted, consistent with historical expenditures for general office supplies, uniforms, staff training, travel related to prisoner transport and extraditions,

and payments made to the Department of Administration for Sheriffs located in Judicial and Correctional facilities. *The Governor recommends \$76,000 less than requested, eliminating \$40,000 for food costs associated with an unscheduled academy class and \$36,000 to reflect an updated cost for leased parking spaces determined after the Department submitted its request.*

### **Municipal Police Training Academy**

**Personnel and Operations.** The Department requests \$0.6 million from all sources for the Municipal Police Training Academy. This is \$0.1 million more than enacted, including \$46,576 less from general revenues, \$0.1 million more from federal funds, and the authorized level of 3.0 full-time equivalent positions. The request includes \$49,494 less than enacted from general revenues for Academy personnel, reflecting maintaining the Director of Academy position vacant for the fiscal year. Also included is \$131,167 more than enacted from all funds for Academy operations, reflective of current class schedules. *The Governor recommends \$1,067 less than requested to reflect statewide benefit savings, and eliminates the vacant academy director position. He includes funding for operations expenditures as requested.*

### **State Police**

**56<sup>th</sup> State Police Training Academy.** The Department requests \$1.4 million from general revenues for the 56<sup>th</sup> State Police Training Academy, to begin on March 8, 2015, and run into FY 2016. This is \$0.7 million more than included in the enacted budget for the 55<sup>th</sup> Academy. The request includes \$0.5 million for salaries and benefits for 40 recruits for 16 weeks of training in FY 2015. Also included is \$0.9 million for medical services, uniforms, supplies, equipment, laptops, and room and board. The Department intends to begin recruitment and testing in the fourth quarter of FY 2014 and includes these expenses in its revised FY 2014 request; however, no specific timeline is provided for candidate review, physical, or psychological testing.

The Department believes the potential retirement of sworn members in the next fiscal year could place the State Police at risk of having a significantly decreased staff size; fewer sworn members would prevent the Division from maintaining its current accreditation standard as a public safety agency. There are 74 troopers eligible to retire in calendar year 2014, approximately one third of sworn members, 22 of whom are required to retire in 2015. Should all eligible sworn members retire, the State Police would be unable to fulfill its responsibilities and obligations. On December 14, 2013, 36 new troopers will graduate from the 55<sup>th</sup> Academy and will be sworn in as members of the State Police, bringing the total number of sworn members to 256.

As part of its constrained request, the Department includes the postponement of the Academy. *The Governor does not recommend a new academy.*

**Lead Information System Specialists.** The Department requests \$175,353 from general revenues for the creation of 2.0 new full-time equivalent civilian positions within the State Police. The Department reports that its current staff lacks necessary technical support expertise. It is unclear why these positions were omitted from the Department's FY 2014 operating request. The Department is not requesting an increase in its full-time equivalent authorization for these positions, as it currently has numerous vacancies. *The Governor recommends 1.0 new position and includes \$0.1 million from general revenues.*

**Contract Arbitration.** In September 2013, an arbitration panel ruled in favor of a 3.0 percent raise of base salary for all troopers with ranks below Lieutenant. The Department submitted its budget request on October 1, 2013; however, it did not include an increase in salaries and benefits associated with the

arbitration ruling. It is unclear why the Department did not include this funding in its request submission. The audited FY 2013 closing report included an additional \$0.6 million for salary and benefit increases retroactive for that fiscal year. *The Governor includes \$0.8 million from general revenues for these expenses for FY 2015 and \$0.7 million for FY 2014.*

**All Other Salaries and Benefits.** The Department requests \$49.3 million from all sources for salaries and benefits for 301.0 full-time equivalent positions for the State Police. This is \$1.9 million more than enacted from general revenues, \$0.4 million more from federal funds, \$0.2 million more from restricted receipts, and \$0.5 million less from Department of Transportation reimbursement funds. The request reflects the retirement of nine sworn members in late FY 2013 and the first quarter of FY 2014 and a full year of salaries and benefits for 36 new troopers, scheduled to graduate from the 55<sup>th</sup> Training Academy in December 2013. The request does not eliminate the 9.0 positions. The remaining adjustments are consistent with current staffing, employee benefit selections and FY 2015 planning values. It appears the request does not assume any retirements for FY 2015, though some occur each fiscal year.

As part of its constrained request, the Department includes \$1.9 million in savings from general revenues associated with the anticipated retirement of 10.0 sworn members of the Division and \$2.2 million in savings from the layoff of 20 new troopers. As the Department does not control non-mandatory retirements, the savings are not related to a specific action or recommendation.

*The Governor recommends \$2.2 million less than requested from all sources, including \$2.3 million less from general revenues. He eliminates 10.0 trooper positions to reflect FY 2013 and FY 2014 retirements and includes \$1.0 million in additional turnover savings from retirements anticipated in FY 2015. Also included is \$0.9 million less from general revenues for statewide benefit savings, and \$0.2 million less for overtime expenses to reflect historical expenditures.*

**Pay-Go Pensions.** The Department requests \$17.7 million from general revenues for State Police pay-go pension benefits. This is \$119,820 less than enacted and includes 203 regular pensions, 40 widows' pensions, and 15 disability pensions. Following the submission of its request, the Department updated its pension projections, which showed there may be \$33,000 of additional savings. *The Governor recommends funding as requested.*

**Tactical Supplies and Communications.** The Department requests \$3.4 million from all sources for State Police tactical equipment, including firearms and supplies and uniforms, and telecommunications equipment and contracts, excluding those for the 55<sup>th</sup> Training Academy. This is \$0.5 million more from general revenues, \$47,958 more from federal funds, \$20,000 more from restricted receipts, and \$7,941 less from Department of Transportation reimbursement funds to support operations undertaken in the fourth quarter of FY 2013 and the first quarter of FY 2014. It appears that Google forfeiture funds may be able to be used for this purchase, rather than general revenues. *The Governor recommends \$90 less than requested from general revenues for general office expenses.*

**Modernization.** The Department requests \$11.5 million from restricted receipts for State Police modernization programs, including fleet purchases and staff training. This is \$0.7 million less than enacted, reflective of anticipated expenses. In 2011, 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 Title 42, Chapter 41, Section 6, all expenditures of federal funds must be first

appropriated or reappropriated by the Assembly and the Governor. *The Governor recommends funding as requested.*

**Forfeited Property Sharing.** Consistent with the revised FY 2014 request and historical expenditures, the Department requests \$75,000 from restricted receipts for the sharing of forfeited property with other law enforcement agencies, \$25,000 less than enacted. These are funds forfeited to the Division as a result of closed cases. *The Governor recommends funding as requested.*

**Federal Forfeitures.** The Department requests \$0.6 million from restricted receipts for the purchase of State Police supplies and equipment. This is \$0.4 million more than enacted to reflect the anticipated closure of current cases. The enacted budget has historically included funds from restricted receipts and federal sources from the forfeiture of seized money or property to purchase new equipment, according to guidelines provided by the federal Uniform Controlled Substance Act, the federal Crime Control Act, and state law. *The Governor recommends funding as requested.*

**State Fleet.** The Department requests \$2.2 million from all funds for the Division's fleet of vehicles. This is \$0.1 million more than enacted, including \$15,767 less from general revenues, \$50,000 more from federal funds, and \$0.1 million more from Department of Transportation reimbursement funds. The request includes maintenance costs consistent with FY 2013 expenditures and the enacted amount of \$0.3 million from general revenues for fleet replacement costs. The Division has purchased new vehicles in each fiscal year since FY 2011, including 151 vehicles in FY 2013 purchased with Google forfeiture funds.

As part of its constrained request, the Department includes savings of \$25,000 from general revenues from reductions in fleet maintenance. *The Governor recommends \$123,502 less than requested from general revenues to reflect an updated repayment schedule for vehicles purchased in FY 2013. He does not reduce maintenance expenses as proposed in the constrained request.*

**Grants.** The Department requests \$0.1 million for several programs supported by federal grants. This is \$25,041 more than enacted to reflect anticipated expenditures for travel and training, new grant funding announced in 2013 for the Internet Crimes Against Children program and the expiration of the Motor Carrier Safety grant in FY 2014. *The Governor recommends funding as requested.*

**Capital.** The Department requests \$8.0 million more than enacted from Rhode Island Capital Plan funds for capital improvements to the State Police Barracks, the installation of new microwave towers, Phase II of construction for the Fire Academy, and the expansion and renovation of ancillary buildings at the Department's Headquarters facility in North Scituate. *The Governor recommends \$4.9 million less than requested. This is discussed in greater detail in the Capital Budget section of this publication.*

**Other Operations.** The Department requests \$1.0 million from all sources for all other State Police operations. This is \$0.2 million less than enacted, including \$0.2 million less from general revenues and \$3,000 more from restricted receipts. The request includes \$0.5 million for fuel and utility costs, \$0.1 million for uniform costs, \$0.1 million for building and property maintenance, and \$0.2 million for general office expenses, consistent with historical expenditures. *The Governor recommends \$3,100 less than requested from general revenues to reflect anticipated headquarters maintenance expenditures.*

## Central Management

**General Counsel.** The Department requests \$134,379 from general revenues to fund a full-time equivalent general counsel position within its Central Management division. The transfer of the Sheriffs has increased the Department's responsibilities for labor negotiations and disputes, regarding individual officers and the Sheriffs as a division. This position is requested to relieve some of the burden on the Department's current general counsel and paralegal.

The Department requested the position in its revised FY 2013 and FY 2014 requests. The Assembly concurred with the Governor's recommendation to not fund it. The Department anticipates filling this position on April 1, 2014. Should this position be funded and a requested paralegal position be authorized as requested, the Department would be authorized 2.0 full-time legal positions devoted to the Division of Sheriffs.

As part of its constrained request, the Department eliminates funding for this position but maintains the requested staffing authorization. *The Governor does not fund the position and eliminates the authorization.*

**Paralegal.** The Department requests \$72,602 from general revenues for the creation of a full-time paralegal position within its Central Management division. The transfer of the Sheriffs has increased the Department's responsibilities for labor negotiations and disputes, regarding individual officers and the Sheriffs as a division. This position is requested to relieve some of the burden on the Department's staff attorney, current general counsel and paralegal. Should this position be authorized and the general counsel position be funded, as requested, the Department would be authorized 2.0 full-time legal positions devoted to the Division of Sheriffs. The Assembly did not concur with the Governor's recommendation to create this position for FY 2014.

As part of its constrained request, the Department eliminates funding for this position but maintains the requested staffing authorization. *The Governor recommends funding the position as requested.*

**Public Information Officer.** The Department requests \$122,937 from general revenues for the creation of a public information officer position within its Central Management division to assist State Police staff with media inquiries and public relations. The Assembly did not concur with the Governor's recommendation to create this position for FY 2014.

As part of its constrained request, the Department eliminates funding for this position but maintains the requested staffing authorization. *The Governor does not recommend the position.*

**All Other Salaries and Benefits.** The Department requests \$1.7 million from all sources for salaries and benefits for 15.6 full-time positions in Central Management. This is \$41,145 less than enacted, including \$59,050 less from general revenues and \$17,905 more from federal funds. The request is consistent with current planning values and employee benefits selections. *The Governor recommends \$3,459 less than requested from all sources, including \$5,358 less from general revenues, to reflect statewide medical benefit savings and available federal funds.*

**Grants.** The Department requests \$3.5 million, which is \$29,672 less than enacted from federal funds for Department of Justice programs administered by the Public Safety Grant Administration Office. These are programs that grant funds to municipal law enforcement and criminal justice agencies to support local programs' operations and purchasing needs. The request is reflective of current grant awards. *The Governor recommends funding as requested.*

**Other Operations.** The Department requests \$11,000 from all sources for all other Central Management operations. This is \$9,150 more than enacted, reflective of anticipated interest from

Justice Assistance Grant receipts used to provide grants to municipalities for technology purchases and support for communities' criminals justice programs. The request also includes the enacted amount of \$1,000 from general revenues for records storage and office supplies. *The Governor recommends \$10,000 more than requested to reflect available funds.*

## Office of the Public Defender

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 9,900,455	\$ 9,765,812	\$ 10,165,343	\$ 9,997,617
Contracted Services	317,802	305,016	321,188	319,188
<b>Subtotal</b>	<b>\$ 10,218,257</b>	<b>\$ 10,070,828</b>	<b>\$ 10,486,531</b>	<b>\$ 10,316,805</b>
Other State Operations	984,258	962,502	981,479	959,125
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	75,000	60,000	60,000	60,000
Capital	49,167	49,167	43,750	43,750
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
<b>Total</b>	<b>\$ 11,326,682</b>	<b>\$ 11,142,497</b>	<b>\$ 11,571,760</b>	<b>\$ 11,379,680</b>
<b>Sources of Funds</b>				
General Revenue	\$ 11,034,686	\$ 10,885,411	\$ 11,322,896	\$ 11,130,816
Federal Aid	291,996	257,086	248,864	248,864
Restricted Receipts	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>\$ 11,326,682</b>	<b>\$ 11,142,497</b>	<b>\$ 11,571,760</b>	<b>\$ 11,379,680</b>
<b>FTE Authorization</b>	<b>93.0</b>	<b>93.0</b>	<b>93.0</b>	<b>93.0</b>

**Summary.** The Office of the Public Defender's current service request is \$11.6 million from all sources, including \$11.3 million from general revenues and \$0.2 million from federal funds. This is \$0.2 million or 3.2 percent more than enacted, including \$0.3 million more from general revenues. Consistent with the enacted budget, the Office requests 93.0 full-time equivalent positions. *The Governor recommends \$11.4 million from all sources, including \$11.1 million from general revenues and the enacted level of authorized positions. This is \$52,998 more than enacted, but \$192,080 less than requested.*

**Target Issues.** The Budget Office provided the Office with a general revenue target of \$10,372,120. The amount includes current service adjustments of \$74,210 and a 7.0 percent target reduction of \$736,776.

	Budget Office	Office of the Public Defender	Difference
<b>FY 2015 Budget</b>			
<b>FY 2014 Enacted</b>	\$ 11,034,686	\$ 11,034,686	\$ -
Current Service Adjustments	74,210	288,210	214,000
<b>Change to FY 2014 Enacted</b>	<b>\$ 74,210</b>	<b>\$ 288,210</b>	<b>\$ 214,000</b>
<b>FY 2015 Current Service/Unconstrained Request</b>	<b>\$ 11,108,896</b>	<b>\$ 11,322,896</b>	<b>\$ 214,000</b>
Target Reduction/Initiatives	(736,776)	(950,775)	(213,999)
<b>FY 2015 Constrained Target/Request</b>	<b>\$ 10,372,120</b>	<b>\$ 10,372,121</b>	<b>\$ 1</b>
<i>Change to FY 2014 Enacted</i>	<i>\$ (662,566)</i>	<i>\$ (662,565)</i>	<i>\$ 1</i>

The constrained budget submitted by the Office is \$1 above the target. The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's budget recommendation is \$758,696 above the Budget Office target.*

**Salaries and Benefits.** The Office requests \$10.2 million from all sources, including \$10.1 million from general revenues for all salaries and benefits for 93.0 full-time positions. This is \$264,888 more than enacted from all sources, including \$300,515 more from general revenues to reflect updated benefit rates, essentially consistent with the Budget Office planning values. The request also includes step increases and anticipates higher medical benefit costs than assumed in the current services target based on FY 2014 actual employee benefit selection. The reduction of federal funds reflects a projected shift of payroll expenses to general revenues based on the assumption that federal grants are expected to be lower than enacted.

The Office's constrained request proposes eliminating 11.0 full-time positions for savings of \$950,775. This includes budgeted funding for unemployment benefit costs associated with this proposal. The Office indicates that its current caseload would prevent the ability to absorb additional cases for FY 2015, if this proposal is approved. As a result, cases referred by the Judiciary would not be accepted. The Office's proposal offers the following three options to achieve the proposed savings.

*The Governor recommends \$10.0 million, nearly all from general revenues. This is \$97,162 more than enacted, but \$167,726 less than the unconstrained request to reflect \$127,375 in additional turnover savings and \$40,351 from statewide medical benefit savings.*

**Target Option 1.** The first option would eliminate misdemeanor representation in district courts statewide. In FY 2013, the Office disposed of approximately 11,000 misdemeanor cases statewide. This proposal assumes approximately 1,000 misdemeanor cases per attorney per fiscal year. In accordance with state law, the Office is obligated to represent indigent defenders only in criminal and parental rights cases. *The Governor's recommendation does not include this proposal.*

**Target Option 2.** The second option would prevent the Office from accepting and providing representation services for juvenile cases in family courts statewide. In FY 2013, the Office entered as counsel in approximately 1,600 juvenile cases statewide. This proposal assumes approximately 145 juvenile cases per attorney per fiscal year for which the Office entered as counsel. To achieve the desired savings, this proposal would require changes to current legislation to exempt the state from its obligation of providing legal representation to indigent defendants in parental rights cases. *The Governor's recommendation does not include this proposal.*

**Target Option 3.** The third and final option would close branch offices in Newport and Washington Counties as well as eliminate the Office's ability to provide representation on felony violation cases in Providence. In FY 2013, the Office provided representation in 684 misdemeanor cases, 560 felony cases, 52 parental rights cases and 282 juvenile cases in Newport and Washington counties. In addition, the Office provided representation in 1,329 felony violation cases in Providence. This proposal assumes approximately a caseload per attorney of 62 misdemeanor cases, 51 felony cases, 5 parental rights cases, 26 juvenile cases and 121 felony violation cases per fiscal year. This appears as a heavier caseload per attorney per year in comparison to the two previous options. The Office indicates that the bulk of its cases are in Providence.

It appears that this proposal would require both state and federal law changes to achieve the desired savings since it would be in conflict with them, as constructed. Both federal and state laws mandate the assistance of counsel to indigent defendants in criminal cases. Also, state law requires legal

representation to indigent defendants in parental rights cases. *The Governor's recommendation does not include this proposal.*

**Intake Interviewers and Case Management.** The Office requests \$178,064 from all sources, including \$35,639 from general revenues and \$142,425 from federal funds for intake interviewers and case management services. This is \$4,866 less than enacted to reflect projected need for temporary part-time intake interviewers and additional case management services for the Office's clients. The interviewers are expected to assist in data entry function and conduct interviews to help determine individuals who 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 2013, the Office spent \$75,712 for these services or \$102,352 less than the \$178,064 requested for FY 2015. *The Governor recommends funding as requested.*

**Trial Related Expenses.** The Office requests \$125,772 from general revenues, or \$8,252 more than enacted for contracted trial related expenses. This includes projected increases of \$2,000 for legal experts, \$1,980 for interpreters, partially offset by a \$1,000 reduction for security services based on projected needs. The request also includes a new expense of \$5,272 to reflect a 5.5 percent surcharge cost from vendors providing qualified expert services. *The Governor recommends \$2,000 less than requested to reflect a reduction for legal expert witnesses based on prior year expenditure experience.*

**Loan Repayment Grant Award.** The Office requests \$60,000 from federal funds to reflect a new grant awarded to support and encourage qualified attorneys to pursue careers as prosecutors by providing loan repayment assistance to institutions holding eligible beneficiary loans. This is \$15,000 less than enacted to reflect an anticipated reduction based on the FY 2014 award. This is a two-year grant awarded for FY 2014 and FY 2015 and renewal is contingent upon federal appropriations. *The Governor recommends funding as requested.*

**All Other Operations.** The Office requests \$1.0 million, nearly all from general revenues for all other operations. This includes \$0.5 million for rent. The request is \$8,196 less than enacted, including \$8,266 less from general revenues to reflect projected reductions for computer software and equipment and advertising based on past experience. FY 2013 expenses were \$987,765 or \$45,660 less than enacted and \$37,464 less than requested. *The Governor recommends \$22,354 less than requested to reflect a reduction for court overhead charges for office space and utilities based on updated charges issued by the Judiciary.*



## Rhode Island Emergency Management Agency

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended*
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ -	\$ -	\$ -	\$ 3,388,157
Contracted Services	-	-	-	1,039,219
<b>Subtotal</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,427,376</b>
Other State Operations	-	-	-	1,796,093
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	-	-	-	13,950,446
Capital	-	-	-	448,312
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,622,227</b>
<b>Sources of Funds</b>				
General Revenue	\$ -	\$ -	\$ -	\$ 1,959,858
Federal Aid	-	-	-	18,273,640
Restricted Receipts	-	-	-	221,729
Other	-	-	-	167,000
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,622,227</b>
<b>FTE Authorization</b>	-	-	-	<b>32.0</b>

\* Reflects the Governor's recommendation to show EMA as a stand alone agency. Historical expenditures are included under the Emergency Management Agency Program in the Military Staff.

**Summary.** The Military Staff's request includes \$20.7 million from all sources, including \$2.5 million from general revenues, \$18.0 million from federal funds and \$0.2 million from restricted receipts, along with the enacted level of 32.0 full-time equivalent positions for the operations of the Emergency Management Agency. *The Governor includes Article 18 of 2014-H 7133 to effectuate the separation of the National Guard and the Emergency Management Agency into two stand-alone agencies. The recommendation did not include any changes to the position authorization; however, he transfers all funding and positions from the Military Staff to the Emergency Management Agency.*

*The Governor recommends \$20.6 million for the Emergency Management Agency, including \$2.0 million from general revenues. This is \$0.5 million less than enacted from general revenues and \$2.6 million less from all sources. He recommends \$0.1 million less than requested, and includes the enacted level of 32.0 positions.*

**Salaries and Benefits.** The Military Staff requests \$3.4 million for salaries and benefits in the Emergency Management Agency for 32.5 full-time equivalent positions. This includes \$2.5 million from federal funds, \$0.8 million from general revenues and \$0.1 million from restricted receipts. The request is \$0.5 million more than enacted, including \$1.1 million more from federal funds offset by \$0.6 million less from restricted receipts. The enacted budget includes turnover savings equivalent to 1.0 position 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 first pay period in October, the Agency had 9.0 vacant positions.

*The Governor recommends \$43,234 less than requested to reflect statewide medical benefit savings, as well as a reduction of six months of funding for a position that has traditionally been 50.0 percent funded by the Emergency Management Agency for a position in the National Guard. Supporting documents note that this is being recommended to reflect the separation of the Military Staff and Emergency Management Agency in FY 2015. He also transfers these funds from the Military Staff's budget to the Emergency Management Agency.*

**Statewide Communications Network.** The Agency requests \$1.6 million, \$163 less than enacted from general revenues for the Rhode Island Statewide Communications Network. Funding is used for a contract with Motorola to maintain 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 decrease reflects the actual cost for the contract, which was renegotiated for a lower cost at the beginning of FY 2014.

The Military Staff has included additional savings of \$0.4 million as part of its constrained request. It appears the savings are achievable, as the contract has been finalized. It is unclear why these savings were excluded from the unconstrained request. *The Governor recommends funding essentially as requested in the constrained request; however, he transfers all funding for the network from the Military Staff's budget to a newly distinct Emergency Management Agency budget.*

**Indirect Cost Recovery.** Indirect cost recoveries are typically available on federal funds at a rate determined by a state agency and its federal sponsor, with the funds deposited as restricted receipts, which can then be used in lieu of general revenues. The Military Staff's enacted budget includes \$0.5 million of restricted receipts derived from indirect cost recoveries, including \$0.2 million each for the Emergency Management and National Guard programs. The enacted budget removed \$0.2 million each from general revenues and federal funds, while restricted receipts were added in their place. The restricted receipts included for the Emergency Management Agency were not achievable due to lower than anticipated cost recovery amounts; however, the Agency was able to achieve the general revenue savings elsewhere in its budget. Because the savings were achieved without reducing federal funds to offset additional restricted receipts, the Agency is requesting the federal funds be replaced to properly reflect their anticipated receipts and expenditures in FY 2015. The request includes \$76,843 of restricted receipts derived from indirect cost recoveries. *The Governor recommends funding as requested; however, he transfers all funding from the Military Staff's budget to a newly distinct Emergency Management Agency budget.*

**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. The enacted budget includes \$5.5 million from federal sources that were to be used for reimbursements. Because the reimbursements will be made before FY 2015, the Military Staff's request removes the funding. *The Governor recommends funding as requested and transfers all funding from the Military Staff's budget to a newly distinct Emergency Management Agency budget.*

**Disaster Funding.** The Military Staff requests \$5.6 million from federal funds for reimbursements to entities in the state that have applied for federal disaster relief. The enacted budget did not include these funds due to the timing of the reimbursements, and the request reflects projected reimbursements to be made in FY 2015 for entities affected by Hurricane Sandy and the blizzard of 2012. *The Governor recommends \$0.4 million more than requested to reflect a revised federal award and transfers all funding from the Military Staff's budget to a newly distinct Emergency Management Agency budget.*

**Emergency Operations and Performance Grants.** The Military Staff requests \$1.6 million, \$1.2 million less than enacted from federal funds to reflect projected awards and expenditures for emergency operations. Funds are used for construction and renovation of a state or local government's principal emergency management operations center, and also provide support for emergency operations. *The Governor recommends \$0.2 million more than requested to reflect a revised federal award and transfers all funding from the Military Staff's budget to a newly distinct Emergency Management Agency budget.*

**Homeland Security Grants.** The Military Staff requests \$2.7 million, \$0.6 million more than enacted from federal funds to reflect anticipated awards and expenditures from these grants for FY 2015. 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 \$0.1 million more than requested to reflect a revised federal award and transfers all funding from the Military Staff's budget to a newly distinct Emergency Management Agency budget.*

**Urban Areas Security Initiatives Grants.** The Military Staff's request does not include funding from Urban Areas Security Initiative grants, for which the enacted budget included \$0.8 million. 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 removal of funding in the request reflects the discontinuation of grant funding for this program from the Department of Homeland Security. *The Governor recommends \$5,005 less than requested to reflect the removal of all funding from these grants. No funding is transferred to the Emergency Management Agency as they have been exhausted.*

**Other Federal Grants.** The Military Staff requests \$5.1 million, \$2.0 million less than enacted from federal funds to reflect projected grant awards and expenditures. The request includes numerous changes to multiple grants to reflect carried forward funds from previous years, as well as updated expenditure plans. Changes include \$1.3 million more for flood mitigation and \$0.2 million more for interoperable communication grants. *The Governor recommends \$0.6 million less than requested to reflect revised federal awards, which excludes prior year grant funding that is no longer available due to the expiration of funds. These funds were inadvertently included in the request. The Governor transfers the remaining funding from these grants from the Military Staff's budget to a newly distinct Emergency Management Agency budget.*

**All Other Operating.** The Staff requests \$0.1 million, \$34,494 more than enacted from restricted receipts for all other operations in the Emergency Management Agency. The request includes minor adjustments to operating costs at the Agency, which have been revised to reflect available restricted receipts and planned expenditures. *The Governor recommends \$0.3 million more than requested, including \$49,900 less from general revenues for all other operations. The increase of federal funding reflects available federal operating assistance. He transfers these funds from the Military Staff's budget to a newly distinct Emergency Management Agency budget.*



## Department of Environmental Management

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Program</b>				
Office of the Director	\$ 7,688,514	\$ 8,342,771	\$ 7,598,702	\$ 7,762,939
Bureau of Natural Resources	74,457,750	68,703,527	56,857,080	57,463,531
Bureau of Environmental Protection	34,033,259	30,446,297	32,339,061	30,600,987
<b>Total</b>	<b>\$ 116,179,523</b>	<b>\$ 107,492,595</b>	<b>\$ 96,794,843</b>	<b>\$ 95,827,457</b>
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 46,266,520	\$ 46,273,001	\$ 48,455,074	\$ 47,130,632
Contracted Services	13,055,301	8,101,527	8,828,492	7,096,259
<b>Subtotal</b>	<b>\$ 59,321,821</b>	<b>\$ 54,374,528</b>	<b>\$ 57,283,566</b>	<b>\$ 54,226,891</b>
Other State Operations	11,970,013	12,732,040	11,958,571	11,592,660
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	5,705,816	5,713,016	6,175,017	6,175,017
Capital	39,131,873	34,623,011	21,327,689	23,782,889
Capital Debt Service	-	-	-	-
Operating Transfers	50,000	50,000	50,000	50,000
<b>Total</b>	<b>\$ 116,179,523</b>	<b>\$ 107,492,595</b>	<b>\$ 96,794,843</b>	<b>\$ 95,827,457</b>
<b>Sources of Funds</b>				
General Revenue	\$ 34,756,318	\$ 34,203,202	\$ 36,738,314	\$ 34,870,105
Federal Aid	38,391,731	36,112,636	33,724,174	31,779,611
Restricted Receipts	18,081,515	18,901,450	15,739,703	15,934,989
Other	24,949,959	18,275,307	10,592,652	13,242,752
<b>Total</b>	<b>\$ 116,179,523</b>	<b>\$ 107,492,595</b>	<b>\$ 96,794,843</b>	<b>\$ 95,827,457</b>
<b>FTE Authorization</b>	<b>399.0</b>	<b>399.0</b>	<b>402.0</b>	<b>399.0</b>

**Summary.** The Department requests \$96.8 million, which is \$19.4 million less than enacted. This includes \$2.0 million more from general revenues, \$4.7 million less from federal funds, \$2.3 million less from restricted receipts and \$14.4 million less from other funds, primarily Rhode Island Capital Plan funds. The Department requests 402.0 full-time equivalent positions, which is 3.0 more than authorized.

The Department also submitted a constrained request that totals \$93.0 million and includes \$3.9 million less from general revenues than the unconstrained request. The savings in the constrained request would primarily be achieved through the elimination of 28.0 full-time equivalent positions.

*The Governor recommends \$95.8 million, which is \$20.4 million less than enacted. General revenues are \$0.1 million more than enacted and \$1.9 million less than requested. He recommends 399.0 positions, which includes 4.0 new positions offset by 4.0 vacancy reductions.*

**Target Issues.** The Budget Office provided the Department of Environmental Management with a general revenue target of \$32.9 million. The amount includes current service adjustments of \$0.4

million and a 7.0 percent target reduction of \$2.2 million. The Department's budget is consistent with the target.

<b>FY 2015 Budget</b>	<b>Budget Office</b>	<b>DEM</b>	<b>Difference</b>
<b>FY 2014 Enacted</b>	<b>\$ 34,756,318</b>	<b>\$ 34,756,318</b>	<b>\$ -</b>
Current Service Adjustments	351,947	1,896,852	1,544,905
New Initiatives	-	85,144	85,144
<b>Change to FY 2014 Enacted</b>	<b>\$ 351,947</b>	<b>\$ 1,981,996</b>	<b>\$ 1,630,049</b>
<b>FY 2015 Current Service/Unconstrained Request</b>	<b>\$ 35,108,265</b>	<b>\$ 36,738,314</b>	<b>\$ 1,630,049</b>
Target Reduction/Initiatives	(2,242,604)	(3,872,653)	(1,630,049)
<b>FY 2015 Constrained Target/Request</b>	<b>\$ 32,865,661</b>	<b>\$ 32,865,661</b>	<b>\$ -</b>
<i>Change to FY 2014 Enacted</i>	<i>\$ (1,890,657)</i>	<i>\$ (1,890,657)</i>	<i>\$ -</i>

The proposals to achieve the reductions are noted among the items described below where appropriate. *The Governor's budget is \$2.0 million above the target.*

### **Administration**

**Administration Staffing.** The Office of the Director is the Department's administrative program which develops and implements a wide range of programs to protect Rhode Island's environment, protects the citizens of the state from public health threats resulting from pollution, and provides facilities that support a diversity of outdoor recreational opportunities. The administrative program includes the offices of management services, legal services, administrative adjudication, the human resources services center, and the information technology service center. The Department has noted that there is a great deal of overlap between these areas.

The Department indicates that it has numerous cost allocations from all fund sources across the various offices in the administrative program and between the three bureaus in the agency. The Department notes that some of the cost allocations reflected in its request need to be revised, and it anticipates these adjustments will be made in the Governor's Budget recommendation. *The Governor adjusts the cost allocations to properly reflect the allocation of positions and funding in the agency.*

**Salaries and Benefits.** The Department requests \$4.3 million, or \$53,841 more than enacted for salaries and benefits in the Department's administrative program, including \$19,634 more from general revenues and \$33,847 more from restricted receipts. The request is for the enacted level of 34.0 full-time equivalent positions, and the proposed increase primarily reflects statewide benefit adjustments for FY 2015. A large portion of the restricted receipt funding is generated through the Department's indirect cost recoveries from federal grants. These are generally used to fund administrative expenses.

*The Governor recommends \$10,763 less than requested from general revenues to reflect statewide medical benefit savings.*

**Foundry Lease Payment.** The Department requests \$2.5 million, or \$57,688 less than enacted from general revenues for lease related expenses at its headquarters facility, located at the Foundry Building in Providence. This includes \$41,688 less for property taxes and \$16,000 less for utilities to reflect the anticipated payments. In March 2005, the Department entered a ten year lease agreement with Foundry Associates, which is in effect from July 8, 2006 through July 7, 2016. The Department indicates that the anticipated property taxes reflect a revaluation and property tax rate freeze by the City of Providence. *The Governor recommends funding as requested.*

**Bays, Rivers and Watersheds.** The Department requests \$0.2 million, or \$60,436 less than enacted from the Bays, Rivers and Watersheds restricted receipt account to more accurately reflect the anticipated funding for FY 2015. 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 Governor recommends funding as requested.*

**Permit Streamlining.** The Department requests the enacted level of \$33,414 from general revenues for permit streamlining. The requested funding is primarily for software maintenance agreements. The Department indicates that one of its objectives is to develop and implement a permitting portal capable of receiving, processing, and tracking all permit applications using an electronic system. *The Governor recommends funding as requested.*

**Administration Other Operations.** The Department requests \$0.5 million, or \$25,169 less than enacted for all other expenditures in the Office of the Director, which primarily reflects reductions in information technology expenditures. The request includes \$0.1 million from general revenues, \$0.2 million from federal funds and \$0.2 million from restricted receipts. The general revenue funding is for various information technology, legal, and management services, while the federal funds reflect \$150,000 for the one-stop reporting program that provides consulting and technology to the Department to upgrade its communication technology as well as ensuring it is capable of uploading air quality information to the national system. The restricted receipts primarily reflect \$100,000 for the abandoned vessel removal account which was created to reimburse public entities for their costs related to removal or disposal of an abandoned or derelict vessel, pursuant to Chapter 389 of the Public Laws of 2012.

*The Governor recommends funding as requested and adds \$175,000 from Rhode Island Capital Plan funds for the Department to upgrade its telephone system. The Department has included this project in several of its past capital requests, but it has never been included in the approved plan. This project does not appear to meet the definition of a capital expense and Rhode Island Capital Plan funds may not be an appropriate use. A detailed analysis of this project is included in the Capital Budget section of this publication.*

## **Bureau of Environmental Protection**

**Bureau of Environmental Protection Staffing.** The Bureau of Environmental Protection is composed of regulatory and assistance programs and includes the divisions of water resources, waste management, air resources, compliance and inspection, customer and technical assistance, and emergency response. The Department has noted that there is a great deal of overlap between these areas. The personnel for each of the divisions in the bureau are discussed in greater detail in the items below.

The Department indicates that it has numerous cost allocations from all fund sources across the various divisions in the Bureau of Environmental Protection and between the three bureaus in the agency. It appears that the funding for positions for each particular division is not always accurately reflected in the Department's request because of some discrepancies in cost allocations. The Department notes that some of the cost allocations reflected in its request need to be revised, and it anticipates these adjustments will be made in the Governor's Budget recommendation. *The Governor adjusts the cost allocations to properly reflect the allocation of positions and funding in the agency.*

**New Position.** The Department's request includes one new air quality specialist position in the Bureau of Environmental Protection at an estimated annual cost of \$83,784 from federal funds. The Department indicates that the air quality specialist will perform the critical function of reviewing data in forecasting when ozone or particulate matter will exceed air quality standards. The Department further indicates that the air quality specialist will be taking over the duties that had been performed by the state meteorologist who was transferred to the Office of Emergency Response. The Department notes that this position was filled in January 2014. *The Governor recommends funding and staffing as requested. He also recommends a vacancy reduction to offset the new position.*

**Water Resources Staffing.** The Department requests \$6.5 million, or \$7,534 less than enacted for salaries and benefits for 71.0 full-time equivalent positions 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 reflects the statewide benefit adjustments for FY 2015 and other changes to salaries and benefits to reflect anticipated staffing costs for positions in the division.

The Department's constrained request includes general revenue savings of \$0.4 million in the Division of Water Resources, which would be achieved by eliminating positions. The Department's constrained request eliminates 13.0 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 approximately three positions. The Department indicates that there is currently only one funded vacancy in the Division. It is unclear whether all of the positions the Department intends to eliminate are filled or some are currently vacant.

*The Governor's recommendation does not include the Department's proposed position eliminations. He recommends \$0.3 million less from general revenues than the unconstrained request. This reduction primarily reflects additional turnover savings and statewide medical benefit savings.*

**Waste Management Staffing.** The Department requests \$3.1 million, or \$19,786 less than enacted for salaries and benefits for 38.0 full-time equivalent positions 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 the statewide benefit adjustments for FY 2015 and other changes to salaries and benefits to reflect anticipated staffing costs for positions in the division.

The Department's constrained request includes general revenue savings of \$0.2 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 approximately two positions. The Department indicates that there is currently only one funded vacancy in the Division. It is unclear whether all of the positions the Department intends to eliminate are filled or some are currently vacant.

*The Governor's recommendation does not include the Department's proposed position eliminations. He recommends \$4,464 less from general revenues than the unconstrained request to reflect statewide medical benefit savings.*

**Air Resources Staffing.** The Department requests \$3.3 million, or \$0.1 million less than enacted for salaries and benefits for 23.0 authorized full-time equivalent positions for the Division of Air Resources. The division is responsible for the preservation, protection and improvement of air quality in Rhode Island. The Department has transferred the state meteorologist from Air Resources to the

Office of Emergency Response as previously mentioned and also indicates that it has filled vacancies in the division at a lower cost. The request also reflects the statewide benefit adjustments for FY 2015.

The Department's constrained request includes general revenue savings of \$0.1 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 approximately one position. The Department indicates that all of the funded positions in the division are currently filled.

*The Governor's recommendation does not include the Department's proposed position elimination. He recommends \$0.1 million less from general revenues than the unconstrained request primarily to reflect additional turnover savings and statewide medical benefit savings.*

**Compliance and Inspection Staffing.** The Department requests \$3.8 million, or \$0.6 million more than enacted for salaries and benefits for 24.0 full-time equivalent positions for the Division of Compliance and Inspection, which is responsible for regulatory enforcement activities related to air, waste and water resources. The request reflects the restoration of turnover to fully fund anticipated staffing costs for positions in the division and also reflects the statewide benefit adjustments for FY 2015.

The Department's constrained request includes general revenue savings of \$0.4 million in the Division of Compliance and Inspection, 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 approximately three positions. The Department indicates that there is currently only one funded vacancy in the Division. It is unclear whether all of the positions the Department intends to eliminate are filled or some are currently unfilled.

*The Governor's recommendation does not include the Department's proposed position eliminations. He recommends \$0.2 million less from general revenues than the unconstrained request primarily to reflect additional turnover saving and statewide medical benefit savings.*

**All Other Salaries and Benefits.** The Department requests \$4.6 million, or \$0.4 million more than enacted for all other salaries and benefits for the 24.0 remaining positions in the Bureau of Environmental Protection, including the division of environmental protection, the environmental response fund, the Rhode Island Pollutant Discharge Elimination System and the Office of Customer and Technical Assistance. The request reflects the statewide benefit adjustments for FY 2015 and salary and benefit increases to fully fund the positions.

The Department's constrained request includes general revenue savings of \$0.6 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 at least four positions. The Department indicates that all of the funded positions in these divisions are currently filled.

*The Governor's recommendation does not include the Department's proposed position eliminations. He recommends \$0.2 million less from general revenues than the unconstrained request primarily to reflect additional turnover savings and statewide medical benefit savings.*

**Rose Hill Landfill.** The Department requests the enacted level of \$0.2 million from general revenues 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 Department's constrained request reduces funding for environmental remediation work by \$33,500. The Department has indicated that, due to the unpredictable nature of landfill gases, it is difficult to predict how much maintenance will be needed in a given year. *The Governor does not recommend this reduction.*

**Brownfields.** The Department requests \$0.5 million, or \$0.2 million less 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 2015 award. *The Governor recommends funding as requested.*

**Other Federal Grants.** The Department requests \$5.4 million, or \$0.5 million more than enacted from federal funds to more accurately reflect the Department's anticipated award for 17 grants in the Bureau of Environmental Protection. This includes funding for air pollution monitoring and control, dam incident reporting, Department of Defense sites cleanup, diesel emissions reduction, and water pollution control. Major changes include \$1.0 million more for non-point source pollution management, \$0.1 million less for the Narragansett Bay Study \$0.1 million less for underground storage tank programs, and \$0.2 million less for the near-road monitoring program which reflects that the work will be completed in FY 2014. *The Governor recommends \$0.9 million less than requested. The recommendation includes changes to better reflect the anticipated awards and expenditures for grants related to the Narragansett Bay Study as well as diesel emissions and other pollution control programs.*

**Oil Spill Prevention, Administration and Response Fund.** The Department requested the enacted level of \$1.3 million from the Oil Spill Prevention, Administration, and Response Fund, which is 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 for legitimate claims that cannot otherwise be compensated by responsible parties or the federal government.

The Department spent \$0.8 million in FY 2012 and \$0.5 million in FY 2013. The Department indicates that the amount requested under environmental services is always an estimate and it can only predict how many oil spills will need contractual services in a given fiscal year. *The Governor recommends funding as requested.*

**Retrofitting Heavy-Duty Diesel Vehicles.** The enacted budget includes \$2.8 million from other funds for retrofitting heavy-duty diesel vehicles. The Department excludes this funding for FY 2015 as it expects to complete all of the remaining work in FY 2014. *The Governor recommends funding as requested.*

**Environmental Protection - All Other.** The Department requests \$3.7 million from general revenues, restricted receipts, and other fund sources. This is \$0.1 million less than enacted for all other operating expenditures in the Bureau of Environmental Protection and primarily reflects \$80,743 less from clean water and drinking water state revolving funds. The other restricted receipts requested are primarily for underground storage tank reimbursements to reflect anticipated revenues derived from a \$0.01 motor fuel surcharge used to reimburse responsible parties for costs associated with the clean-up of leaking underground storage tanks and the Environmental Response Fund II which reflects 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 Department's constrained request includes an \$8,000 reduction for equipment in the Division of Water Resources. The constrained request also includes \$30,000 more from restricted receipts for the clean water and drinking water state revolving funds mentioned above, but the Department notes that the requested increase was inadvertent. *The Governor recommends funding consistent with the unconstrained request.*

### **Bureau of Natural Resources**

**Bureau of Natural Resources Staffing.** The Bureau of Natural Resources provides stewardship of the state's finite water, air, land, agricultural and forest resources, conserves the state's aquatic resources, and provides people with well-maintained, scenic, and accessible recreational opportunities. The bureau includes the divisions of fish and wildlife, agriculture and marketing, enforcement, parks and recreation, forest environment, and planning and development. The Department has noted that there is a great deal of overlap between these areas.

The Department indicates that it has numerous cost allocations from all fund sources across the various divisions in the Bureau of Natural Resources and between the three bureaus in the agency. The Department notes that some of the cost allocations reflected in its request need to be revised, and it anticipates these adjustments will be made in the Governor's Budget recommendation. *The Governor adjusts the cost allocations to properly reflect the allocation of positions and funding in the agency.*

**New Positions.** The Department requests \$0.2 million for FY 2015 for two new positions in the Bureau of Natural Resources. This includes an estimated \$85,144 from general revenues and \$66,885 from federal sources to fund a senior reconciliation clerk and an administrative officer position, which has been filled since June 30, 2013.

The Department indicates that the general revenue funded senior reconciliation clerk would be the only clerical/administrative position for the Office of Coastal Resources and would be responsible for the monthly slip rentals for the commercial fishing fleet in Galilee and Newport, among other duties. The Department further notes that this position has been vacant for many years, and the work has been absorbed by Management Services staff in Providence. The Department believes the work has been increasingly time consuming and filling this position would allow the management services unit to focus on their other duties and the port manager at Galilee to be at the port more instead of in the office.

The requested administrative officer would be funded 80 percent from federal funds and 20 percent from general revenues. The Department indicates that the administrative officer provides direct administrative support to the Assistant Director of Natural Resources as well as coordinates the administration of the State Urban and Community Forestry Program, including fiscal oversight, grants management, technical support and outreach.

*The Governor recommends three new positions, including the two the Department requested and a Senior Biologist who would work in the Big River Management Area at an estimated annual cost of \$82,759, to be funded 75 percent from federal funds and 25 percent from general revenues. The recommendation also reflects three vacancy reductions to offset the new positions.*

**Other Salaries and Benefits.** The Department requests \$22.8 million for other salaries and benefits to fund the 185.0 full-time equivalent positions in the Bureau of Natural Resources. This includes \$1.1 million more than enacted from general revenues, \$0.3 million more from federal funds and \$0.3 million less from restricted receipts. The request reflects roughly \$0.5 million more for statewide benefit adjustments for FY 2015, \$0.4 million more to restore turnover to fully fund staffing costs in the bureau, \$0.2 million more for seasonal staff, and \$0.1 million more for overtime costs.

The Department's constrained request includes general revenue savings of \$1.6 million in the Bureau of Natural Resources, which would be achieved by reducing 14.0 positions. The Department did not specifically identify the positions that would be eliminated. The Department indicates that there are currently five funded vacancies in the Bureau. It is unclear whether all of the positions the Department intends to eliminate are filled or some are currently vacant.

*The Governor's recommendation does not include the Department's proposed position eliminations. He recommends \$0.6 million less than the unconstrained request, including \$0.6 million less from general revenues to reflect additional turnover savings and statewide medical benefit savings and \$0.1 million more from restricted receipts to restore State Forestry Fund personnel expenditures to the enacted level. The Department indicates that it inadvertently excluded these funds from its request.*

**Parks and Recreation.** The Department requests \$2.8 million, or \$0.3 million more than enacted from general revenues for its Division of Parks and Recreation, excluding salaries and benefits. The Department's proposed increases are primarily in fuel costs, ground maintenance, insurance, maintenance and repairs, sewer use, and waste disposal. The requested amount is \$0.1 million less than Division spending for FY 2011, FY 2012 and FY 2013.

The Department's constrained request of \$2.3 million is \$0.6 million less than its spending levels in the division for the last three completed fiscal years. The constrained proposal closely mirrors the Department's FY 2014 supplemental budget request and offers further reductions in operating expenses.

The Department notes that its spending in the last three fiscal years was impacted by the extraordinary storm events of the March 2010 floods, Tropical Storm Irene, and Hurricane Sandy. The Department's constrained request and its FY 2014 supplemental request do not contemplate any such events.

*The Governor recommends \$2.4 million, \$0.4 million less than requested. This closely mirrors his FY 2014 revised recommendation, which made no changes to the Department's supplemental request; the only change is \$5,000 more for testing services in FY 2015.*

**Capital Projects.** The Department requests \$7.2 million from Rhode Island Capital Plan funds for seven capital projects. This includes funding for repairs to state owned dams, improvements to Fort Adams State Park, repairs and improvements to the state-owned piers in Galilee and Newport, construction of a new office facility for the natural resources division in the Arcadia Management Area, and improvements to the state's recreational facilities. The request is \$14.5 million less than enacted to reflect the project schedules and revised construction cost estimates.

The operating request is not consistent with the Department's FY 2015 through FY 2019 capital request in that different amounts are requested for the dam repairs, Galilee Piers, and natural resources offices/visitor's center projects. *The Governor recommends \$9.7 million for nine capital projects, which is \$2.5 million more than requested. A detailed analysis of the projects is included in the Capital Budget section of this publication.*

**Blackstone Valley Bikepath Design.** The Department requests \$2.0 million, which is funding essentially as enacted for architectural and engineering work on the Blackstone Valley Bikepath using a federal fund transfer from the Department of Transportation. The Department indicates that the requested increase reflects existing purchase orders and anticipated future work to be performed by the consultant working on the design of the bikepath. *The Governor recommends funding as requested.*

**Federal Grants.** The Department requests \$16.8 million for federal grants throughout the Bureau of Natural Resources. The request is \$5.1 million less than enacted, and reflects planned work and anticipated receipts for these grants in the Divisions of Agriculture and Marketing, Enforcement, Fish and Wildlife, Forest Environment, and Planning and Development. The funds are used for boating safety, enforcement of pesticide rules and regulations, forest fire protection on state lands, outdoor recreational programs, and wildlife habitat development.

Major reductions include \$2.9 million to reflect the completion of a federal grant for facilities and infrastructure improvements at the Port of Galilee, \$0.5 million for the comprehensive wildlife management plan based on actual spending, \$0.6 million for wildlife development to better reflect the work planned for FY 2015, and \$0.5 million for North American wetlands conservation which reflects that the anticipated funds did not materialize.

In its constrained request, the Department adds \$72,500 to partially restore two of its proposed reductions to federal grants. This includes \$2,500 more for finfish assessment and \$70,000 more for the Atlantic Coastal Cooperative Statistics Program, a cooperative state-federal program that designs, implements, and conducts marine fisheries statistics data collection programs and integrates the data into a single data management system. The Department notes that it inadvertently requested these increases and there should have been no change to its unconstrained request for these items.

*The Governor recommends \$1.1 million less than requested. He includes changes to better reflect the anticipated awards and expenditures for grants related to outdoor recreation projects, a bank of Northeast multispecies fishing vessel permits, and wildlife restoration.*

**Saltwater Fishing License Program.** The Department requests \$241,866 from restricted receipts, or \$10,000 more than enacted for capital costs related to operations of the state's saltwater fishing license program. The Department 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 annual report on the program.

The Department's constrained request excludes the additional \$10,000. It is not clear why.

*The Governor recommends funding consistent with the unconstrained request.*

**Payments to Host Beach Communities.** The Department requests \$394,500, or \$40,500 less than enacted from general revenues for payments to host beach communities. The request reflects the anticipated payments to the host beach communities, consistent with the FY 2014 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. Total payments to the host beach communities have averaged \$0.4 million over the last five fiscal years. *The Governor recommends funding as requested.*

**Department of Transportation Recreational Projects.** The Department requests \$1.1 million, or \$0.7 million more than enacted from other funds to reflect an increase in recreational projects funded by a transfer of federal funds from the Department of Transportation. These include maintenance of state trails, purchases of equipment and materials, and funding for materials for local communities to maintain state trails. The request reflects the work planned for FY 2015. *The Governor recommends funding as requested.*

**Natural Resources - All Other.** The Department requests \$3.5 million, or \$0.2 million less than enacted from all sources for all other expenses in the Bureau of Natural Resources. The request includes \$1.1 million from general revenues and \$2.3 million from restricted receipts. The general revenue funding is used primarily for enforcement activities, agriculture programs and development, and management and maintenance of the state piers. The restricted receipts are used primarily for open space preservation, wildlife development, and maintaining state-owned management areas, fishing areas, and boat ramps.

The requested increase includes \$0.1 million less to reflect projected available shellfish and marine license receipts and no funding for the Local Agriculture and Seafood Program. The enacted budget includes \$0.1 million from restricted receipts for the Local Agriculture and Seafood Fund, which was created by Chapter 37 of the Public Laws of 2012 and used to administer a new program to promote the marketing of Rhode Island seafood and farm products.

The Department's constrained request includes \$39,395 less from general revenues for various operating reductions in the divisions of coastal resources, enforcement, and forest environment.

*The Governor recommends \$0.1 million more than the unconstrained request. This includes \$20,500 less from general revenues to reflect the constrained reduction in forest environment and \$117,140 more from restricted receipts to restore the State Forestry Fund to the enacted level. The Department indicates that it inadvertently excluded these funds from its request.*

## Coastal Resources Management Council

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 3,440,283	\$ 3,162,448	\$ 4,015,552	\$ 3,176,076
Contracted Services	511,282	399,383	661,763	660,723
<b>Subtotal</b>	<b>\$ 3,951,565</b>	<b>\$ 3,561,831</b>	<b>4,677,315</b>	<b>3,836,799</b>
Other State Operations	99,536	204,988	153,502	139,002
Assistance, Grants, and Benefits	401,705	696,949	200	200
Capital	257,100	330,000	1,412,150	262,150
Capital Debt Service	-	-	-	-
Operating Transfers	-	-	-	-
<b>Total</b>	<b>\$ 4,709,906</b>	<b>\$ 4,793,768</b>	<b>\$ 6,243,167</b>	<b>\$ 4,238,151</b>
<b>Sources of Funds</b>				
General Revenue	\$ 2,174,331	\$ 2,158,736	\$ 3,028,554	\$ 2,185,538
Federal Aid	2,160,593	2,335,032	1,802,613	1,802,613
Restricted Receipts	374,982	250,000	250,000	250,000
Other	-	50,000	1,162,000	-
<b>Total</b>	<b>\$ 4,709,906</b>	<b>\$ 4,793,768</b>	<b>\$ 6,243,167</b>	<b>\$ 4,238,151</b>
<b>FTE Authorization</b>	<b>29.0</b>	<b>29.0</b>	<b>35.0</b>	<b>29.0</b>

**Summary.** The Coastal Resources Management Council requests \$6.2 million from all funds, which is \$1.5 million more than enacted including \$0.9 million more from general revenues, \$0.4 million less from federal funds, \$0.1 million less from restricted receipts and \$1.2 million more from other funds in its unconstrained request. The Council requests 35.0 full-time equivalent positions, which is 6.0 more than authorized. The Council also submitted a constrained request that does not include the 6.0 new positions and eliminates four currently authorized positions for an estimated savings of \$0.4 million.

*The Governor recommends \$4.2 million, \$0.5 million less than enacted and \$2.0 million less than requested. He does not recommend the new positions.*

**Target Issues.** The Budget Office provided the Coastal Resources Management Council with a general revenue target of \$2.0 million. The amount includes current service adjustments of \$26,353 and a seven percent target reduction of \$0.2 million. The Council's request is \$2,162 below the target. *The Governor's recommendation is \$138,902 above the target.*

<b>FY 2015 Budget</b>	<b>Budget Office</b>		<b>CRMC</b>		<b>Difference</b>
<b>FY 2014 Enacted</b>	\$	<b>2,174,331</b>	\$	<b>2,174,331</b>	\$ -
Current Service Adjustments		26,353		277,309	250,956
New Initiatives		-		576,914	576,914
<b>Change to FY 2014 Enacted</b>	\$	<b>26,353</b>	\$	<b>854,223</b>	\$ <b>827,870</b>
<b>FY 2015 Current Service/Unconstrained Request</b>	\$	<b>2,200,684</b>	\$	<b>3,028,554</b>	\$ <b>827,870</b>
Target Reduction/Initiatives		(154,048)		(984,080)	(830,032)
<b>FY 2015 Constrained Target/Request</b>	\$	<b>2,046,636</b>	\$	<b>2,044,474</b>	\$ <b>(2,162)</b>
<i>Change to FY 2014 Enacted</i>	\$	<i>(127,695)</i>	\$	<i>(129,857)</i>	\$ <i>(2,162)</i>

**Indirect Cost Recovery.** Most federal grants allow for recovery of overhead costs, in addition to direct administrative costs, through the application of a negotiated indirect cost rate. Current law mandates that all state agencies shall apply for the rate when it is allowed under the particular federal grant. The Assembly included general revenue savings of \$124,982 in the FY 2014 enacted budget assuming an indirect cost recovery rate of not less than 5.0 percent and shifted general revenue expenditures to restricted receipts and reduced federal funds accordingly.

The Council indicates that it is currently in discussions with the National Oceanic and Atmospheric Administration regarding an indirect cost recovery rate, but its budget request does not assume the use of an indirect cost rate and it requests \$124,982 to restore the savings. *The Governor's recommendation restores the funding and does not assume the use of an indirect cost rate.*

**New Positions.** The Council requests 35.0 full-time equivalent positions for FY 2015, 6.0 more than the authorized level. The positions include 2.0 coastal policy analysts, a supervising coastal policy analyst, a principal civil engineer, an environmental scientist, and a principal environmental scientist. The Agency is requesting \$0.6 million from general revenues for the new positions, which would be utilized in the Council's efforts in various areas including habitat restoration, permitting, and shoreline protection.

The Council also submitted a constrained request that does not include the 6.0 new positions. *The Governor does not include the positions.*

**Other Salaries and Benefits.** The Council requests \$3.4 million, or \$1,645 less than enacted from all sources, for salaries and benefits to fund the 29.0 authorized positions. The Council, which currently has two vacancies, a supervising civil engineer and a principal civil engineer, includes no turnover savings in its request to reflect that it expects to fill both vacant positions before the end of FY 2014. The Council is requesting to fund the principal civil engineer from general revenues when it had previously utilized federal sources, and it attributes the shift to potential reductions in federal funds. However, the Council's request for operating expenditures includes \$41,859 more than enacted from federal sources, suggesting there is actually a shift in use of federal funds from personnel to operating expenditures.

The request reflects the statewide benefit adjustments for FY 2015. It appears the Council should have included \$10,444 more in its request for benefits, based on salaries requested and the current rates.

The Council's constrained request includes a proposal to eliminate 4.0 currently authorized positions for an additional general revenue savings of \$0.4 million. The Council did not specifically identify the positions that would be eliminated.

*The Governor recommends \$0.3 million less than requested from general revenues. He does not recommend shifting the principal civil engineer from federal sources. The recommendation includes*

*corrections to employee benefit calculations and reductions to reflect \$0.2 million in turnover savings and \$9,392 from statewide medical benefits savings. He does not include the staffing reductions proposed in the constrained request.*

**Narragansett Bay Restoration.** The Council requests \$0.4 million, or \$0.2 million more than enacted from federal funds, for restoration projects in Narragansett Bay. The restoration is completed by using living and organic materials to restore the habitat along areas of the coast that have been hardened with bulkheads and seawalls. The Council indicates the Narragansett Bay Habitat Restoration project has been extended until August 31, 2014 because the project is expected to take longer than originally anticipated. The Council's request of \$421,883 reflects the revised project schedule and its anticipated FY 2015 award. *The Governor recommends funding as requested.*

**Aquatic Invasive Species.** The Agency requests \$50,000, which is \$4,523 less than enacted from federal funds to reflect the Council's anticipated award 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 Governor recommends funding as requested.*

**River Ecosystem Restoration.** The enacted budget includes \$405,674 to reflect a National Oceanic and Atmospheric Administration grant to 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 Council requests no funding for FY 2015 to reflect that the project has an end date of December 31, 2013 and the work is expected to be completed in FY 2014. *The Governor concurs.*

**Other Federal Grants.** The Council requests \$25,013 for FY 2015, or \$33,792 less than enacted from federal funds to reflect three grants awarded by the National Oceanic and Atmospheric Administration. This includes \$25,013 for Coastal Ecosystems Adaptation to Sea Level Rise and also reflects the Marine Habitat Characterization in the Northeast and Northeast Regional Ocean Council Support projects that are scheduled to be completed in FY 2014. *The Governor recommends funding as requested.*

**Capital Projects.** The Council requests \$1.3 million, or \$1.0 million more than enacted, including \$1.0 million from Rhode Island Capital Plan funds and \$0.3 million from restricted receipts from the Oil Spill Prevention, Administration and Response Fund to fund two projects in FY 2015. The operating request is consistent with the Council's FY 2015 through FY 2019 capital request. *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. A detailed analysis of the projects is included in the Capital Budget section of this publication.*

**Shoreline Change Beach Special Area Management Plan.** The Council requests \$150,000 from Rhode Island Capital Plan funds not included in the enacted budget for a special area management plan to address erosion issues along the Rhode Island shoreline. The Council notes that this shoreline protection initiative was recommended in 2012-S 2922, Substitute A, a resolution passed by the Senate. *The Governor does not recommend the funding.*

**Dredge Boat Equipment.** The Council requests \$12,000 from other funds to fund dredge boat expenses. The Council indicates that this amount reflects the anticipated spending for regular maintenance, docking, and fuel costs. It appears the Council's request might be unnecessary since the expenses will be covered by the dredge fund, which is not subject to appropriation or re-appropriation

by the General Assembly. *The Governor does not include the funding to reflect proper treatment of dredge fund expenses.*

**All Other Operations.** The Council requests \$0.3 million, or \$68,976 more than enacted including increases of \$1,147 from general revenues and \$67,829 from federal funds for all other expenditures not mentioned above. The Council's request for these expenditures is largely consistent with its FY 2013 spending. *The Governor recommends \$3,540 less than requested from general revenues, primarily to reflect a \$2,500 reduction in printing expenses based on historical spending.*

## Department of Transportation

	FY 2014 Enacted	FY 2014 Revised	FY 2015 Request	FY 2015 Recommended
<b>Expenditures by Program</b>				
Central Management	\$ 12,763,706	\$ 9,693,699	\$ 10,975,906	\$ 10,970,706
Management and Budget	1,549,669	2,165,981	2,242,961	2,242,961
Infrastructure Program	445,936,622	466,332,604	517,563,458	506,013,715
<b>Total</b>	<b>\$ 460,249,997</b>	<b>\$ 478,192,284</b>	<b>\$ 530,782,325</b>	<b>\$ 519,227,382</b>
<b>Expenditures by Category</b>				
Salaries and Benefits	\$ 69,009,214	\$ 71,856,779	\$ 73,275,683	\$ 73,098,739
Contracted Services	37,032,100	38,066,048	39,168,500	39,168,300
<b>Subtotal</b>	<b>\$ 106,041,314</b>	<b>\$ 109,922,827</b>	<b>\$ 112,444,183</b>	<b>\$ 112,267,039</b>
Other State Operations	39,750,343	38,818,473	40,335,249	39,856,546
Aid to Local Units of Government	-	-	-	-
Assistance, Grants, and Benefits	39,893,093	37,552,215	42,828,164	42,801,267
Capital	173,374,795	190,726,329	234,015,264	223,231,495
Capital Debt Service	-	-	-	-
Operating Transfers	101,190,452	101,172,440	101,159,465	101,071,035
<b>Total</b>	<b>\$ 460,249,997</b>	<b>\$ 478,192,284</b>	<b>\$ 530,782,325</b>	<b>\$ 519,227,382</b>
<b>Sources of Funds</b>				
General Revenue	\$ -	\$ -	\$ -	\$ -
Federal Aid	311,761,586	349,127,537	358,246,053	352,114,755
Restricted Receipts	8,010,496	6,868,950	12,352,761	12,352,761
Other	140,477,915	122,195,797	160,183,511	154,759,866
<b>Total</b>	<b>\$ 460,249,997</b>	<b>\$ 478,192,284</b>	<b>\$ 530,782,325</b>	<b>\$ 519,227,382</b>
<b>FTE Authorization</b>	<b>772.6</b>	<b>752.6</b>	<b>772.6</b>	<b>752.6</b>

**Summary.** The Department of Transportation requests \$530.8 million from all sources, including \$358.2 million from federal funds, \$160.2 million from other funds and \$12.4 million from restricted receipts. The request is \$70.5 million more than enacted, primarily from federal funds, which reflects a revision to the Department's projected expenditures from Federal Highway Administration funds and the inclusion of GARVEE bond proceeds that are not typically shown in the Department's operating budget.

*The Governor recommends \$59.0 million more than enacted, including \$40.3 million more from federal funds and \$18.7 million more from other sources. The other source increase includes additional gasoline tax funds made available from the transfer of debt service to general revenues, as well as the second phase of increases from Division of Motor Vehicle surcharges used for the state's match for Federal Highway Administration funds. The recommendation removes the GARVEE bond proceeds included in the request in error. The Governor reduces the position authorization to 752.6, or 20.0 less than enacted.*

**Staffing.** The Department’s request includes 772.6 positions, which is the enacted level. As of the first pay period in November, the Department has 687.6 filled positions or 85.0 less than enacted. Based on the Department’s average salary per position of \$57,069, this equates to \$4.9 million of turnover for FY 2014. The revised request includes turnover savings of \$3.6 million, or \$1.3 million less than would be generated based on current vacant positions.

*The Governor recommends 752.6 positions, 20.0 less than enacted to reflect the elimination of vacant positions, including 13.0 engineering technicians, 1.0 senior real estate specialist, 1.0 senior auditor, 1.0 civil engineer, 3.0 highway maintenance operators and 1.0 landscape maintenance technician. It should be noted that the Department’s staffing was increased in FY 2009 by 85.0 positions for work related to federally funded stimulus projects. In 2011, the Department converted these positions to permanent, despite several consecutive years of high vacancies. The recommendation reflects the removal of positions that were never filled or have not been filled in the years following the FY 2009 increase.*

**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 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 nine year period. Even with the transfer of one additional penny in FY 2010, available funding has decreased \$10.3 million, or approximately 10 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
2013	\$ 4,137,712	\$ 89,995,236

\* Assembly transferred one cent from General Fund to DOT.

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.

<b>Fiscal Year</b>	<b>Biennial Registrations</b>	<b>Annual Registrations</b>	<b>Licenses</b>	<b>RICAP</b>	<b>Previous G.O. Bonds</b>	<b>Total</b>
2014	\$ 3,817,669	\$ 791,140	\$ 1,260,140	\$21,131,051	\$13,000,000	\$40,000,000
2015	\$ 7,384,812	\$ 1,530,362	\$ 2,437,586	\$21,647,240	\$ 7,000,000	\$40,000,000
2016	\$10,945,319	\$ 2,268,210	\$ 3,612,842	\$23,173,629	\$ -	\$40,000,000

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 2015 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.

As part of the debt restructuring, \$9.3 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.

#### **Debt Service on Outstanding DOT Debt**

<b>Fiscal Year</b>	<b>Outstanding Debt Service</b>	<b>Build America Bonds Reimbursement</b>	<b>Projected Restructuring</b>	<b>General Revenues</b>	<b>Net Gas Tax Funded Debt Service</b>
2014	\$ 50,527,797	\$ (1,870,830)	\$ (8,920,279)	\$ (9,250,000)	\$ 30,486,688
2015	\$ 54,580,237	\$ (1,870,830)	\$ (6,630,740)	\$ (19,250,000)	\$ 26,828,667
2016	\$ 50,237,900	\$ (1,870,830)	\$ 393,114	\$ (29,250,000)	\$ 19,510,184
2017	\$ 49,933,531	\$ (1,870,830)	\$ 254,612	\$ (39,250,000)	\$ 9,067,313
2018	\$ 41,392,238	\$ (1,870,830)	\$ 227,605	\$ (39,749,013)	-
2019	\$ 40,396,506	\$ (1,870,830)	\$ 183,245	\$ (38,708,921)	-
2020	\$ 36,445,414	\$ (1,870,830)	\$ (12,936)	\$ (34,561,648)	-
2021	\$ 43,706,060	\$ (1,870,830)	\$ (114,505)	\$ (41,720,725)	-
2022	\$ 39,758,229	\$ (1,870,830)	\$ (136,997)	\$ (37,750,402)	-
2023	\$ 38,969,053	\$ (1,870,830)	\$ (135,396)	\$ (36,962,827)	-
2024	\$ 34,172,285	\$ (1,870,830)	\$ 82,795	\$ (32,384,250)	-
2025	\$ 31,042,260	\$ (1,870,830)	\$ (332,024)	\$ (28,839,406)	-
2026	\$ 30,881,740	\$ (1,870,830)	\$ (857,883)	\$ (28,153,027)	-
2027	\$ 27,331,961	\$ (958,514)	\$ (1,422,286)	\$ (24,951,161)	-
2028	\$ 25,529,306	\$ (730,480)	\$ (1,960,404)	\$ (22,838,422)	-
2029	\$ 18,763,869	\$ (494,898)	\$ (1,860,590)	\$ (16,408,381)	-
2030	\$ 18,515,394	\$ (251,496)	\$ (1,860,132)	\$ (16,403,766)	-
2031	\$ 8,726,730	-	\$ (1,860,270)	\$ (6,866,460)	-
2032	\$ 8,724,622	-	\$ (1,860,268)	\$ (6,864,354)	-
2033	\$ 1,604,852	-	\$ 1,450,998	\$ (3,055,850)	-
2034	\$ 481,456	-	\$ 1,090,761	\$ (1,572,217)	-

#### **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 2014 Enacted	FY 2015 Request	FY 2015 Recommended
Federal Highway Admin. Funds	\$ 223,936,187	\$ 256,753,974	\$ 256,753,974
Federal Stimulus Funds	-	-	-
Other Federal Funds	95,435,313	113,431,061	106,692,279
Gasoline Tax*	90,708,527	90,708,527	90,544,837
General Obligation Bonds**	[13,000,000]	[7,000,000]	[7,000,000]
Motor Fuel Tax Revenue Bond Earnings	-	-	-
Land Sale Revenue	2,500,000	1,500,002	1,500,002
Interstate 195 Land Sales	12,309,264	19,800,000	19,800,000
Rhode Island Capital Plan Funds	27,050,210	36,076,000	31,423,529
Restricted Receipts	1,010,496	1,000,000	1,000,000
Motor Vehicle Surcharges	7,000,000	11,352,761	11,352,761
Other Funds	300,000	160,000	160,000
<b>Total</b>	<b>\$ 460,249,997</b>	<b>\$ 530,782,325</b>	<b>\$ 519,227,382</b>

\*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 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 using 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. The following table illustrates the proportion of funding allotted to each program area in the Governor's recommendation.

Program Area	FY 2015 Recommended	Share of Total
Administrative Program	\$ 7,695,874	3%
Bike/Pedestrian Program	7,709,364	3%
Bridge Program	35,945,556	14%
CMAQ Program	7,702,619	3%
Highway Program	20,540,318	8%
Interstate Program	12,837,699	5%
GARVEE Projects	38,513,096	15%
Federal Highway Earmark Projects	25,675,397	10%
Pavement Management Program	23,107,858	9%
Traffic Safety Program	28,242,937	11%
Transit	38,513,096	15%
Other Programs	10,270,159	4%
<b>Total</b>	<b>\$ 256,753,974</b>	<b>100%</b>

The federal highway trust fund, which is funded through the federal gasoline tax of 18.4 cents per gallon, is projected to be insolvent by December 2015. If there is no further action by the federal partners, the trust fund cannot be used for state programs and the majority of all federal funds that are part of the annual Transportation Improvement Program will not be available.

**Federal Stimulus Funds.** The Department's FY 2015 request does not include any federal funding 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 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 concurs.*

**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 because of 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 revised request includes \$113.4 million from this source in FY 2015, which is \$18.0 million more than enacted.

It should be noted that the proceeds from the GARVEE bonds were included for the first time in the FY 2014 revised request, and again in the FY 2015 request. Typically, these funds are only shown in the Department's capital budget, and are not counted as a fund source in the operating budget. However, in an effort to match total project funding amounts in both capital and operating budget presentations, the Department has included GARVEE bond proceeds, which accounts for \$6.1 million of the increase above the enacted. Excluding this amount, the actual increase above the enacted level from this source is \$11.9 million. The inclusion of additional federal funds is consistent with the Department's practice of budgeting the maximum amount of projected federal receipts for the enacted budget, and then later removing a portion as projected awards and expenditures are finalized. *The Governor recommends \$7.7 million less than requested, which primarily reflects the removal of GARVEE bond proceeds included in the request in error.*

**Gasoline Tax Proceeds.** The distribution of proceeds derived from the gasoline tax has remained the same since 2009. The request does not change the current disposition of funding. The following table illustrates the disposition of proceeds.

Entity	FY 2013	FY 2014	FY 2015	FY 2015
	Actual	Enacted	Request	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
<b>Total</b>	<b>33.0</b>	<b>33.0</b>	<b>33.0</b>	<b>33.0</b>

*The Governor's recommendation does not change the gasoline tax amount, or its distribution; however, he reprograms the use of these funds for heavy equipment purchases, drainage improvements and bridge maintenance and repairs. Because the state is gradually assuming payment of the Department's general obligation bond debt service, gasoline tax will become increasingly available, as this is the source the Department uses for debt payments. The Governor includes Article 21 of 2014-H 7133, which describes the amounts and purposes of funding for available gasoline tax proceeds. The following table illustrates those uses as outlined in the Governor's recommendation.*

Purpose	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Heavy Equipment Purchases	\$ 1,000,000	\$ 2,361,434	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000
Drainage Improvements	-	500,000	1,000,000	1,500,000	2,000,000	2,000,000	2,000,000
Bridge Rehabilitation	-	10,000,000	15,000,000	15,000,000	20,000,000	20,000,000	20,000,000
<b>Total</b>	<b>\$ 1,000,000</b>	<b>\$ 12,861,434</b>	<b>\$ 18,500,000</b>	<b>\$ 19,000,000</b>	<b>\$ 24,500,000</b>	<b>\$ 24,500,000</b>	<b>\$ 24,500,000</b>

**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 cents of the gasoline tax. Gasoline tax proceeds are used by the Department for operations; however, the amount of funding is not sufficient as a state match for capital expenditures, as it continues to be absorbed for increasing costs related to operations and debt service. The voters approved a \$60.0 million general obligation referenda in November 2002 that matched federal highway funds and was programmed for FY 2004 and FY 2005. The voters also approved a \$60.0 million general obligation referendum in November 2004 to match federal highway funds that were programmed in FY 2006 and FY 2007. The voters approved \$80.0 million in November 2006, 2008 and 2010 of \$40.0 million each year of the two-year period between referenda, with funding programmed through FY 2015.

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 from transportation related fees and Rhode Island Capital Plan funds. *The Governor does not recommend new general obligation bonds for the state match; however, he does recommend \$40.0 million of new general obligation bonds to be presented to the voters on the 2014 ballot for improvements to the state's mass transit hub systems.*

**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 with the Department and the Governor's support 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 has provided \$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 were included in the Department's FY 2013 operating budget, but the Department did not record the expenditures in its final expenditures, nor did they program any additional funds into its current operating budget request. The funds are programmed into the capital budget request through FY 2016 for final payments for the GARVEE funded projects. *The Governor recommends funding as requested.*

**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 \$1.5 million from this source in FY 2015, which is based on projected land sales and anticipated purchases. *The Governor recommends funding as requested.*

**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 intention of the Department was to sell the parcels of land made available through the relocation to finance approximately \$40 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 above 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. However, in FY 2015, the Department anticipates land sales of \$19.8 million. 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 were sold at the end of FY 2013, project payments will continue through FY 2016, consistent with the Department's request. *The Governor recommends funding as requested.*

**Rhode Island Capital Plan Funds.** These funds are appropriated according to the Department's capital budget request, and appear as other funds in the Department's operating budget. Funds are used for projects such as the building of storage and maintenance facilities, as well as upgrades to Department owned property such as roof repairs or fire alarm installation. Beginning in FY 2013, \$20.0 million from this source was included to be used as a portion of the state match for federal highway funds. The Department includes \$36.1 million from this source in its FY 2015 request. This is \$9.0 million more than enacted, including \$4.6 million more for heavy equipment purchases, with the remainder of the increases included to reflect revisions to the Department's capital plan. *The Governor recommends \$4.7 million less than requested to reflect reductions of \$2.8 million for heavy equipment purchases and \$2.0 million for highway drainage improvements. These expenditures were*

requested from Rhode Island Capital Plan funds, but are funded in the recommendation with gasoline tax proceeds.

**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. The request programs \$1.0 million from this source, which is based on projected municipal work. *The Governor recommends funding as requested.*

**Motor Vehicle Surcharges.** Fiscal year 2014 was the first year of the phased in vehicle surcharge fees, including a \$10.00 surcharge on biennial 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 biennial 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:

<b>Fiscal Year</b>	<b>Biennial Registration Fee</b>	<b>Annual Registration Fee</b>	<b>License Fee</b>
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 are transferred to the Department for use as a portion of the state match for federal funds. These fees account for \$11.4 million in FY 2015. The table below shows the estimated revenue derived from the surcharge through FY 2016.

<b>Fiscal Year</b>	<b>Biennial Registrations</b>	<b>Annual Registrations</b>	<b>Licenses</b>	<b>Total</b>
2014	\$ 3,817,669	\$ 791,140	\$ 1,260,140	\$ 5,870,963
2015	\$ 7,384,812	\$ 1,530,362	\$ 2,437,586	\$ 11,354,775
2016	\$ 10,945,319	\$ 2,268,210	\$ 3,612,842	\$ 16,828,387

It should be noted the FY 2014 enacted budget inadvertently enacted motor vehicle surcharge collections at the \$7.0 million level. This was the amount projected to be collected before a revision was made by the Department of Revenue. The FY 2014 revised and FY 2015 requests correctly account for the revised collection of these surcharges. *The Governor recommends funding as requested.*

**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 2015 request includes \$0.2 million from this source, \$0.1 million less than enacted. *The Governor recommends funding as requested.*

**Department of Transportation Gasoline Tax.** Section 31-36-7 of the Rhode Island General Laws sets the gasoline tax at 33 cents per gallon. The disposition of proceeds is outlined in Section 31-36-20 of the General Laws. Upon receipt, all gasoline proceeds are deposited into the Intermodal Surface

Transportation Fund from which statutory transfers are made to the Department of Transportation, the Rhode Island Public Transit Authority (RIPTA) and the elderly/disabled transportation program. The FY 2014 enacted budget was based on a per penny yield of \$4.2 million and the Department utilized this estimate in its FY 2015 request, as well as a total receipt of 21.75 cents from gasoline tax proceeds. *The Governor's budget includes a per penny decrease of \$7,526, which equates to a reduction of \$0.2 million from gasoline tax proceeds.*

The following table shows the recent history of available gasoline tax proceeds and other funds included in the Governor's recommendation.

Other Funds	FY 2013 Reported	FY 2014 Enacted	FY 2015 Request	FY 2015 Recommended
<i>Gas Tax Yield per Cent</i>	<i>4.138</i>	<i>4.171</i>	<i>4.171</i>	<i>4.163</i>
<i>RIDOT Cents</i>	<i>21.75</i>	<i>21.75</i>	<i>21.75</i>	<i>21.75</i>
<i>RIPTA Cents*</i>	<i>9.75</i>	<i>9.75</i>	<i>9.75</i>	<i>9.75</i>
<b>DOT Budget (RIDOT and RIPTA)</b>				
Balance Forward	\$ 1,742,455	\$ (12,975)	\$ 557,090	\$ -
Gas Tax	130,760,785	131,370,971	131,370,971	131,133,902
Motor Vehicle Fee Transfer	-	7,000,000	13,883,142	13,883,142
Debt Service Transfer**	(34,423,389)	(30,369,820)	(20,369,820)	(26,828,667)
Internal Services Funds Transparency	(2,229,284)	(2,112,644)	(2,274,093)	(2,428,900)
Surplus Property & Outdoor Advertising	-	300,000	160,000	160,000
Interstate 195 Land Sales	2,501,229	12,309,264	17,940,273	19,800,000
Land Sales	2,537,411	2,500,000	1,358,212	1,500,002
Rhode Island Capital Plan Funds	34,196,983	27,050,210	36,076,000	31,423,529
Available	\$ 135,086,190	\$ 148,035,006	\$ 178,701,775	\$ 168,643,008
Expenditures	134,730,425	147,477,915	172,065,136	168,643,008
Surplus/Deficit	\$ 355,765	\$ 557,090	\$ 6,636,638	\$ -
<b>RIDOT</b>				
Balance Forward	\$ 1,742,455	\$ (12,975)	\$ 557,090	\$ -
Gas Tax	89,995,236	90,708,527	90,708,527	90,544,837
Motor Vehicle Fee Transfer	-	7,000,000	13,883,142	13,883,142
Debt Service Transfer**	(34,423,389)	(30,369,820)	(20,369,820)	(26,828,667)
Internal Services Funds Transparency	(2,229,284)	(2,112,644)	(2,274,093)	(2,428,900)
Surplus Property & Outdoor Advertising	-	300,000	160,000	160,000
Interstate 195 Land Sales	2,501,229	12,309,264	17,940,273	19,800,000
Land Sales	2,537,411	2,500,000	1,358,212	1,500,002
Rhode Island Capital Plan Funds	34,196,983	27,050,210	36,076,000	31,423,529
Available	\$ 94,320,641	\$ 107,372,562	\$ 138,039,331	\$ 128,053,943
Gas Tax	54,729,253	57,655,998	61,985,066	61,287,270
Motor Vehicle Fee Transfer	-	7,000,000	13,883,142	13,883,142
Interstate 195 Land Sales	2,501,229	12,309,264	17,940,273	19,800,000
Land Sales	2,537,411	2,500,000	1,358,212	1,500,002
Surplus Property & Outdoor Advertising	-	300,000	160,000	160,000
Rhode Island Capital Plan Funds	34,196,983	27,050,210	36,076,000	31,423,529
Other Expenditures	93,964,876	106,815,472	131,402,693	128,053,943
Surplus/Deficit	\$ 355,765	\$ 557,090	\$ 6,636,638	\$ -
<b>RIPTA</b>				
Gas Tax	\$ 40,342,692	\$ 40,662,443	\$ 40,662,443	\$ 40,589,065
Debt Service Transfer	[1,620,472]	[1,659,334]	[1,659,334]	[1,761,400]
Available	40,342,692	40,662,443	40,662,443	40,589,065
Expenditures	\$ 40,342,692	\$ 40,662,443	\$ 40,662,443	\$ 40,589,065

\*Total includes one-half cent transferred from the UST Fund and two additional cents included by the 2009 Assembly.

\*\*Debt Service reduced in FY 2014 due to the inclusion of \$9.3 million from general revenues. Reflects the temporary shift of RIPTA debt service to general revenues in FY 2013, FY 2014 and FY 2015.

Rhode Island's gas tax is the second highest in New England, although it is far behind Connecticut's 49.3 cent tax and very close to Vermont and the national and regional averages. The following table shows how the New England states rank.

State	Gas Tax (In cents)
Connecticut*	49.3
<b>Rhode Island</b>	<b>33.0</b>
Vermont**	32.2
New England Average	32.0
Maine	31.5
U.S. Average	31.1
Northeast Average	30.9
Massachusetts***	26.5
New Hampshire	19.6

\*Increased 4.0 cents on 7/1/13

\*\*Increased 5.9 cents on 5/1/13

\*\*\*Increased 3.0 cents on 7/1/13

Despite the recent 3 cent increase, Massachusetts' gas tax is still 6.5 cents cheaper than Rhode Island's. New Hampshire has consistently had the lowest gasoline tax in New England, which remains at 19.6 cents 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 FY 2014 enacted budget was based on a per penny yield of \$4.2 million, and the Department utilized that same estimate for its transfer to the Authority in its FY 2015 request. Net of debt service for its share of general obligation bond proceeds, the Authority is estimated to receive \$40.7 million for FY 2015. *The Governor's budget includes a per penny decrease of \$7,526, which equates to a reduction of \$69,616 from gasoline tax proceeds. He also includes general revenue for the Authority's debt service for FY 2015.*

## Expenditures

**Federal Highway Administration Projects.** Excluding salaries and benefits, the Department's request includes \$233.5 million from federal funds matched by \$9.4 million from motor vehicle surcharges and \$21.7 million from Rhode Island Capital Plan funds for highway projects in FY 2015. This is \$37.7 million more than enacted to reflect planned receipts and revised construction schedules. 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 2015, expenditures include \$38.5 million for the five GARVEE funded projects, \$35.9 million for repairs and maintenance on bridges, \$7.7 million for congestion mitigation and road enhancements, \$20.5 million for highways, \$12.8 million for interstate projects, \$23.1 million for pavement and resurfacing and \$28.2 million for traffic safety improvement projects. *The Governor recommends*

*funding as requested, shown in the table below, which includes program expenditures and their proportionate share of total Federal Highway Administration Fund program expenditures.*

Program Area	FY 2015 Recommended	Share of Total
Administrative Program	\$ 7,695,874	3%
Bike/Pedestrian Program	7,709,364	3%
Bridge Program	35,945,556	14%
CMAQ Program	7,702,619	3%
Highway Program	20,540,318	8%
Interstate Program	12,837,699	5%
GARVEE Projects	38,513,096	15%
Federal Highway Earmark Projects	25,675,397	10%
Pavement Management Program	23,107,858	9%
Traffic Safety Program	28,242,937	11%
Transit	38,513,096	15%
Other Programs	10,270,159	4%
<b>Total</b>	<b>\$ 256,753,974</b>	<b>100%</b>

**Salaries and Benefits.** The Department requests \$73.3 million, \$5.4 million more from all funds for salaries and benefits. This includes \$4.4 million more from federal funds and \$1.9 million more from gasoline tax revenues offset by a reduction of \$0.9 million from restricted receipts. The Department's request includes 772.6 positions, which is the enacted level. Through November, the Department has averaged 691.3 filled positions or 81.3 less than enacted. Based on the Department's average salary per position of \$57,069, this equates to \$4.6 million of turnover for FY 2015. The request includes turnover savings of \$3.6 million, or \$1.3 million less than would be generated based on current vacant positions. *The Governor recommends \$2.7 million less than requested and removes 20.0 vacant positions from the Department's authorization. The recommendation includes \$3.2 million of turnover savings which is equivalent to 50.2 positions. As of the first pay period in January the Department has 92.0 vacant positions.*

**National Highway Transportation Safety Administration Grants.** The Department's request includes \$8.3 million, \$2.0 million less than enacted from the National Highway Transportation Safety Administration for FY 2015. The request reflects updated federal awards and expenditures. Major changes include decreases of \$2.6 million for impaired driving prevention programs and \$0.3 million for children's car restraints, offset by an increase of \$0.2 million for racial profiling and \$0.3 million for primary seatbelt enforcement. *The Governor recommends funding as requested.*

**GARVEE Bond Projects.** The Department requests \$6.1 million from other funds for three large scale capital 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.

It should be noted that the proceeds from the GARVEE bonds are included for the first time in the revised request and again in the FY 2015 request. Typically, these funds are only shown in the Department's capital budget, and are not counted as a fund source in the operating budget. However, in an effort to match total project funding amounts in both capital and operating budget presentations, the Department has included GARVEE bond proceeds. Because the debt appears in both the operating and capital budgets, this request effectively double counts the expenditures. *The Governor*

*recommends \$6.1 million less than requested to reflect the removal of the funds from the Department's operating budget.*

**Commuter Rail.** The Department requests \$23.5 million, or \$4.4 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 revised request for the Commuter Rail project reflects an updated construction schedule and is consistent with the Department's requested capital plan. *The Governor recommends funding as requested. This project is explained in greater detail in the Capital Budget section of this publication.*

**Equipment Purchase.** The Department requests \$1.4 million from land sale revenue for equipment purchases in the Infrastructure Engineering Division. The request is \$0.2 million less than enacted to reflect anticipated land sale revenue in FY 2015. Funding would be used to purchase catch basin cleaners, mini-excavators, road surfacing equipment and miscellaneous roadside maintenance equipment such as weed trimmers. It should be noted that these land sale revenues are separate and distinct from land sales associated with the relocation of Interstate 195. *The Governor recommends funding as requested.*

**Interstate 195 Relocation.** The Department requests \$17.9 million from revenues from funds from the sale of land parcels made available with the relocation of Interstate 195. Funding will be used for the final stages of the project. The intention of the Department was to sell the parcels of land to finance approximately \$40 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 \$6.5 million more than enacted to reflect projected expenses during FY 2015. *The Governor recommends funding as requested.*

**Rhode Island Capital Plan Fund Projects.** The Department requests \$14.4 million, \$8.5 million more than enacted from Rhode Island Capital Plan funds for seven ongoing projects at the Department. The largest changes in the request include an additional \$4.3 million for maintenance equipment and \$2.9 million more for construction of a cooperative maintenance facility with the Public Transit Authority. Requested funding is consistent with the Department's capital request. *The Governor recommends \$4.7 million less than requested to reflect reductions of \$2.8 million for heavy equipment purchases and \$2.0 million for highway drainage improvements. These expenditures were requested from Rhode Island Capital Plan funds, but are funded in the recommendation with gasoline tax proceeds. A detailed analysis of these projects is included in the Capital Budget section of this publication.*

**Maintenance Operations.** The Department requests \$6.9 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 \$0.6 million more than enacted primarily to reflect projected increases for drainage cleaning and small scale equipment purchases. *The Governor recommends \$0.1 million less than requested to reflect revised maintenance expenditures.*

**Vehicle Maintenance.** The Department requests \$6.5 million, \$1.2 million more than enacted from gasoline tax proceeds for vehicle maintenance throughout the Department. The Department notes that vehicle maintenance costs have increased due to its aging fleet of vehicles which has affected all divisions, and includes vehicles such as dump trucks, pavers, tractors, grading equipment, backhoes and street sweepers. *The Governor recommends \$0.1 million less than requested to reflect lower than anticipated vehicle maintenance costs.*

**Winter Maintenance Operations.** The Department requests \$12.9 million for operating expenses related to the winter maintenance program for FY 2015. 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 2009 through FY 2013 is \$13.0 million, and the current request is \$0.1 million below that. It should 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 gasoline tax funded budget. The current request is \$0.9 million more than enacted to reflect anticipated increases in material costs and vendor contracts. *The Governor recommends \$0.3 million less than requested to reflect a revised estimate for winter maintenance expenditures.*

**All Other Operating.** The Department requests \$1.5 million more than enacted from all sources for all other operating costs. The requested changes reflect small adjustments to operating expenditures, changes from federal grants for small scale capital improvements as well as disbursements of pass-through gasoline tax funding to the Rhode Island Public Transit Authority. *The Governor recommends \$3.9 million more than enacted, which is \$2.4 million more than requested to reflect increased federal funding for small scale capital improvements as well as other operating costs such as materials and materials testing.*

