



**SENATE FISCAL OFFICE
REPORT**

**GOVERNOR'S BUDGET
FY2017 AND FY2016 SUPPLEMENTAL**

2016-H-7454

BUDGET ANALYSIS

APRIL 13, 2016

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EXECUTIVE SUMMARY

Executive Summary

The Governor's FY2017 Budget recommendation totals \$3,676.8 million in general revenue; \$124.8 million greater than the FY2016 Budget as Enacted. The recommendation includes \$8,964.8 million in all funds; an increase of \$299.3 million above the FY2016 Budget as Enacted.

Expenditures by Source	FY2015 Final	FY2016 Enacted	FY2016 Governor	Change to		
				Enacted	FY2017 Governor	
General Revenue	\$3,453.9	\$3,552.0	\$3,576.5	\$24.5	\$3,676.8	\$124.8
Federal Funds	2,895.2	2,947.3	3,114.2	166.9	2,967.2	20.0
Restricted Receipts	236.0	245.5	288.8	43.3	261.9	16.4
Other Funds	1,807.4	1,920.7	1,995.7	75.0	2,058.9	138.2
Total	\$8,392.5	\$8,665.4	\$8,975.1	\$309.7	\$8,964.8	\$299.3

Expenditures by Function						
General Government	\$1,411.9	\$1,432.5	\$1,526.0	\$93.5	\$1,533.9	\$101.4
Human Services	3,667.3	3,721.4	3,853.6	132.2	3,763.5	42.1
Education	2,303.8	2,408.0	2,449.6	41.6	2,520.7	112.7
Public Safety	500.3	534.7	553.1	18.4	560.0	25.3
Natural Resources	93.6	105.0	110.0	5.0	107.1	2.1
Transportation	415.6	463.8	482.9	19.1	479.5	15.7
Total	\$8,392.5	\$8,665.4	\$8,975.2	\$309.8	\$8,964.7	\$299.3

FTE Authorization **15,100.7** **15,118.4** **15,139.3** **20.9** **15,227.3** **108.9**

\$ in millions. Totals may vary due to rounding.

The Governor's FY2017 Budget closes the anticipated \$49.5 million current services operating deficit through a combination of revenue increases and expenditure reductions. The proposed budget relies upon state debt restructuring and refinancing, reserve transfers from several quasi-public agencies, and assumptions of streamlined efficiencies and savings in state government operations and personnel to close this deficit.

FY2017 Deficit Solution

Projected deficit (July)	(\$198.6)
Nov REC/CEC	72.1
FY2016 Carry Forward	81.7
Rainy Day Fund	(4.6)
Projected Deficit (January)	(\$49.5)

Budget Initiatives

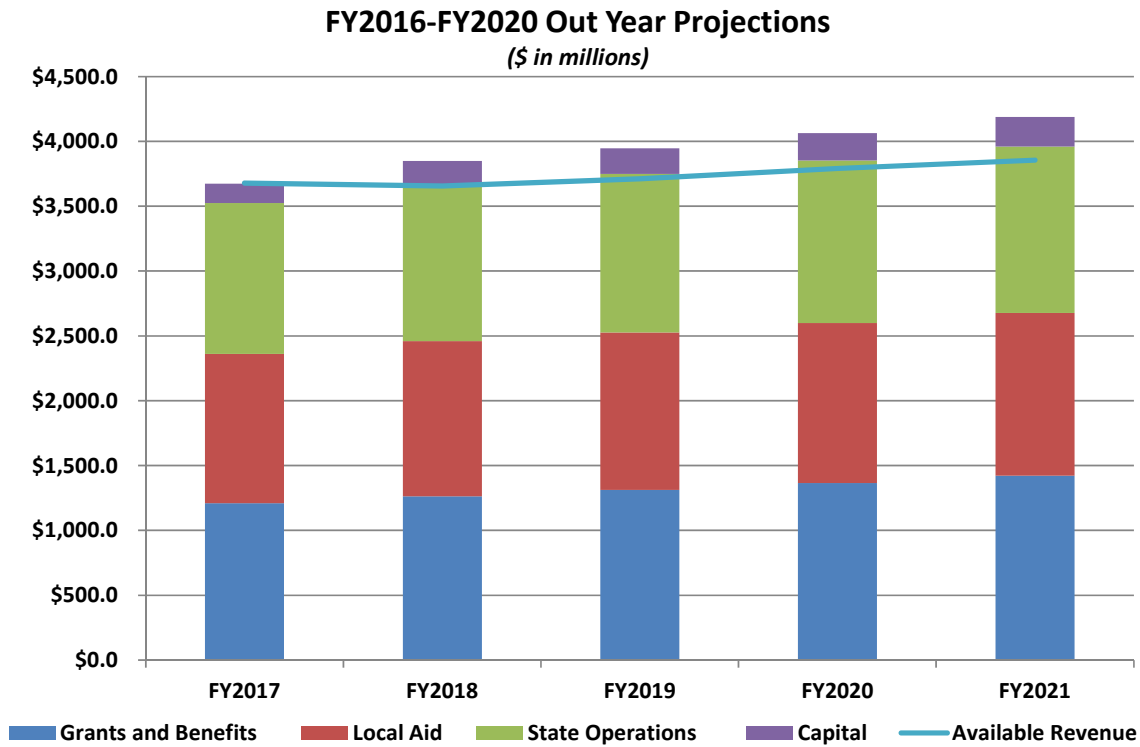
Expenditure Reductions	(4.2)
Transfers and Other Operational Changes	26.0
Tax and Fee Changes	19.9
Projected Ending Balance	\$0.5

\$ in millions. Totals may vary due to rounding.

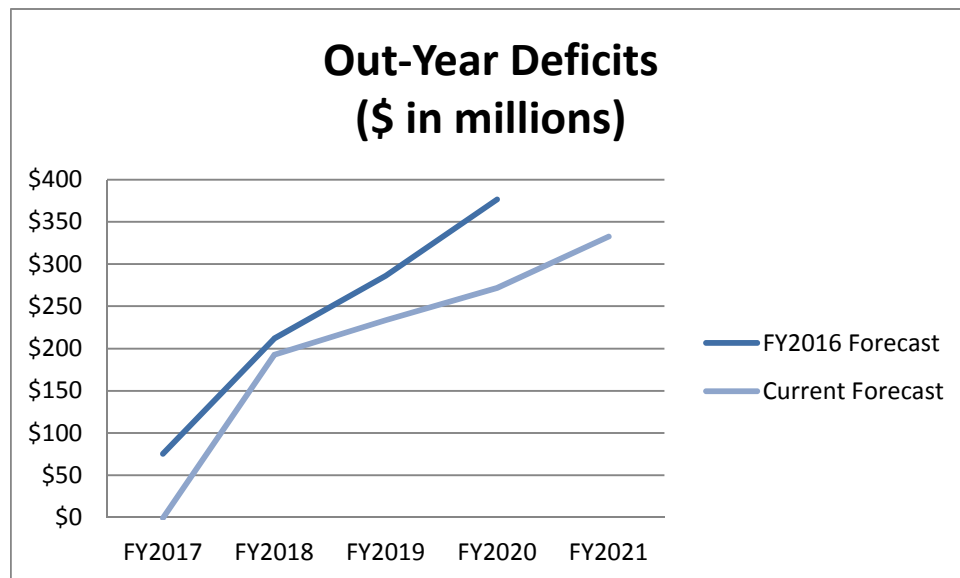
FIVE-YEAR FORECAST

The Budget projects out-year deficits increasing from \$192.6 million in FY2018 (5.0 percent of spending) to \$332.6 million in FY2021 (7.9 percent of spending). Projected average annual revenue growth of 2.0 percent, coupled with a projected average annual increase in expenditures of 3.3 percent, contributes to the State's projected deficit. Specific drivers include the expansion of Massachusetts gaming facilities in FY2019, which is estimated to negatively impact the State's general revenue receipts by more than \$50.0 million annually, and continued implementation of the education aid funding formula which is expected

to increase local aid in FY2021 by more than \$100.0 million above FY2017 levels recommended by the Governor.



Out-year deficit projections are lower than what was forecast one year ago. Increasing base revenue collections and assumed implementation of FY2017 expenditure reductions combine to reduce the FY2020 projected deficit by \$105.0 million.



Revenue Changes

The Governor's FY2017 Budget proposal increases general revenue collections by an estimated \$47.3 million (1.4 percent) above the November 2015 revenue estimate, excluding the annually-enacted hospital license fee. The Governor includes \$169.1 million for the fee. New revenue initiatives include shifting reserve funds from quasi-public agencies to general revenue, new fee and tax base expansions, and enhanced tax compliance programs.

Governor's Recommended Revenue Changes	FY2017
Transfers from Quasi-Public Agencies	\$16.2
Medical Marijuana Plant Tag Fees	9.8
Increase Excise Tax on Cigarettes	7.1
Transfer Pricing Audit Project	6.7
Fraud Initiative	5.0
New Revenue Officer FTEs	3.4
Earned Income Tax Credit Changes	(2.7)
Delay License Plate Reissuance	(2.0)
Increase Enforcement of Retaliatory Assessments on Foreign Insurers	1.1
Nexus Program	1.0
Sale of State Fleet Motor Vehicles	1.0
Bank and Insurance Examination Fees	0.4
Public Finance Management Fees	0.3
Transfer Submerged Land Rental Fees to DEM Restricted Receipts	(0.2)
Forward Capacity Market Revenue	0.1
Total	\$47.3

\$ in million. Totals may vary due to rounding.

Transfers from Quasi-Public Agencies **\$16.2 million**

The Governor transfers approximately \$16.2 million in reserves from five quasi-public agencies to support the General Fund and to offset debt service issued by the State on the agencies' behalf.

Agency	Amount
Infrastructure Bank	\$8.0
Health and Educational Building Corporation	5.0
Resource Recovery Corporation	1.5
Narragansett Bay Commission	1.5
Airport Corporation	0.3
Total	\$16.2

\$ in millions

Medical Marijuana Plant Tag Fees **\$9.8 million**

The Governor proposes a number of changes to the regulation of medical marijuana, which have the following impacts on general revenues:

Medical Marijuana Regulatory Fees and Changes

Governor's Recommended Changes	Rate	Revenue
<i>Plant Tag Fees</i>		<i>\$10,735,630</i>
Patients Who Self-Grow Marijuana	\$150	1,440,000
Caregivers Who Grow for Non-Medicaid Patients	350	8,253,228
Caregivers Who Grow Medical Marijuana for Medicaid Patients	150	611,902
Co-op Growers	350	399,000
Growers with Cultivator Licenses	350	31,500
<i>Other Changes</i>		<i>(983,737)</i>
Transfer Patient and Caregiver Registration Fees to Restricted Receipts		(901,647)
Decrease Compassion Center Surcharge from 4.0 to 3.0 Percent		(172,405)
Indirect Cost Recovery Fees		90,315
Total		\$9,751,893

- **Plant Tag Fees:** This initiative creates a tagging system and fee for each medical marijuana plant to monitor grower inventory and ensure compliance with growing limits. Revenue from tagging fees is estimated at \$10.7 million.
- **General Revenue Transfer:** The Governor transfers \$901,647 in general revenue from medical marijuana patient and caregiver registration fees to a restricted receipt account in the Department of Health (DOH). The account will be funded through currently established fees to support personnel performing patient registrations.
- **Decrease Compassion Center Surcharge:** The Governor reduces the compassion center surcharge from 4.0 percent to 3.0 percent. This surcharge is imposed on the net patient revenue received each month by every compassion center. The Budget includes a \$172,405 reduction in general revenue.
- **Indirect Cost Recovery Fees:** The Governor includes \$90,315 resulting from indirect cost recovery fees on several departmental receipt accounts.

The Governor's proposal establishes the Department of Business Regulation (DBR) as the licensing agency of compassion centers, compassion center staff, cultivators, and caregivers, selling plant tags and maintaining a tag database; however, the Department of Health will continue to have licensing authority over patients and authorized purchasers. The Governor includes \$1.6 million within the DBR to support the necessary software and personnel costs to set up the tracking system.

Increase Excise Tax on Cigarettes

\$7.1 million

The Governor includes an increase of \$0.25 on the excise tax levied per pack of cigarettes, which raises the tax from \$3.75 to \$4.00 per pack of twenty, or the equivalent of \$0.20 per cigarette. According to Budget documents, total retail price will increase by \$0.29, from \$9.46 to \$9.78 per individual pack. This amount is \$0.40 less than the total retail price in Massachusetts. The additional excise tax would generate an additional \$7.1 million in general revenue above the projections from the November 2015 Revenue Estimating Conference.

Transfer Pricing Audit Project

\$6.7 million

This initiative allows the Division of Taxation to contract with a third-party vendor to identify candidates for audits of companies that have intercompany transactions between related companies. Prior to the State's implementation of combined reporting, companies could shift revenues between related entities to avoid taxation in certain states. The audit program will have a three-year look-back period and is estimated to capture \$6.7 million in underpaid taxes.

Fraud Initiative**\$5.0 million**

The Governor includes \$5.0 million for a Fraud Detection and Prevention initiative to consolidate audit functions which are currently housed in multiple state agencies. The Governor proposes standardizing departmental audit responsibilities by investing in a \$1.5 million fraud detection system. The initiative is also expected to yield \$290,000 in personnel savings by eliminating redundant functions.

New Revenue Officer FTEs**\$3.4 million**

The Governor includes \$3.4 million for enhanced collection of owed taxes, fines, and penalties. The proposal allows the Division of Taxation to hire 6.0 new Revenue Officer I positions, which assist in collecting taxes on delinquent accounts and the securing of delinquent tax returns. This initiative is anticipated to increase personal income, general business, and sales and use taxes by \$2.8 million and increase collections of fines and penalties by \$645,110.

Increase Allowable Earned Income Tax Credit**(\$2.7 million)**

The Governor decreases general revenue by \$2.7 million for modifications to the calculation of the earned income tax credit (EITC). The changes will allow eligible taxpayers to claim 12.5 percent in TY2016 and 15.0 percent in TY2017 of the allowable federal EITC amount.

Changes to Earned Income Tax Credit			
	TY2015	TY2016	TY2017
	(Current)	(Current)	(Proposed)
Income*	\$39,131	\$39,296	\$39,296
Maximum EITC (\$)	3,359	3,359	3,359
Allowable Federal Credit Amount	10.0%	12.5%	15.0%
Deduction Allowable from RI Tax Owed (\$)	336	420	504
Refundable Amount	100%	100%	100%
Total Refunded to Taxpayer	\$336	\$420	\$504

*Single filer, one qualifying child.

Note: TY2017 income amount reflects TY2016 limit as this income level is set annually by the IRS.

The EITC is a refundable tax credit for low and moderate income working individuals whereby the credit can go beyond reducing an individual's tax liability to zero to producing a credit that is greater than the amount of tax owed, thus representing a cash payment to the filer.

Delay License Plate Reissuance**(\$2.0 million)**

The Governor delays license plate reissuance until April 1, 2017. Under current law, registrants are charged \$6.00 for each set of license plates above the regular registration fee. The delay in implementing the issuance results in a loss of \$2.0 million in general revenue.

Under RIGL 31-3-33, the DMV is required to issue new reflective license plates for all registered vehicles every 10 years. Current law requires the Division to reissue license plates by July 1, 2016.

Increase Enforcement of Retaliatory Assessments on Foreign Insurers**\$1.1 million**

The Governor includes \$1.1 million for increased enforcement of retaliatory assessments on foreign insurers. A retaliatory tax is owed when an insurance company domiciled in another state imposes higher taxes and fees on a Rhode Island-domiciled policy holder for the same business. Under this structure, policies issued to Rhode Island residents by out-of-state insurance companies are subject to the higher of the domestic tax rate or the foreign tax rate of state in which the issuing insurance company is domiciled. It is intended to level the playing field by deterring a state from imposing excessive tax on non-domiciled insurance companies and is a nationwide standard within the insurance industry.

Nexus Program**\$1.0 million**

The Governor includes \$1.0 million for increased compliance with tax laws required for out-of-state entities that do business in Rhode Island. The Division of Taxation expects to identify and register entities that have not paid appropriate corporate, withholding, and/or sales and use taxes, and identify and collect back taxes owed.

Sale of State Fleet Motor Vehicles**\$1.0 million**

The Governor includes \$1.0 million in one-time revenue from the sale of over 250 passenger vehicles designated for employee use. Although Departments own these passenger vehicles, a Department of Administration review indicated there are inconsistencies in preventative maintenance processes. The Governor recommends leasing vehicles through a third-party manager responsible for upkeep and replacement of the fleet. The State Fleet Office will manage the contract and continue to manage the remainder of the fleet of over 2,000 vehicles. The Governor assumes leasing costs will be offset by operational efficiencies.

Increase Bank and Insurance Examination Fees**\$400,000**

The Governor includes \$400,000 from increased bank and insurance examination fee collections. The proposal restores turnover in both the Banking and Insurance programs at the Department of Business Regulation. Staff in these programs bill firms to reimburse the state for examination time at an hourly rate of 150.0 percent of the cost of the state FTE.

Public Finance Management Fees**\$295,000**

The Governor imposes public finance management fee assessments on re-financings and other tax-exempt debt issuances through the Public Finance Management Board, resulting in \$295,000 for new license and fee revenues within the Office of the General Treasurer.

Transfer Submerged Land Rental Fees to DEM Restricted Receipts**(\$150,000)**

The Governor transfers \$150,000 from submerged land rental fees from Deepwater Wind at the Coastal Resources Management Council (CRMC) to a restricted receipt account in the Department of Environmental Management (DEM). DEM will use the additional funding to support the local agriculture and seafood grant program.

Forward Capacity Market Revenue**\$108,864**

The Governor includes \$108,864 resulting from a negotiated agreement to manage utility services in the event of excess demand.

FY2016 SUPPLEMENTAL CHANGES**Professional Development Grant****\$5,000**

The Governor includes \$5,000 in general revenue to reflect a grant from the Rhode Island Foundation to the Rhode Island State Council on the Arts. The grant will be used to provide grants to Expansion Arts alumni and administrators to attend professional development workshops.

Expenditure Changes by Agency

Unless otherwise specified, dollar amounts refer to general revenue.

Administration: The Governor proposes standardizing audit functions across executive agencies by consolidating the Bureau of Audits with similar units from the Departments of Transportation, Human Services, and Higher Education into the Office of Internal Audit within the Office of Management and Budget. The consolidation merges 30.0 FTE positions and \$2.3 million into the new office. The Governor adds \$1.5 million to invest in a fraud detection system that is expected to generate \$5.0 million in savings during FY2017.

Personnel changes also include an increase of 3.0 FTE positions for performance management functions in the Office of Management and Budget, and an increase of 1.0 FTE position to enhance cyber security protection.

FY2016 restructured debt service resulted in savings of \$64.0 million, and savings of \$36.0 million in FY2017 as compared to where debt service would have been with no restructuring. The Governor includes \$9.3 million for debt service for the projected new General Obligation Bond issuances.

The budget includes \$2.5 million in general revenue for the 38 Studios Capital Reserve Fund in FY2017. The remaining balance needed to fully fund the 38 Studios Capital Reserve Fund is derived from \$9.9 million in various court settlements approved during the past year.

Executive Office of Commerce: The Governor maintains several economic initiatives that were previously appropriated under the Department of Administration. These include: \$1.2 million for the Executive Office personnel and operating expenses; \$1.2 million to the Experimental Program to Stimulate Competitive Research (EPScore); \$1.0 million to fund the Airport Impact Aid; \$872,200 to administer the I-195 Redevelopment District Commission; \$589,492 to fund several community service objectives; \$1.0 million to continue the innovative technology and bioscience and engineering internship program administered by the Rhode Island Science and Technology Advisory Council; \$617,205 for administrative costs of the Housing and Community Development Program; and, \$376,200 to support the RI Export Assistance/Chafee Center at Bryant University.

The Governor includes \$21.5 million in general revenue to support new and existing initiatives designed to spur economic development. This includes another \$7.5 million to maintain the base support for the RI Commerce Corporation, and \$14.0 million for new initiatives, including:

▪ \$5.0 million to continue the Wavemaker Fellowship Program.	Economic Development Initiatives Fund	FY2017
	Rebuild RI Tax Credit	\$20.6
▪ \$5.0 million for a new Research and Development Tax Credit.	First Wave Closing Fund	5.0
	Impact Faculty	1.5
▪ \$1.5 million to develop new air service at T. F. Green Airport.	Rhody Rail Commuter Pass	1.5
	Innovation Vouchers	1.5
▪ \$1.3 million for an Impact Faculty Program to hire university faculty with track records of commercializing their research.	P-TECH	1.4
	Industry Competitive Cluster Grants	1.3
▪ \$1.0 million for continuation of the Small Business Innovation Research Program.	Housing Opportunity Fund	1.0
	Main Street RI Streetscape Improvements	1.0
	Building and Fire Code Permitting	0.3
▪ \$165,000 for a Rhode Island College and University Research Collaborative.	Total	\$35.0
	<i>\$ in millions</i>	

The Governor includes \$35.0 million in general revenue derived from the State's restructured general obligation debt service to fund Economic Development Initiatives in the Executive Office of Commerce.

Labor and Training: The Governor includes \$704,517 in general revenue for funding the Statewide Work Immersion program and the Non-trade Apprenticeship program, and adds \$2.0 million in general revenue for the job training TechHire Initiative. Additionally, the Governor reduces other funds by \$26.5 million for projected lower Unemployment Insurance benefit payments and Temporary Caregiver Insurance benefits. The budget adds 6.5 FTE positions to bolster monitoring and workforce development initiatives.

Business Regulation: The Department of Business Regulation (DBR) will become the licensing agency of compassion centers, compassion center staff, cultivators, and caregivers, under the Governor's proposal to enhance regulation of the state's medical marijuana program. While the Department of Health will have licensing authority over patients and authorized purchasers, patients choosing to grow for themselves and licensed caregivers will be required to purchase plant tags from the Commercial Licensing, Racing, and Athletics division of DBR. The Governor includes \$1.7 million to fund one-time costs for software (\$1.2 million in general revenue) and on-going personnel costs (\$481,836 in restricted receipts).

Additionally, the Governor includes \$1.6 million in general revenue to fund 9.0 FTE positions within the Office of the Health Insurance Commissioner and operating costs previously financed by federal Rate Review grants due to expire September 2016. The activities funded by the grants are intended to establish an effective health insurance rate review program and to develop data centers that provide pricing data to consumers.

Revenue: The Governor increases personnel costs by \$594,370 for 6.0 Revenue Officer I positions in the Division of Taxation to provide analytical and operational support for the proposed nexus program, which will identify and register entities that have not paid appropriate corporate, withholding, and/or sales and use taxes, and identify and collect back taxes owed.

An increase of \$107,526 in the Division of Motor Vehicles is added to support personnel costs for a pilot expansion of service to weekend hours beginning March 1, 2016.

The Payment in Lieu of Taxes (PILOT) program in the Division of Municipal Finance is fully funded at 27.0 percent of assessed property taxes on eligible tax exempt properties, with an increase of \$1.9 million in FY2017.

Secretary of State: In July 2015, legislation was enacted giving authority to the Secretary of State to procure new voting machines, replacing the current machines which are almost 20 years old. The Budget includes \$1.4 million for this purchase.

Operating expenses increase by almost \$1.0 million to support significant IT investments including: an upgrade for the State Regulations database, hardware for eGovernment backup systems, funding for an online voter registration portal, and preserving the State's archived digital data and records.

General Treasury: The budget adds 4.0 FTE positions, including 2.0 FTE positions to implement the new retirement computer system, and 1.0 FTE to become the Program Director for the CollegeBoundfund Program. The Governor also adds 1.0 FTE to monitor and manage the new Office of Debt Management within Treasury and proposes to fund this new office through enhanced fees assessed by the Public Finance Management Board on debt issuances (Article 2).

Additionally, the Governor reduces restricted receipts by \$2.9 million due to lower legal and defined contribution expenses as a result of the pension settlement in 2015 and projected lower costs to implement the new computer system in the State Retirement System.

UHIP: Funding for the Unified Health Infrastructure Project (UHIP) totals \$11.0 million in FY2017 (general revenue only), across EOHHS and DHS. The total cost of the project has risen from over \$229.0 million to \$363.7 million due to a variety of new system enhancements such as the integrated citizen

portal and worker portal (“RI Bridges”). Contributions from HealthSource RI are currently anticipated to total \$7.2 million in FY2017, and there are no planned UHIP allocations (irrespective of potential carry-forward amounts) from the IT Investment Fund in FY2017.

The Governor’s Budget also recognizes FY2017 program savings of \$19.1 million (\$42.6 million all funds) resulting from the implementation of new (Phase II) UHIP-based protocols ensuring that federal matching rates, fraud prevention, and program integrity are maximized. Savings are currently programmed across the various (managed care) expenditure categories of the Medical Assistance program.

Health and Human Services: The November 2015 Caseload Estimating Conference (CEC) adopted total financing of \$919.6 million in general revenue for the Medical Assistance program. Through a series of recommended initiatives, the Governor reduces funding by a net of \$38.2 million (\$81.5 million all funds), yielding recommended general revenues of \$881.4 million. These expenditure adjustments are generally considered continuations of the “Reinventing Medicaid” process begun with the FY2016 enacted budget, and are summarized as follows:

Hospitals and Nursing Facilities Incentive Programs and the Repurposing of DSH and UPL Payments

- Establishes a performance-based incentive program for hospitals and nursing facilities that achieve certain benchmarks regarding quality of treatment, high-level health outcomes, the transition toward value-based payment structures, and other goals set forth by the Secretary of Health and Human Services. The Governor recommends general revenue appropriations totaling \$21.3 million for this purpose (\$43.4 million all funds). The majority of this financing, or 61.2 percent, is earmarked for the hospital incentive program.
- Redirects all financing for both the inpatient and outpatient Upper Payment Limit payments to hospitals that reimburses the difference between Medicaid payment rates and the prevailing Medicare rate (\$13.7 million general revenue, \$27.9 million all funds) in support of the performance-based incentive programs for both hospitals and nursing homes.
- Redirects a portion of Disproportionate Share Hospital (DSH) payments (\$7.6 million general revenues, \$15.5 million all funds) in support of the performance-based incentive programs for hospitals and nursing homes.

Analyst Note: The Governor’s funding recommendation for the two incentive programs is thus “budget neutral” in aggregate, but since DSH and UPL payments are traditionally disbursed to community hospitals rather than nursing facilities, Rhode Island hospitals will incur an overall net loss of approximately \$16.8 million under the proposed “repurposing” scenario, with nursing facilities realizing a lump sum transfer in that amount.

Hospitals

- Eliminates the \$2.0 million (\$4.0 million all funds) funding pool in support of Graduate Medical Education (GME) at Rhode Island’s academic Level I trauma center hospitals.

Medicaid Managed Care Organizations

- Re-procures the Medicaid Managed Care contracts for Rite Care, Rhody Health Partners, and (ACA-based) Medicaid Expansion by September 1, 2016. The renegotiated contracts will include new provisions pertinent to the delivery system reforms undertaken through Reinventing Medicaid. Savings taken in the Governor’s FY2017 Budget total \$2.0 million (\$6.8 million all funds).

- Saves \$2.0 million in general revenue (\$6.8 million all funds) from an increase in the number of Medicaid beneficiaries enrolled in Accountable and Coordinated Care entities, the pilot program begun in FY2016. The Executive Office of Health and Human Services (EOHHS) estimates that approximately 30,000 new members will have their care coordinated through one or more of these certified provider organizations in FY2017.
- Reduces the administrative component of managed care capitation (PMPM, or monthly price per member) rates and converts to a fixed (rather than a percentage) administrative PMPM, yielding savings of \$3.3 million (\$8.8 million all funds).
- Saves \$1.0 million (\$5.4 million all funds) for the incorporation of Neonatal Intensive Care Unit (NICU) services into the current bundled payment for labor and maternity services (SOBRA). Currently, NICU expenses are reimbursed as a stand-alone fee-for-service.
- Maximizes the Federal Individuals with Disabilities Education Act (IDEA) Part C grant to generate savings of \$500,000 in general revenue within the early intervention costs not otherwise matchable (CNOM). This measure represents a zero-sum substitution of federal funds for general revenues.
- Improves pharmaceutical utilization management and review by Medicaid Managed Care Organizations, generating savings of \$2.0 million (\$4.1 million all funds).
- Strengthens Medicaid Expansion claiming for current Rite Share recipients to leverage a significantly higher federal match on the premium assistance offered through this program. The Governor's budget assumes a shift of \$200,000 from general revenue to federal funds from this initiative.

Long Term Services and Supports

- Eliminates the FY2017 nursing facility rate increase (or "COLA"), scheduled for October 1, 2016, representing fifth year in recent history that Medicaid-financed nursing facilities would not receive an annual increase in reimbursement on the statutorily scheduled date of October 1, due either to delay or outright cancellation. The Governor recommends corresponding general revenue savings of \$2.0 million (\$4.1 million all funds).
- Saves \$1.5 million (\$3.1 million all funds) for the improved management and automation of patient liability collections within both the traditional fee-for-service and the managed care (Rhody Health Options) segments of RI Medicaid's long-term services and supports program.
- Proposes a 7.0 percent increase to the wage payments of personal care attendants and home health aides, requiring an additional \$2.0 million in general revenue (\$4.1 million all funds).

Other Services and Adjustments

- Increases the "attachment point" for the Children's Health Account (CHA) from \$7,500 per child per service per year to \$12,500, generating increased CHA collections of \$4.0 million and saving an equivalent amount of general revenue. *NOTE: The Children's Health Account (a restricted receipt) recognizes revenues from a special assessment on commercial insurers designed to recoup state expenditures for Medicaid-financed services to eligible Children with Special Healthcare Needs (CSHCN) who maintain some form of third-party coverage. Planned expenditures of Children's Health Account receipts serve to offset general revenue appropriations in the Medical Assistance (Medicaid) program on a dollar-for-dollar basis.*
- Saves \$500,000 (\$1.0 million all funds) by maximizing pharmaceutical rebates through more aggressive formulary management, particularly with respect to Medicaid Managed Care Organizations.
- Proposes that the current risk-based contract for non-emergency medical transportation be renegotiated to generate projected savings of \$1.0 million in general revenue.

Adds \$740,000 (\$1.5 million all funds) to support the findings and recommendations of the Overdose Task Force, including the establishment of substance abuse standards of excellence and increased use of “peer recovery coaches”.

Children, Youth, and Families: Despite a net decrease in general revenue of \$603,711 compared to the FY2016 enacted levels, there are significant cost increases in the Child Welfare and Children’s Behavioral Health programs. Costs within the System of Care (residential services, foster care, and group homes) increase \$1.2 million based on current caseload trends and continuation of network administrative services, foster subsidies increase from \$16.05 per day to \$18.59 per day (\$1.0 million), day care provider rates increase 3.0 percent due to a negotiated agreement by the Department of Human Services with the State Employees International Union (SEIU), which represents state-subsidized daycare providers (\$1.2 million). Funding for behavioral health contracts are restored due to unachieved savings (\$933,452).

The Governor proposes to offset these increases by utilizing \$2.1 million in federal funds for Medicaid-eligible community based services within the System of Care that had not been previously claimed, and through a re-procurement of service contracts intended to ensure efficient delivery of community-based services. Additional savings are achieved through contracted services with Bradley and Rhode Island Hospitals and department-wide turnover.

Health: The Governor proposes a new organizational structure designed to maximize effectiveness and better respond to the Governor’s priorities. The new programs include Community Health and Equity; Environmental Health; Customer Service; Policy, Information and Communications; and, Preparedness, Response, Infectious Disease, and Emergency Services. The budget merges the State Medical Examiner program and the Health Laboratories program into a new State laboratories and Medical Examiner program.

The budget transfers the Women, Infants, and Children (WIC) Program into the Department of Health, from the Department of Human Services, to comply with federal statutes and regulations requiring that the WIC program be administered by a state agency with direct responsibility for maternal and child health, immunization, and other public health programs.

The Governor provides \$187,000 for the Lead Poisoning Prevention Program including support for certified lead centers to provide non-medical case management to lead poisoned children, a Lead Elimination Surveillance System, and contracted data analysis and GIS services.

The Governor proposes changes to the Medical Marijuana program. Currently, patients not growing their own may purchase medical marijuana from registered caregivers and compassion centers; however, the lack of transparency and oversight in the caregiver market makes it difficult to enforce limits on how much medical marijuana is grown and dispensed. The budget includes a new tagging and fee system for each plant to monitor supply and compliance with growing limits, and to reduce the number of plants that may be grown by caregivers and patients. The system will encourage greater price parity between caregivers and patients by charging for plant tags while reducing the compassion center surcharge. The Department of Health will continue to license medical marijuana patients; however, the responsibility for licensing caregivers, compassion centers, and cultivators will shift to the Department of Business Regulation. Patient and authorized purchaser licensing fees will be deposited into a new Department of Health restricted receipt account to support personnel costs associated with program operations. The new restricted receipt account will be subject to the 10.0 percent indirect cost recovery fee.

Human Services: The November 2015 Caseload Estimating Conference increased costs for RI Works and childcare assistance by \$4.6 million based on revised estimates of caseload volumes and cost mix. Additionally, \$2.2 million is added for a cost-shift from federal funds to general revenue due to program caps, and \$1.1 million is included to continue to fund Race to the Top Early Childhood Learning Challenge, as federal funding for the program expires.

The budget also includes \$600,000 in additional funding for senior centers, and \$250,597 for 3.0 additional support positions at the RI Veterans Home.

The increases are partially offset by an estimated \$2.5 million in savings associated with full implementation of the Unified Health Infrastructure Project (UHIP), and \$283,161 from a shift of the WIC program to the Department of Health.

Behavioral Healthcare, Developmental Disabilities and Hospitals: The budget reflects \$7.6 million in general revenue savings by phasing out group home placements for developmentally disabled (DD) and transitioning residents to shared living arrangements. The estimated savings is reflective of 300 individuals moving to shared living settings between FY2016 and FY2017.

The Governor saves \$2.2 million by reallocating DD professional supports to Medicaid managed care programming, and \$697,556 by reviewing and amending Supports Intensity Scale (SIS) tiers for program participants.

Increases for BHDDH include \$4.5 million for DD provider services that are underfunded based on current utilization, and \$2.9 million for DD caseload growth. Costs related to Consent Decree compliance increase by \$918,964, and the budget includes \$2.5 million to fund an estimated \$0.45/hour wage increase for direct service professionals servicing DD clients.

Under the Hospital and Community Rehabilitative Services program, the budget reduces general revenues by \$4.1 million for anticipated savings from a proposed reorganization of the Eleanor Slater Hospital.

Elementary and Secondary Education: The Governor increases general revenue funding in the Administration of the Comprehensive Strategy (ACES) program. The major changes include the following:

- **Innovation and Empowerment Fund:** The Governor includes \$1.0 million to provide both planning and implementation grants directly to schools to help fund the establishment of a statewide cohort of innovation and empowerment schools. The program will also incentivize break-through educational models, innovation, enhanced building-level empowerment, and education practices that promote equity and increased efficiency.
- **Principal Empowerment & Training Fund:** \$1.0 million is included to support an emerging leaders program designed to build a pipeline of instructional leaders and principals, support the growth of sitting principals, and strengthen principal preparation programs.
- **Race to the Top – Early Learning Challenge Sustainability:** The Governor includes \$219,629 to sustain 3.25 FTE positions for six months due to the expiration of the federal grant funds on December 31, 2016, and \$350,000 to fund the Kindergarten Entry Profile Survey initiative.
- **Computer Science Education:** The Governor provides \$260,000 to expand access to computer science courses across the State.
- **Free SAT and PSAT Test Taking:** The Governor includes \$500,000 to make the SAT and PSAT free for all students in Rhode Island. This initiative is intended to encourage 100.0 percent of high school students to take the test and also permit the schools to administer the test during the school day to encourage participation.
- **Fellowship for Instructional Excellence:** The Governor includes \$750,000 for the first year of a proposed two-year fellowship program. The program would bring approximately 7 master teachers from district schools to the Department of Education where the teachers will participate in high-quality professional development programs, and serve on and lead statewide educational projects.
- **Performance Management and Educator Performance Support (2.0 FTE positions):** The Governor includes \$284,824 to support 2.0 FTE positions: one position to support the Department's

performance management system, and the second to support the Rhode Island evaluation model by developing and implementing professional practice and foundations training for the evaluators.

- **Model Evaluation System:** The Governor provides \$290,000 for Rhode Island's model evaluation system to support assessments training as well as support for the Rhode Island Instructional Management System, which combines curriculum, assessment, instructional practice tools, and student data for use by educators and administrators.
- **Channel 36 Transition Grant:** The Governor eliminates the \$200,000 Channel 36 transition grant.
- **U.S. Department of Justice Consent Decree:** The Governor eliminates \$125,000 in funding for the Department of Justice Consent Decree Monitoring resulting from the investigation of the Training Thru Placement program at the Harold H. Birch Vocational Program at Mount Pleasant High School. The Governor includes the costs of monitoring in the BHDDH budget for FY2016 and FY2017.

The Governor fully funds the sixth year of the education funding formula with an increase of \$33.6 million in general revenue and adds two new aid categories: English Language Learners (\$2.5 million) and Density Aid for districts with greater than 5.0 percent public school of choice enrollment (\$2.6 million). Funding for the High-Cost Special Education fund is increased by \$2.0 million and the Early Childhood fund is increased by \$1.2 million. The Transportation fund and Career and Technology fund are level funded at FY2016 levels. In addition to the Central Falls Stabilization (\$912,961 increase), the Governor establishes a Davies Stabilization fund (\$2.0 million) and Met School Stabilization fund (\$297,135) to alleviate the impact of the phase-in of the funding formula. The budget also provides an additional \$500,000 in state funding for the E-Rate Program. Group Home Aid decreases by \$1.1 million to reflect a reduction in beds and an adjustment to accommodate RIGL 16-7-22(1)(ii), which requires the average daily membership of a district to be decreased by the number of group home beds used in the group home calculation.

The Governor fully funds the school housing aid program, based on updated project completion projections, at \$70.9 million, and recommends \$9.1 million for the School Building Authority Capital Fund, a reduction of \$10.1 million from the FY2016 Budget as Enacted.

Additionally, through CommerceRI, the Governor includes \$1.4 million, an increase of \$500,000 from debt refinancing, for the Pathways in Technology Program (P-Tech) connecting high schools, community colleges, and business. The program enables high school students to pursue a five or six-year path to a high school diploma, an associate's degree, or a job. Through partnerships with industry, the program provides skills development, access to mentors, internship opportunities, and employment. The funds would be used to expand the program from three schools to five.

Higher Education: The Governor increases general revenue and RICAP support for Public Higher Education to avoid tuition increases in FY2017; however, there is no statutory language mandating that tuitions be frozen at FY2016 levels. Changes in general revenue funding include the following:

The Governor recommends \$1.4 million for administrative personnel, operating expenses, lease obligations, and parking for eight months to accommodate a November 2016 occupancy date at the Rhode Island Nursing Education Center. Classes are expected to begin in the 2017 winter semester. Operating expenses will be shared by the University of Rhode Island (URI) and Rhode Island College (RIC), as outlined in the Memorandum of Agreement; however, each institution will utilize its own faculty for instruction.

Recent refinancing of state debt provides general revenue savings across the system including \$5.0 million at the University of Rhode Island (URI) and \$2.6 million at Rhode Island College (RIC).

The Governor provides for increased general revenue funding to be used in combination with tuition and other resources at the institutions to finance new positions including professors and academic advisors.

The increase includes \$3.1 million at the University of Rhode Island (URI) and \$1.2 million at Rhode Island College (RIC).

- **Cost of Living Increase:** The Governor provides additional funding for a 3.0 percent cost of living adjustment for several bargaining units, including \$1.0 million at URI, \$559,279 at RIC, and \$769,367 at the Community College of Rhode Island (CCRI).
- **Institution-Based Student Aid:** The Governor includes an additional \$200,473 in general revenue funding at each institution to be used in combination with tuition revenue for grants, loans, and other financial assistance to attract and retain students, and encourage inclusion of underserved and underrepresented populations.
- **National Oceanic and Atmospheric Administration (NOAA) Institute of Coastal Adaptation and Resilience:** The Governor recommends \$100,000 in state support to leverage federal funding for establishing, in partnership with NOAA, an Institute at the Graduate School of Oceanography to assist shoreline communities manage and prepare for sea-level rise, extreme weather events, and fishery changes.

Attorney General: The Governor includes \$6.0 million in restricted receipts from Google forfeiture funds for continued renovations on the offices at 180 South Main Street in Providence.

Corrections: The Governor includes \$1.3 million for 5.0 new FTE probation officer positions and operating costs related to the Justice Reinvestment initiative. The Justice Reinvestment working group identified changes needed in the management of the pre-trial population, including diversion tools that could reduce the length of stay for certain defendants, thus reducing the awaiting trial population.

Medical expenditures increase by \$2.5 million as part of the Governor's recommendation to initiate a medication-assisted treatment program for opioid users in the Adult Correctional Institution. The funding will support inmate need assessments to determine treatment options and to begin medication-assisted treatment prior to release.

Public Safety: The Governor includes \$4.2 million to fund hiring 35.0 FTE troopers following the July 2016 graduation from the 56th State Police Training Academy.

Environmental Management: The Governor increases general revenue by \$207,868 to provide funding for 2.0 new FTE positions, and environmental scientist and a senior legal counsel. Through Article 20, the Governor restricts all fees collected for any renewable energy project exceeding \$5.0 million in project costs for deposit into the local agriculture and seafood grants fund. Of the \$150,000 in projected collections for FY2017, up to \$50,000 may be used to allow the fishing community to participate in the development of fisheries management and policies.

Transportation: The Governor recommends the continued transfer of certain motor vehicle related fees into the Rhode Island Highway Maintenance Account (RIHMA) for FY2017, per RIGL 39-18.1-4. Fees assessed pursuant to 31-47.1-11, and chapters 3, 6, 10, and 10.1 of title 31 are to be deposited into the RIHMA, as follows: 25.0 percent in FY2016, 75.0 percent in FY2017, and 100.0 percent in FY2018. The FY2017 estimate for RIHMA receipts totals \$79.8 million.

The Governor dedicates \$5.0 million in funds from the RIHMA for the Drainage Repair and Improvement Program (DRIP) in FY2017. The State is responsible for the cleaning and maintenance of the State's 25,000 catch basins.

The Governor adds \$4.6 million for winter maintenance, including private vendors conducting snow plowing operations, materials such as liquid deicers, sand and salt, and vehicle repairs, maintenance and fuel costs incurred during winter storm operations. The FY2017 budget for winter maintenance totals \$21.7 million.

The Governor transfers \$1.8 million in Rhode Island Public Transit Authority debt service to the Department of Administration in FY2017.

State Aid and Education Aid

State Aid to Cities and Towns

Distressed Community Relief Fund: The Distressed Community Relief Fund is maintained at the FY2016 level of \$10.4 million. The City of Cranston is newly qualified as a distressed community and will receive a 50.0 percent appropriation of \$1.2 million. In a year that a newly qualified community enters the program, it receives 50.0 percent of the current law requirement for the first year it qualifies. The remaining 50.0 percent of Cranston's appropriation will be divided among the remaining 6 distressed communities. Although East Providence will exit the program in FY2017, it will receive a one-time payment of \$685,142, pursuant to current law. The Governor's FY2017 Budget proposes that any community classified as "distressed" be required to participate in the Division of Taxation's income tax refund offset program, allowing the Division to recover unpaid state taxes and/or fines through an intercept of an individual's income tax refund.

Payment in Lieu of Taxes (PILOT): PILOT is funded at \$42.0 million, a \$1.9 million increase above the FY2016 revised level. Current law requires reimbursement at 27.0 percent of forgone tax revenue, but allows for a ratable reduction if the appropriation is less than this amount. The Governor's recommendation for FY2017 represents full reimbursement at the rate of 27.0 percent.

Motor Vehicle Excise Tax Reimbursement: Motor Vehicle Reimbursement funding is maintained at \$10.0 million, with a minimum vehicle exemption value of \$500.

Municipal Incentive Aid: Funding for this program is not included in the Governor's FY2017 Budget, as the statutory authority for these funds lapsed in FY2016.

Library Grant-in-Aid: The Governor level funds State Aid to Libraries at \$8.8 million. Current law requires reimbursement at 25.0 percent of second prior year expenses, but allows for a ratable reduction if the appropriation is less than this amount. An additional appropriation of \$1.5 million would be required to fund library grant-in-aid at the 25.0 percent level.

Library Construction Aid: The Governor recommends \$2.2 million in FY2017 to fund reimbursement to communities for up to 50.0 percent of eligible costs of approved library construction projects. A moratorium on the acceptance of new applications for library construction projects, enacted in 2011 by the General Assembly, ended on July 1, 2014.

Public Service Corporation Tax: The FY2017 Budget provides \$13.0 million be distributed to municipalities on July 31, 2016. This estimate is subject to change upon the receipt of final (December 2015) data in the spring of 2016.

Meals & Beverage Tax: The 1.0 percent tax on gross receipts from the sale of food and beverages is estimated to generate \$25.2 million in FY2016 and \$26.0 million in FY2017 for distribution to cities and towns.

Hotel Tax: A 1.0 percent local hotel tax and 25.0 percent of the local share of the state 5.0 percent tax is expected to generate \$9.7 million in FY2016 and \$9.9 million in FY2017 for distribution to cities and towns. These amounts include the recent expansion of the hotel tax to hotel room resellers and unlicensed lodging rentals (such as those listed on the Airbnb.com website) enacted by the 2015 General Assembly.

Airport Impact Aid: Airport impact aid payments to municipalities that have airports are level funded at approximately \$1.0 million for FY2017. The funding is provided annually through Article 1 of the budget and flows through the Rhode Island Commerce Corporation.

Property Revaluation Reimbursement: The Governor includes \$559,901 to reimburse municipalities for a portion of the cost of conducting statistical property revaluations.

Other Municipal Aid

Main Street RI Fund: The Governor adds \$1.0 million in FY2017 for a 50.0 percent matching grant for municipalities to upgrade streetscapes in business districts (lighting, street furniture, medians). Funding will flow through the Executive Office of Commerce.

Education Aid

The Governor includes an additional \$42.8 million in education aid, including an increase of \$33.6 million to fully fund the sixth year of the funding formula.

Full-Day Kindergarten Formula Aid: Through Article 11, the Governor repeals statutory language requiring that districts receive the fully-transitioned value of formula for student FTE positions transitioned to full-time kindergarten in the 2014-2015 school year or after. The Governor repeals RIGL 16-7.2-7c to realize \$2.5 million in cost avoidance in FY2017, and is \$1.2 million less than FY2016.

Group Homes: The Governor's FY2017 budget includes \$4.0 million to fund group home beds, or \$1.1 million less than the FY2016 Budget as Enacted. This decrease reflects a reduction of beds as well as the adjustment to accommodate RIGL 16-7-22(1)(ii) which requires the average daily membership of a district be decreased by the number of group home beds used in the group home calculation.

Transportation: This category provides funding for transporting students to out-of-district, non-public schools for districts that participate in the statewide transportation system and for 50.0 percent of the local costs associated with transporting students within regional school districts. The Governor recommends level funding this category at \$4.4 million in FY2017.

High-Cost Special Education: The Act includes a program for high-cost special education students. The Governor funds this category at \$4.5 million in FY2017, an increase of \$2.0 million over the FY2016 Budget as Enacted. The Governor also reduces the threshold for qualifying for high-cost special education aid in FY2018 from five times the core instruction amount plus the student success factor to four times. Based on the FY2017 values, this change would reduce the threshold from \$62,853 to \$50,282.

Career and Technical Education: This category provides a state grant program to help districts with certain start-up and maintenance expenditures for career and technical education programs. The Governor level funds this category at \$3.5 million in FY2017.

English Learners: 10.0 percent weight on the per-pupil core instruction amount for English learners. Total funding is \$2.5 million in FY2017.

School Choice Density Aid: Districts where 5.0 percent or more of the average daily membership attend charter schools, open enrollment schools, Davies, or the Met School will receive an additional \$355 per public school of choice student. Total funding is \$2.6 million.

Early Childhood Education: This category includes a program for early childhood education programs. The Governor funds this category at \$5.2 million in FY2017, an increase of \$1.2 million over the FY2016 Budget as Enacted.

FY2017 Governor's Education Aid		
Categorical	Change from Enacted	Total Funding
Sixth year of Formula	\$33.6	\$809.3
Full-Day K Formula Aid	(1.2)	-
Group Home Aid	(1.1)	4.0
Transportation	-	4.4
High-Cost Special Education	2.0	4.5
Career & Tech. Schools	-	3.5
English Learner	2.5	2.5
Density Fund - Choice Schools	2.6	2.6
Early Childhood	1.2	5.2
Central Falls Stabilization	0.9	4.6
Davies Transition	2.0	2.0
Met School Transition	0.3	0.3
Regionalization Bonus	-	-
Total	\$42.8	\$842.9

\$ in millions. Totals may vary due to rounding.

Central Falls Stabilization: Central Falls schools are currently 100.0 percent state funded with the State providing both the local and state contributions, as determined by the education funding formula. For FY2017, Central Falls' local share is set to increase by \$912,961. The budget provides a total of \$4.6 million to fund this category, the third year this category has been funded.

Regionalization Bonus: This category provides a bonus to regional districts and for those that regionalize in the future. In the first year, the bonus is 2.0 percent of the State's share of the total foundation aid. In the second year the bonus is 1.0 percent of the State's share, and in the third year the bonus phases out. The Governor provides no funding in FY2017, consistent with FY2016, as no new regional districts have been formed.

Telecommunications Education Access Fund (E-Rate): The Governor recommends an increase of \$500,000 over FY2016 for the Telecommunication Education Access Fund (E-Rate), providing total state funding of \$900,000. The purpose of the Rhode Island Telecommunications Education Access Fund (RITEAF or E-rate) is to fund a basic level of internet access for all qualified schools (kindergarten through grade 12) and libraries in the State.

Textbook Reimbursement: The Governor level funds the state Textbook Reimbursement Program (\$240,000) relative to the FY2016 Budget as Enacted. Currently, the State provides reimbursement to school districts for the cost of furnishing textbooks in the fields of English/language arts and history/social studies to resident students in grades K-12 attending non-public schools.

School Breakfast Program: The Governor fully funds the State's share of administrative costs for the school breakfast program (\$270,000). These administrative costs include hiring servers needed to effectively run the program and encourage participation.

School Housing Aid: The Governor fully funds the school housing aid program, based on updated project completion projections, at \$70.9 million, and recommends \$9.1 million for the School Building Authority Capital Fund, a reduction of \$10.1 million from the FY2016 Budget as Enacted.

Teacher Retirement: The Governor recommends \$99.1 million for the state's share of teacher retirement, an increase of \$6.3 million over the FY2016 Budget as Enacted.

Consolidations, Transfers, and Other Statewide Issues

Unless otherwise specified, dollar amounts refer to general revenue.

Administration: The Governor proposes standardizing audit functions across executive agencies by consolidating the Bureau of Audits (12.0 FTE positions) and personnel from similar units in the Department of Transportation External Audit (7.0 FTE positions), Department of Human Services Fraud Unit (9.0 FTE positions), and Higher Education (2.0 FTE positions) into a newly established Office of Internal Audit within the Office of Management and Budget. The consolidation abolishes two vacant positions (Department of Transportation and Department of Human Services) resulting in \$165,798 savings. The Governor includes \$1.5 million to invest in a fraud detection system that is expected to generate \$5.0 million in savings during FY2017.

The Governor establishes a centralized Division of Enterprise, Technology, Strategy, and Service (DETSS) within the Department of Administration. The Division will oversee the Office of Digital Excellence, the Division of Information Technology, and the Office of Library and Information Services. There is no direct fiscal impact.

The Governor establishes, by statute, the Division of Capital Asset Management and Maintenance (DCAMM) to centralize the management of the capital assets of the state including state property and state facilities. There is no direct fiscal impact.

Lastly, the Governor establishes by statute the Office of Diversity, Equity, and Opportunity which was originally established by Executive Order 13-05 in 2013.

Treasury: Article 2 strengthens the Public Finance Management Board's oversight of debt issuance in the State, including debt issued by municipalities and quasi-public agencies. The article allows an issuance fee which the Board can use to fund the proposed Office of Debt Management within the Office of the General Treasurer.

Health: The Governor transfers the administrative responsibilities associated with the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) from the Department of Human Services to the Department of Health.

Veterans: The Governor establishes an Office of Veterans Affairs by elevating the Division of Veterans Affairs under the Department of Human Services to an autonomous office reporting directly to the Governor. The Director of Veterans Affairs will be appointed by the Governor, but for administrative purposes the new Office will remain under the Department of Human Services.

FY2016 Supplemental

FY2016 opened with \$49.4 million in additional surplus funds above the budgeted surplus of approximately \$118.6 million. The November 2015 Revenue Estimating Conference identified \$52.4 million in additional anticipated general revenue collections for FY2016. Increases in revenue were offset by an additional \$14.9 million in projected human services costs from the Caseload Estimating Conference.

The Governor's budget recommends a \$24.5 million increase in general revenue expenditures compared to the FY2016 Budget as Enacted.

Following are items of note in the Supplemental proposal:

- **Administration:** The budget increases general revenue debt service by \$13.5 million. The FY2016 Budget as Enacted included \$64.5 million in new general revenue from the restructuring and refinancing of existing state general obligation bonds. The refinancing resulted in the savings, but a portion of the savings was attributable to Transportation debt which is funded with other funds, and some of the savings was attributable to debt with Higher Education, which is reflected in the budgets of the three institutions.
- **Revenue:** The Governor includes general revenue savings of \$3.0 million due to the delay of license plate reissuance from July 1, 2016, to April 1, 2017. Increases expenditures associated with legal costs associated with the Central Coventry Fire District and Central Falls bankruptcy by \$321,388.
- **Commerce:** The Governor shifts \$1.0 million from the Anchor Tax Credit program, and increases the Innovation Network Grant Program and the Innovation Voucher Program by \$500,000 each.
- **Health and Human Services:** The Unified Health Infrastructure Project (UHIP) is funded with IT Investment Funds and general revenue totaling \$20.6 million in FY2016 (an increase of \$14.9 million over the Enacted Budget), across EOHHS and DHS. Planned allotments from the Information Technology Investment Fund (ITIF) total \$4.9 million in FY2016, while contributions to the project from HealthSource RI (excluded from the above figures) are expected to total \$17.2 million.

The Governor proposes the withdrawal of \$8.0 million (\$16.1 million all funds) from the FY2016 November CEC Consensus Estimate related to Reinvent Medicaid Initiatives. Budget information received to date fails to clarify how the reduction would be achieved.

The budget eliminates the \$2.0 million (\$4.0 million all funds) funding pool in support of Graduate Medical Education (GME) at Rhode Island's academic Level I trauma center hospitals.

- **Children, Youth, and Families:** The Governor includes a net increase in general revenue by \$2.2 million, primarily due to increased costs within the System of Care (residential services, foster care, and group homes) based on current caseload trends and continuation of network administrative services (\$5.5 million), a rate increase for foster subsidies from \$16.05 per day to \$18.59 per day (\$1.0 million), and a 3.0 percent rate increase for day care providers negotiated by the Department of Human Services (\$1.2 million). General revenue increases are partially offset by utilizing \$3.4 million in federal funds for Medicaid-eligible community based services within the System of Care that had not been previously claimed and department-wide turnover savings.
- **Behavioral Health, Developmental Disabilities, and Hospitals:** The budget includes \$2.5 million more for programming for services for the developmentally disabled (DD). The increase includes \$5.2 million more for DD service provider payments, partially offset by \$1.5 million in savings by transitioning residents from group homes to community-based placements, and \$1.1 million from the reallocation of professional supports to Medicaid managed care.

- **Elementary and Secondary Education:** The Administration of Comprehensive Education System (ACES) is reduced by \$131,553 primarily to reflect savings from eliminating funding for the Department of Justice Consent Decree Monitoring resulting from the investigation of the Training Thru Placement program at the Harold H. Birch Vocational Program at Mount Pleasant High School. The costs of monitoring will be included in the BHDDH budget for FY2016 and FY2017.
- **Higher Education:** General revenue is decreased by \$15.3 million primarily due to the elimination of \$14.6 million in general revenue financed debt service through the recent refinancing of state debt. Statewide savings on medical premiums, telecom, and energy costs provide an additional \$689,966.
- **Corrections:** The Governor increases overtime costs by \$4.4 million due to the opening of closed modules, increased use of double overtime, and the delay in the correctional officer training class due to the continued uncertainty regarding the litigation brought by the U.S. Department of Justice concerning the fairness of the correctional officer training process.
- **Public Safety:** The Governor includes \$2.7 million in personnel costs due to an arbitration award of 10.0 percent cost of living adjustments for all sworn members of the State Police. To help offset this wage increase, the Governor uses \$2.5 million in Google forfeiture funds as a one-time appropriation toward the cost of overtime for the State Police budget.
- **Transportation:** The Governor adds \$3.5 million for winter maintenance, including private vendors conducting snow plowing operations, materials such as liquid deicers, sand and salt, and vehicle repairs, maintenance and fuel costs incurred during winter storm operations. The Governor also allocates \$350,000 in gas tax revenues to a statewide transportation study aimed at restructuring current internal procedures and managerial policies at the Department of Transportation. Gas tax revenues totaling \$850,000 are recommended in support of public relations, engineering, and legal services surrounding the RhodeWorks proposal.



DEPARTMENTAL SUMMARIES

Department of Administration

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Governor	Enacted	Enacted	Governor	Enacted	Enacted
Accounts and Control	\$3.8	\$4.1	\$4.0	\$0.0	-1.1%	\$4.1	\$0.1	1.6%
Auditing	1.4	1.5	1.4	-	-3.4%	-	(1.5)	-100.0%
Budget/Office of Management and Budget	4.3	4.1	4.6	0.5	11.8%	11.2	7.0	169.6%
Construction Permitting, Approvals and Licensing	2.8	3.0	3.0	(0.1)	-2.0%	3.3	0.2	7.9%
Capital Projects and Property Management	1.3	3.6	1.6	(2.0)	-54.7%	-	(3.6)	-100.0%
Central Management	3.2	3.8	3.7	(0.1)	-2.9%	2.8	(1.0)	-26.4%
Debt Service Payments	193.2	150.3	165.1	14.8	9.8%	181.8	31.5	21.0%
Energy Resources	10.8	10.6	19.6	9.0	84.9%	14.7	4.1	38.6%
Facilities Management	39.0	37.7	38.4	0.7	1.9%	-	(37.7)	-100.0%
General	54.3	61.7	54.4	(7.2)	-11.7%	57.8	(3.9)	-6.3%
Human Resources	10.1	10.4	10.0	(0.3)	-3.3%	10.8	0.5	4.5%
Information Technology	43.8	40.0	46.2	6.2	15.5%	41.7	1.7	4.3%
Legal Services	2.1	2.2	2.2	-	-0.5%	2.2	-	0.9%
Library and Information Services	2.1	2.4	2.5	-	2.0%	2.5	0.1	4.5%
Personnel Appeal Board	0.1	0.1	0.1	-	12.2%	0.1	-	11.3%
Personnel and Operational Reforms	0.0	(8.2)	(2.0)	6.2	-75.7%	(0.1)	8.1	-98.6%
Planning	28.0	5.6	5.3	(0.3)	-5.8%	5.4	(0.3)	-5.1%
Purchasing	2.9	3.1	2.9	(0.2)	-6.1%	3.2	0.1	3.1%
Rhode Island Health Benefits Exchange (HealthSource RI)	52.5	30.9	31.8	0.8	2.7%	12.4	(18.5)	-60.0%
The Office of Diversity, Equity and Opportunity	1.0	1.2	1.2	-	-2.6%	1.4	0.2	16.6%
Total	\$456.8	\$368.0	\$396.0	\$28.0	7.6%	\$397.7	\$29.7	8.1%
Expenditures By Source								
General Revenue	\$244.8	\$197.5	\$216.5	\$19.0	9.6%	\$243.0	\$45.5	23.0%
Federal Funds	77.8	43.3	44.0	0.7	1.6%	14.9	(28.4)	-65.6%
Restricted Receipts	20.6	28.9	45.4	16.5	57.2%	36.0	7.1	24.7%
Other Funds	72.3	98.4	90.1	(8.2)	-8.4%	103.8	5.4	5.5%
Total	\$415.4	\$368.0	\$396.0	\$28.0	7.6%	\$397.7	\$29.7	8.1%
Authorized FTE Levels	710.7	711.7	723.7	12.0	1.7%	743.7	32.0	4.5%

\$ in millions. Totals may vary due to rounding.

The Department of Administration's primary function is to provide support services to state departments and agencies. The Department of Administration was created to consolidate finance, purchasing and management functions of the State and is comprised of 17 sub-programs with specific functions.

MAJOR ISSUES AND TRENDS FOR FY2017

The Governor recommends some consolidation and internal reorganization of programs within the Department of Administration through Article 4. The Governor repeals the statutes authorizing the existing Bureau of Audits, and creates a new Office of Internal Audit (OIA) under the supervision of the Office of Management and Budget (OMB). The purpose for the new office is to standardize audit functions across executive agencies by consolidating the Bureau of Audits with personnel from similar units in state government. As part of the reorganization, the audit functions and personnel from the Bureau of Audits (12.0 FTE positions), Department of Transportation External Audit (7.0 FTE positions), Department of Human Services Front End Detection/Fraud Unit (9.0 FTE positions), and 2.0 FTE positions from Higher Education transfer into the newly established Office. The consolidation abolishes two vacant positions (Department of Transportation and Department of Human Services) resulting in \$165,798 savings.

Article 4 establishes a centralized Division of Enterprise, Technology, Strategy, and Service (DETSS) within the Department of Administration to oversee the Office of Digital Excellence, the Division of Information Technology, and the Office of Library and Information Services.

In addition, Article 4 codifies in law the Division of Capital Asset Management and Maintenance (DCAMM) within the Department of Administration to centralize the management of the capital assets of

the state including state property and state-owned facilities. The new division will oversee the following areas:

- Office of Planning, Design and Construction (PDC) will manage new construction and rehabilitation projects.
- Office of Facilities Management and Maintenance (OFMM) will maintain state facilities.
- Contractors' Registration and Licensing Board will continue to register every contractor, remodeler, and most subcontractors who are in the business of building or repairing residential and commercial structures. Also anyone who demolishes or moves a residential/commercial structure must register so that claims filed against them can be heard and settled.
- State Building Code
- Office of Risk Management
- Fire Safety Code Board of Appeal and Review
- Office of State Fleet Operations will continue to administer the purchase, repair, and disposal of state vehicles and operates 15 state fuel depots.

The Governor includes \$500,000 in general revenue to expand the E-permitting Initiative in FY2017 as a project within the Office of Regulatory Reform. The initiative establishes a uniform web-based system for electronic plan review of the State's and municipalities' building plans, permit management, and building inspection methods. The initiative involves the Office of the Building Commissioner in conjunction with the State Fire Marshal. In FY2016 the State Fire Marshal and the State Building Commission will adopt an online e-permitting system with the ten initial communities. The additional funding will allow the system to be expanded to include twenty-five municipalities by the end of FY2017.

ACCOUNTS AND CONTROL

Accounts and Control promotes the financial integrity and accountability of State government through administrative, accounting controls and procedures. The program administers a comprehensive accounting and recording system which classifies department and agency transactions in accordance with the budget plan; maintains control accounts of assets for all departments and agencies; and operates financial, accounting and cost systems for all departments and agencies.

The program also prepares several publications, including the Comprehensive Annual Financial Report, Condensed State Financial Report, State Payroll Manual, Procedural Handbook of the Department of Administration, and the Consolidated Statewide Cost Allocation Plan. The Governor recommends 37.0 FTE positions in FY2016 and FY2017, consistent with the enacted level.

Accounts and Control	General Revenue
FY2016 Enacted	\$4,080,143
<i>Target and Other Adjustments</i>	<i>67,290</i>
FY2017 Governor	\$4,147,433

BUREAU OF AUDITS

The Bureau of Audits performs the auditing function for the executive branch of state government. The Bureau provides the Director of Administration with an independent appraisal and evaluation of the effectiveness of financial and operational control through objective analyses, evaluations, and recommendations on operations, systems, controls, and contracted services. The Governor recommends 12.0 FTE positions in FY2016 and 0.0 FTE positions in FY2017, reflecting the transfer of personnel to the proposed Office of Internal Audit within the Office of Management and Budget.

Auditing	General Revenue
FY2016 Enacted	\$1,476,262
<i>Target and Other Adjustments</i>	
Personnel and Operating Transfer	(1,476,262)
FY2017 Governor	\$0

Personnel and Operating Transfer ***(\$1.5 million)***

The Governor transfers the audit functions and personnel from the Bureau of Audits (12.0 FTE positions) and \$1.5 million in general revenue to the newly established Office of Internal Audit within the Office of Management and Budget. Article 4 repeals the existing Bureau of Audits and creates a new Office of Internal Audit (OIA) under the supervision of the Office of Management and Budget (OMB). The purpose for the new office is to standardize audit functions across executive agencies by consolidating the Bureau of Audits with personnel from similar units in state government.

BUDGET/OFFICE OF MANAGEMENT AND BUDGET

The Office of Management and Budget (OMB) serves as the principal agency for budget, performance management, and federal grants management. OMB includes the following functions:

- **Budget Office:** Provides advice to the Governor relating to the financial management of state government, evaluating necessary resources, analyzing state programs, priorities and alternatives, and suggesting the optimum allocation of resources to meet policy and management goals. The Budget Office also prepares fiscal notes on legislation and is responsible for economic analysis and revenue estimating, and participating in the Revenue and Caseload Estimating Conferences, and prepares presentations to bond rating agencies.
- **Strategic Management:** Assists departments and agencies with strategic planning and continuous improvement processes to enhance management.
- **Performance Management:** Develops and monitors performance measures for each state agency.
- **Federal Grants Administration:** Monitors and reports on federal grants and maximizes the use of federal funds for eligible programs and functions.
- **Regulatory Reform:** Evaluates and reforms state and local regulatory environments.
- **Office of Internal Audit:** Conduct audits on any state agency, state entity, or private entity receiving state funding or grants. The OIA evaluates the efficiency of an agency's operations and internal controls; and prevents or detects fraud and mismanagement.

The Governor recommends 35.0 positions in FY2016 and 65.0 FTE positions in FY2017, reflecting the reorganization of the audit functions and personnel from the Bureau of Audits (12.0 FTE positions), Department of Transportation External Audit (7.0 FTE positions), Department of Human Services Fraud Unit (9.0 FTE positions), and 2.0 FTE positions from Higher Education shall transfer into the newly established Office of Internal Audit within the Office of Management and Budget.

Office of Management and Budget	General Revenue
FY2016 Enacted	\$4,146,713
<i>Target and Other Adjustments</i>	<i>556,158</i>
Office of Internal Audit	2,276,649
Fraud and Waste Data Tool	1,500,000
E-permitting Initiative	500,000
Pay-for-Success Pilot Project	500,000
Open Performance Portal	120,000
FY2017 Governor	\$9,599,520

Office of Management and Budget	Other Fund Changes
Office of Internal Audit	\$1,279,090
Office of Internal Audit	300,000

Office of Internal Audit **\$2.3 million**

Article 4 repeals the statute establishing the existing Bureau of Audits and creates a new Office of Internal Audit (OIA) under the supervision of the Office of Management and Budget (OMB) in order to standardize audit functions across executive agencies by consolidating the Bureau of Audits with personnel from similar units in state government. The OIA is authorized to conduct audits on any state agency, state entity, or private entity receiving state funding or grants. The OIA may evaluate the efficiency of an agency's operations and internal controls; and prevent or detect fraud and mismanagement. Copies of audit reports shall be submitted to the chairperson's of the Senate and House Finance Committees. In addition, the OIA shall produce an annual report summarizing the activities of OIA during the fiscal year. The annual report will be presented to the Director of OMB and posted on the office's website.

As part of the reorganization, the audit functions and personnel from the Bureau of Audits (12.0 FTE positions), Department of Transportation External Audit (7.0 FTE positions), Department of Human Services Front End Detection/Fraud Unit (9.0 FTE positions), and 2.0 FTE positions from Higher Education will transfer into the newly established Office. The consolidation abolishes two vacant positions (Department of Transportation and Department of Human Services) resulting in \$165,798 savings.

The Governor includes \$2.3 million in general revenue, \$1.3 million in other funds, and \$300,000 in restricted receipts, reflecting the transfer of the various audit function throughout State government into the Office of Management and Budget for personnel and operating expenses of the new Office of Internal Audit.

Analyst's Note: The DOT External Audit Unit was transferred to the Bureau of Audits under 2016-S-2246 Sub A as Amended (Rhodeworks).

Fraud and Waste Data Tool **\$1.5 million**

The Governor adds \$1.5 million to implement a new fraud and waste detection system which will combine data across State agencies including the Department of Revenue, Department of Labor and Training, and the various human services agencies. The system will consolidate data to allow the cross referencing needed to detect fraud such as, quarterly wage information from the Department of Labor and Training's Unemployment Insurance program, with individual income and sales tax data to detect income tax fraud. Based on the experience of a similar program in New York, the Governor projects the tool to generate \$5.0 million in additional general revenue. The Department estimates annual computer service agreements for the system to cost \$250,000 to \$500,000 annually.

According to the Department, State agencies can share data and some have already executed Memorandum of Understanding agreements to implement the system.

Electronic Local Permitting Initiative

\$500,000

The Governor includes \$500,000 in general revenue to expand the E-permitting Initiative in FY2017 as a project within the Office of Regulatory Reform. The Initiative establishes a uniform, web-based system for electronic plan review of State and municipal building plans, permit management, and building inspection methods using an online, building permit system. The initiative involves the Office of the Building Commissioner in conjunction with the State Fire Marshal.

In 2012, the General Assembly directed the State Building Commissioner, in coordination with the State Fire Marshal, to deploy a web-based system to automate and streamline permitting processes. In addition, the Office of Regulatory Reform (ORR) was directed to assist in the development of a standardized statewide process. The Office of Digital Excellence (ODE) also joined early in the project to lend technical expertise to the initiative. The project is structured in two Phases:

- Phase I to include permits from the Building Code Commission, the Office of the State Fire Marshal, and the trade permits of up to 10 pilot municipalities.
- Phase II to include additional municipalities and permit types with an opportunity for state-wide implementation.

In FY2016 the State Fire Marshal and the State Building Commission will adopt an online e-permitting system with the ten initial communities. The additional funding will allow the system to be expanded to include twenty-five municipalities by the end of FY2017.

Analyst's Note: The ten initial communities include, Cranston, Pawtucket, Newport, Warwick, North Kingstown, West Warwick, North Providence, Westerly, North Smithfield, and Woonsocket.

Pay-for-Success Pilot Project

\$500,000

The Governor includes \$500,000 in general revenue to fund a pilot Pay-for-Success project in the Department of Corrections (DOC). According to the Department, DOC has worked with the Harvard Kennedy School's Government Performance Lab to develop a proposal to increase employment and reduce recidivism among high-risk or formerly incarcerated individuals.

Each year more than 3,000 Rhode Islanders return to their communities after time spent in prison or jail. Unfortunately, for the majority of these individuals, the end of a prison or jail sentence does not mean the end of criminal justice involvement. In 2013, 50.0 percent of men and 41.0 percent of women released from state correctional facilities returned to prison or jail within three years; for those released from medium and maximum security facilities, the three-year rate was 68.0 percent. While these numbers represent progress over previous cohorts, DOC seeks to continue improving outcomes for recently released individuals.

To improve recidivism rates, DOC is exploring the use of Pay-for-Success, a data-driven approach to improving service delivery. In a Pay-for-Success initiative, investors provide up-front funding for a project; and the state only repays investors if a third party evaluator determines the initiative achieved specific, predetermined outcomes that benefit society and save taxpayer dollars. This approach ensures government funding is allocated based on proven results, not inputs or promised success.

Initial funding of \$500,000 will support a pilot project for approximately 75 to 100 formerly incarcerated people to obtain skills development and employment training, while fostering access to transitional jobs and permanent employment. The pilot will also include initial staff training, program development and management, and data collection and analysis to determine whether expansion of Pay-for-Success would be a good investment for the state. The State plans to issue a Request for Proposals for services in the summer of 2016, with the goal of launching pilot services in January 2017.

DOC will manage the programmatic components of the Pay-For-Success project, but the Office of Management and Budget (OMB) will serve as contract administrator to ensure that funds are not disbursed unless certain benchmarks are achieved. Because OMB coordinates the state's involvement in the Pew-MacArthur Results First Initiative and has developed a cost-benefit model for recidivism reduction programs, it will be able to project potential savings from recidivism reduction and track whether those savings are realized. At this point, no third-party funds are envisioned for the pilot project, but if the effort proves successful, OMB and DOC may work with the HKS Government Performance Lab team to pursue external funding sources for program expansion.

Open Performance Portal

\$120,000

The Governor includes \$120,000 in general revenues to fund an Open Performance Portal. The Open Performance Portal is a transparency portal which will disclose and document State agency performance measures online for the public.

CONSTRUCTION PERMITTING, APPROVALS, AND LICENSING

The Division of Construction Permitting, Approvals, and Licensing, consists of the following subprograms: State Building Code Commission, Contractor's Registration Board, and the Fire Code Board of Appeal. The Governor recommends 26.0 FTE positions in FY2016 and in FY2017, reflecting a net increase of 1.0 FTE position. This includes the reduction of 1.0 FTE Architect position in the State Building Code Commission, and the addition of a 1.0 Deputy Building Commissioner and a 1.0 Programming Services Officer.

- The Building Code Commission oversees the approval of state projects for conformance to Americans with Disabilities Act (ADA) and accessibility standards and building codes. The Commission also conducts a variety of training programs for code officials and those in the building trades.
- The Contractors' Registration and Licensing Board safeguards consumers' rights related to contracted improvements on their property and has a dispute resolution process that criminally prosecutes cases when not resolved through the Attorney General's Office in District Court. The Board registers contractors who perform work on residential and commercial properties.
- The Fire Code Board of Appeal and Review adopts fire safety codes, provides hearings for code appeals, and provides training and technical assistance to local authorities.

Construction Permitting, Approvals and Licensing	General Revenue
FY2016 Enacted	\$1,615,416
<i>Target and Other Adjustments</i>	<i>32,682</i>
Programming Services Officer	120,552
Rental of Outside Property	54,805
FY2017 Governor	\$1,823,455

Programming Services Officer

\$120,552

The Governor includes \$120,552 in general revenue reflecting the full-year cost of a 1.0 Programming Services Officer position. The position was filled in the first quarter of FY2016. The FY2016 Budget as Enacted included a new 1.0 Architect position to review I-195 Redevelopment District projects. Funding for this position was to be drawn from the I-195 Redevelopment Fund administered by the Rhode Island Commerce Corporation. Since passage of the FY2016 Budget, the position title was upgraded to the 1.0 Deputy Building Commissioner position. The position remains vacant.

Rental of Outside Property**\$54,805**

The Governor adds \$54,805 in general revenue for leased space expenses and recommends that the Building Code Commission relocate its offices from space within the Department of Administration (William Powers Building) to the Foundry Building in Providence. The \$54,805 reflects three quarters of a year's lease. The full year expense is projected to be \$73,073.

CAPITAL ASSET MANAGEMENT AND MAINTENANCE

The Division of Capital Asset Management and Maintenance (DCAMM) is established to centralize capital assets, capital projects, and state facilities maintenance functions. Article 4 establishes, by statute, the Division of Capital Asset Management and Maintenance. The new division consists of the following subprograms: Capital Asset Management and Maintenance Administration, Office of Facilities Management and Maintenance, and the Office of Planning, Design and Construction.

The Governor transfers the functions and personnel from the Division of Facilities Management (124.5 FTE positions) and from the Division of Capital Projects and Property Management (12.0 FTE positions) into DCAMM.

The new division will oversee the following areas:

- Office of Planning, Design and Construction (PDC) will manage new construction and rehabilitation projects.
- Office of Facilities Management and Maintenance (OFMM) will maintain the state facilities.
- Contractors' Registration and Licensing Board will continue to register every contractor, remodeler, and most subcontractors who are in the business of building or repairing residential and commercial structures. Also anyone who demolishes or moves a residential/commercial structure must register so that claims filed against them can be heard and settled.
- State Building Code
- Office of Risk Management
- Fire Safety Code Board of Appeal and Review
- Office of State Fleet Operations will continue to administer the purchase, repair, and disposal of state vehicles and operates 15 state fuel depots.

The Governor recommends 0.0 FTE positions in FY2016 and 136.5 FTE positions in FY2017, reflecting the consolidation of 124.5 FTE positions from the Division of Facilities Management and 12.0 FTE positions from the Division of Capital Projects and Property Management into DCAMM.

Capital Asset Management and Maintenance	General Revenue
FY2016 Enacted	\$0
<i>Target and Other Adjustments</i>	<i>1,048,134</i>
Reorganization	34,529,525
Capital Center Utilities	(1,738,438)
Operating Expense Net of Utilities	1,127,795
FY2017 Governor	\$34,967,016

Reorganization**\$34.5 million**

The Governor shifts \$34.5 million in general revenue funding from the existing Division of Facilities Management and the Division of Capital Projects and Property Management programs to a new Division of Capital Asset Management and Maintenance.

Capital Center Utilities**(\$1.7 million)**

The Governor appropriates \$15.5 million to pay the Capital Center utility expenses, reflecting a decrease of \$1.7 million from the FY2016 Budget as Enacted. The Governor's recommendation is based on forecasted commodity and utility expenditures.

Capital Center Utility Expenses	FY2016 Enacted	FY2017 Governor	Change
CUF: Overhead	\$3,766,197	\$2,809,247	(\$956,950)
Electricity	262,480	309,000	46,520
Fuel: Natural Gas	8,946,397	8,590,000	(356,397)
Fuel: Oil #2 - Home Heating Oil	311,961	85,400	(226,561)
Fuel: Oil #6 - Bunker 'C'	280,000	-	(280,000)
Fuel: Wood Chips	350,000	350,000	-
Sewer Use	1,855,908	1,833,000	(22,908)
Telecomm: Overhead	51,821	54,500	2,679
Telecomm: Telephone Charges	22,000	25,000	3,000
Telephone and Telegraph	1,240	9,080	7,840
Water	1,347,661	1,392,000	44,339
Total	\$17,195,665	\$15,457,227	(\$1,738,438)

Operating Expenses Net of Utilities**\$1.1 million**

The Governor recommends an increase of \$1.1 million in general revenue, reflecting operating expenses net of utility expenses. The majority of the adjustments occur within three natural accounts.

Operating Expenses	FY2016 Enacted	FY2017 Governor	Change
Building Maintenance & Repairs	\$1,715,418	\$2,285,569	\$570,151
Snowplowing and Sanding	66,970	427,000	360,030
Insurance: Property/Casualty	463,114	512,000	48,886
All Other Adjustments	1,508,723	1,657,451	148,728
Total	\$3,754,225	\$4,882,020	\$1,127,795

CAPITAL PROJECTS AND PROPERTY MANAGEMENT

The Division of Capital Projects and Property Management is responsible for the planning, design and construction of new state facilities, and renovations to existing buildings. The program also solicits, negotiates, and administers real estate leases. The Governor recommends 12.0 FTE positions in FY2016 and 0.0 FTE positions in FY2017, reflecting the transfer of personnel to the proposed Division of Capital Asset Management and Maintenance.

Capital Projects and Property Management	General Revenue
FY2016 Enacted	\$2,967,816
<i>Target and Other Adjustments</i>	0
Personnel and Operating Transfer	(2,967,816)
FY2017 Governor	\$0

Capital Projects and Property Management	Other Fund Changes
Personnel and Operating Transfer - Other	(\$495,821)
Personnel and Operating Transfer - Restricted Receipts	(127,339)
Personnel and Operating Transfer - Federal	(21,955)

Personnel and Operating Transfer**(\$3.0 million)**

The Governor transfers the functions and personnel from the Division of Capital Projects and Property Management (12.0 FTE positions) along with \$3.0 million in general revenue to the proposed Division of Capital Asset Management and Maintenance within the Department of Administration. Article 4 codifies

in law the Division of Capital Asset Management and Maintenance (DCAMM) within the Department of Administration to centralize the management of the capital assets of the state including state property and state-owned facilities.

The Governor includes \$3.0 million in general revenue, \$495,821 in other funds, \$127,339 in restricted receipts, and \$21,955 in federal funds reflecting the transfer of the various personnel and operating functions from Capital Projects and Property Management into the Division of Capital Asset Management and Maintenance.

CENTRAL MANAGEMENT

Central Management is comprised of four major functions: the Director's Office, the Central Business Office, the Office of Digital Excellence, and the Judicial Nominating Commission.

- The Director's Office provides for the overall operation of the department and provides assistance to all Executive branch agencies and to the Office of the Governor.
- The Central Business Office provides financial management assistance to the program areas within the Department of Administration and the Department of Revenue to ensure maximum use of state and federal resources.
- The Judicial Nominating Commission recommends candidates to the Governor to fill vacancies in the Rhode Island Judiciary. The Commission is required by statute to advertise for each judicial vacancy and to actively seek and encourage applications from qualified individuals.

The Governor recommends 32.0 FTE positions in FY2016 and 26.0 FTE positions in FY2017, reflecting a shift of 7.0 FTE positions to the Division of Information Technology as part of the centralization information and technology into a centralized Division of Enterprise, Technology, Strategy, and Service (DETSS) within the Department of Administration; and the addition of 1.0 FTE Cybersecurity Director to enhance cybersecurity protection.

Central Management	General Revenue
FY2016 Enacted	\$3,790,943
<i>Target and Other Adjustments</i>	<i>(63,335)</i>
Office of Digital Excellence Transfer	(984,019)
Cybersecurity Director	296,190
Employee Classification Study	(250,000)
FY2017 Governor	\$2,789,779

Office of Digital Excellence Transfer ***(\$984,019)***

The Governor consolidates the Office of Digital Excellence (ODE) into the Division of Information Technology (DoIT) to enable a more effective use of personnel on projects that span both the ODE and DoIT. As part of the consolidation, the Chief Digital Officer will also assume the duties of the Chief Information Officer.

Cybersecurity Director ***\$296,190***

The Governor adds \$296,190 in general revenue and recommends the addition of a 1.0 FTE Cybersecurity Director position to enhance cybersecurity within the State. The increase includes \$177,489 for salary and \$18,701 for benefits and operating expenses. According to the Department of administration, the decision to place the position in Central Management rather than in the Division of Enterprise, Technology, Strategy, and Service (DETSS), is that the Cybersecurity Director will handle much more than the State's cybersecurity needs and will be working with the State Police, National Guard, and other various federal entities more often than with DETSS.

Employee Classification Study**(\$250,000)**

The Governor includes \$250,000 in general revenue for the implementation services required for the Employee Compensation and Classification Study. This is a decrease of \$250,000 from the FY2016 Budget as Enacted. The study was one of the recommendations received from the personnel study performed by the Segal Company. According to the Department, this funding is required for the existing vendor to present the study to the Administration and Unions. The depth of the services is not known at this time.

The Department of Administration undertook a comprehensive \$1.0 million analysis of the State's personnel system before the close of FY2013, to study alternatives to what some believe is a cumbersome and outdated system, and provide opportunities to attract talented individuals to the State in light of the recent reforms impacting the state pension system and longevity benefits.

On January 28, 2013, the Department of Administration released the Comprehensive Personnel Study Report with the following findings:

- The structure, organization, and staffing of the State's Human Resources division is not sufficient to support the State's human capital needs.
- The current recruitment and selection processes are highly paper-based, with outdated and cumbersome procedures that often delay the process and impede hiring managers' ability to identify and employ qualified candidates on a timely basis.
- The job classification structure and job descriptions do not reflect the skills and qualifications required to deliver 21st century government services.
- The compensation structures and pay delivery policies are non-competitive, highly rigid and insufficient to attract and retain skilled employees.

The goal of the Employee Classification Study is to restructure the State employee classification system and develop a new system that clearly defines jobs, has a more understandable job classification system, and contains up-to-date position descriptions. The study is also expected to develop appropriate methods to identify the labor market for the job classification comparison and to determine the right job compensation for the job classification with the goal of attracting and retaining quality employees. The new plan will establish performance standards and appropriate assessment measures for each class of positions.

DEBT SERVICE

The Debt Service Payments program funds expenditures for both long- and short-term tax supported debt obligations of the State. This includes debt service on general obligation bonds as well as lease payments securing certificates of participation issued by the State. The program encompasses leases or trust agreements securing revenue bonds issued by the Rhode Island Convention Center Authority, Rhode Island Refunding Bond Authority, Rhode Island Commerce Corporation, or other obligations that are part of the State's net tax supported debt.

Debt Service Payments	General Revenue
FY2016 Enacted	\$99,137,176
<i>Target and Other Adjustments</i>	-
General Obligation Bond Changes	45,236,587
Other Debt Service Changes	(10,819,701)
Certificates of Participation (COPs)	(260,096)
FY2017 Governor	\$133,293,966

General Obligation Bond Changes**\$45.2 million**

The Governor includes \$37.8 million in general revenue to fund the costs of the State's general obligation debt service in FY2017, or \$45.2 million more than FY2016.

General Obligation Debt	FY2016 Enacted	FY2017 Governor	Change
Debt Restructuring	(\$64,458,000)	\$0	\$64,458,000
G.O. Bond New Bond Issue Projected Costs	-	9,342,812	9,342,812
DEM Debt Service - Recreation	8,808,504	-	(8,808,504)
DOA - Affordable Housing GO Bonds	7,770,976	-	(7,770,976)
All Other G.O. Debt Adjustments	40,395,763	28,411,018	(11,984,745)
General Obligation Debt - Total	(\$7,482,757)	\$37,753,830	\$45,236,587

The FY2016 Budget as Enacted included \$64.5 million in general revenue savings from the refinancing and restructuring of a portion of the State's general obligation debt service to achieve savings in fiscal years 2016 and 2017. The funding was used for a variety of programs under the Executive Office of Commerce over the next two fiscal years. The two initiatives are not directly linked in the budget, however.

The State issued new debt to pre-pay prior bonds. The restructuring resulted in savings in FY2016 of \$64.5 million and of \$36.0 million in FY2017 compared to where debt service would have been with no restructuring. To account for the impact in FY2016, the savings was stated in one account as a negative, that is adjusted and distributed to each debt account impacted by the savings as part of the FY2016 Revised Budget (as submitted). Since there is no new debt service restructuring proposals recommended for FY2017, the line item appears as a large addition when the line items are compared between the Governor's proposed FY2017 Budget to the FY2016 Budget as Enacted. Many of the adjustments contained under the All Other General Obligation bond adjustments reflect the debt restructuring occurring in FY2016. In addition, a portion of the debt restructuring required the Budget Office to shift previously general revenue funded debt service to other funds because the restructuring savings were partially attributable to Department of Transportation debt. This shift includes the DEM Debt Service Recreation item and the DOA Affordable Housing G. O. Bonds.

The Governor's recommendation adds \$9.3 million to cover the debt service on approximately \$63.0 million on authorized but not yet issued G. O. Bonds. The Budget Office projects the issuance to occur in May 2016.

Other Debt Service Changes**(\$10.8 million)**

The Governor includes \$10.8 million in general revenue savings on various debt issuances, including a reduction of \$9.9 million for the 38 Studios Debt service, reflecting the State receiving various individual settlements totaling \$9,926,027, and a decrease of \$49,825 for the normal year-over-year decline in the debt service on this item. Other reductions include lower projected debt service for the Rhode Island Convention Center debt and for the Historic Structures Tax Credit debt.

Other Debt Service	FY2016 Enacted	FY2017 Governor	Change
38 Studios Debt Service	\$12,499,113	\$2,523,261	(\$9,975,852)
Convention Center Authority	22,973,037	22,464,563	(508,474)
EDC - Fidelity Job Rent Credits	3,442,579	3,442,579	-
EDC - Providence Place Mall Sales Tax	3,560,000	3,560,000	-
Historic Structures Tax Credit	31,329,247	30,993,872	(335,375)
I-195 Land Acquisition	500,000	500,000	-
Other Debt Service - Total	\$74,303,976	\$63,484,275	(\$10,819,701)

Certificates of Participation (COPs)**(\$260,096)**

The Governor recommends \$32.1 million in general revenue to cover the debt service on eleven projects financed through Certificates of Participation (COPs). This reflects a decrease of \$260,096 from the FY2016 Budget as Enacted.

COPs Funded Projects	FY2016 Enacted	FY2017 Governor	Change
BHDDH - Power Plant	\$2,253,313	\$2,253,063	(\$250)
COPS - Attorney General - Debt Service	162,898	-	(162,898)
COPS - DCYF Training School	3,091,850	4,208,150	1,116,300
COPS - Energy Conservation	6,823,563	6,853,151	29,588
COPS - Kent County Courthouse	2,877,750	4,615,425	1,737,675
COPS - School for the Deaf	3,483,670	2,483,850	(999,820)
COPS - Technology	8,585,525	6,611,250	(1,974,275)
COPS - Traffic Tribunal - Debt Service	1,319,600	1,673,650	354,050
Shepherd Building Lease Payment	2,986,250	3,013,500	27,250
COPS - Center General Bldg. - Tenant	460,661	216,510	(244,151)
COPS - Center General Building	270,877	127,312	(143,565)
COPs - Total	\$32,315,957	\$32,055,861	(\$260,096)

OFFICE OF ENERGY RESOURCES

The Office of Energy Resources (OER) and the Energy Efficiency and Resource Management Council (EERMC) were established statutorily in 2006 to replace the former State Energy Office. The OER provides comprehensive integrated development, administration, and oversight of ongoing energy policies, plans, and programs to meet state and federal requirements and to provide policy guidance to executive leadership. There are no general revenue appropriations in the Office of Energy Resources. The Governor recommends 12.0 FTE positions in FY2016 and 13.0 FTE positions in FY2017, reflecting the addition of a 3.0 Chief Program Development positions, a 1.0 Principal Information and Public Relations position, a 1.0 Implementation Aide position, and the reduction of a 1.0 Programming Services Officer position.

Energy Resources	Other Fund Changes
Regional Greenhouse Gas Initiative	\$2,541,190
Delivered Fuels Energy Efficiency Program	1,500,000

Regional Greenhouse Gas Initiative (restricted receipts)**\$2.5 million**

The Governor includes \$11.7 million in restricted receipts for grant awards as part of the Regional Greenhouse Gas Initiative (RGGI). This reflects an increase of \$2.5 million over the FY2016 Budget as Enacted. The Office of Energy Resources (OER) received additional resources from the increase in the RGGI allocation to the State. Article 7 from the FY2015 Budget as Enacted amended RIGL 23-82-6 to increase a portion of the proceeds that may be used for administrative costs by OER from the lessor of \$300,000 or 5.0 percent of the proceeds to the greater of \$300,000 or 10.0 percent of the proceeds, thus allowing OER to increase the grant program to promote energy efficiency projects.

The Regional Greenhouse Gas Initiative (RGGI) is a cooperative effort by Northeastern and Mid-Atlantic states that requires member states to reduce carbon dioxide (CO₂) emissions from large fossil fuel-fired electric power plants to help address climate change. Central to this initiative is the implementation of a multi-state "cap-and-trade" program with a market-based emissions trading system.

Delivered Fuels Energy Efficiency Program (restricted receipts)**\$1.5 million**

The Governor adds \$1.5 million in restricted receipts to create a new Delivered Fuels Energy Efficiency Program. The language establishing this program was to have been included in Article 18 of the Governor's budget. According to the Department of Administration, the Governor's Office chose to pull

the language from Article 18, but the funding was not removed: nonetheless, the attempt to create the program is active and there might be separate legislation submitted outside of the budget, that if enacted, would require this appropriation.

FACILITIES MANAGEMENT

The Division of Facilities Management provides maintenance and operations services at 140 buildings under the direct jurisdiction of the Department of Administration. The areas of responsibility include the State-owned buildings at the Capitol Hill Complex, Pastore Center, Zambarano Campus, Veterans' Home, Ladd Center and numerous other state buildings. The program also includes State Fleet Operations, Environmental Compliance, Asset Protection, and Surplus Property functions. The Governor recommends 124.5 positions in FY2016 and 0.0 FTEs in FY2017, reflecting the transfer of personnel to the proposed Division of Capital Asset Management and Maintenance.

Facilities Management	General Revenue
FY2016 Enacted	\$32,172,352
<i>Target and Other Adjustments</i>	-
Personnel and Operating Transfer	(32,172,352)
FY2017 Governor	\$0

Facilities Management	Other Fund Changes
Personnel and Operating Transfer - Other	(\$3,923,319)
Personnel and Operating Transfer - Federal	(1,208,674)
Personnel and Operating Transfer - Restricted Receipts	(376,880)

Personnel and Operating Transfer **(\$32.2 million)**

The Governor transfers the functions and personnel from the Facilities Management (124.5 FTE positions) along with \$32.2 million in general revenue to the proposed Division of Capital Asset Management and Maintenance within the Department of Administration. Article 4 codifies in law the Division of Capital Asset Management and Maintenance (DCAMM) within the Department of Administration to centralize the management of the capital assets of the state including state property and state-owned facilities.

The Governor transfers \$32.2 million in general revenue, \$3.9 million in other funds, \$1.2 million in federal funds, and \$376,880 in restricted receipts reflecting the transfer of the various personnel and operating functions from Facilities Management into the Division of Capital Asset Management and Maintenance.

GENERAL

The General program reflects funds appropriated to finance expenditures not allocated to other State departments or agencies and not specific to any one program within the Department of Administration. Grants and benefits reflect grants made to certain organizations, which are appropriated by the General Assembly. The General program has no FTE positions.

General	General Revenue
FY2016 Enacted	\$17,128,804
<i>Target and Other Adjustments</i>	
Rhode Island Public Transit Authority	(2,000,000)
Community Service Objectives	(825,000)
Employee Benefit Adjustments	750,000
Library Construction Aid	(440,080)
Resource Sharing and State Library Aid	(311,326)
FY2017 Governor	\$14,302,398

Rhode Island Public Transit Authority ***(\$2.0 million)***

This item reflects the elimination of a one-time award of \$2.0 million in general revenue to the Rhode Island Public Transit Authority (RIPTA) included to help reduce anticipated operating deficits in FY2016. The Governor does not include similar funding for RIPTA in FY2017.

Community Service Objectives ***(\$825,000)***

The Governor reduces \$825,000 in general revenue for community service grants within the Department of Administration. This reduces one-time awards appropriated in the FY2016 Budget as Enacted including \$125,000 for the Center for Women and Enterprise; \$300,000 for the Adams Library in Central Falls; \$300,000 for Central Falls shared services; and, \$100,000 for planning support to the City of Cranston.

Employee Benefit Adjustments ***\$750,000***

The Governor recommends a placeholder of \$750,000 in general revenue for anticipated employee parental leave benefits. No further information is available at this time.

Library Construction Aid ***(\$440,080)***

Rhode Island law grants authority to the Office of Library and Information Services to make grants to a municipality or a free public library for construction or capital improvements. Grants are limited to a maximum of 50.0 percent of the total eligible costs as determined by the Office of Library and Information Services and are paid on an installment basis, based on a community's debt service requirement, for a period of up to 20 years. For FY2017, the Governor includes \$2.2 million, a decrease of \$440,080 from the FY2016 Budget as Enacted. This reflects a reduction of \$302,903 for actual reimbursement costs and a target reduction of \$137,177 based on the change in scheduled payments from FY2016 to FY2017.

Resource Sharing and State Library Aid ***(\$311,326)***

State aid to libraries is distributed based on the city or town's expenditure level as a percentage of the total expenditures by all communities statewide. In order to be eligible for these funds, cities and towns must maintain their level of support for public library services at 100.0 percent of the previous year's funding from the local tax base. The Governor includes \$8.5 million in general revenue for FY2017, a reduction of \$311,326 as compared to the FY2016 Budget as Enacted, reflecting the elimination of state funding for the online database for the statewide reference resource center.

HUMAN RESOURCES

The Division of Human Resources is composed of eight subprograms: Administrative Services, Classification and Examinations, Equal Employment Opportunity, Outreach and Diversity, Employee Benefits, Training and Development, Employee Services, and Human Resource Service Centers. Its primary mission is to provide cost-effective human resource services to employees, labor, and management to assist them in carrying out the functions and responsibilities of state government. The Governor recommends 95.8 FTE positions in FY2016 and in FY2017.

Human Resources	General Revenue
FY2016 Enacted	\$7,679,763
<i>Target and Other Adjustments</i>	<i>193,245</i>
Software Maintenance Agreements	110,898
Training and Education Services	100,000
FY2017 Governor	\$8,083,906

Software Maintenance Agreements **\$110,898**

The Governor increases funding for operating expenses related to an annual subscription for Human Resources NeoGov Insight Enterprise Edition and Onboard Enterprise Edition software needed for the application and employment paperwork for new employees.

Training and Education Services **\$100,000**

The Governor adds \$100,000 in general revenue to contract with a consultant to review the State's employee training program and to provide recommendations on enhancing the training programs to meet individual, group, or departmental needs. According to the Department of Administration, there is a lack of training and development programs available to employees of the State of Rhode Island. Some limited training opportunities are available through the Division of Human Resources and some Departments offer job specific training to their employees; however, the state lacks a comprehensive approach to promoting and supporting employee development.

INFORMATION TECHNOLOGY

The Division of Information Technology (DoIT) program oversees, coordinates, and develops all information technology (IT) resources within the executive branch. All hiring and spending decisions involving IT may only be made with the advice and approval of the Chief Information Officer. Information Technology defines and maintains the architectural standards for hardware, software, networks, and services that guide state investments in IT.

Through Article 4, the Governor establishes a centralized Division of Enterprise, Technology, Strategy, and Service (DETSS) within the Department of Administration to oversee the Office of Digital Excellence, the Division of Information Technology, and the Office of Library and Information Services. This is an internal reorganization to align technical expertise across executive branch agencies. The formal establishment of the Division of Enterprise, Technology, Strategy, and Service (DETSS) within the Department of Administration is not anticipated to generate any fiscal impact.

The Governor recommends 188.5 FTE positions in FY2016 and 195.5 FTE positions in FY2017, reflecting a shift of 7.0 FTE positions to the Division of Information Technology as part of the centralization information and technology into a centralized Division of Enterprise, Technology, Strategy, and Service (DETSS) within the Department of Administration

Information Technology	General Revenue
FY2016 Enacted	\$20,201,589
<i>Target and Other Adjustments</i>	<i>826,875</i>
Office of Digital Excellence Transfer	926,060
Operating	289,882
FY2017 Governor	\$22,244,406

Information Technology	Other Fund Changes
Information Technology Investment Fund	(\$196,811)

Office of Digital Excellence Transfer**\$926,060**

The Governor consolidates the Office of Digital Excellence (ODE) into the Division of Information Technology (DoIT) to enable a more effective use of personnel on projects that span both the ODE and DoIT. As part of the consolidation, the Chief Digital Officer will also assume the duties of the Chief Information Officer.

Operating**\$289,882**

The Governor adds \$289,882 in general revenue reflecting net adjustments for operating expenses under the Information Technology program, including an increase of \$204,049 for internet service fees, a reduction of \$156,919 for telephone services, an increase of \$147,914 for computer maintenance expenses, an increase of \$97,140 for staff training, and a net reduction of \$2,302 on other operating adjustments.

Items	FY2016	FY2017	Change
	Enacted	Governor	
Internet Services	\$290,720	\$494,769	\$204,049
Telephone	758,400	601,481	(156,919)
Maintenance Computers	461,896	609,810	147,914
Staff Training	34,760	131,900	97,140
All Other Adjustments	2,340,250	2,337,948	(2,302)
Total	\$3,886,026	\$4,175,908	\$289,882

Information Technology Investment Fund (restricted receipts)**(\$196,811)**

The Governor recommends \$8.9 million in restricted receipts for the Information Technology Investment Fund (ITIF), reflecting a decrease of \$196,811 in restricted receipts from the FY2016 Budget as Enacted. The Fund is a restricted receipt account for the State's technology initiatives and improvement projects.

The ITIF derives funding through the sale of state property as well as from two additional sources. The FY2015 Budget as Enacted authorized the Tobacco Settlement Financing Trust to transfer an estimated \$10.0 million to the ITIF from proceeds of the recent issuance of bonds by the Tobacco Settlement Financing Corporation. In addition, beginning July 1, 2015, 10.0 percent of the \$1.00 surcharge levied on each residence and business telephone line collected to support the E-911 Uniform Emergency Telephone System is deposited into the ITIF. The surcharge revenues are projected to generate an additional \$1.5 million annually for the ITIF.

At present the Department has identified multiple IT projects with an approximate cost of \$30.7 million. As of March 10, 2016, the IT fund has a balance of \$28.4 million. The Department indicates that there is \$11.0 million in unspent but approved projects and \$9.9 million in new project requests, which will leave the Fund with an available balance of \$7.3 million.

Analyst's Note: The narrative in the Capital Budget states the Governor recommends expenditures of \$10.0 million annually for the fiscal years 2016 through 2020, "assuming resources are available in the fund." However, based upon anticipated revenues this is not sustainable from the Fund's current revenues. The Department reiterates that the Governor's Budget recommendation is conditional upon available resources, but indicates that the final recommendation in the FY2017 Capital Budget should have been updated to be more in line with current anticipated funding.

The following table illustrates projected funding and expenditures from the Information Technology Investment Fund.

Information Technology Fund	Beginning Balance	New Revenue *	Expenses*	Ending Balance
FY2015	\$5.0	\$17.9	\$12.6	\$10.3
FY2016	10.3	1.5	7.5	4.3
FY2017	4.3	1.5	1.5	4.3
FY2018	4.3	1.5	1.5	4.3
FY2019	4.3	1.5	1.5	4.3
FY2020	4.3	1.5	1.5	4.3

\$ in millions

* \$6.4 million in revenues and expenditures are derived from and dedicated to the UHIP Project.

LEGAL SERVICES

Legal Services is responsible for establishing, managing and maintaining legal resources to support all departments and agencies within the executive branch. Legal Services manages and assists attorneys within the departments and agencies that provide legal services in programmatic areas. The Governor recommends 16.6 FTE positions in FY2016 and FY2017, consistent with the enacted level.

Legal Services	General Revenue
FY2016 Enacted	\$2,166,696
<i>Target and Other Adjustments</i>	<i>19,292</i>
FY2017 Governor	\$2,185,988

LIBRARY AND INFORMATION SERVICES

The Office of Library and Information Services (OLIS) coordinates inter-library cooperation, maintains and develops the Rhode Island Library Network, operates the Regional Library for the Blind and Physically Handicapped, and promotes overall library development through various grant-in-aid programs for public and institutional libraries. The Governor recommends 13.0 FTE positions in FY2016 and FY2017, consistent with the enacted level.

Article 4 provides language codifying the Division of Enterprise, Technology, Strategy, and Service (DETSS) within the Department of Administration to oversee the Office of Digital Excellence, the Division of Information Technology, and the Office of Library and Information Services. This is an internal reorganization to align technical expertise across executive branch agencies.

Library and Information Services	General Revenue
FY2016 Enacted	\$1,229,995
<i>Target and Other Adjustments</i>	<i>112,824</i>
FY2017 Governor	\$1,342,819

PERSONNEL APPEAL BOARD

The Personnel Appeal Board hears appeals by any person with provisional, probationary, or permanent status in a position in the classified service aggrieved by an action of the Administrator of Adjudication for the Department of Administration on matters of personnel administration. The Board administers the Merit System Law governing appeals, maintenance of records, reviews, appeals from decisions rendered, and records of cases adjudicated prior to scheduling a public hearing. The Personnel Appeal Board consists of five members, not more than three of whom are members of the same political party. The Board has no FTE positions.

Personnel Appeal Board	General Revenue
FY2016 Enacted	\$119,874
<i>Target and Other Adjustments</i>	<i>13,545</i>
FY2017 Governor	\$133,419

PERSONNEL AND OPERATIONAL REFORMS

The Department of Administration has a centralized account for the statewide personnel and operating savings included in the Budget as Enacted prior to the savings being reflected within the appropriate State agency budgets. Generally when the savings occur, the Budget Office will distribute and account for the savings within the appropriate departmental budget accounts of the State agencies.

Personnel and Operational Reforms	General Revenue
FY2016 Enacted	(\$8,225,000)
Unachieved Savings	8,108,579
FY2017 Governor	(\$116,421)

The FY2016 Budget as Enacted included \$5.0 million in general revenue savings from personnel reforms to be achieved in part through negotiations with the various labor bargaining units, and included \$3.2 million in further contractual and operating savings.

- The contractual and operational savings was projected to be recouped on existing state contracts; including:
- Savings from a competitive procurement program for the State's electricity supply;
- Savings from a reduction in the number of agency office printers and encouraged use of managed printing services;
- Savings from eliminating unused or underused telephone lines;
- Savings from reduced travel and mileage reimbursements; and,
- Savings achieved by eliminating the public notice requirements for print media.

The only actual savings achieved in FY2016 was \$2.0 million in miscellaneous expenses. There were no personnel reform savings. The Governor includes operating savings of \$116,421 in general revenue for unspecified telephone expenses in FY2017.

Analyst's Note: As an aside, the Governor originally proposed personnel reform savings of \$25.3 million as part of her original FY2016 Budget recommendation.

PLANNING

The Division of Planning is responsible for preparing, adopting, and amending strategic plans for the physical, economic, and social development of the state. The Division is comprised of three subprograms: Statewide Planning, Strategic Planning and Economic Development, and the Water Resources Board.

- Statewide Planning staffs the State Planning Council, which is comprised of state and local government officials, public members, and federal officials in an advisory capacity. The State Planning Council serves as the State's Metropolitan Planning Organization, responsible for planning and prioritizing state and federal transportation funding.
- Strategic Planning and Economic Development uses policy analysis and the planning process to prepare issue briefs and draft strategic plans that address current topics of special interest. Housing

and Community Development administers the Housing Resources Commission (HRC) and the federal Community Development Block Grant (CDBG) program.

- The Water Resources Board (WRB) manages the planning and development of twenty-nine major water supply systems and the Big River Management Area.

The Governor recommends 26.0 FTE positions in FY2016 and in FY2017.

Planning	General Revenue
FY2016 Enacted	\$1,316,146
<i>Target and Other Adjustments</i>	<i>25,612</i>
FY2017 Governor	\$1,341,758

PURCHASING

The Purchasing division includes procurement, operational support services, standards and specifications development and management, vendor information, and minority business enterprises. The Procurement division solicits bids or requests for proposal for services and supplies, negotiates prices with vendors, and carries out affirmative action programs. Operational support services include purchase order production and record keeping, bid preparation and opening, requisition tracking, and vendor files. The standards and specifications staff works with agency representatives to develop statewide standards for goods and services to be solicited. The Rhode Island Vendor Information Program (RIVIP) is an electronic system for registering potential bidders and providing bid and other information to vendors and the general public. The Minority Business Enterprise function is responsible for supporting state laws and policies to ensure full participation of minority business enterprises in state-funded construction programs and projects, and state purchases of goods and services. The Governor recommends 30.0 FTE positions in FY2016 and FY2017, consistent with the enacted budget.

Purchasing	General Revenue
FY2016 Enacted	\$2,764,921
<i>Target and Other Adjustments</i>	<i>95,940</i>
Personnel Adjustment	87,847
FY2017 Governor	\$2,948,708

Purchasing	Other Fund Changes
Office of Post Secondary Commissioner Reimbursement	(\$87,847)

Personnel Adjustment **\$87,847**

The Governor adds \$87,847 in general revenue and reduces other fund expenses by the same amount to offset a reduction in the other fund reimbursement from the Office of the Post-Secondary Education Commissioner. As per a Memorandum of Understanding between the Office of Post-Secondary Education Commissioner and Purchasing, over the past few years, the Office of Post-Secondary Education lead and funded partial administrative services in Purchasing to follow through with the Office of Post-Secondary Education's major projects. The MOU was for \$180,000. The decrease in the reimbursement is consistent with the plan to increase the delegated purchasing authority at the University of Rhode Island which would reduce the other fund reimbursement from the Office of Post-Secondary Education.

RHODE ISLAND HEALTH BENEFITS EXCHANGE

As part of the national health care reform and the Affordable Care Act (ACA), the Rhode Island Health Benefits Exchange was created by Executive Order in 2011 as a federally-funded program within the Office of the Governor. The FY2014 Budget as Enacted transferred the program to the Department of

Administration. Rhode Island's health benefits exchange (HealthSource RI) became operational in October 2013 and is an online marketplace for individuals, families, and small businesses to compare and purchase in health insurance coverage and gain access to tax credits, reduced cost sharing and public programs such as Medicaid. The Governor includes 16.0 FTE positions in FY2016 and in FY2017, consistent with the enacted budget.

Rhode Island Health Benefits Exchange (HealthSource RI)	General Revenue
FY2016 Enacted	\$2,625,841

<i>Target and Other Adjustments</i>	-
FY2017 Governor	\$2,625,841

Rhode Island Health Benefits Exchange (HealthSource RI)	Other Fund Changes
Rhode Island Health Benefits Exchange - federal funds	(\$23,569,024)
Rhode Island Health Benefits Exchange - restricted receipts	5,026,031

Rhode Island Health Benefits Exchange (federal funds) (\$23.6 million)

The Governor includes \$1.0 million in federal funds for Rhode Island Health Benefits Exchange for FY2017, reflecting a decrease of \$23.6 million. This funds contracts with vendors such as Deloitte, which is responsible for the ongoing development of IT systems for the marketplace as well for its financial management; CSG, which is responsible for ensuring that the systems meets design specifications; and Connections, which is contracted to run its customer service call center.

The decrease in federal funds is due to the expiration of federal funding that was provided for the establishment of an ACA-compliant health benefits exchange. To date, the design, development, and implementation of HealthSource RI has been funded with a total of \$141.4 million in federal grants. Use of federal funds for operations is precluded after CY2014.

Rhode Island Health Benefits Exchange (restricted receipts) \$5.0 million

The Governor includes \$5.0 million in restricted receipts from the new Health Reform Assessment authorized under the Article 18 of the FY2016 Budget as Enacted. The assessment is used to fund the operational costs of HealthSource RI, the state-based health benefits marketplace for individual and small group health insurance and the avenue through which Rhode Islanders access federal health insurance subsidies. The restricted receipts included in the Governor's FY2017 proposal represent the second year of non-federal funds budgeted for HealthSource RI.

	FY2013	FY2014	FY2015	FY2016	FY2017	
HealthSource RI	Actual	Actual	Actual	Enacted	Governor	Total
Federal Funds	\$21.8	\$47.3	\$48.5	\$23.8	\$1.0	\$142.4
Restricted Receipts	-	-	-	1.5	5.0	6.5
Total	\$21.8	\$47.3	\$48.5	\$25.3	\$6.0	\$148.9

\$'s in millions

OFFICE OF DIVERSITY, EQUITY, AND OPPORTUNITY

The mission of the Office of Diversity, Equity, and Opportunity is to create and support a diverse and inclusive state government culture that values and reflects the changing demographics of Rhode Island by advancing equitable and fair opportunities for all Rhode Island citizens to be employed by or doing business with the State of Rhode Island.

Article 4 codifies the Office of Diversity, Equity, and Opportunity within the Department of Administration, which was established by Executive Order 13-05 in 2013.

The Office of Diversity, Equity, and Opportunity, consists of the following: Director of Diversity, the State Equal Opportunity Office, Minority Business Enterprise Compliance Office, the Outreach and Diversity Office, and a new Office of Supplier Diversity.

- Director of Diversity to administer the office.
- The State Equal Opportunity Office ensures federal and State equal opportunity compliance for all units of state government.
- The Minority Business Enterprise Compliance Office is responsible for supporting State laws and policies to ensure full participation of Minority Business Enterprises (MBEs) and Disadvantaged Business Enterprises (DBEs) in state and federally-funded construction programs and projects, and State purchases of goods and services.
- The Outreach and Diversity Office is responsible for creating a culture that values a diverse workforce through diversity training to state employees and assists in recruiting and retaining a diverse workforce.
- Office of Supplier Diversity will complement the work of the Minority Business Enterprise Compliance Office.

The Governor recommends 9.0 FTE positions in FY2016 and in FY2017, consistent with the enacted budget.

The Office of Diversity, Equity and Opportunity	General Revenue
FY2016 Enacted	\$1,098,841
<hr/>	
<i>Target and Other Adjustments</i>	<i>(11,418)</i>
Office of Supplier Diversity	131,717
Print Advertising	53,500
Staff Training	22,000
<hr/>	
FY2017 Governor	\$1,294,640
<i>Office of Supplier Diversity</i>	<i>\$131,717</i>

The Governor establishes a new office within the Office of Diversity, Equity, and Opportunity that will complement the work of the Minority Business Enterprise Compliance Office and be funded by shifting funds within the existing program. The goals and objectives of the Office shall be:

- To develop and implement strategies for expanding outreach and engagement with communities and businesses that support minority, women, and disability business enterprises;
- To develop and implement strategies to increase the utilization of minority, women, and disability business enterprises;
- Identify and address barriers that prevent full participation of minority, women, and disability business enterprises in the state procurement process;
- Foster the education and capacity of existing minority, women, and disability business enterprises, as well as to promote opportunities for the creation of new minority, women, and disability business enterprises to meet the procurement needs of the state;
- Host events to foster relationship building between major prime contractors, state procurement officials, and minority, women, and disability business enterprises; and,
- Issue period reports and/or newsletters to showcase activities and highlight achievements.

Print Advertising***\$53,500***

The Governor increases print advertising expenses by \$53,500 in general revenue which is funded in FY2016 with turnover in the Program. This is a new initiative to enhance outreach efforts to underrepresented classifications that include job categories that are underrepresented by minorities, women, persons with disabilities, veterans, and other protected classes. The goal of ODEO is to target advertising efforts by using diverse media outlets in the hope that will attract a broader, more diverse applicant pool.

Staff Training***\$22,000***

The Governor adds \$22,000 in general revenue for diversity training for both program staff and for State employees throughout State government.

CAPITAL PROJECTS

The Governor recommends a total of \$54.4 million in capital projects for FY2017, of which \$43.0 million is from RICAP funds, \$10.0 million from the Information Technology Fund, and \$1.4 million from general obligation bond proceeds. Significant projects include:

- \$26.4 million in RICAP funds for various projects at the Pastore Center in Cranston, including \$13.4 million to renovate the Virks building and \$7.7 million in RICAP funds to renovate various structures at the Pastore Center.
- \$1.4 million in general obligation bonds to continue various water management and supply projects administered by the Water Resources Board.
- \$4.0 million in RICAP funds to renovate the Rhode Island Convention Center and Dunkin Donuts Center for the Renewal and Replacement Fund in accordance with the bond covenants of the 2006 Series A bonds and asset protection at the Rhode Island Convention Center, and Veterans' Memorial Auditorium.
- \$1.0 million in RICAP funds to fund Americans' with Disabilities Act compliance and accessibility renovations to state buildings.

Department of Business Regulation

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$1.2	\$1.3	\$1.4	\$0.1	5.9%	\$1.4	\$0.1	6.0%
Banking Regulation	1.6	1.7	1.9	0.1	8.5%	1.9	0.2	10.8%
Securities Regulation	0.9	1.0	1.0	0.0	1.9%	1.1	0.1	14.7%
Insurance Regulation	5.0	5.8	5.3	(0.4)	-7.8%	5.8	0.0	0.6%
Board of Accountancy	0.0	0.0	0.0	(0.0)	-64.0%	0.0	(0.0)	-64.0%
Commercial Licensing, Racing & Athletics	1.1	1.2	1.3	0.1	5.5%	3.2	2.0	164.0%
Boards for Design Professionals	0.3	0.3	0.3	(0.0)	-3.5%	0.3	0.0	0.0%
Office of Health Insurance Commissioner	2.6	3.3	3.3	(0.1)	-2.0%	3.3	(0.0)	-1.4%
Total	\$12.7	\$14.6	\$14.4	(\$0.2)	-1.6%	\$17.0	\$2.4	16.3%
Expenditures By Source								
General Revenue	\$8.6	\$9.2	\$9.1	(\$0.1)	-1.1%	\$12.8	\$3.5	38.0%
Federal Funds	2.2	2.8	2.8	(0.0)	-0.9%	1.1	(1.7)	-60.6%
Restricted Receipts	1.9	2.6	2.5	(0.1)	-3.9%	3.2	0.6	21.8%
Total	\$12.7	\$14.6	\$14.4	(\$0.2)	-1.6%	\$17.0	\$2.4	16.3%
Authorized FTE Levels	98.0	98.0	98.0	-	0.0%	104.0	6.0	6.1%

\$ in millions. Totals may vary due to rounding.

The Department of Business Regulation (DBR) implements state laws mandating the regulation and licensing of designated businesses, professions, occupations and other specified activities. The Department is composed of seven programs: Central Management, Banking Regulation, Securities Regulation, Commercial Licensing, Racing and Athletics, Insurance, and Design Professionals. The Office of the Health Insurance Commissioner is within the Insurance Division. Other commissions housed within the Department are the Board of Accountancy, Real Estate Commission, Real Estate Appraisal Board, and the Racing and Athletics Hearing Board.

MAJOR ISSUES AND TRENDS FOR FY2017

DBR is primarily a regulatory agency, with the bulk of funding (88.2 percent) going towards personnel expenses. Of the total budget, 71.9 percent is for salaries and wages, and another 16.2 percent is for contracted professional services.

There is a 38 percent increase to the general revenue budget (\$12.8 million) over the FY2016 Budget as Enacted. The increase is related to the Office of the Health Insurance Commissioners efforts to sustain the work and progress of its health insurance rate review program and its consumer health insurance data centers. The program was initiated with the assistance of two federal grants that are set to expire in FY2016.

The Department is renewing its focus on the collection of retaliatory fees from out-of-state insurance agencies. Through key staff enhancements (fully staffing the Insurance Division's 34.0 FTEs) DBR plans to redirect resources towards enforcement of this program which is anticipated to bring in an additional \$1.1 million in revenues for FY2017.

The Governor proposes to make the Department the licensing and regulatory agency for compassion centers and licensed growers. \$1.4 million of general revenue is dedicated to support the necessary personnel (5.0 FTEs) and operating costs associated with this new charge.

CENTRAL MANAGEMENT

Central Management is composed of the Director's office, budget, regulatory standards, compliance, and enforcement. The specific functions include conducting administrative and rate hearings; providing legal

services to the Director and Deputy Directors; compiling, submitting and monitoring the budgets of the respective divisions; approving vouchers and contracts; and providing management services. The Budget includes 10.0 FTE positions in FY2016 and 9.4 FTE positions in FY2017 for the program, a decrease of 0.6 FTE positions from the FY2016 enacted level.

Central Management	General Revenue
FY2016 Enacted	\$1,326,772
<i>Target and Other Adjustments</i>	<i>(863)</i>
Transformation Initiatives	80,000
FY2017 Governor	\$1,405,909

Transformation Initiatives **\$80,000**

The Budget includes \$80,000 for professional development (\$40,000) and information technology purchases (\$40,000), building on the lean initiatives begun in FY2016. The Department is taking a comprehensive approach towards improving its internal processes, customer service and the skills of its staff. These “transformation initiatives” employ lean business analysis and strong engagement from frontline staff in order to eliminate waste and identify key change priorities. FY2016’s work yielded a number of recommendations including improving customer communications through updated technology such as digital bulletin boards in DBR’s lobby at its Center General locations. This and other IT solutions upgrade designed to increase efficiency are reflected in half of this line item. DBR’s is also investing in upgrading its staff’s skills through targeted professional development based on the specific feedback from both managers and frontline. This training will take place in FY2016 and FY2017.

BANKING REGULATION

Banking Regulation provides regulatory oversight of state-chartered financial institutions, credit unions, Rhode Island bank holdings companies, and licensees through financial examinations and reviews to determine compliance with state banking laws, financial solvency, and safety and soundness operations. The Budget includes 15.0 FTE positions in FY2016 and FY2017 for the program, consistent with the FY2016 Budget as Enacted.

Banking Regulation	General Revenue
FY2016 Enacted	\$1,674,773
<i>Target and Other Adjustments</i>	<i>171,350</i>
FY2017 Governor	\$1,846,123

SECURITIES REGULATION

Securities Regulation is responsible for the registration of certain securities, and the licensing and regulation of broker-dealers, sales representatives, certain investment advisers, and certain investment adviser representatives. The Budget includes 10.0 FTE positions in FY2016 and 9.8 positions in FY2017, a decrease of 0.2 positions from the FY2016 Budget as Enacted.

Securities Regulation	General Revenue
FY2016 Enacted	\$962,697
<i>Target and Other Adjustments</i>	<i>13,703</i>
Personnel	116,353
FY2017 Governor	\$1,092,753

Personnel**\$116,353**

The Budget includes \$116,353 to fully fund 9.8 FTE positions; however, 0.2 FTE positions currently funded through general revenue will be shifted to restricted receipts (Racing and Athletics Reimbursement account). This allocation represents the percentage of time FTEs in this program spend working on Newport Grand and Twin River matters.

INSURANCE REGULATION

Insurance Regulation conducts financial examinations of domestic insurance companies to ensure compliance with state and federal insurance statutes and regulations. The division also issues licenses for insurance companies, producers, adjusters and appraisers, and reviews rate and form filings of the life, accident and health, and property and casualty lines of business for compliance with state statutes and regulations. The division monitors and introduces legislation in order to maintain accreditation by the National Association of Insurance Commissioners.

The Budget includes 37.0 FTE positions in FY2016 and FY2017 for the program, consistent with the FY2016 Budget as Enacted.

Insurance Regulation	General Revenue
FY2016 Enacted	\$3,885,752
<i>Target and Other Adjustments</i>	24,725
Personnel	96,742
Retaliatory Collections	Informational
FY2017 Governor	\$4,007,219

Personnel**\$96,742**

The Budget includes a net increase of \$96,742 in salary and benefits, primarily to fund additional positions within the Insurance Regulation program and partially offset this through statewide benefits changes. The increase is meant to provide a full complement of staff to assist in the Governor's enforcement program to assess retaliatory fees on foreign insurers.

Retaliatory Collections**Informational**

The Budget includes \$1.1 million in additional revenue collections resulting from the Department's initiative to enforce collection of retaliatory fees from out-of-state insurance agencies. Retaliatory fees are established in state statutes throughout the country and were put in place to discourage states from charging exorbitant taxes and fees to insurance companies outside their state. For example, Rhode Island charges a tax of 2.0 percent on its domiciled insurers (business headquarter in-state); however, if Rhode Island's insurers are charged a higher tax when operating in another state, then Rhode Island will charge the higher tax to insurers from that state who wish to do business in the state.

Of the 1,400 insurance companies licensed in Rhode Island, only 30 are domiciled here. Currently, companies voluntarily report retaliatory taxes, fees, and assessments. The Department states that staffing issues have impeded DBR's ability to fully examine regulatory fees and assessments imposed by other states. The Budget fully staffs the 34.0 FTE positions to enforce this initiative.

The estimate of \$1.1 million is based on assessments readily available to the DBR from the State Retaliatory Guide, published by the National Association of Insurance Commissioners, and reports of insurance premiums written that had been previously compiled.

BOARD OF ACCOUNTANCY

The Board of Accountancy is an autonomous board that is responsible for the licensing of certified public accountants, public accountants, partnerships, corporations, and sole proprietorships. It processes

applications and fees, and issues initial certificates and permits to regulated businesses, occupations and professions. The Board of Accountancy is 100.0 percent financed with general revenues. The FY2015 Budget as Enacted eliminated the sole Administrative Aide position for the program. Administrative responsibilities are assigned to other staff as needed. The remaining funds in the program support operating costs, such as national Certified Public Accountant (CPA) Society dues, legal expenses, and printing and mailings.

Board of Accountancy	General Revenue
FY2016 Enacted	\$16,654
<i>Target and Other Adjustments</i>	<i>(3,769)</i>
Legal Services	(6,885)
FY2017 Governor	\$6,000
Legal Services	(\$6,885)

The Budget decreases \$6,885 for a reduction in contracted legal services. These services will now be performed in-house by current DBR staff.

COMMERCIAL LICENSING, RACING AND ATHLETICS

Commercial Licensing, Racing and Athletics licenses and regulates various occupations, businesses, and professions, including simulcast wagering at the Twin River and Newport Grand facilities, real estate agents, brokers and appraisers, auto body and salvage re-builder shops, auto wrecking and salvage yards, glass installation, and breweries. The Division provides application and licensing information to the general public and investigates complaints in all areas of licensing.

The Budget includes 12.0 FTE positions in FY2016 and 17.8 positions in FY2017, an increase of 5.8 positions from the FY2015 Budget as Enacted.

Commercial Licensing, Racing & Athletics	General Revenue
FY2016 Enacted	\$561,821
<i>Target and Other Adjustments</i>	<i>176,386</i>
Medical Marijuana Regulatory Changes	1,200,000
FY2017 Governor	\$1,938,207
Medical Marijuana Regulatory Changes	\$1.2 million

The Governor's proposal establishes the Department of Business Regulation (DBR) as the licensing agency of compassion centers, compassion center staff, cultivators, and caregivers, selling plant tags and maintaining a tag database; however, the Department of Health will continue to have licensing authority over patients and authorized purchasers. The Governor includes \$1.4 million (\$1.6 million all funds) within the DBR to support the necessary personnel costs (\$481,836 restricted receipts) and software to set up the tracking system (\$1.2 million general revenue). The Budget includes 5.0 FTEs to support the program: 2.0 Chief Public Inspection Officers, 1.0 Licensing Aide, 1.0 Chief of Inspections, and 1.0 Senior Legal Counsel.

BOARDS FOR DESIGN PROFESSIONALS

The Boards for Design Professionals is a consolidated program consisting of 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 of Architects. Each Board is responsible for examining and registering qualified candidates; issuing license renewals; proctoring exams; maintaining records of all applicants and licensees; implementing rules and regulations; and, hearing and acting upon complaints.

The Budget includes 2.0 FTE positions in FY2016 and FY2017 for the program, consistent with the FY2016 Budget as Enacted.

Boards for Design Professionals	General Revenue
FY2016 Enacted	\$273,009
<i>Target and Other Adjustments</i>	<i>71</i>
FY2017 Governor	\$273,080

OFFICE OF THE HEALTH INSURANCE COMMISSIONER

The Office of the Health Insurance Commissioner (OHIC) was established by legislation in 2004 to broaden the accountability of health insurers operating in the State of Rhode Island. Through FY2011, this sub-program was contained in the Insurance Regulation program; however it became a stand-alone program in the FY2012 Budget as Enacted.

The Health Insurance Commissioner is appointed by the Governor with the advice and consent of the Senate. OHIC regulates health insurers and hospital/medical service corporations, including company licensure, form and rate filing for regulatory compliance and financial and market condition examinations. The Office is also engaged in policy and legislative development, rate hearing administration, regulatory development and promulgation, consumer affairs, and provider affairs.

The Budget includes 13.0 FTE positions in both FY2016 and FY2017 for the Office, consistent with the FY2016 Budget as Enacted.

Office of Health Insurance Commissioner	General Revenue
FY2016 Enacted	\$535,017
<i>Target and Other Adjustments</i>	<i>35,170</i>
Personnel	1,046,176
Contract Services	565,000
FY2017 Governor	\$2,181,363

Personnel **\$1.0 million**

The Budget includes an increase of \$1.0 million to fund 9.0 FTE positions which were previously financed through federal Rate Review grants which are set to expire September 30, 2016. The activities funded by Rate Review grants are intended to establish an effective health insurance rate review program and to develop data centers that provide pricing data to consumers. This amount represents 75.0 percent of the costs for these positions for one fiscal year based on the expiration date of the grants.

Contract Services **\$565,000**

The Budget includes an increase of \$565,000 to fund contract services which were previously financed through federal rate review grants:

- **Consumer Assistance and Grievance Management Vendor (\$400,000):** Rhode Island Insurance Resource, Education, and Assistance Consumer Helpline (RIREACH), administered by the Rhode Island Parent Information Network (RIPIN), operates a live-answer consumer advocacy hotline to provide assistance and education in obtaining, using, and understanding health coverage. 7.0 full time staff support the program.
- **Technical Advisory Vendor (\$75,000):** A technical advisory vendor is included to provide ongoing technical assistance and subject matter expertise for the continued design, development, and implementation of OHIC's Affordability Standards. The OHIC adopted Affordability Standards as a set of policy standards which "align Rhode Island commercial insurance targets with use of innovative payment models in health care that focus on payment for quality, rather than volume."

- **Communications Manager (\$75,000):** The Communications Manager is responsible for engaging and educating stakeholders in the health insurance premium rate review process. For the purposes of this engagement, the primary stakeholders are employers with a secondary focus on other consumers of health insurance.
- **CMS Data Preparation Fees (\$15,000):** These processing and service fees are paid to the Centers for Medicaid and Medicare Services (CMS) for data received directly from the federal agency for the Rhode Island All-Payer Claims Database.

Department of Labor and Training

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$0.7	\$2.2	\$3.6	\$1.4	63.0%	\$2.6	\$0.3	14.2%
Income Support	386.7	399.2	377.6	(21.5)	-5.4%	368.3	(30.8)	-7.7%
Injured Workers Services	8.1	8.5	8.7	0.2	2.6%	8.7	0.2	1.9%
Labor Relations Board	0.4	0.4	0.4	0.0	2.7%	0.4	0.0	3.3%
Workforce Development Services	30.5	30.5	56.1	25.6	83.8%	39.2	8.7	28.5%
Workforce Regulation and Safety	2.8	2.9	2.9	0.0	0.6%	2.9	0.0	0.3%
Total	\$429.2	\$443.7	\$449.4	\$5.7	1.3%	\$422.1	(\$21.7)	-4.9%
Expenditures By Source								
General Revenue	\$8.6	\$8.3	\$8.5	\$0.1	1.8%	\$10.3	\$2.0	24.0%
Federal Funds	35.9	38.2	56.7	18.5	48.5%	38.5	0.4	0.9%
Restricted Receipts	35.2	21.5	39.3	17.8	82.8%	23.9	2.4	11.1%
Other Funds	349.6	375.7	345.0	(30.8)	-8.2%	349.4	(26.4)	-7.0%
Total	\$429.2	\$443.7	\$449.4	\$5.7	1.3%	\$422.1	(\$21.7)	-4.9%
Authorized FTE Levels	410.0	410.0	416.5	6.5	1.6%	416.5	6.5	1.6%

\$ in millions. Totals may vary due to rounding.

The Department of Labor and Training is charged with providing an array of employment and training services to Rhode Islanders and administering the laws pertaining to workforce regulation, safety and labor law enforcement. The Department consists of six divisions: Central Management, Workforce Development Services, Workforce Regulation and Safety, Income Support, Injured Workers Services, and the Labor Relations Board.

MAJOR ISSUES AND TRENDS FOR FY2017

The Governor recommends passage of Article 16 outlining various tax and benefit proposals to the Unemployment Insurance (UI) and Temporary Disability Insurance (TDI) programs that provide employers with tax relief earlier than under current law. The proposed legislation changes the reserve ratios used to calculate the UI tax rate on employers for the following calendar year. The changes are projected to reduce the UI cost on employers by \$30.0 million a year beginning in calendar year 2017. The savings are projected to increase to \$40.0 million a year starting in calendar year 2019. Projections indicate that employers could see cumulative UI tax reductions of up to \$169.0 million through 2025 when compared to the current system's reserve requirements.

Other proposed changes in the Article include:

- Establishing a TDI Fraud and Program Integrity Task Force to educate the State's workforce about TDI and to reduce fraud.
- Reducing the time allowable for an employee to file a TDI claim from 1 year to 90 days.

The Governor includes \$2.0 million in general revenue to fund a new TechHire Initiative with the Department, working in a collaborative effort to respond to industry demand by working with various curriculum and training providers including the University of Rhode Island, Community College of Rhode Island, Flatiron, and Coursera to deliver short-term training programs in Information Technology.

The Governor funds the second year of the Real Jobs Rhode Island workforce training initiative. Real Jobs RI partnerships are employer-led industry collaborative designed to train Rhode Islanders to meet employer workforce demand. This program is based upon a similar program in the State of Maryland and expands sector-based strategies. In the first year, the program used unallocated Job Development Fund resources and federal funding to identify 26 statewide partnerships that will position these employer-led

groups as the drivers of workforce training. In addition to federal funding resources, the Governor dedicates \$3.2 million in restricted receipts from the Jobs Development Fund in FY2017 by shifting funds from other programs. Goals set for the upcoming fiscal year include working with the 26 partnerships and an estimated 187 employers to train 1,200 Rhode Islanders for vacant positions with a new employer or more advanced positions within their existing company.

The State is collaborating with Maine and Mississippi to develop a new Unemployment Insurance computer system, the "Unemployment Insurance Modernization Project." The Department began testing the first pieces (Initial Claims filing) of the benefits system, with the Department planning to go live with the new benefits system in March 2017 and with the tax system in September 2017. All of the costs have been covered by UI funding provided by United States Department of Labor, therefore, no state financing is required.

Since 2009, the General Assembly has monitored the timeliness of the Department's processing of claimant queries and unemployment insurance benefits. On January 20, 2009, the Department had in excess of 10,000 internet filed claims, 1,800 individuals awaiting a return telephone call, almost 1,700 emails requiring a response to individuals requesting assistance or information, and an average telephone wait time exceeding 75 minutes. As of March 16, 2016, the Department had 38 pending internet filed claims, 23 emails requiring a response to individuals requesting assistance or information, and an average telephone wait time of 13 minutes.

The Governor recommends 416.5 FTE positions in FY2016 and FY2017, reflecting an increase of 6.5 FTE positions from the FY2016 Budget as Enacted. The Governor adds FTE positions to bolster monitoring and workforce development initiatives at the Department. This includes 3.0 FTE positions for the Misclassification Task Force, 3.0 FTE positions for grant monitoring and evaluation, 1.0 FTE position for the State Workforce and Education Alignment project, and an offset of a 0.5 FTE position due to a retirement.

CENTRAL MANAGEMENT

The Central Management program is responsible for supervising, coordinating, and monitoring all departmental functions. The Central Management program provides leadership, management, strategic planning, and control of departmental activities. The Governor recommends 4.2 FTE positions in FY2016 and FY2017, consistent with the enacted level.

Central Management	General Revenue
FY2016 Enacted	\$110,537
<hr/>	
<i>Target and Other Adjustments</i>	<i>9,597</i>
FY2017 Governor	\$120,134

INCOME SUPPORT

The Income Support program encompasses all functions and activities related to Unemployment Insurance, Temporary Disability Insurance (TDI), and the Police and Firefighters' Relief Funds. The Governor recommends 197.0 FTE positions in FY2016 and 207.0 FTE positions in FY2017. The fluctuation in FTE levels is solely due to changes in interdepartmental cost allocations.

Income Support	General Revenue
FY2016 Enacted	\$4,194,431
<i>Target and Other Adjustments</i>	
	53,186
Police and Firefighters' Relief Fund	(87,534)
FY2017 Governor	\$4,160,083

Income Support	Other Fund Changes
Employment Security Trust Funds - Assistance and Grants	(\$27,300,319)
Article 16 - Making it Easier to do Business	Informational
Unemployment Insurance Benefit Statistics	Informational

Police and Firefighters' Relief Fund **(\$87,534)**

The Governor recommends a decrease of \$87,534 in general revenue for Police and Firefighters' annuity and tuition benefits, reflecting a decline in the need of services. This reflects an increase of \$1,305 in tuition benefits paid to the families of deceased or injured police officers and firefighters, and a decrease of \$88,839 in annuity benefit payments.

	FY2016	FY2017	
Police Officers' Relief Fund	Enacted	Enacted	Change
Police Officer Annuities	\$869,004	\$823,833	(\$45,171)
Tuition Benefits	240,978	198,347	(42,631)
Supplemental Pension	-	-	-
Total	\$1,109,982	\$1,022,180	(\$87,802)
Firefighters' Relief Fund			
Firefighter Annuities	\$2,619,738	\$2,576,070	(\$43,668)
Tuition Benefits	405,408	449,344	43,936
Supplemental Pension	-	-	-
Total	\$3,025,146	\$3,025,414	\$268
Grand Total	\$4,135,128	\$4,047,594	(\$87,534)

Under RIGL 45-19, the spouse of a deceased police officer or firefighter receives an annual annuity of \$3,600 per year for as long as they remain unmarried, or if there is no spouse a total sum not exceeding \$10,000 is payable to the parent(s) of the deceased police officer or firefighter. In addition, an annuity of \$1,200 per year is paid to each child of a deceased firefighter or police officer who is under the age of 18. Also under current law, children of deceased firefighters or police officers are eligible to receive up to four years of free tuition at the University of Rhode Island, Rhode Island College, or the Community College of Rhode Island. This tuition benefit is also available to any firefighter or police officer that is permanently disabled in the line of duty.

Employment Security Trust Fund – Assistance and Grants (federal and other funds) **(\$27.3 million)**

The Governor includes \$156.3 million for unemployment insurance (UI) benefit payments, reflecting a \$17.7 million decrease in net expenditures from the Employment Security Trust Fund as compared to the FY2016 Budget as Enacted. The decrease in unemployment insurance (UI) benefit payments is primarily due to the expiration of federal funding for emergency unemployment compensation benefits and lower benefit payments as projected by the Department's Labor Market Information office.

The Governor includes \$177.5 million for Temporary Disability Insurance (TDI) benefit payments, a net decrease of \$7.5 million, reflecting a decrease of \$500,000 for TDI Caregiver benefits and a decrease of \$7.0 million for TDI Benefit payments.

The Governor recommends a \$2.1 million reduction in federal funds expenditures from the Employment Security Trust Fund as compared to the FY2016 Budget as Enacted, reflecting a reduction of \$1.5 million for short-time compensation and a \$600,000 reduction for Trade Readjustment Act benefit payments.

Making it Easier to do Business in Rhode Island (Article 16)

Informational

Rhode Island currently has an Unemployment Insurance Tax Rate system consisting of nine tax schedules (A thru I), each of which contains twenty-five tax rate groups. The tax schedule in effect each year depends on the reserve ratio of the fund as of September 30th of the prior year. The reserve ratio is determined by dividing the UI trust fund balance on September 30th by total wages paid to Rhode Island workers during the year. The State has been on the tax Schedule I (the highest) since 1992. Individual employer tax rates are determined by each employer's own level of reserves which indicates which tax rate in the applicable tax schedule applies to them.

Based on the State's experience over the last 20 years, the U.S. Department of Labor recommends that Rhode Island's UI system's financing goal should be a minimum reserve ratio of 3.0 percent prior to the beginning of the next recession. This represents approximately one year's worth of benefits at the average benefit payout over the highest three years out of the last 20. However, according to the Department of Labor and Training, because the State enacted significant benefit cuts in 2011 that have reduced benefit costs by approximately 23.0 percent per year, the Department believes it is appropriate to adjust the minimum recommended reserve ratio by this same factor which would result in a new minimum reserve ratio goal of 2.3 percent prior to the beginning of the next recession.

Under the current reserve ratios, the Department projects that the State will remain on tax Schedule I through 2020, dropping to tax Schedule H in 2021, and to tax Schedule G in 2022. Each drop in a tax Schedule reduces employer taxes by approximately \$20.0 million per year. The State would accumulate significant reserves (a projected \$821.0 million by 2025) with a reserve ratio of 3.25 percent which is safely above the minimum 2.3 percent recommended reserve ratio.

Unemployment Insurance Benefit Statistics

Informational

Rhode Island currently ranks among the top 20 highest UI benefits paid nationally, and has the third highest average UI benefits paid in New England.

12 Months Ending 3rd Quarter 2015				12 Months Ending 3rd Quarter 2015			
Average UI Benefits Paid				Average Weekly UI Benefits Paid			
State	Amount	New England	National	State	Amount	New England	National
Massachusetts	\$7,949	1	1	Massachusetts	\$446.86	1	2
Connecticut	5,780	2	7	Connecticut	353.55	2	16
Rhode Island	4,953	3	22	Rhode Island	332.59	3	23
Vermont	3,948	4	35	Vermont	327.36	4	24
Maine	3,915	5	36	New Hampshire	298.98	5	32
New Hampshire	3,884	6	37	Maine	296.98	6	29

Source: US Dept. of Labor/UI Data Summary

Source: US Dept. of Labor/UI Data Summary

As of January 1, 2016 Maximum Weekly UI Benefit				As of January 1, 2016 Maximum Weekly UI Benefit with Dependents Allowance			
State	Amount	New England	National	State	Rate	New England	National
Massachusetts	\$722	1	1	Massachusetts	\$1,083	1	1
Connecticut	598	2	5	Rhode Island	707	2	2
Rhode Island	566	3	8	Connecticut	673	3	3
Vermont	446	4	20	Maine	595	4	9
New Hampshire	427	5	25	Vermont*	446	5	26
Maine	397	6	33	New Hampshire*	427	6	29

Source: US Dept. of Labor

* No dependent's benefit provision
Source: US Dept. of Labor

INJURED WORKERS SERVICES

The Injured Workers Services program operates the State's Workers' Compensation System. The Donley Rehabilitation Center provides evaluations, therapy, and counseling for workers injured on the job. A Workers' Compensation Education Unit provides information to workers and employers regarding workers' compensation laws and regulations. The Governor recommends 49.1 FTE positions in FY2016 and 41.9 FTE positions in FY2017, reflecting an increase of 1.5 FTE positions for the Misclassification Task Force to bolster monitoring and workforce development initiatives at the Department offset by a decrease of 0.5 FTE position due to a change in cost allocation between programs in the Department.

Injured Worker Services	Other Fund Changes
Personnel	\$157,153

Personnel (restricted receipts) \$157,153

The Governor recommends a net increase of \$157,153 in restricted receipts for personnel costs. The major increase occurs with the staff at the Donley Rehabilitation Center, reflecting no anticipated turnover in FY2017 plus increased benefit costs at the Center. The Donley Center funding is derived solely from a portion of the proceeds derived from the annual 6.50 percent assessment on each insurer or self-insurer that issues policies for workers' compensation insurance.

In addition, increased personnel expenses occurred in the Police and Firemen's Relief Program due to the FTE position assigned to administer the benefits. The Department allocation increased the FTE allocation from 0.6 FTE position to 1.0 FTE position after realizing it took a full time person to administer the program.

LABOR RELATIONS BOARD

The Labor Relations Board is a semi-autonomous body that makes public sector bargaining unit determinations, oversees collective bargaining elections, and investigates charges of unfair labor practices. The Board is comprised of seven members, one of which is designated as the chairperson. The board members are compensated, but do not participate in the State Retirement System and are not considered State employees. The Governor recommends 2.0 FTE positions in FY2016 and FY2017, consistent with the enacted level. The two positions provide staff support to the Board.

Labor Relations Board	General Revenue
FY2016 Enacted	\$389,651
<i>Target and Other Adjustments</i>	<i>12,840</i>
FY2017 Governor	\$402,491

WORKFORCE DEVELOPMENT SERVICES

The Workforce Development Services program consists of employment and training programs designed to assist individuals in gaining and maintaining employment. It also includes the Governor's Workforce Board (formerly the Human Resource Investment Council). Its mission is to establish goals, policies, and guidelines to coordinate employment and training related programs.

The Governor recommends 144.5 FTE positions in FY2016 and 134.5 FTE positions in FY2017, reflecting a net decrease of 10.0 FTE positions due to a change in cost allocation between programs in the Department.

Workforce Development Services	General Revenue
FY2016 Enacted	\$704,517
<i>Target and Other Adjustments</i>	-
TechHire Initiative	2,000,000
Statewide Work Immersion	Informational
FY2017 Governor	\$2,704,517
Workforce Development Services	Other Fund Changes
Workforce Assistance Grants	4,076,483
Governor's Workforce Board	1,639,000

TechHire Initiative **\$2.0 million**

The Governor includes \$2.0 million for the TechHire Initiative, a federal initiative to increase technical employment opportunities through accelerated training programs and innovative job placement programs. As part of the selection process for the TechHire initiative, Rhode Island has assembled 18 employers, including CVS, Citizens Bank, Fidelity, and Innovex, to recruit over 2,000 candidates from fast-track tech training programs by 2018.

The Rhode Island Department of Labor and Training, (DLT) Commerce RI, and Opportunity@Work are working with Tech Collective to develop Rhode Island's information technology (IT) workforce pipeline and train individuals through boot camp-style IT training programs, with a focus on low-income community members.

According to the Department, the details of the initiative are still in the works, but the concept is that DLT, working with entities such as Opportunity@Work, LaunchCode, and Tech Collective, will work together to respond to industry demand by working with various curriculum and training providers including EdX, URI, CCRI, Flatiron and Coursera to deliver short-term training programs in Information Technology.

The Department projects that over 400 out-of-school youth and young adults with barriers to training and employment opportunities would receive demand-driven, short-term training through this grant to ultimately achieve employment.

Workforce Assistance Grants (federal funds) **\$4.1 million**

The Governor increases federal funds by \$4.1 million for assistance and grants in the Workforce Development Services program, reflecting multiple changes across many of the federally funded training programs including:

- An increase of \$3.8 million in Workforce Innovation and Opportunities Act program, which is a federal act that provides workforce investment activities, through statewide and local workforce investment systems, to provide a variety of employment and training programs to prepare youth, unskilled adults, and dislocated workers for entry or re-entry into the labor force. It offers vocational planning, job search workshops, work readiness training, classroom training, and on-the-job training

opportunities. According to the Department, the additional funds reflect an increase in the grant award and a carry-forward of permitted and obligated funds from FY2016.

- A decrease of \$346,032 for the Trade Readjustment Act program. The Trade Adjustment Assistance (TAA) Program is a federal program established under the Trade Act of 1974 that provides aid to workers who lose their jobs or whose hours of work and wages are reduced as a result of increased imports. The program offers a variety of benefits and reemployment services to help unemployed workers prepare for and obtain suitable employment. Workers may be eligible for training, job search and relocation allowances, income support, and other reemployment services. According to the Department, the reduction in Trade Readjustment Act funds is a result of fewer companies being certified trade eligible which also reduces the number of participants in the Trade program. The Department will continue to provide services as needed.
- A decrease of \$140,067 for the Workforce Innovation Fund program. The Workforce Innovation Fund (Act) is a 2012 federal grant program from which the State received \$2.8 million to support employment and training services. The Governor does not include funding for the program in FY2017. According to the Department, the FY2016 funds represented the final disbursement of funds from the federal grant.
- An increase of \$22,515 for various other federally funded workforce programs.

Governor's Workforce Board (restricted receipts)

\$1.6 million

The Governor increases the Governor's Workforce Board by \$1.6 million, reflecting projected increases on the amount of workforce training awards the Board will issue in FY2017. The Board administers multiple grant programs for employers to conduct skills training, to make businesses more efficient or competitive, or to assist a company to expand services.

Statewide Work Immersion

Informational

The Governor provides \$704,517 in general revenue, level funding the Statewide Work Immersion program in FY2017. The Workforce Development Initiative was established in the FY2014 Budget as Enacted to establish a Statewide Work Immersion program and a Non-trade Apprenticeship program, to be administered by the Governor's Workforce Board.

The Statewide Work Immersion program provides a 50.0 percent wage subsidy to a business that provides a paid work experience (i.e., internship) of up to 400 hours to an unemployed adult, college student, or Career & Tech high school student. An additional 25.0 percent is paid if the participant is permanently hired. The Statewide Work Immersion program is funded by general revenue and Job Development Funds. As of March 2016, 284 individuals and 140 companies the participating in this program.

Statewide Work Immersion Program	Number of Participants	Permanently Hired	Average Hourly Wage	Number of Companies	Contract Totals
College Students - FY2015	418	45	\$15.38	114	\$890,495
Unemployed - FY2015	308	115	12.56	102	657,563
Total FY2015	726	160		216	\$1,548,058
College Students - FY2016	171	3	*	72	\$345,301
Unemployed - FY2016	113	24	13.20	68	283,022
Total FY2016	284	27		140	\$628,323

Source: Department of Labor and Training

* Information not yet reported

To date the Department has made no expenditures on the Non-Trade Apprenticeship Program during FY2016.

WORKFORCE REGULATION AND SAFETY

The Workforce Regulation and Safety Program enforces laws relating to professional regulation, labor standards, occupational health and safety, and certification of weights and measures. The Governor recommends 26.9 FTE positions in FY2016 and in FY2017 (an increase of 4.1 FTE positions from FY2016). The Governor adds 1.5 FTE positions for the Misclassification Task Force to bolster monitoring and workforce development initiatives at the Department. The remaining FTE position change reflects intradepartmental FTE cost allocations adjustments between programs.

Workforce Regulation and Safety	General Revenue
FY2016 Enacted	\$2,925,633
<i>Target and Other Adjustments</i>	<i>9,921</i>
FY2017 Governor	\$2,935,554

CAPITAL PROJECTS

The Governor recommends a total of \$7.7 million in capital projects between FY2016 and FY2020, \$6.7 million of which is funded with RICAP funds. The projects include:

- \$2.1 million (\$1.2 million in RICAP funds) in FY2015 to complete the replacement of slate roofs on buildings 68, 69, and 71, housing both the Department of Labor and Training and the Department of Business Regulation.
- \$5.5 million in RICAP funds for the Center General Asset Protection plan to address deficiencies throughout the buildings housing both the Department of Labor and Training and the Department of Business Regulation. The Governor recommends a “lump sum” appropriation for each year, allowing the Department to prioritize the capital expenditures without designating funds to a specific project.

Department of Revenue

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Director of Revenue	\$1.1	\$1.1	\$0.8	(\$0.4)	-31.2%	\$1.1	\$0.0	0.2%
Lottery Division	334.7	303.9	356.5	52.6	17.3%	382.3	78.4	25.8%
Municipal Finance	2.4	2.2	2.5	0.3	12.6%	2.4	0.2	9.3%
Office of Revenue Analysis	0.5	0.6	0.6	(0.0)	-3.7%	0.8	0.2	40.4%
Registry of Motor Vehicles	20.3	24.5	26.8	2.4	9.7%	28.6	4.1	16.8%
State Aid	67.1	68.2	68.3	0.1	0.2%	63.8	(4.3)	-6.3%
Taxation	23.0	22.8	22.8	0.0	0.0%	23.6	0.8	3.3%
Total	\$449.0	\$423.2	\$478.2	\$55.0	13.0%	\$502.6	\$79.4	18.8%
Expenditures By Source								
General Revenue	\$107.0	\$113.2	\$110.6	(\$2.6)	-2.3%	\$111.2	(\$2.0)	-1.7%
Federal Funds	4.3	1.3	5.3	4.0	302.1%	2.1	0.8	63.1%
Restricted Receipts	1.7	3.9	4.9	1.0	26.7%	5.9	2.1	52.7%
Other Funds	336.0	304.8	357.4	52.6	17.3%	383.3	78.5	25.7%
Total	\$449.0	\$423.2	\$478.2	\$55.0	13.0%	\$502.6	\$79.4	18.8%
Authorized FTE Levels	505.0	514.5	514.5	-	0.0%	523.5	9.0	1.7%

\$ in millions. Totals may vary due to rounding.

The Department of Revenue (DOR) was created as a separate department within the Executive branch of government as part of the FY2007 Budget as Enacted. The Department is headed by a Director who is appointed by the Governor subject to the advice and consent of the Senate. The Department has seven program functions consisting of the Director's Office, the Lottery Division, Municipal Finance (formerly property valuation), the Office of Revenue Analysis, the Registry of Motor Vehicles, the Division of Taxation, and the State Aid program.

MAJOR ISSUES AND TRENDS FOR FY2017

General revenue is largely level-funded for the Department's FY2017 Budget, decreasing by \$2.0 million to \$111.2 million, or 1.7 percent. An increase of \$77.7 million in other funds is based on the revised November 2015 Revenue Estimating Conference estimates of lottery receipts and awards.

Article 19 delays the license plate reissuance from July 1, 2016, until April 1, 2017, to allow the Governor's administration time to develop a new plate which meets public safety requirements and incorporates the statewide marketing campaign into the design of the new plates. The Budget includes \$3.0 million in general revenue for FY2017 startup costs (shifted from FY2016) to begin issuing the new license plates.

Within the Division of Motor Vehicles (DMV), the Budget includes \$99,973 in pilot funding for weekend hours at the Woonsocket and Middletown DMV branches. These extended hours would occur on Saturday mornings from 8:30 am to 12:30 pm. Costs include salary and benefits for 3.0 Customer Service Representatives, 1.0 Supervisor, and 1.0 Capitol Police Officer for security. The Budget does not include any additional operating costs (for example: lease, alarm, supplies, and computer equipment) as most of those costs are fixed.

The Budget includes a \$120,000 increase in general revenue to fund software development for the Municipal Transparency Portal. The Transparency Portal, established in Article 15, is a software program that will be maintained and monitored by the Division of Municipal Finance. Municipalities will be required to submit "budget-to-actual financial information" three times per year, including a data report for the municipality's general fund.

An increase of \$376,384 in general revenue funds 6.0 new FTE positions to support the Division of Taxation's expanded tax collection enforcement activities. The positions, 2.0 FTE Revenue Agents, 3.0 Revenue Officers, and 1.0 Revenue Policy Analyst, will implement the Nexus Program and Transfer Pricing Audit projects, which are projected to increase net revenues by \$10.6 million.

DIRECTOR OF REVENUE

The Office of the Director is responsible for the administration of the Department. Functions include personnel management and legal support for the Department of Revenue. The Budget includes 8.3 FTE positions in FY2016 and FY2017, consistent with the FY2016 Budget as Enacted.

Director of Revenue	General Revenue
FY2016 Enacted	\$1,144,238
<i>Target and Other Adjustments</i>	<i>2,809</i>
FY2017 Governor	\$1,147,047

LOTTERY DIVISION

The Rhode Island Lottery was created in 1974 and was transferred into the Department of Revenue in 2006. The Lottery is responsible for promoting and selling games, including Daily Numbers, Keno, and instant games (scratch tickets), multi-state pool games (PowerBall, MegaMillions), and Lucky 4 Life regional game, and the authorization and licensing of video lottery terminals (VLTs) at Twin River and Newport Grand. No general revenues support the Division: it is entirely funded with other funds derived from Lottery sales.

The Budget includes 84.0 FTE positions in FY2016 and FY2017, consistent with the FY2016 Budget as Enacted.

Lottery Division	Other Fund Changes
FY2016 Enacted	\$303,850,780
<i>Target and Other Adjustments</i>	<i>7,384</i>
Commissions and Prize Payments	77,705,022
Personnel & Contract Services	708,684
FY2017 Governor	\$382,271,870

Commissions and Prize Payments (other funds)

\$77.7 million

The net increase of \$77.7 million in Commissions and Prize Payments is based on the November 2015 Revenue Estimating Conference (REC) estimates of video lottery terminal (VLT) net terminal income. Commissions and prize payments increase by \$57.5 million from VLT play, and by \$20.2 million from net table game revenue (NTGR). NTGR is deposited in the State lottery fund for administrative purposes with commissions distributed to Twin River and the balance being remitted to the General Fund. Of this increase, \$76.1 million is related to lottery payments, \$1.3 million for advertising, and the balance (\$305,022) funds program supplies.

Impact from Massachusetts gaming facilities are incorporated into the estimates beginning in FY2016 as the slot parlor in Plainville began operations in June 2015.

Personnel (other funds)

\$708,864

The Budget includes \$708,684 for personnel and contract expenses. The Budget fully funds the authorized 84.0 FTE positions in the program, increasing \$528,090 over the enacted level from filling vacant positions. The Budget also includes \$180,594 for contract expenses for financial and temporary services.

DIVISION OF MUNICIPAL FINANCE

The Division of Municipal Finance assists municipalities by providing data analysis, technical assistance, and training on financial reporting, tax levy, and property valuation issues. The Division calculates the equalized property valuation information and state aid distributions. The Motor Vehicle Value Commission is staffed by the Division and sets vehicle values that are subject to the motor vehicle excise tax.

The Division played a pivotal role in managing the Receivership of the City of Central Falls, and an increasing number of communities are requiring state assistance to navigate fiscal challenges. In FY2016 the Division began overseeing a state-appointed administrative fiscal advisor who splits time between the communities of East Providence and Woonsocket. Under the Fiscal Stability Act, the State is required to reimburse these municipalities 50.0 percent of cost of the advisor. It is expected that this oversight will continue throughout FY2017.

The Budget includes 17.0 FTE positions in FY2016 and 18.0 FTE positions in FY2017, an increase of 1.0 FTE position over the enacted level.

Municipal Finance	General Revenue
FY2016 Enacted	\$2,186,998
<i>Target and Other Adjustments</i>	<i>2,547</i>
Municipal Transparency Portal	120,000
Personnel	81,639
FY2017 Governor	\$2,391,184

Municipal Transparency Portal **\$120,000**

The Budget includes a \$120,000 increase in general revenue to fund software development for the Municipal Transparency Portal. The Transparency Portal, established in Article 15, is software program which will be maintained and monitored by the Division of Municipal Finance. Municipalities will be required to submit “budget-to-actual financial information” three times per year (on or before the twenty-fifth day succeeding the last day of the sixth, ninth, and twelfth month of each fiscal year), replacing the currently required quarterly reports. Information must include a data report for the municipality’s general fund. Additionally, each municipal budget survey and five-year forecast will be posted on the Transparency Portal.

Personnel **\$81,639**

The Budget includes \$81,639 for salary and benefits for a new 1.0 FTE programming services officer. This position will be responsible for the implementation and maintenance of the Transparency Portal.

OFFICE OF REVENUE ANALYSIS

The Office of Revenue Analysis (ORA) analyzes the State’s tax systems and revenue streams. The Office prepares the biennial Tax Expenditures Report, cost-benefit analyses of tax proposals, and fiscal notes for revenue-related legislation. The Office houses and is the primary operator of the State’s sales tax and personal income tax models. The Budget includes 4.0 FTE positions in FY2016 and 6.0 FTE positions in FY2017 for the program, an increase of 2.0 FTE positions of the enacted level.

Office of Revenue Analysis	General Revenue
FY2016 Enacted	\$574,490
<i>Target and Other Adjustments</i>	<i>(59)</i>
Revenue Policy Analysts	204,905
Sales Tax Simulation Model	27,500
FY2017 Governor	\$806,836

Revenue Policy Analysts **\$204,905**

The Budget includes \$204,905 to hire 1.0 new Revenue Policy Analyst and 1.0 Senior Economic and Policy Analyst to assist in performing statutory reporting obligations and analyzing economic development projects. The additional positions will assist ORA in meeting statutorily required reporting obligations and be responsible for utilizing the ORA's economic and forecasting software modeling tool. This model incorporates input-output analysis and economic geography to analyze the economic impact of various policy changes and development projects.

Sales and Use Tax Simulation Model **\$27,500**

The Governor recommends \$27,500 for a biennial update of the Sales and Use Tax Simulation Model, which is used to forecast the impact of tax policy changes.

DIVISION OF MOTOR VEHICLES

The Division of Motor Vehicles (DMV) is responsible for issuing, suspending and revoking of all motor vehicle licenses and registrations and for the motor vehicle inspection program. The Division operates a main branch in Cranston, and satellite branches in Middletown, Wakefield, Warren, Westerly, and Woonsocket. Additionally, AAA offers some license and registration DMV services at select branch locations. The Budget includes 179.0 FTE positions in FY2016 and FY2017 for the program, an increase of 6.5 FTE positions from the FY2016 Budget as Enacted.

Division of Motor Vehicles	General Revenue
FY2016 Enacted	\$22,323,244
<i>Target and Other Adjustments</i>	
Personnel	(17,900)
Operating Expenses	624,240
Extended Service Hours	639,013
License Plate Reissuance	99,793
Rhode Island Motor Vehicle System (RIMS)	Informational
FY2017 Governor	\$23,668,390

Personnel **\$624,240**

The Budget includes \$624,240 for personnel costs, including step and cost-of-living increases and statewide adjustments.

Operating Expenses **\$639,013**

The Budget includes \$639,013 for increased operating expenses, including RIMS maintenance and stock plates, ID cards, and licenses for the planned license plate reissuance.

Extended Service Hours **\$99,973**

The Budget includes \$99,973 to fund weekend hours at the Woonsocket and Middletown DMV branches. These extended hours would occur on Saturday mornings from 8:30 am to 12:30 pm. Costs include salary and benefits for 3.0 Customer Service Representatives, 1.0 Supervisor, and 1.0 Capitol Police Officer for security. The Budget does not include any additional operating costs (for example: lease, alarm, supplies, and computer equipment) as most of those costs are fixed.

Analyst's Note: Although the Department requested to begin extended service hours at the DMV in FY2016, the DOR does not have a start date scheduled. Two options are being considered: weekend hours at two branch locations, or extending evening hours at the Cranston location. The Department is currently in discussions with union representatives regarding the overall topic of extending service hours.

License Plate Reissuance**Informational**

Article 19 delays the scheduled license plate reissuance from July 1, 2016, until April 1, 2017. Under RIGL 31-3-33, the DMV is required to issue new reflective license plates for all registered vehicles beginning September 1, 2013, and every 10 years thereafter. The law was revised in 1995 to require plate reissuances every 10 years, and in 2009 the General Assembly required a full reissuance in 2011. This requirement has been delayed three times previously: In the FY2012 Budget as Enacted, the General Assembly changed the first full reissuance requirement from 2011 to 2013; the FY2014 Budget as Enacted changed the reissuance until September 2015; and the FY2016 Budget as Enacted delayed the reissuance to July 1, 2016. Current law requires the Division to reissue license plates by July 1, 2016.

The FY2016 Budget as Enacted included a provision that all unexpended balances in FY2016 would shift to FY2017, thus the \$3.0 million originally intended to fund the FY2016 reissuance is reappropriated to FY2017. The Governor's FY2016 Supplemental budget is reduced by \$3.0 million. Under current law, registrants are charged \$6.00 for each set of license plates above the regular registration fee.

Analyst Note: Current law allows a \$6 per set customer fee, which will partially offset the cost per plate in FY2017. The Department estimates \$561,582 will be generated in FY2017 from the sale of 93,600 plates. In FY2018, 489,388 sets will be issued; and in FY2019, 280,791 sets will be issued. These figures are based on an April 1, 2017, implementation date set through Article 19.

DOR anticipates producing 36,500 sets of license plates per month at a cost of \$12.17 per plate set. An additional \$150,000 is included in FY2017 to cover the cost increase of stock and vanity plates. The Department assumes approximately 93,600 plate sets will be issued in FY2017. Any unspent funds related to the startup costs in FY2016 will be reappropriated to FY2018.

Rhode Island Motor Vehicle System (RIMS)**Informational**

The Division of Motor Vehicles (DMV) has been implementing the Rhode Island Motor Vehicle System (RIMS), a database designed to provide a new, real-time, and customer-centric computer system to replace the DMV's current legacy system. RIMS will provide efficient processing, tracking, payment, and security upgrades. The replacement of the legacy system is required due to outdated technology which cannot respond to legislative changes, federal mandates, nor incorporate the hundreds of interfaces with outside entities. The project began in FY2007.

The project has been funded by certificates of participation (COPs), restricted receipts, and general revenue. Restricted receipts (budgeted at \$2.1 million in both FY2016 revised and FY2017) are generated through a \$1.50 surcharge on all DMV customer service transactions which pays for the COPs debt service. The Budget allocates \$1.0 million in restricted receipts in FY2016 and \$2.0 million in FY2017 for IT system support for this DMV modernization project. The DMV surcharge has a sunset date of FY2017 at which time the debt service is anticipated to be paid off. According to the Department, RIMS is scheduled to be online by September 2016.

STATE AID

The budget for the Department of Revenue funds a number of State Aid payments. No FTE positions are associated with the program.

State Aid	General Revenue
FY2016 Enacted	\$67,243,627
<i>Target and Other Adjustments</i>	
Municipal Incentive Aid Program	(5,000,000)
PILOT	1,898,694
Property Revaluation	(1,218,859)
Fiscal Stability Act	Informational
FY2017 Governor	\$62,923,462

Municipal Incentive Aid***(\$5.0 million)***

The Budget eliminates funding for the Municipal Incentive Aid program due to the sunset of the program in FY2016. The FY2014 Enacted Budget established and funded the Municipal Incentive Aid program to encourage municipalities to improve the sustainability of their retirement plans and to reduce unfunded liabilities. (However, there was no requirement that the state aid be spent by municipalities for this purpose.) Although the FY2017 Budget no longer funds the Municipal Incentive Aid Program, RIGL 45-65-6 still requires municipalities with locally administered pension plans to submit funding improvement plans (FIP) should a municipality's pension funding status fall below 60.0 percent.

The FY2016 Revised Budget earmarks \$136,148 of FY2015 unspent incentive aid for the Town of Johnston. The town's originally submitted FIP failed to meet the required guidelines established by the Pension Study Commission and aid has been withheld from Johnston since. This reappropriation is being recommended in anticipation of a revised plan.

PILOT***\$1.8 million***

The Payment in Lieu of Taxes (PILOT) program is increased by \$1.8 million to \$50.0 million in FY2017.

The PILOT program assists municipalities by offsetting lost revenue on tax-exempt property. The State reimburses local communities 27.0 percent of the value of what otherwise would have been collected. The Budget represents a reimbursement rate of 27.0 percent of forgone tax revenue for the first time since 2007.

Property Revaluation Program***(\$1.2 million)***

The Budget includes \$559,900 for the Property Revaluation program in FY2017, a decrease of \$1.2 million from the FY2016 Budget as Enacted, based on anticipated reimbursements. The following communities will be reimbursed for statistical updates in FY2017: Charlestown, Cumberland, Glocester, Hopkinton, North Providence, Richmond, and West Greenwich.

Community	Amount
Charlestown	\$66,560
Cumberland	153,965
Glocester	50,846
Hopkinton	41,051
North Providence	182,851
Richmond	38,189
West Greenwich	26,438
Total	\$559,900

Article 15 amends the current property revaluation schedule, which to allow municipalities to update their property values every fifth, tenth, and fifteenth (5–10–15) year. Currently, municipalities are required by

state law to conduct full property revaluations every nine years and statistical updates at year three and year six. Communities are responsible for funding the cost of full property revaluations; however, the State reimburses municipalities for 100.0 percent of the first statistical update, 80.0 percent (up to \$16 per parcel) for the second statistical update, and 60.0 percent (up to \$12 per parcel) for the third and subsequent statistical revaluations. The article also requires the Department of Revenue to annually publish a fifteen year schedule outlining the required updates and revaluations required of each municipality in order to assist municipalities in complying with these changes. Although no savings are achieved in FY2017, savings to municipalities are estimated at \$18.7 million over the next 23 years.

Fiscal Stability Act

Informational

The 2013 General Assembly created the Fiscal Stability Act (FSA). Under the FSA, upon determination by the Director of Revenue that a Fiscal Overseer, Receiver, or Budget Commission is no longer required in a municipality or fire district, the Director must appoint a finance advisor (or in a community where a bankruptcy petition has been filed, an Administration and Finance Officer) for a period of 5 years. These positions ensure that a municipality or fire district exiting oversight remains on a path of fiscal stability and sound financial management practices. The legislation requires the State reimburse communities 50.0 percent of the costs of ongoing State oversight. Currently, Central Falls has an Administration and Finance Officer in place, and both East Providence and Woonsocket have a Finance Advisor.

(Additional information on the aid programs can be found in the Municipal Aid section of this report.)

DIVISION OF TAXATION

The Division of Taxation assesses, collects and enforces the State's tax laws. It is responsible for promulgating rules and regulations and preparing taxpayer forms and instructions; registering and recording taxpayer accounts; assessing and collecting taxes due; and, enforcing non-compliance through audits and liens. The Budget includes funding for 224.0 FTE positions in FY2016 and 231.0 FTE positions in FY2017, an increase of 6.0 FTE positions from the FY2016 Budget as Enacted.

Taxation	General Revenue
FY2016 Enacted	\$19,725,849
<i>Target and Other Adjustments</i>	<i>192,096</i>
Personnel	376,384
State Tax Administration and Revenue System	Informational
FY2017 Governor	\$20,294,329
Personnel	\$376,384

The Budget includes an increase of \$376,384 to hire 5.0 new FTE positions for tax enforcement initiatives and 1.0 new FTE revenue policy analyst position. The positions, 2.0 new Revenue Agents (\$63,071 each) and 3.0 new Revenue Officer 1 positions (\$55,627 each) will assist in collecting taxes on delinquent accounts and the securing of delinquent tax returns. The revenue policy analyst will work on the Nexus program ensuring that companies required to remit sales tax in Rhode Island are doing so. These positions will help implement the Nexus Program and Transfer Pricing Audit Project, which are projected to increase net revenues by \$10.6 million due to increased compliance and collections.

Nexus Program: The Governor includes \$1.0 million for increased compliance with tax laws required for out-of-state entities that do business in Rhode Island. The Division of Taxation expects to identify and register entities that have not paid appropriate corporate, withholding, and/or sales and use taxes, back to when the entity was first obligated to file and collect back taxes owed. This program was part of the Division from 1993 through 2010 and collected over \$19.0 million, averaging over \$1.0 million per year and 3,480 new registrants and tax filers. The Division estimates the reestablished program will also generate revenue of \$1.0 million annually.

Transfer Pricing Audit Project: This initiative allows the Division of Taxation to contract with a third-party vendor to identify candidates for audits of companies that have intercompany transactions between related companies. Prior to the State's implementation of combined reporting, companies could shift revenues between related entities to avoid taxation in certain states. The audit program will have a three-year look back period and is estimated to capture \$6.7 million in (one-time) underpaid taxes.

State Tax Administration and Revenue System (STAARS)

Informational

Since 2013, the Division of Taxation has been implementing a State Tax Administration and Revenue System (STAARS). The goal of this project is to acquire and implement a modern tax information technology system that would centralize all taxpayer information in one computer system. The Division of Taxation is the primary revenue collecting agency for the State, responsible for administering 57 different taxes and fees amounting to nearly \$3.0 billion annually. The Division of Taxation currently operates a number of software systems, with the most critical of these systems being 40 years old. According to the Department, this antiquated system is expensive to maintain and the Division of Information Technology (DoIT) is not able to support staff training on this technology. Also, staff must evaluate multiple systems to determine a taxpayer's balance, which includes status of bankruptcies, audits, and license renewals, in order to monitor and enforce tax compliance.

This five-year project began in FY2013 and is expected to be completed in three phases, which includes purchasing hardware, designing software infrastructure, and transferring taxpayer collections data to the new system. The project is funded entirely through certificates of participation (COPs), which are authorized up to \$25.0 million, of which \$17.1 million has been spent through FY2016. Completed projects as of October, 2015, include procurement and installation of software and hardware, transfer of international fuel tax agreement (IFTA) data, and shifting certain personal income, corporate, and excise tax types to the new system. The Division expects remaining tax types (withholding, sales, and corporate tax) to be online in November 2016. The online taxpayer portal is scheduled to go live in January, 2017, followed by revenue accounting in June, 2017.

Legislature

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
General Assembly	\$5.1	\$5.5	\$6.7	\$1.2	21.7%	\$5.7	\$0.2	3.6%
Fiscal Advisory Staff	1.5	1.8	1.9	0.1	2.9%	1.9	0.0	2.6%
Legislative Council	3.7	5.0	4.9	(0.1)	-2.0%	5.4	0.3	6.7%
Joint Comm. on Legislative Services	21.5	23.2	25.2	2.0	8.6%	24.4	1.2	5.4%
Auditor General	4.4	5.6	5.4	(0.2)	-3.6%	5.6	0.1	1.2%
Special Legislative Commissions	0.0	0.0	0.0	-	0.0%	0.0	-	0.0%
Total	\$36.2	\$41.2	\$44.1	\$3.0	7.2%	\$43.0	\$1.9	4.6%
Expenditures By Source								
General Revenue	\$34.9	\$39.5	\$42.5	\$3.0	7.6%	\$41.4	\$1.9	4.8%
Restricted Receipts	1.3	1.7	1.6	(0.1)	-3.9%	1.7	0.0	0.9%
Total	\$36.2	\$41.2	\$44.1	\$3.0	7.2%	\$43.0	\$1.9	4.6%
Authorized FTE Levels	298.5	298.5	298.5	-	0.0%	298.5	-	0.0%

\$ in millions. Totals may vary due to rounding.

The Rhode Island General Assembly enacts laws, develops state policy, and evaluates programs through the appropriation process. The General Assembly has six programs that assist it in executing its constitutional role.

- The General Assembly consists of two chambers, with the Senate composed of 38 members and the House of Representatives with 75 members. The General Assembly meets annually.
- The House Fiscal Advisory Staff provides fiscal research support to the House membership and the House Finance Committee.
- The Legislative Council develops legislation and researches various issues for Senate and House members.
- The Joint Committee on Legislative Services is the administrative arm of the General Assembly.
- The Office of the Auditor General conducts financial reviews and evaluations of state programs and completes annual post-audits for the State.
- Special Legislative Commissions include study commissions and task forces established by the General Assembly to analyze various public policy issues.

MAJOR ISSUES AND TRENDS FOR FY2017

The Budget includes \$43.0 million for the Legislature in FY2017, including \$41.4 million in general revenues. Restricted receipts total \$1.7 million and are dedicated to fund, in part, the Auditor General's office. These funds are derived from a 0.5 percent audit fee that assessed on all federal grants in state departments for each major federal program and are used to finance personnel costs associated with the Auditor General's Single Audit Report publication.

The FY2017 budget funds 298.5 FTE positions for FY2016 and FY2017, consistent with the FY2016 Budget as Enacted.

Lieutenant Governor

Expenditures By Program	FY2015 Actual	FY2016 Enacted	FY2016 Governor	Change from Enacted		FY2017 Governor	Change from Enacted	
Lt. Governor's Office	\$1.0	\$1.2	\$1.0	(\$0.1)	-12.5%	\$1.1	(\$0.1)	-7.0%
Expenditures By Source								
General Revenue	\$1.0	\$1.1	\$1.0	(\$0.1)	-7.5%	\$1.1	(\$0.0)	-1.6%
Federal Funds	0.0	0.1	-	(0.1)	-100.0%	-	(0.1)	-100.0%
Restricted Receipts	0.0	-	-	-	0.0%	-	-	0.0%
Total	\$1.0	\$1.2	\$1.0	(\$0.1)	-12.5%	\$1.1	(\$0.1)	-7.0%
Authorized FTE Levels	8.0	8.0	8.0	-	0.0%	8.0	-	0.0%

\$ in millions. Totals may vary due to rounding.

The Office of the Lieutenant Governor is one of the five general offices subject to voter election under the Constitution of Rhode Island. The Lieutenant Governor fulfills the executive responsibilities of the Governor upon his/her death, resignation, impeachment or inability to serve. The Lieutenant Governor also chairs and serves on various commissions and advisory boards, and the Office initiates legislation and assumes advocacy and leadership roles in a number of policy areas. The Budget includes 8.0 FTE positions for FY2016 and FY2017, consistent with the FY2016 Budget as Enacted.

MAJOR ISSUES AND TRENDS FOR FY2017

The Lieutenant Governor's budget is entirely financed with \$1.1 million in general revenue for FY2017, a 7.0 percent decrease from the FY2016 enacted level. The Lieutenant Governor serves on the Rhode Island Emergency Management Advisory Council (Chair); the Small Business Advocacy Council (Chair); and the Long-Term Care Coordinating Council (Chair).

The Office's FY2017 Budget is comprised almost entirely of personnel costs. The Budget fully funds the Office's 8.0 FTE positions.

Lt. Governor's Office	General Revenue
FY2016 Enacted	\$1,127,621
<i>Target and Other Adjustments</i>	(55)
Personnel	(17,990)
FY2017 Governor	\$1,109,576
Personnel	(\$17,990)

The Budget changes 1.0 FTE Health Policy Director position to 1.0 FTE Policy and Administrative Aide position, reducing personnel costs by \$17,990. In FY2015, the federal Exchange Establishment One Grant funded the Health Policy Director position; however, the position has been vacant due to the expiration of this grant. The administrative aide position performs clerical duties and serves as staff support at statutory committees that the Lieutenant Governor chairs.

Office of the Secretary of State

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Administration	\$2.3	\$2.6	\$2.6	\$0.0	0.9%	\$3.5	\$1.0	38.6%
Corporations	2.1	2.3	2.2	(0.1)	-3.8%	2.2	(0.1)	-4.8%
State Archives	0.6	0.7	0.6	(0.1)	-11.9%	0.8	0.1	14.8%
Elections and Civics	1.6	1.0	0.9	(0.1)	-12.3%	3.2	2.2	212.6%
State Library	0.5	0.6	0.6	0.0	0.8%	0.6	0.0	1.6%
Office of Public Information	0.5	0.9	0.9	0.0	4.6%	0.5	(0.4)	-42.3%
Total	\$7.7	\$8.0	\$7.8	(\$0.2)	-2.8%	\$10.7	\$2.8	34.6%
Expenditures By Source								
General Revenue	\$7.2	\$7.0	\$6.7	(\$0.2)	-2.9%	\$10.1	\$3.1	45.2%
Federal Funds	0.0	-	0.0	0.0	100.0%	-	-	0.0%
Restricted Receipts	0.5	0.6	0.5	(0.1)	-11.3%	0.6	(0.0)	-7.1%
Operating Transfers from Other Funds	0.0	0.4	0.5	0.0	6.1%	0.1	(0.3)	-77.1%
Grand Total	\$7.7	\$8.0	\$7.8	(\$0.2)	-2.8%	\$10.7	\$2.8	34.6%
Authorized FTE Levels	57.0	57.0	57.0	-	0.0%	59.0	2.0	3.5%

\$ in millions. Totals may vary due to rounding.

The Secretary of State is one of five general officers subject to voter election under the Constitution of Rhode Island. The Office of the Secretary of State prepares for state and local elections, manages the State's records, and provides public information about state government. The Office's budget consists of six divisions including Administration, Corporations, State Archives, State Library, Elections and Civics, the Office of Public Information and one internal service funded section (Record Center).

MAJOR ISSUES AND TRENDS FOR FY2017

The Budget includes 57.0 FTE positions, consistent with the enacted level, in both FY2015 and FY2016. While the FTE authorization remains the same, the Budget shifts FTEs throughout several programs within the Office. The Budget increases general revenue by \$768,000 for expenses to administer the November 2016 (FY2017) general election. The largest expenses are for printing and mailing of ballots and referenda materials.

The Office has been working with the Office of Regulatory Reform (ORR) within the Office of Management and Budget to create an online, indexed, and searchable Code of State Regulations. The State's current system is limited to final rules and does not capture the artifacts used in the creation process. The Office anticipates a December 2017 implementation date for the project. The Budget includes \$625,307 to fund personnel and IT costs to develop, implement, and maintain an online Code of State Regulations. Funding will be used to contract a senior level data developer and a data architect (\$325,307); and, \$300,000 to purchase hardware, licensing, and maintenance agreements.

In July, 2015, legislation was signed giving authority to the Secretary of State to procure new voting machines. The current machines are almost 20 years old. The Office convened a Voting Equipment Task Force, a group of twenty representatives from political parties, good government groups, and municipal staff, to assist in the development of minimum requirements for a request for proposals (RFP) for the new equipment. The Budget includes \$1.4 million in general revenue to purchase new voting equipment. Expenses include licensing, maintenance, services, and hardware.

The Governor includes \$100,000 in FY2017 in Rhode Island Capital Plan (RICAP) funds to conduct a feasibility study and subsequent architecture and engineering services to identify a permanent facility for the State Archives to replace the currently leased space in downtown Providence.

ADMINISTRATION

The Administration program provides operational support for the Office, including personnel management; fiscal management and budget preparation; information technology support; constituent affairs response; communications and media relations; and policy development and legislative affairs. The Budget includes 19.0 FTE positions in FY2016 and 19.6 FTE positions in FY2017 for the program, 1.6 FTE positions above the FY2016 Budget as Enacted.

Administration	General Revenue
FY2016 Enacted	\$2,553,390
<hr/>	
<i>Target and Other Adjustments</i>	<i>76,812</i>
Regulatory Reform Initiative	625,307
Personnel	184,295
E-Government IT Upgrades	99,415
FY2017 Governor	\$3,539,219

Regulatory Reform Initiative**\$625,307**

The Budget includes \$625,307 to fund personnel and IT costs to develop, implement, and maintain an online Code of State Regulations. Funding will be used to contract a senior level data developer and a data architect (\$325,307); and, \$300,000 to purchase hardware, licensing, and maintenance agreements.

The Office has been working with the Office of Regulatory Reform (ORR) within the Office of Management and Budget to create an online, indexed, and searchable Code of State Regulations. The State's current system is limited to final rules and does not capture the artifacts, such as records of public testimony or letters of interest, used in the rule-making process. The Office anticipates a December 2017 implementation date for the project.

Personnel**\$184,295**

The Budget includes an increase of \$184,295 for salary and benefits within the Administration program. This amount funds 1.0 new FTE Junior Application Developer position (\$51,570) for a full year which will be assigned to the implementation and management of the Online Code of State Regulations database. The Budget also reflects an increase of 0.6 FTE Visitor Center Administrator (0.4 FTE is housed within the Office of Public Information). The balance of the personnel increase reflects salary and benefit changes for current personnel.

E-Government IT Upgrades**\$99,415**

The Budget includes \$99,415 to purchase two new data backup systems. The current hardware, which stores data backups dating to 2011, will no longer be supported by the vendor by March 2017. The purpose of the 2 data domain systems is for long-term backup. One is used each night and the other is used weekly. The storage is permanent and does not go through a retention schedule.

CORPORATIONS

The Corporations Division is the official State repository for business and commercial records, and maintains a searchable database that includes articles of incorporation and entity annual reports. The Division also houses the First Stop Information Center, a referral service for existing and potential small business owners; the Uniform Commercial Code Unit for tangible property lien tracking; and a Notary and Trademark application program. The Division also manages an online master permit application system (Quick Start) for small business start-ups. The Budget includes 21.0 FTE positions in both FY2016 and FY2017 for the Division, consistent with the enacted level.

Corporations	General Revenue
FY2016 Enacted	\$2,302,691
<i>Target and Other Adjustments</i>	<i>(10,666)</i>
Operating Expenses	(99,398)
FY2017 Governor	\$2,192,627

Operating Expenses **(\$99,398)**

The Budget decreases operating expenses by \$99,398 for decreased lease costs for space at West River Street, Providence. In August, 2015, the State Properties Committee renegotiated the new monthly lease rate (\$19,139) for the space, a monthly decrease of \$11,251 (from \$30,039 monthly) under the previous lease terms which expired January, 2016.

STATE ARCHIVES

The State Archives Division is the official repository for preserving and maintaining the permanent records of State government. The Division sets regulations for state document retention, and assists state agencies with records management. Since 1992, the Division has also operated the Local Government Records Program, which is now largely funded (88.1 percent in FY2016) with the Historical Records Trust restricted receipt account. The Budget includes a staffing level of 3.2 FTE positions in FY2016 and 4.2 FTE positions in FY2017 for the Division, an increase of 1.0 FTE over the FY2016 Budget as Enacted; however, the additional position is funded within the Administration program and not reflected in the funding changes below.

State Archives	General Revenue
FY2016 Enacted	\$69,266
<i>Target and Other Adjustments</i>	-
Copy Editor	64,455
FY2017 Governor	\$133,721

Copy Editor **\$64,455**

The Budget includes \$64,455 for 1.0 FTE copy editor who will work to systematize the regulatory codes. This position is part of the Secretary of State's Regulatory Reform initiative to create an online, indexed, and searchable Code of State Regulations.

Historical Records Trust **Informational**

The Budget uses the Historical Records Trust (restricted receipts) to fund certain personnel and operating costs in the State Archives program, which in FY2017, includes a reduction of \$67,589 primarily for decreased personnel expenses. The Historical Records Trust account is funded by collecting a \$4 fee per instrument for recording (for example, contracts for sale of land or letters of attorney) from municipalities to assist local governments with preservation of public records in their custody or care. Revenue generated from the Trust helps to fund operating costs in the State Archives program.

	Historical Records Trust				
	FY2013	FY2014	FY2015	*FY2016	*FY2017
Collections	\$500,331	\$445,382	\$466,886	\$506,285	\$516,519
<i>*FY2017 Governor's Budget estimate</i>					

ELECTIONS AND CIVICS

The Elections Division promotes voter registration and turnout; maintains the State's central voter registration system; publishes guides and handbooks; explains how to run for office and how to register and vote; and provides descriptions of state referenda questions. The Division is charged with developing,

printing, and distributing ballots, including candidate certification. Increases in operating supplies and expenses, primarily printing, postage and postal services, are expected during a general election year. The Budget includes a staffing level of 3.0 FTE positions in both FY2016 and FY2017 for the Division, consistent with the FY2016 enacted level.

Elections and Civics	General Revenue
FY2016 Enacted	\$1,017,899
<i>Target and Other Adjustments</i>	<i>(41,213)</i>
Voting Equipment	1,385,000
Election Costs	768,000
Online Voter Registration Portal	130,000
Operating Costs	(77,583)
FY2017 Governor	\$3,182,103

Voting Equipment **\$1.4 million**

The Budget includes \$1.4 million in general revenue to purchase new voting equipment. Expenses include licensing, maintenance, services, and hardware.

In July 2015, legislation was signed giving authority to the Secretary of State to procure new voting machines. The current machines are almost 20 years old. The Office convened a Voting Equipment Task Force, a group of twenty representatives from political parties, good government groups, and municipal staff, to assist in the development of minimum requirements for a request for proposals (RFP) for the new equipment. The specifications include an optical scan precinct count paper ballot tabulation system, which will allow various precincts to accurately and quickly report vote counts; accessible voting equipment; ballot on-demand printer systems; and, a full service maintenance contract. Although the Department of Administration has issued the RFP, total cost of the procurement and the type of funding to be appropriated has not been identified.

Election Costs **\$768,000**

The Budget increases general revenue by \$768,000 for expenses related to the November 2016 (FY2017) general election. The largest expenses are for printing and mailing of ballots and referenda materials. The funding estimates are based on actual costs from previous elections. The following table summarizes election costs within the Elections and Civics program. Of note, expenses decrease in even-numbered fiscal years when there is no statewide general election; however, costs may be incurred for local or special elections.

Elections Cost Summary					
	FY2013	FY2014	FY2015	FY2016	FY2017
	Actual	Actual	Actual	Governor	Governor
Ballot Printing	\$647,415	\$35,309	\$727,434	\$96,000	\$700,000
Elections/Referenda Mailing	60,955	2,004	12,541	5,000	50,000
Referenda Printing	77,077	-	91,421	-	93,000
Legal/Other Costs	20,456	-	24,549	-	26,000
Total	\$805,903	\$37,313	\$855,945	\$101,000	\$869,000

**FY2015 and FY2017 costs are combined with referenda mailing expenses.*

Online Voter Registration Portal **\$130,000**

The Budget includes \$130,000 to purchase software that will allow voters to register or update their voter registration information online. The Office intends to integrate this system into the State's current registration database. Currently, twenty-three states, including Massachusetts and Connecticut, provide this online service.

Analyst Note: Legislation to allow online voter registration is required before procurement can begin. The Governor did not include a budget article to make this change.

Operating Costs **(\$77,583)**

The Budget decreases operating expenses by \$77,583 due to a reduction in computer expenses (\$43,831) and lease costs (\$33,752) for space at West River Street, Providence.

STATE LIBRARY

The State Library provides reference and research services about law, legislation, rules and regulations, government reports, and state history. The Library is an official Federal Government Publications Depository and State Publications Clearinghouse. The Budget includes 3.0 FTE positions in both FY2016 and FY2017 for the Library, consistent with the enacted level.

State Library	General Revenue
FY2016 Enacted	\$551,744
<i>Target and Other Adjustments</i>	<i>9,040</i>
FY2017 Governor	\$560,784

OFFICE OF PUBLIC INFORMATION

The Office of Public Information is designed to make government more open and accessible. State law requires many documents to be filed with the Office, including lobbying disclosures, public meeting notices and minutes, disclosure of state government consultants, and appointments to boards and commissions. The Budget includes 3.0 FTE positions in FY2016 and 3.4 FTE positions in FY2016 for the Office, an increase of 0.4 FTE position within the Office.

Office of Public Information	General Revenue
FY2016 Enacted	\$456,540
<i>Target and Other Adjustments</i>	<i>9,992</i>
Rhode Island Government Owner's Manual	17,700
FY2017 Governor	\$484,232

Rhode Island Government Owner's Manual **\$17,700**

The Office increases expenses for printing services by \$17,700 in general revenue for the printing of the Rhode Island Government Owner's Manual in FY2017. The 300-page directory is published every two years to reflect the results of the November election. It includes contact information for hundreds of officials, including Congressional delegates, general officers, members of the General Assembly, as well as city and town councils. The FY2015 Budget as Enacted included the funding for the printing requirement for the 2014 election.

State House Visitor's Center & Gift Shop (restricted receipts) **Informational**

In 2012, the Governor signed into law the establishment of a visitor's center in the State House and authorized the Secretary of State to create a restricted receipt account. The Secretary of State created the account, but did not receive any funds initially. The 2013 General Assembly allocated \$5,000 of general revenue to begin the fund. All revenue generated from the visitor center and souvenir shop is deposited into an approved restricted receipt revolving fund, which is used to purchase inventory, fixtures, and supplies.

According to estimates from the Secretary of State, the State House attracts about 10,000 visitors each year. The Office, on average, conducts approximately 400 tours annually. The visitor center officially opened on December 5, 2013, and serves as a starting point for those tours, with the prospect of a self-

guided tour in the future. The Budget includes \$40,000 in restricted receipts to replenish inventory and fund the 0.4 FTE Visitor Center Administrator in FY2017 for this program. In FY2015, the visitor center accrued over \$24,766 in receipts.

RECORDS CENTER

The Records Center is an internal service program funded with internal service funds: no general revenues fund program activities. Inactive records of state agencies are stored at the State Records Center, administered by the Public Records Administration. Inactive records are records that departments and agencies no longer require immediate access to, but that are not yet eligible for disposal because of administrative, fiscal or legal requirements. Access to these records is provided only through the expressed permission of the originating state agency. The Budget includes 4.8 FTE positions in both FY2016 and FY2017 for the program, consistent with the enacted level.

CAPITAL PROJECTS

The Budget includes \$100,000 in FY2017 to conduct a feasibility study and subsequent architecture and engineering services for the purpose of identifying a permanent facility for the State Archives. The current leased space in downtown Providence includes a basement storage area that houses approximately 4,400 cubic feet of archival records. The basement is susceptible to severe flooding, and requires archival staff to be on-call 24 hours a day to report to the building if the water sensors are triggered, and many of Rhode Island's irreplaceable historical records are at considerable risk of damage or permanent loss. Over the past 25 years, rental costs for this property have totaled \$5.4 million.

Office of the General Treasurer

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
General Treasurer	\$2.7	\$3.0	\$3.1	\$0.1	3.3%	\$3.5	\$0.5	16.7%
State Retirement System	11.9	11.8	12.7	0.9	7.6%	10.0	(1.8)	-15.3%
Unclaimed Property	25.4	22.4	22.0	(0.4)	-1.8%	21.1	(1.3)	-5.8%
Crime Victim Compensation Program	1.6	2.0	2.1	0.1	5.0%	2.1	0.1	5.0%
Total	\$40.8	\$39.1	\$39.9	\$0.8	2.0%	\$36.8	(\$2.3)	-5.9%
Expenditures By Source								
General Revenue	\$2.4	\$2.4	\$2.4	-	-	\$2.9	\$0.5	20.8%
Federal Funds	0.6	0.9	1.0	0.1	11.1%	1.0	0.1	11.1%
Restricted Receipts	38.3	35.3	35.9	0.6	1.7%	32.3	(3.0)	-8.5%
Other Funds	0.2	0.5	0.6	0.1	20.0%	0.7	0.2	40.0%
Grand Total	\$41.5	\$39.1	\$39.9	\$0.8	2.0%	\$36.8	(\$2.3)	-5.9%
Authorized FTE Levels	83.0	84.0	87.0	3.0	3.6%	88.0	4.0	4.8%

\$ in millions. Totals may vary due to rounding.

The Rhode Island Constitution establishes the Office of the General Treasurer, one of five general offices subject to voter election. The General Treasurer is charged with the safe and prudent management of the State's finances. The Treasury budget includes Treasury operations, the Employees' Retirement System of Rhode Island, the Unclaimed Property program, and the Crime Victims Compensation program. Treasury also manages the Abraham Touro Fund and the Childhood Disease Fund. The General Treasurer's operations, excluding the State House office, are located at the state-owned building at 50 Service Road, Warwick.

MAJOR ISSUES AND TRENDS FOR FY2017

The Governor includes an article to strengthen and expand the Public Finance Management Board's oversight of debt issuance in the State, including debt issued by municipalities and quasi-public agencies. The replacement of the Retirement System's antiquated Anchor computer system is projected to be complete by the end of June 2016. The project was delayed due to passage of the Pension Settlement Agreement that was incorporated into the FY2016 Budget as Enacted. The vendor for the new system had to reprogram the pension calculation segment of the system to factor in the approved pension changes.

The Governor increases personnel in the Office of the General Treasurer by four positions which includes, 1.0 Principal Projects Manager and a 1.0 Intermediate Accountant positions within the State Retirement System, a 1.0 Director of Debt Management position for the proposed Office of Debt Management, and a 1.0 Director of Member Services position for the CollegeBoundfund Program.

GENERAL TREASURY

The General Treasury program provides administrative support to the entire agency to ensure operational efficiency and fiscal integrity. The Governor recommends 21.2 FTE positions in FY2016 and 22.2 FTE positions in FY2017, reflecting the hiring of a 1.0 Director of Member Services position for the CollegeBoundfund in FY2016 and for a 1.0 Director of Debt Management position for the proposed Office of Debt Management.

General Treasurer	General Revenue
FY2016 Enacted	\$2,193,796
<i>Target and Other Adjustments</i>	10,062
Office of Debt Management	303,921
FY2017 Governor	\$2,507,779

Office of Debt Management **\$303,921**

The Governor includes \$303,921 in general revenue to fund a new Office of Debt Management as part of the Public Finance Management Board within the Office of the General Treasurer. The General Treasurer proposed creating this office to monitor and manage the process that the State, municipal, and quasi-government units use in issuing debt. The Governor proposes to fund the new office through a new revenue enhancement to be authorized with passage of Article 2. The funding increase includes:

Office of Debt Management	Change
Personnel Costs	\$186,374
Contracted Services	45,000
Operating	72,547
Total	\$303,921

Article 2, as proposed by the Governor, strengthens and expands the Public Finance Management Board's oversight of debt issuance in the State, including debt issued by municipalities and quasi-public agencies. The article authorizes a new reporting requirement for the State, municipalities, authorities, boards, commissions and quasi-public agencies to the Board and allows the Board to charge a per diem penalty to any entity failing to file the reports.

The Governor strengthens the Public Finance Management Board's oversight of debt issuance in the State, including debt issued by municipalities and quasi-public agencies, by removing "upon request" from RIGL 42-10.1-2(2), thereby requiring the PFMB to provide debt management services to municipalities, authorities, boards, commissions and quasi-public agencies. RIGL 42-10.1-5 authorizes the PFMB to impose a fee for its services upon the lead underwriter or purchaser of any affected debt issue, bond, or note in an amount equal to one-fortieth of one percent (0.004 percent) of the issued principal amount. The amount of service fees collected by the PFMB will increase due to the Board's expanded oversight over State departments, authorities, agencies, boards, commissions, and public and quasi-public corporations having authority to issue revenue or general obligation bonds or notes.

Over the past five years, the revenue collected from the fee has ranged between \$203,330 in FY2011 to \$87,647 in FY2015. The Office of the General Treasurer projects fee receipts of \$132,900 for FY2017. Using an eight-year average, the projected average revenue is \$428,771, \$295,871 more than originally projected by Treasury. The additional revenue will allow the Board to fund the proposed Office of Debt Management within the Office of the General Treasurer.

Bond Issuer	Bond Issuance Amount	Refunding Bond Issuance Amount	Taxable Bond Issuance Amount	Article 2 Projected PFMB Fee	Treasury Budget Request	Change
State and Quasi Agencies	\$840,938,284	\$419,233,591	\$162,603,040	\$355,694	\$132,900	\$222,794
Municipalities	233,126,414	47,025,206	12,155,503	73,077	-	73,077
Total				\$428,771	\$132,900	\$295,871

Source: Office of the General Treasurer

In addition, the article requires the State, municipalities, authorities, boards, commissions and quasi-public agencies, to provide a report on the final sale of the bonds to the PFMB within 30 days after a bond sale on forms approved by the PFMB. Any entity failing to submit the report shall be subject to a per-diem fine of \$250.

EMPLOYEES' RETIREMENT SYSTEM

The Employees' Retirement System of Rhode Island (ERSRI) administers retirement, disability, survivor, and death benefits to eligible state employees and public school teachers. Participating municipal employees are covered under the Municipal Employees' Retirement System (MERS). ERSRI also administers the judicial and state police retirement plans, and the Teachers' Survivor Benefit program for teachers who are not covered under Social Security. The Governor includes 47.5 FTE positions in FY2016 and 49.5 FTE positions in FY2017 reflecting the filling of a 1.0 Principal Projects Manager and 1.0 Intermediate Accountant position during FY2016.

Employees' Retirement System	Other Fund Changes
FY2016 Enacted	\$11,782,495
<i>Target and Other Adjustments</i>	
New Computer System	98,918
Special Legal Counsel	(1,410,694)
Personnel	(800,000)
Contracted Services	263,649
FY2017 Governor	\$10,040,273

New Computer System (restricted receipts)***(\$1.4 million)***

The Governor includes \$1.9 million for information technology consultant services to continue work on replacing the Anchor (HP) computer system with a new system developed by Morneau Shepell, Ltd. The FY2016 Budget as Enacted included \$3.3 million in restricted receipt capital expenditures to replace the 10-year-old state retirement computer system. All costs associated in implementing the new computer system will be drawn from the Retirement Trust Fund.

Anchor system software became outdated and was designed to address only periodic changes to pension law. In addition, the Anchor system lacked modern personal information security safeguards. In June 2013, the State Retirement Board entered into a contract with Morneau Shepell, Ltd. to replace the computer system. Total cost of the upgrade and software maintenance is \$21.4 million. Treasury amortized the payments to 2025.

The replacement consists of three phases: The first phase involving the financial services section was completed in July 2014. Phase 2 involving the payroll system was completed in January 2015. The final phase involving the pension calculation system was scheduled to be complete in December 2015; however, the enactment of the pension settlement agreement in the FY2016 Budget as Enacted required the vendor to build a whole new pension calculation program. The revised completion date is set for the end of March 2016, but during recent testing of the third phase, several errors in the program were discovered. The projected completion date is now June 2016. Treasury will operate both computer systems redundantly for a while, to insure a smooth transfer and operation of the retirement system data. The redundant operation will require Treasury to expend \$75,000 per month to maintain the older system.

Special Legal Counsel (restricted receipts)***(\$800,000)***

The Governor includes \$205,000 for special legal counsel expenses in FY2017, a reduction of \$800,000 from the FY2016 Budget as Enacted. The reduction in special legal counsel costs is a result of the pension settlement agreement that was approved by most parties in April 2015 and became law under Article 21 of the FY2016 Budget as Enacted.

Personnel (restricted receipts) \$263,649

The Governor increases personnel expenses by \$263,649 within the State Retirement System. The increase is attributable to the statewide COLA and medical adjustments, and filling 1.0 Principal Projects Manager and 1.0 Intermediate Accountant position during FY2016.

Contracted Services (restricted receipts) \$105,905

The Governor includes \$1.3 million in restricted receipt expenditures for various contracted professional services, including actuarial services, auditing services related to municipal payroll or any other audits, legal counsel, stenographic services, grounds maintenance, and security services. This is a \$105,905 increase from the FY2016 Budget as Enacted.

UNCLAIMED PROPERTY

The Unclaimed Property program is responsible for collecting abandoned property and acts as custodian for both tangible and intangible property. The mission of the program is to return the abandoned property to its rightful owners. The Governor recommends 11.8 FTE positions in FY2016 and in FY2017.

Unclaimed Property	Other Fund Changes
FY2016 Enacted	\$22,350,267
<i>Target and Other Adjustments</i>	<i>84,575</i>
November 2015 Revenue Estimating Conference Adjustments	(1,316,852)
FY2017 Governor	\$21,117,990

November 2015 Revenue Estimating Conference Adjustments (restricted receipts) (\$1.3 million)

Based on Treasury's testimony received at the November 2015 Revenue Estimating Conference, the Conference adjusted the projected revenue collections and expenditures to the Unclaimed Property Program impacting claim payments, change in liability, and the surplus transfer to the General Fund. Based on Conference projections, the transfer to the General Fund decreases \$1.2 million, claim payouts decrease \$300,000, and the change in liability (the amount required by general accounting rules that the fund must carry forward to the next fiscal year for claim payouts) increases \$233,148, resulting in a net decrease of \$1.3 million. [(\$500,000) + \$233,148 + (\$1,250,000) = (\$1.3 million)].

CRIME VICTIMS COMPENSATION

The Crime Victims Compensation program compensates innocent victims of violent crimes for certain expenses that are attributable to the crime. Compensation may be used to cover funeral, medical, and counseling expenses incurred by victims or their family members. The maximum award for each criminal incident is capped at \$25,000. The Governor provides 4.5 FTE positions in FY2016 and in FY2017, consistent with the enacted budget.

Crime Victim Compensation Program	General Revenue
FY2016 Enacted	\$226,454
<i>Target and Other Adjustments</i>	<i>1,998</i>
Justice Reinvestment Initiative	120,000
FY2017 Governor	\$348,452

Justice Reinvestment Initiative \$120,000

The Governor includes \$120,000 in FY2017 in general revenue to fund 3-years of expanded victims compensation benefits as part of the Justice Reinvestment Initiative. This initiative includes proposals developed by a working group composed of representatives from the court system, legislature, and the executive branch designed to break the cycle of crime and incarceration. One of the proposals expands the maximum payout of relocation benefit by \$700, from \$2,500 to \$3,200, and projects coverage for 100

payouts resulting in a cost increase of \$70,000. The Governor also creates a \$500 transportation benefit for the first 3 years of the program and assumes that the benefit will cover 100 payouts for a cost increase of \$50,000. The Governor projects that future general revenue appropriations will decline as federal funds for the program become available.

Analyst's Note: According to the Budget Office, a budget amendment may be drafted to transfer the proposed appropriation from the Office of the General Treasurer to the Office of the Public Defender.

The following table illustrates the amount of the court restricted receipts and federal awards received by the Crime Victims' Compensation Program each year, less the expenses (claim payments). The fund has had more than \$2.0 million in carry-forward balances annually, so it is unclear if additional funding needs to be added for the program expansion.

Restricted Receipts (Court Awards)	Net Court Receipts (Restricted)	Annual Expenses	Balance of Receipts	Restricted Receipt Fund Balance	Federal Fund Awards	Annual Expenses	Balance of Receipts	Federal Fund Balance	Total CVCP Fund Balance
Balance of Funds as of 6/30/10				\$1,577,376	\$2,686,375			\$2,686,375	\$4,263,751
FY2011	1,281,487	909,254	372,233	1,949,609	311,000	839,439	(528,439)	2,157,936	4,107,545
FY2012	1,077,340	1,075,171	2,169	1,951,777	115,000	865,818	(750,818)	1,407,118	3,358,895
FY2013	849,670	1,020,378	(170,708)	1,781,069	265,000	761,399	(496,399)	910,719	2,691,788
FY2014	809,288	1,250,955	(441,668)	1,339,401	606,000	577,686	28,314	939,033	2,278,435
FY2015	785,967	1,050,447	(264,479)	1,074,922	549,000	363,576	185,424	1,124,457	2,199,379
Total Available CVCP Fund Balance as of June 30, 2015									\$2,199,379

Source: Office of the General Treasurer

Note: Actual Fund balance may vary due to the deduction of administrative expenses

Board of Elections

Expenditures By Program	FY2015 Actual	FY2016 Enacted	FY2016 Governor	Change from Enacted		FY2017 Governor	Change from Enacted	
Board of Elections	\$4.7	\$1.8	\$1.8	\$0.0	-	\$2.0	\$0.2	11.1%
Expenditures By Source								
General Revenue	\$4.7	\$1.8	\$1.8	\$0.0	-	\$2.0	\$0.2	11.1%
Authorized FTE Levels	11.0	11.0	11.0	-	-	12.0	1.0	9.1%

\$ in millions. Totals may vary due to rounding.

The Board of Elections supervises all elections and state and local referenda. The Board oversees voter registration and public education activities and provides all registration materials used in the State. The Board supervises and monitors the campaign finance activities of candidates, political action committees, and state vendors.

MAJOR ISSUES AND TRENDS FOR FY2016 AND FY2017

The Governor recommends \$1.8 million in FY2016, which is \$20,437 less than appropriated in the FY2016 Budget as Enacted. The Governor includes \$85,000 in the revised appropriation for a one-time legal settlement payment involving a former employee of the Board. Personnel costs decrease \$63,816, reflecting \$123,816 in increased turnover savings offset by the addition of \$60,000 for temporary staff for the April 26, 2016, state presidential primary. Operating costs decrease by a net \$34,326, reflecting a \$60,000 reduction in outside rental expenses offset by increased software and equipment maintenance costs.

The Governor recommends \$2.0 million for FY2017, which is \$164,402 more than appropriated in the FY2016 Budget as Enacted. The increase is almost entirely due to the hiring of temporary employees (\$243,601) to assist with the 2016 statewide primary and general election. The Governor recommends 11.0 FTE positions in FY2016 and 12.0 FTE positions in FY2017.

Central Management	General Revenue
FY2016 Enacted	\$1,818,305
<i>Target and Other Adjustments</i>	<i>(34,218)</i>
General Election Adjustments	415,000
Software Maintenance Agreements	(282,504)
Administrative Assistant Position	66,124
FY2017 Governor	\$1,982,707

General Election Adjustments **\$415,000**

The Governor increases general revenue expenditures by \$415,000 to reflect personnel, purchased services, and operating expenditures for voter operating supplies and expenses required in a General Election year. The increase includes \$210,000 for seasonal employees who perform election work. The General Election adjustment also includes increases of \$70,000 to print election and voter registration-related material, and \$135,000 to transport the election equipment to and from polling stations.

Software Maintenance Agreements **(\$282,504)**

The Governor decreases general revenue expenditures by \$282,504 reflecting the transfer of funding for the optical scan voting equipment service and maintenance contract, from the Board of Elections to the Office of the Secretary of State. The Office of the Secretary of State is authorized under P. L. 2015, Chapter 201, to be the lead agency for the procurement of new voting equipment. As such, the Governor

recommends centralizing the financing of new voting equipment within the Office of the Secretary of State.

Administrative Assistant Position

\$66,124

The Governor increases general revenue expenditures by \$66,124 to reflect personnel costs for a new 1.0 Administrative Assistant position (grade 323A) in the Campaign Finance Division. The Governor includes the new position to ensure compliance with three new campaign finance laws that were enacted during the 2015 legislative session.

Ethics Commission

Expenditures By Program	FY2015 Actual	FY2016 Enacted	FY2016 Governor	Change from Enacted		FY2017 Governor	Change from Enacted	
RI Ethics Commission	\$1.6	\$1.6	\$1.6	\$0.0	-	\$1.6	\$0.0	-
Expenditures By Source								
General Revenue	\$1.6	\$1.6	\$1.6	\$0.0	-	\$1.6	\$0.0	-
Authorized FTE Levels	12.0	12.0	12.0	-	-	12.0	-	-

\$ in millions. Totals may vary due to rounding.

The Rhode Island Ethics Commission is responsible for adopting and disseminating the Rhode Island Code of Ethics, issuing advisory opinions to public officials and employees, enforcing financial disclosure policies and maintaining financial disclosure records, investigating and adjudicating complaints alleging violation of the Code of Ethics, and educating the general public as to the requirements of the Code of Ethics. The Commission is headed by an Executive Director/Chief Prosecutor.

MAJOR ISSUES AND TRENDS FOR FY2017

The Governor recommends \$1.6 million for FY2017, which provides an increase of \$8,507 (0.5 percent) over the FY2016 Budget as Enacted. This includes a net increase of \$14,647 for personnel costs largely reflecting the retirement rate changes from passage of Article 21 of the FY2016 Budget as Enacted. The Governor also includes an increase of \$2,000 (\$13,000 to \$15,000) for contracted legal services, and a decrease of \$8,140 in all other operating costs.

The Governor recommends 12.0 FTE positions in FY2016 and FY2017, consistent with the enacted level. The agency's office is located at 40 Fountain Street in the City of Providence. The lease was renewed on April 30, 2011, and expires on November 30, 2021. The annual lease expense is \$101,458.

RI Ethics Commission	General Revenue
FY2016 Enacted	\$1,644,876
<i>Target and Other Adjustments</i>	<i>8,507</i>
FY2017 Governor	\$1,653,383

Office of the Governor

Expenditures By Program	FY2015 Actual	FY2016 Enacted	FY2016 Governor	Change from Enacted		FY2017 Governor	Change from Enacted	
Central Management	\$4.4	\$4.9	\$5.1	\$0.2	4.8%	\$5.1	\$0.2	3.8%
Expenditures By Source								
General Revenue	\$4.4	\$4.9	\$5.1	\$0.2	4.8%	\$5.1	\$0.2	3.8%
Authorized FTE Levels	45.0	45.0	45.0	-	0.0%	45.0	-	0.0%

\$ in millions. Totals may vary due to rounding.

The Office of the Governor is one of five general offices subject to voter election under the Constitution of Rhode Island. The Office is responsible for directing the executive branch of government, including the preparation and submission of the annual state budget.

MAJOR ISSUES AND TRENDS FOR FY2017

In FY2017, the budget for the Office of the Governor is \$5.1 million in general revenue. The majority of this funding (89.5 percent) supports personnel costs. The Budget includes 45.0 FTE positions in both FY2016 and FY2017, consistent with the FY2016 Budget as Enacted.

Central Management	General Revenue
FY2016 Enacted	\$4,903,467
<i>Target and Other Adjustments</i>	<i>(1,783)</i>
Personnel	189,385
Contingency Fund	Informational
FY2017 Governor	\$5,091,069

Personnel **\$189,385**

The Budget includes \$4.6 million in general revenue for increases to salaries and benefits for 45.0 authorized FTE positions in FY2017, an increase of \$189,385 over the enacted level. In FY2015, the Office averaged 7.0 vacancies for the fiscal year.

Contingency Fund **Informational**

The Governor's office is annually appropriated general revenue for a contingency fund for unforeseen expenses. This is a discretionary spending account. The FY2016 enacted budget amount totaled \$250,000; however, the Governor requested a reappropriation of \$160,800 from unspent funds in FY2015, for a revised total of \$410,800 in FY2016. The Governor includes \$250,000 in FY2017.

Rhode Island Commission for Human Rights

Expenditures By Program	FY2015 Actual	FY2016 Enacted	FY2016 Governor	Change from Enacted		FY2017 Governor	Change from Enacted	
Commission for Human Rights	\$1,556,738	\$1,548,010	\$1,554,766	\$6,756	0.4%	\$1,581,423	\$33,413	2.2%
Expenditures By Source								
General Revenue	\$1,225,335	\$1,252,174	\$1,243,892	(\$8,282)	-0.7%	\$1,258,128	\$5,954	0.5%
Federal Funds	331,403	295,836	310,874	15,038	5.1%	323,295	27,459	9.3%
Total	\$1,556,738	\$1,548,010	\$1,554,766	\$6,756	0.4%	\$1,581,423	\$33,413	2.2%
Authorized FTE Levels	14.5	14.5	14.5	-	0.0%	14.5	-	0.0%

The Rhode Island Commission for Human Rights enforces anti-discrimination laws in the areas of employment, housing, public accommodations, credit, and delivery of services. Major program activities include outreach and education, intake, investigation, conciliation, and administrative hearings.

The Commission is reimbursed \$700 for each co-filed employment case processed pursuant to its work-sharing agreement with the federal Equal Employment Opportunities Commission (EEOC), and between \$1,400 and \$3,100 for each co-filed housing case processed pursuant to its contract with the federal Department of Housing and Urban Development (HUD). Annual federal receipts are used to estimate the following federal fiscal year appropriation to the Commission. When the Commission processes fewer EEOC or HUD cases, the Commission receives a lower federal reimbursement, resulting in the need to appropriate additional general revenues to cover the annual operation of the Commission.

The Commission receives, on average, approximately 400 cases per year and projects an average number of processed cases to be the same each year. For FY2015, it took the Commission an average of 300 days to process a case to final disposition, 8 days quicker than those processed during FY2014 and 29 days quicker than those processed during FY2013.

MAJOR ISSUES AND TRENDS FOR FY2017

The Governor recommends 14.5 FTE positions in FY2016 and in FY2017, consistent with the enacted level. Other than the statewide target adjustments, the Governor recommends no significant changes to the Commission's budget. The 0.5 FTE Senior Compliance Officer position has remained vacant since 2009.

Commission for Human Rights	General Revenue
FY2016 Enacted	\$1,252,174
<i>Target and Other Adjustments</i>	<i>5,954</i>
FY2017 Governor	\$1,258,128

Public Utilities Commission

Expenditures By Program	FY2015 Actual	FY2016 Enacted	FY2016 Governor	Change from Enacted		FY2017 Governor	Change from Enacted	
Public Utilities Commission	\$6,762,365	\$8,684,685	\$8,672,349	(\$12,336)	-0.1%	\$8,926,973	\$242,288	2.8%
Expenditures By Source								
Federal Funds	\$81,792	\$90,000	\$90,000	\$0	-	\$104,669	\$14,669	16.3%
Restricted Receipts	6,680,573	8,594,685	8,582,349	(12,336)	-0.1%	8,822,304	227,619	2.6%
Grand Total	\$6,762,365	\$8,684,685	\$8,672,349	(\$12,336)	-0.1%	\$8,926,973	\$242,288	2.8%
Authorized FTE Levels	50.0	50.0	50.0	-	-	51.0	1.0	2.0%

The Public Utilities Commission (PUC) regulates public utilities, Community Antenna Television, common carriers, and major energy facilities; regulates rates; ensures sufficient utility infrastructure to promote economic development; and, cooperates with other states and federal government agencies to coordinate efforts to meet objectives. The PUC is comprised of two distinct regulatory bodies: the Division of Public Utilities and Carriers (Division) and a three-member Commission (Commission). The Division carries out laws relating to public utilities and carriers, and the regulations and orders of the Commission governing the conduct and charges of the public utilities. The Commission serves as a quasi-judicial tribunal that holds investigations and hearings concerning utility rates, tariffs, tolls and charges, as well as facility accommodations and locations. The Commission is funded primarily through fees paid by utility companies.

MAJOR ISSUES AND TRENDS FOR FY2017

The Governor recommends a total operating budget of \$8.9 million, including \$8.8 million in restricted receipts and \$104,669 in federal funds. The agency does not receive any general revenue funding. The recommendation represents an increase of \$242,288 (2.8 percent) over the FY2016 Budget as Enacted. The Governor includes \$116,674 in restricted receipts to fund a new 1.0 Senior Legal Counsel FTE position. The Governor recommends a staffing level of 50.0 FTE positions in FY2016 and 51.0 FTE positions in FY2017 for the Commission.

Public Utilities Commission	Other Fund Changes
Senior Legal Counsel	\$116,674

Senior Legal Counsel (restricted receipts) \$116,674

The Governor adds 1.0 FTE position and \$116,764 in restricted receipts to support the personnel costs for a 1.0 Senior Legal Counsel position to assist with the increased number of consumer and court proceedings due to recent challenges in utility termination matters associated with residential utility service termination. The Commission's administrative function, the Division of Public Utilities and Carriers, is statutorily required to conduct formal evidentiary hearings on such "termination" cases. The Division is similarly required to defend its related final written decisions before the Rhode Island Superior Court.

Previously the Division would rely upon the Office of the Attorney General to represent the Division in these adjudicatory and appellate matters. However the Office of the Attorney General decided to decline Division representation in these specific "termination" cases. The following table illustrates the caseload volume undertaken by the Division over the past three fiscal years:

Hearings	FY2013	FY2014	FY2015	<i>FY2015 to</i>	
				<i>FY2014 Change</i>	<i>% Change</i>
Gas Termination	1,134	1,149	1,495	346	30.1%
Electric Termination	1,481	1,786	2,277	491	27.5%
Informal Hearings	672	732	905	173	23.7%
Total	3,287	3,667	4,677	1,010	27.6%

Source: Division of Public Utilities and Carriers

CAPITAL PROJECTS

The Governor's 5-year capital plan includes \$490,705 in restricted receipts and \$123,258 in federal funds for ongoing asset protection of the state-owned facility at 89 Jefferson Boulevard in the City of Warwick. The Governor recommends \$159,963 in FY2016, of which \$123,258 is federal funds and \$36,705 is restricted receipts. The Governor recommends further restricted receipt expenditures of \$100,000 in FY2017, \$204,000 in FY2018, \$100,000 in FY2019, and \$50,000 in FY2020. The structure has been used by the Division of Public Utilities and Carriers/Public Utilities Commission since 2002 for office and public hearing space. In addition, the Division continues to replace older vehicles at the Agency.

The Public Utilities Commission and the Division of Public Utilities and Carriers assess public utilities corporations up to \$300,000 per fiscal year for capital, asset protection, or maintenance programs for the Division. Assessments on public utilities are placed into a restricted receipt account and used for capital projects.

Executive Office of Commerce

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$0.2	\$1.0	\$1.0	\$0.0	-	\$1.2	\$0.2	20.0%
Commerce Programs	-	-	-	-	-	13.8	13.8	100.0%
Economic Development Initiatives Fund	-	43.5	43.5	-	-	35.0	(8.5)	-19.5%
Housing and Community Development	-	14.4	15.7	1.3	9.0%	20.7	6.3	43.8%
Quasi-Public Appropriations	-	16.1	16.1	-	-	13.0	(3.1)	-19.3%
Total	\$0.2	\$74.9	\$76.4	\$1.5	1.9%	\$83.6	\$8.7	11.6%
Expenditures By Source								
General Revenue	\$0.2	\$60.8	\$61.0	\$0.2	0.3%	\$63.3	\$2.5	4.1%
Federal Funds	-	11.0	11.1	0.1	0.9%	15.3	4.3	39.1%
Restricted Receipts	-	2.8	4.0	1.2	42.9%	4.8	2.0	71.4%
Operating Transfers from Other Funds	-	0.3	0.3	-	-	0.3	-	-
Total	\$0.2	\$74.9	\$76.4	\$1.5	1.9%	\$83.6	\$8.7	11.6%
Authorized FTE Levels	5.0	16.0	16.0	-	-	16.0	-	-

\$ in millions. Totals may vary due to rounding.

The Executive Office of Commerce was established pursuant to RIGL 42-64.19 to be the principal agency of the executive branch of State government for managing the promotion of commerce and the economy within the State. The Secretary of Commerce oversees the Executive Office of Commerce. The Secretary is charged with coordinating a cohesive direction of the State's economic development activities and be the State's lead agency for economic development throughout Rhode Island.

The Housing and Community Development program was transferred to the Executive Office of Commerce in accordance to provisions set under RIGL 42-64.19-7(h) and enacted by the General Assembly in 2013. In addition, the funding and administration for the Rhode Island Commerce Corporation and the I-195 Redevelopment Commission that were previously funded in the Department of Administration were transferred to the Executive Office of Commerce.

Analyst's Note: The enabling statute requires the Executive Office of Commerce to assume, on or about February 1, 2015, the operating functions of the Department of Business Regulation. However, the Governor has interpreted this to only mean that the Director of the Department of Business Regulation reports to the Secretary of Commerce, and not mean that the Executive Office of Commerce is to administer the budget and operations of the Department.

MAJOR ISSUES AND TRENDS FOR FY2017

The Governor includes \$83.6 million, of which \$65.3 million is general revenue, to fund the operations and economic initiatives of the Rhode Island Commerce Corporation. This reflects an increase of \$8.7 million (\$2.5 million in general revenues). The Governor includes 16.0 FTE positions in FY2016 and in FY2017, consistent with the enacted level.

The Governor proposes several new economic initiatives within the Commerce Corporation designed to spur tourism and economic development. Several of the economic programs were previously listed under the Quasi-Public Appropriations program as part of the FY2016 Budget as Enacted. The cost of the new programs is \$13.8 million in general revenue, and increase of \$10.7 million from the amount appropriated in the FY2016 Budget as Enacted.

In addition, the Governor includes \$35.0 million in general revenue in FY2017 for a second year of funding economic development initiatives for various incentives, business assistance, and development programs to create and expand businesses. The Governor recommends level funding two initiatives from

last fiscal year and includes \$5.0 million for the First Wave Closing Fund and \$1.0 million for the Main Street RI Streetscape Program.

CENTRAL MANAGEMENT

The Central Management program is responsible for supervising, coordinating, and monitoring all departmental functions. The Central Management program provides leadership, management, and strategic planning activities. The Governor recommends 5.0 FTE positions in FY2016 and in FY2017.

Central Management	General Revenue
FY2016 Enacted	\$956,254
<i>Target and Other Adjustments</i>	
Personnel	(598)
FY2017 Governor	\$1,200,198
Personnel	\$244,542

The Governor adds \$244,542 in general revenue to support the salary and benefit costs for 5.0 FTE positions for the executive agency. The recommendation increases salaries by \$160,148 and benefits by \$84,394, reflecting the upcoming employment of a Deputy Secretary of Commerce. The Deputy Secretary position will account for the majority of the increase, as the position was not budgeted in FY2016. The other part of the increase is to fund 1.0 Executive Assistant at \$71,507 in salary for FY2017.

COMMERCE PROGRAMS

The Governor proposes several new economic initiatives within the Commerce Corporation designed to spur tourism and economic development. Several of the economic programs were previously listed under the Quasi-Public Appropriations program as part of the FY2016 Budget as Enacted. The cost of the new programs is \$13.8 million in general revenue, and increase of \$10.7 million from the amount appropriated in the FY2016 Budget as Enacted.

Commerce Programs	General Revenue
FY2016 Enacted	\$0
<i>Target and Other Adjustments</i>	
Wavemaker Fellowship	5,000,000
R & D Tax Credit	5,000,000
Air Service Development	1,500,000
Impact Faculty Program	1,250,000
SBIR State Match	1,000,000
FY2017 Governor	\$13,750,000

Wavemaker Fellowship **\$5.0 million**

The Governor includes \$5.0 million in general revenue in FY2017 to fund a second year of the Wavemaker Fellowship. This reflects an increase of \$3.2 million from the appropriation in the FY2016 Budget as Enacted. The Fellowship is a competitive student loan reimbursement for college and university graduates who take employment in science, technology, engineering, and mathematics (STEM) fields in Rhode Island. The goal of the program is to award approximately 250 Fellows refundable personal income tax credits to offset annual student loan payments for up to 4 years. The amount of the tax credit depends upon the degree earned by the taxpayer, i.e. \$1,000 for an associate degree up to \$6,000 for a graduate or post-graduate degree.

The first application period for the FY2016 Wavemaker Fellowship is expected to launch in early April, with an online system for receiving applications.

R & D Tax Credit

\$5.0 million

The Governor includes \$5.0 million in general revenue to fund a new Refundable Research and Development tax credit. The Governor creates the Refundable Research and Development Tax Credit (Article 17) to incentivize businesses to make multi-year commitments to conduct research and development activities in the state and invest in plant, equipment, or personnel in order to accomplish these research activities. The Commerce Corporation may award a refundable tax credit to a company for an eligibility period of not more than 5 years, and beginning no earlier than the year in which the business applied to the Corporation for the refundable tax credit. The amount of the credit available to a business shall not exceed the amount of municipal property taxes incurred by the business, up to a maximum of up to \$200,000. The tax credit may be applied against corporation, insurance, or personal income tax liabilities. The Governor includes \$5.0 million in general revenues from debt refinancing proceeds for the program in FY2017.

Analyst's Note: The enabling legislation authorizing this credit does not include a sunset period or a requirement to promulgate rules and regulations for the credit program.

Air Service Development

\$1.5 million

The Governor includes \$1.5 million in general revenue for a new initiative to support the creation of additional direct airline routes to major metropolitan areas. The Governor believes that T.F. Green is well-positioned to capitalize on the airline industry trend to add new air routes. According to the Executive Office of Commerce, it has become common practice in the industry to provide a revenue backstop to an airline that is implementing a new route, in essence, providing a limited, capped amount of money to compensate the airline for losses incurred if the new route isn't profitable.

The Air Service Development Fund will provide loss protection to an airline for new, high-priority routes, minimizing downside risk for the airline and giving Rhode Island a competitive edge against other airports. If a route is profitable, no money from the Fund will be paid to the airline. FAA regulations prohibit the Rhode Island Airport Corporation (and all airports) from providing these incentives, but there is no restriction on the State from providing this incentive.

Each decision to backstop a route will be made after a confidential cost/benefit analysis. The introduction of each new high priority route to T.F. Green is designed to lead to a greater influx of both business and leisure travelers, and the creation of dozens of direct, indirect, and induced jobs for Rhode Island. The Executive Office of Commerce estimates the program would have an economic impact of \$5.0 to \$6.0 million in Rhode Island. Similar programs like this have gained traction across the country, and airlines are now receiving similar community and state support in Pittsburgh, Hartford, Baltimore, and Bozeman, Montana.

Impact Faculty Development

\$1.3 million

The Governor includes \$1.3 million in general revenue for a new initiative to assist the various institutions of higher learning in the State to attract and hire faculty who have had success in commercializing their research. The program is modeled after similar programs in the states of North Carolina and Georgia. The Impact Faculty program will involve a State match to funds that schools such as the University of Rhode Island will spend hiring faculty and setting up labs. The awards will go the schools, which will also have to raise funds to support the professorships being created. There are no limits on the awards.

Small Business Innovation Research State Match**\$1.0 million**

The Governor includes \$1.0 million in general revenue to continue the innovative technology and bioscience and engineering program. These funds will combine public and private dollars to invest in promising companies in such areas as advanced industries, technology, and other strategically important sectors. The Innovate Rhode Island Small Business Program was created under the FY2014 Budget as Enacted to enhance job creation and economic development in the State. The program is administered by the Rhode Island Science and Technology Advisory Council (STAC) located at the Rhode Island Commerce Corporation. The Phase I and Phase II matching grant of \$150,000 is to assist eligible businesses to offset costs associated with applying to the United States Small Business Administration for Small Business Innovation Research (SBIR) grants or Small Business Technology Transfer (STTR) grants and commercialize their technology and research.

ECONOMIC DEVELOPMENT INITIATIVES

The Governor includes \$35.0 million in general revenue in FY2017, a decrease of \$8.5 million from the FY2016 Budget as Enacted. The Governor includes these economic development initiatives to fund various incentives, business assistance, and development programs to create and expand businesses.

Economic Development Initiatives Fund	General Revenue
FY2016 Enacted	\$43,458,000
<i>Target and Other Adjustments</i>	-
I-195 Redevelopment Fund	(25,000,000)
Rebuild RI	19,600,000
Small Business Assistance	(5,458,000)
Affordable Housing Fund	(2,000,000)
Anchor Institution Tax Credit	(1,750,000)
Impact Faculty Refinancing	1,500,000
Innovation Vouchers	1,500,000
Rhody Rail Commuter Pass	1,500,000
P-TECH	1,400,000
Competitive Cluster Grants	500,000
Innovation Network Grants	(500,000)
Building and Fire Permit Initiative	250,000
First Wave Closing Fund	Informational
Main Street RI Streetscape	Informational
FY2017 Governor	\$35,000,000

I-195 Development Fund**(\$25.0 million)**

The Governor does not include funding for the I-195 Redevelopment Fund as part of the FY2017 Budget, resulting in a \$25.0 million general revenue reduction compared to the FY2016 Budget as Enacted. The appropriation in FY2016 was intended to be a one-time capitalization of a fund to serve as a catalyst for real estate development on the former highway land. Additional resources from federal programs, private contributions, loan repayments, and from the sale of assets and collateral can be deposited into this Fund. The I-195 Redevelopment District Commission will be sole administrator of the Fund to be used to:

- Provide gap financing on real estate projects within the district
- To acquire adjacent (abutting parcels) or proximate land (land in the area of the I-195 District owned land but not an abutting parcel including areas around the Garrahy Courthouse Garage and the South Street Landing project, or further away from the District)
- To finance public infrastructure and facilities that will enhance the District

As of March 18, 2016, the Rhode Island Commerce Corporation (CommerceRI) reports that no awards have been made from the I-195 Redevelopment Fund. In fact, the Rules and Regulations required to administer the fund were only approved on January 12, 2016.

Rebuild Rhode Island Tax Credit

\$19.6 million

The Governor includes \$20.6 million in general revenue for the Rebuild Rhode Island Tax Credit (Rebuild RI) program, an increase of \$19.6 million from the FY2016 Budget as Enacted. The Rebuild Rhode Island Tax Credit is a tax credit administered by the Commerce Corporation, intended to promote investment in real estate development for commercial and/or residential use.

The Rebuild RI program allows the Secretary of Commerce to issue a tax credit based on the lesser of 30.0 percent of the project cost or the amount needed to close demonstrated financing gap up to \$15.0 million. Tax credits are issued once a certificate of occupancy has been obtained. If the amount of credit exceeds the taxpayers' liability in a given year, the credit may be carried forward up to four years or until the full credit is used (whichever occurs first). Credits may be used against the following taxes: business corporations, financial institutions, insurance companies, public service corporations, and personal income taxes. Any use against sales and use taxes may be permitted at the discretion of the Secretary of Commerce. Prior to assignment of the credit, the State will have the right to redeem (purchase) the credits at 90.0 percent of the credit value.

A restricted receipt account is established (the Rebuild RI Fund) which will be funded annually by general revenue appropriations. On an annual basis, the Commerce Corporation will work with the Executive Office of Commerce, the Department of Administration, and the Division of Taxation to determine the availability of funds for the award of new tax credits. Each year, the Director of Revenue will request the amounts necessary to pay for the redemption of tax credits.

The Governor proposes language (Article 17) that would allow amounts deposited in the Rebuild RI tax credit fund to be used to reimburse municipalities participating in the tax stabilization agreement program. Additionally, the Executive Office of Commerce may authorize the Commerce Corporation to transfer amounts deposited in the Anchor Institution tax credit fund to the Rebuild RI tax credit fund.

CommerceRI indicates that the corporation has received an overwhelming response in the first round of Rebuild RI applications, including 30 proposals for over \$100 million in credits. These proposals spanned commercial, mixed, and residential uses and included projects of high priority to the State's economy. An annual allocation of \$30.0 million for 5 years, as contemplated, would provide \$150.0 million in State capital to match approximately \$600.0 million in private capital and spur approximately \$750.0 million in construction activity. As of March 28, 2016, the Commerce Corporation approved seven developers for \$24.6 million in maximum Rebuild RI tax credits. The developers, credit amounts, and total project costs are illustrated in the following table:

Recipient	Maximum Credit	Total Project Cost	Date Approved
93 Cranston, LLC	\$2,733,000	\$10.0	1/25/2016
John M. Corcoran & Co., Inc.	5,583,333	54.0	1/25/2016
Waldorf Capital Management	1,250,000	17.1	2/22/2016
Case Mead Association	2,200,000	7.4	2/22/2016
WinnDevelopment & Omni Development	3,657,600	12.2	3/28/2016
Providence Capital III, LLC	3,036,032	15.2	3/28/2016
78 Fountain JV Owner, LLC Nordblom Development & Cornish Associates	6,115,119	48.4	3/28/2016
Total	\$24,575,084	\$164.3	
Project \$'s in millions			

Small Business Assistance**(\$5.5 million)**

The Governor does not include funding for the Small Business Assistance program as part of the FY2017 Budget, resulting in a \$5.5 million general revenue reduction as compared to the FY2016 Budget as Enacted. The appropriation in FY2016 was intended to be a one-time funding to establish this program. The Small Business Assistance program was created to help small businesses (under 200 employees) gain access to capital. This program offered more operating flexibility than the current Small Business Loan Fund, which is subject to federal regulations from the U. S. Economic Development Administration. Approximately 10.0 percent of the funds will be allocated for “micro loans” of \$2,000 to \$25,000. The maximum award that an applicant can receive is \$750,000.

The Commerce Corporation was authorized to partner with a private lending institution to administer the applications and program, and issued requests for proposals for program providers in October 2015. The Corporation Board will review a resolution during its March Board meeting to approve the following list of recommended authorized providers:

Small Business Lending Program	Award Amount
South Eastern Economic Development Corporation	\$1,000,000
Business Development Corporation of Rhode Island	1,000,000
Community Investment Corporation	1,000,000
CDC of New England	1,900,000
Total	\$4,900,000
Micro Lending Program	Award Amount
Center for Women and Enterprise	\$250,000
Social Enterprise Greenhouse	125,000
Community Investment Corporation	170,000
Total	\$545,000
Total All Programs	\$5,445,000

Affordable Housing**(\$2.0 million)**

The Governor recommends \$1.0 million in general revenue to finance the development of affordable housing, a reduction of \$2.0 million from the FY2016 Budget as Enacted. The funds are administered by the Rhode Island Housing and Mortgage Finance Corporation to leverage additional federal and private equity. Previously, funding for affordable housing was obtained through voter approved bond issuances. The Governor does not include funding for Affordable Housing as an Economic Initiative item, but instead relies upon passage of a bond referendum to provide \$40.0 million in bond proceeds to promote affordable housing programs. The Budget includes \$1.0 million to continue the development of affordable housing until proceeds from the general obligation bond are available.

Anchor Institution Tax Credit**(\$1.8 million)**

The Governor does not include funding for the Anchor Institution Tax Credit as part of the FY2017 Budget, resulting in a \$1.8 million general revenue reduction as compared to the FY2016 Budget as Enacted. The Anchor Institution Tax Credit program was designed to entice businesses that supply component goods or services to Rhode Island companies to relocate to the State. The amount of the credit shall be based on criteria created by the Commerce Corporation, and include factors such as:

- The number, types, and compensation of jobs created
- The industry sector of the business

- Whether the relocation benefits an area designated as a “Hope Community”, which under the legislation would include Providence, Central Falls, West Warwick, Pawtucket, and Woonsocket

The Executive Office of Commerce indicates that there was little interest in this program and the Governor includes language in Article 17 allowing the Executive Office of Commerce to authorize the Commerce Corporation to transfer amounts deposited in the Anchor Institution tax credit fund to the Rebuild Rhode Island tax credit fund. The Governor reduces the appropriation by \$1.0 million as part of the FY2016 Revised Budget.

Impact Faculty Refinancing

\$1.5 million

The Governor includes \$1.5 million for a new economic initiative to assist the various institutions of higher learning in the State to attract and hire faculty who have had success in commercializing their research. The program is modeled after similar programs in the states of North Carolina and Georgia. The Governor also includes \$1.3 million in general revenue within the Commerce Programs for this new initiative for a total of \$2.8 million. The Impact Faculty program will involve a State match to funds the University of Rhode Island will spend hiring faculty and setting up labs. The awards will go the schools, which will also have to raise funds to support the professorships being created. There are no limits on the awards.

Innovation Vouchers

\$1.5 million

The Governor includes \$1.5 million in general revenue for the Innovative Voucher program in FY2017. This initiative was originally funded as a \$500,000 Commerce Economic Program in the FY2016 Budget as Enacted. The Innovation Voucher Program provides financial assistance to small businesses (under 500 employees) to purchase research and development technical assistance from state or regional higher education institutions, or other providers. Awards will range from \$5,000 to \$50,000. The Vouchers can be used as:

- Support for the commercialization of a new product, process, or service
- Access to scientific, engineering, and design expertise
- Technological development and exploration
- Scale-to-market development of innovative ideas

Analyst's Note: According to the Commerce Corporation, there is an overwhelming interest in the program following its launch last month and the Commerce Corporation expects to exhaust the available \$500,000 in the first round of grant-making. The Commerce Corporation has roughly 35 companies in the pipeline for this program already. The additional funding will allow the Commerce Corporation to engage in subsequent rounds of grant-making and meet the great demand present in the market for collaboration among Rhode Island companies and research institutions.

As of March 18, 2016, 11 companies have received approval from the Commerce Corporation for Innovation Vouchers totaling \$451,897. The approved companies and voucher amounts are:

<u>Recipient</u>	<u>Approved Amount</u>	<u>Date Approved</u>
Agcore Technologies, LLC	\$50,000	1/25/2016
Applied Radar, Inc.	10,000	1/25/2016
CBC, LLC	50,000	1/25/2016
EpiVax, Inc.	50,000	1/25/2016
Full Measure, LLC	48,814	1/25/2016
HMSolution, Inc.	20,000	1/25/2016
Materials Science Associates, LLC	50,000	1/25/2016
Pilgrim Screw Corporation	49,921	1/25/2016
S2S Surgical, LLC	37,613	1/25/2016
Vitae Industries, Inc.	40,000	1/25/2016
Yushin America, Inc.	45,549	1/25/2016
Total	\$451,897	

Rhody Rail Commuter Pass

\$1.5 million

The Governor includes \$1.5 million in general revenue for a new initiative to provide an incentive for commuters using the rail service between Providence and Boston. This proposal intends to enhance rail connectivity between Rhode Island and the Boston area.

According to the Executive Office of Commerce, Rhode Island's congested and aging rail infrastructure often struggles to provide affordable, frequent, and convenient service, limiting regional economic connectivity. For peak period commuters and off-peak business travelers in particular, existing rail service between Rhode Island and Boston ranks among the slowest, most expensive links between cities on the East Coast and may foreclose economic opportunities to Rhode Island workers and businesses. The initiatives involves:

- A streamlined smartphone app that allows travelers to easily book Amtrak or MBTA between the two places, depending on which train is more convenient (currently, there are two separate apps that require dozens of taps and lost time comparing the two, otherwise complementary schedules).
- Fare discounts that make it more affordable to take Amtrak and MBTA between Rhode Island and Boston. The Executive Office of Commerce (Commerce) is communicating with both Amtrak and MBTA to determine discounted rate structures. At this point, Commerce does not yet have that information.

P-TECH

\$1.4 million

The Governor includes \$1.4 million in general revenue to continue the P-TECH program in FY2017. The P-TECH program is modeled after similar programs in Connecticut and New York. The program enlists a major employer to work with a local high school and community college to create a pipeline of talent. The employer helps craft a curriculum that gives students internships and, at the end of five or six years, a high school diploma, associate's degree, and potentially a job. The funding will be used to hire staff and to set up the program at three high schools in state.

P-TECH is a nationally recognized program active in over 30 high schools based on partnerships among local high schools, community colleges, and companies. Students enroll in 9th grade and as they progress, take college-level courses, work in company-sponsored internships, and benefit from the mentorship of company employees. They graduate with a high school diploma, associate's degree, and opportunity for a career at partner companies. P-TECH creates opportunity for students and a steady stream of talented, trained workers for businesses

The additional funding will maintain the initial three high school P-TECH partnerships and will also fund the creation of the partnerships in three additional high schools to be determined during calendar year 2016. Several high schools expressed interest in participating in this year's cohort of P-TECH schools but were not able to meet the requirements in time.

The Corporation recently announced the first 3 partnerships, which launched in the fall of 2015 involving the public schools in Providence, Newport, and Westerly. As of March 18, 2016, the Commerce Corporation reported that 3 awards of \$200,000 each were made to the following schools:

<u>Recipient</u>	<u>Approval Amount</u>	<u>Date Approved</u>
Newport Public Schools	\$200,000	1/25/2016
Providence Public Schools	200,000	1/25/2016
Westerly Public Schools	200,000	1/25/2016
Total	\$600,000	

As part of the P-TECH program, the Commerce Corporation intends to hire at least 1.0 FTE position, at the vice principal level in each high school and have that employee work in the participating high school. To date, the three school districts have not hired these positions.

On March 29, 2016, the Board of the Rhode Island Commerce Corporation approved an additional expenditure of \$100,000 to pay for a P-Tech liaison and any associated administrative costs with the Community College of Rhode Island. It was noted by the Corporation staff that the \$100,000 will be deducted from the FY2016 Revised Budget appropriation.

Analyst's Note: This initiative was originally funded as a \$600,000 Commerce Economic Program as part of the FY2016 Budget as Enacted. The actual increase in year-to-year funding is \$800,000 in general revenue; however, because the initiative is listed under a different program in the Budget, the appropriation appears as a \$1.4 million increase.

Competitive Cluster Grants

\$500,000

The Governor includes \$1.3 million in general revenue in FY2017 to support the Competitive Cluster Grant program. This is \$500,000 more than the \$750,000 included in the FY2016 Budget as Enacted. The program provides matching grants to start or improve industry sector partnerships or "clusters" to exchange technology and share personnel resources. Industry clusters are created by pooling labor forces, for collaborative problem solving, and sharing technology.

The Commerce Corporation is in the process of evaluating 26 applications received, totaling \$5.7 million. However, due to the timing required for the Corporation to conduct the internal review and internal evaluations, none of the applications have yet to be placed before the Commerce Corporation Board for approval. The Board has requested that they have adequate time to review all items coming before them for vote.

Innovation Network Grants

(\$500,000)

The Governor does not include funding for the Innovation Network Grants program as part of the FY2017 Budget, resulting in a \$500,000 general revenue reduction as compared to the FY2016 Budget as Enacted. The Innovation Network Program was intended to provide matching fund grants to small businesses in industry sectors. It was anticipated that small business would use these funds to access technical assistance, obtain business operating space, and to access capital from private and non-profit organizations. The following applicants will be voted upon by the Commerce Corporation Board in April 2016:

Recipients	Award
Social Enterprise Greehouse	\$115,000
Hope & Main	107,998
MassChallenge, Inc.	100,000
Practico Innovation	50,000
Total	\$372,998

Building and Fire Permit Initiative**\$250,000**

The Governor includes \$250,000 in general revenue to develop office space and to reimburse local communities for lost permit and inspection fees. The initiative allows all capital investment projects receiving incentives from the Rhode Island Commerce Corporation to bypass local building and fire codes. Projects would be subject to State building and fire codes, and required inspections would be conducted by the State Building Commissioner. This initiative was originally funded as a Commerce Economic Program in the FY2016 Budget as Enacted.

First Wave Closing Fund**Informational**

The Governor level funds this initiative from last fiscal year, including \$5.0 million for the First Wave Closing Fund. This Fund is intended to attract, expand, or retain businesses, and create jobs in the state, by providing “gap financing” mechanism to fund the portion of the project cost that remains to be financed after all other sources of capital have been considered or the amount that the State may invest in a project to gain a competitive advantage over another state.

Main Street RI Streetscape Program**Informational**

The Governor level funds the Main Street RI Streetscape Program, including \$1.0 million in FY2017. This Program provides loans, matching grants, or other forms of financing to upgrade streetscapes in local business districts. Each of the following awards require the recipient to provide a 30.0 percent match. The Commerce Corporation Board recently approved the following awards:

Recipient	Award	Project
Central Falls	\$300,000	Building façade improvements Dexter ST.
Pawtucket	245,000	Municipal garage improvements
One Neighborhood Builders (Providence)	196,000	Bus stop and pedestrian safety issues in Olneyville
Bristol	80,000	Wayfinder signage.
The Providence Foundation (Providence)	76,000	Wayfinder signage downtown
Woonsocket	70,000	Lanscaping, handicap accessibility upgrades
East Greenwich	32,400	Main Street sidewalk repairs
Total	\$999,400	

HOUSING AND COMMUNITY DEVELOPMENT

The Housing and Community Development program provides opportunities for healthy and affordable housing through production, lead hazard mitigation, and the coordination of the homeless system and implementation of the State’s plan to end homelessness. The Community Development Block Grant program provides funding to 33 municipalities to address housing and community development needs. Previously, the program was administered by the Division of Planning under the Department of Administration. The Governor includes 11.0 FTE positions in FY2016 and in FY2017, consistent with the enacted level.

Housing and Community Development	General Revenue
FY2016 Enacted	\$593,082

<i>Target and Other Adjustments</i>	<i>24,123</i>
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FY2017 Governor	\$617,205
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Housing and Community Development	Other Fund Changes
Community Development Block Grant	\$4,307,124
Housing Resources Commission	1,950,000

Community Development Block Grant (federal funds) **\$4.3 million**

The Governor includes a net adjustment of \$4.3 million in federal funds receipts. The funds reflect an adjustment of \$3.8 million in federal Community Development Block Grant (CDBG) funds, partially offset by changes in other federal funds. The CDBG adjustment includes an increase of \$4.2 million for Disaster Recovery Grants related to Hurricane Sandy to support local (municipal) disaster recovery activities. While there were a number of projects jointly funded with both CDBG–Disaster Recovery funds and funds provided through RIEMA; the funds provided through RIEMA tend to fund more immediate-response activities for the State, while the CDBG funds generally support municipalities in the long-term recovery from disasters.

The State manages the CDBG program for 33 Rhode Island municipalities which do not receive a CDBG allocation from the U. S. Department of Housing and Urban Development (HUD). The State distributes funds to units of general local government, which in turn distribute funds to non-profit and other entities to support various activities including housing, economic development, facilities/improvements, social services and planning (land use). CDBG funds are targeted to areas that are distressed and are predominately low- and moderate- income neighborhoods.

Housing Resources Commission (restricted receipts) **\$2.0 million**

The Governor includes \$4.8 million in restricted receipts for the Housing Resources Commission (HRC). This reflects an increase of \$2.0 million from the FY2016 Budget as Enacted. Funding is used to provide grants to other entities (primarily non-profits) to support homeless shelter operating and service costs, and to operate the State Rental Subsidy Initiative. The HRC has also supported Healthy Housing and Lead Abatement and Homeownership activities.

Analyst's Note: The FY2015 Budget as Enacted increased the Real Estate Conveyance Tax authorized under RIGL 44-25 from a rate of \$2.00 for each \$500, or fractional part of the purchase price, to \$2.30 for each \$500, and dedicated the additional revenue raised by the tax to fund the Housing Resources Commission and the Housing Rental Subsidy.

QUASI-PUBLIC APPROPRIATIONS

The Governor provides \$12.7 million in general revenues to support the Rhode Island Commerce Corporation, several pass-through appropriations to fund specific economic programs, and for the I-195 Redevelopment Commission. There are no FTE positions allocated to this program.

Quasi-Public Appropriations	General Revenue
FY2016 Enacted	\$15,833,206
<i>Target and Other Adjustments</i>	
Rhode Island Commerce Corporation Programs	(3,100,000)
Pass-Through Appropriations	(437,000)
Rhode Island College and University Research Collaborative	165,000
Rhode Island Commerce Corporation Base Appropriation	141,612
I-195 Redevelopment District Commission	111,200
Rhode Island Commerce Corporation Budget	Informational
FY2017 Governor	\$12,714,018

RI Commerce Corporation Programs **(\$3.1 million)**

The Governor shifts funding for these new economic initiatives within the Rhode Island Commerce Corporation from the Quasi-Public Appropriations program to the new Commerce Programs resulted in the decrease of \$3.1 million in general between FY2017 and FY2016 Budget as Enacted.

Pass-Through Appropriations **(\$437,000)**

The Governor includes \$4.1 million in “pass-through” general revenue appropriations in the Executive Office of Commerce, reflecting a decrease of \$437,000 for three one-time Community Service Objectives included in the FY2016 Budget as Enacted. The Governor level funds the other pass-through appropriations which include:

- **\$1.2 million** for the State’s match to the National Science Foundation’s Experimental Program to Stimulate Competitive Research (EPSCoR).
- **\$1.0 million** to fund the Airport Impact Aid payments to municipalities that have airports. The aid is distributed based upon a statutory formula that provides 60.0 percent of the first \$1.0 million (\$600,000) for communities with airports serving more than 1.0 million passengers per year. T.F. Green is the only airport in the State that meets this threshold. The remaining 40.0 percent is distributed to communities based on each airport’s share of total landings in a calendar year, including T.F. Green. No community that hosts an airport receives less than \$25,000. The following table illustrates the distribution of the Airport Impact Aid.

Airport	1.0 Million Passengers	Distribution on Landings	All Airports and Communities to \$25,000	Total
Warwick T.F. Green	\$600,000	\$162,513	\$0	\$762,513
Block Island	-	38,261	-	38,261
Middletown - Newport Airport	-	59,063	-	59,063
North Central	-	45,825	-	-
Smithfield			2,087	25,000
Lincoln			2,087	25,000
North Kingstown - Quonset	-	49,120	-	49,120
Westerly	-	45,217	-	45,217
Total	\$600,000	\$400,000	\$4,174	\$1,004,174

- **\$589,492** in general revenue to fund 13 Community Service Objectives as listed in the accompanying table. This reflects a reduction of \$437,000 from the FY2016 Budget as Enacted.

Community Service Objectives	FY2016 Enacted	FY2017 Governor	Change
Bristol 4th Of July Parade	\$5,000	\$5,000	\$0
Capital Center Commission	12,169	12,169	-
Cape Verdean American Community Development	11,250	11,250	-
East Providence Waterfront Commission	13,500	13,500	-
Japan/America Society	20,000	20,000	-
Maritime Cyber Security Center	75,000	-	(75,000)
Newport County Chamber of Commerce - Surplus Navy Land	225,000	225,000	-
OSHEAN	50,000	50,000	-
Pawtucket Visitors Center	15,188	15,188	-
Providence Plan	48,674	48,674	-
Providence Plan Ready to Learn	2,921	2,921	-
Providence Plan YouthBuild Providence	2,921	2,921	-
Rhode Island Composites Alliance	175,000	-	(175,000)
Small Business Administration	187,000	-	(187,000)
Small Business Development Center / Bryant	42,869	42,869	-
Urban Economic Development Strategies (EDC)	140,000	140,000	-
Total	\$1,026,492	\$589,492	(\$437,000)

- **\$1.0 million** in general revenue to support the innovative technology and bioscience and engineering internship program, administered by the Rhode Island Science and Technology Advisory Council. The funds are used to assist eligible businesses to offset costs associated with applying for Small Business Technology research grants and to provide matching funds to assist businesses in applying for federal research funds.
- **\$376,200** to support the Chafee Center at Bryant University/RI Export Assistance Center.

Rhode Island College and University Research Collaborative

\$165,000

The Governor includes \$165,000 for the Rhode Island College and University Collaborative. This initiative was originally funded as a \$100,000 program as part of the Commerce Corporation's budget as part of the FY2016 Budget as Enacted.

The University Research Collaborative is a consortium of the local colleges and universities through which the schools provide support to the state in various ways, such as:

- Increase the use of non-partisan academic research in policymaking
- Provide an evidence-based foundation for government decision making in RI

The Collaborative has developed a Resource Network of experts from Rhode Island's 11 colleges and universities, creating a public/private partnership.

RI Commerce Corporation Base Appropriation

\$141,612

The Governor includes \$7.5 million in general revenue for the administration and operation of the Rhode Island Commerce Corporation. This is an increase of \$141,612 from the FY2016 Budget as Enacted and is proposed to increase the staff, cover cost-of-living adjustments, and increased occupancy costs.

The Rhode Island Commerce Corporation is a quasi-public entity charged with enhancing the delivery, performance, and accountability of the State's economic development activities. Commerce RI is administered by a 13-member Board of Directors and is chaired by the Governor. Commerce RI is responsible for managing the Industrial Facilities Corporation, Industrial-Recreational Building Authority, and the Small Business Loan Fund Corporation. In addition, the Corporation provides staff support to the Renewable Energy Fund, and the Rhode Island Science and Technology Advisory Council.

Analyst's Note: The RI Commerce Corporation lease for space at 315 Iron Horse Way in Providence expires in January 31, 2017. The current lease does not include an escalation clause, and is \$18.25 /sq. ft. for 19,732 sq. ft. or \$360,127 per year. The new lease, which will have an escalation clause, is expected increase the per square foot rate to \$23.75 sq. ft. or \$468,635 in the first year to \$557,429 in year 10 (using a .50/sq. ft. escalation each year thereafter).

I-195 Redevelopment Commission

\$111,200

The Governor recommends \$872,200 in general revenue to fund administrative, legal and engineering costs incurred by the I-195 Redevelopment District Commission. This reflects an increase of \$111,200 from the FY2016 Budget as Enacted. The Commission expects work involving the Commission will expand as the sales and development of the I-195 District parcels increase. Created in 2011, the I-195 Redevelopment Commission is tasked with developing the land formerly covered by the old I-195 Highway.

The Governor continues funding the I-195 Redevelopment District Commission RICAP capital account at \$300,000, consistent with previous RICAP appropriations made under the Department of Administration since FY2013. These funds are used for architectural and engineering costs incurred by the I-195 Redevelopment District Commission.

Rhode Island Commerce Corporation Budget

Informational

The Rhode Island Commerce Corporation (Commerce RI) formerly known as the Rhode Island Economic Development Corporation (RIEDC), is a quasi-public entity charged with enhancing the delivery, performance, and accountability of the State's economic development activities.

The State provides general revenue appropriations to the Corporation. However, the General Assembly does not directly approve the Commerce Corporation's budget. The Commerce RI Board has the sole responsibility in authorizing the Corporation's annual budget.

Prior to FY2016, funding for Commerce RI (formerly the Rhode Island Economic Development Corporation) and other economic designated items were made under the General Program section of the Department of Administration budget.

The following table illustrates the various funding sources and program assignments that compose the annual Commerce RI budget:

Expenditures	FY2015 Actual	FY2016 Governor	FY2017 Governor	Change from FY2016
Personnel and Operating	\$5,671,990	\$7,497,427	\$8,462,571	\$965,144
EOC Commerce Programs	-	3,100,000	13,750,000	10,650,000
Tourism and Business marketing Campaigns	-	4,983,438	5,000,000	16,562
Grants or Partnerships	275,874	876,258	876,258	-
Community Service Objectives	597,350	1,026,492	589,492	(437,000)
Chafee Center at Bryant	376,200	376,200	376,200	-
Airport Impact Aid	1,025,000	1,025,000	1,025,000	-
STAC Research Alliance (EPScore)	1,150,000	1,150,000	1,150,000	-
RI College and University Collaborative	-	-	165,000	165,000
Innovative Matching Grants	500,000	1,000,000	1,000,000	-
I-195 Redevelopment District Commission	746,596	931,305	872,200	(59,105)
Federal Pass-thru Grants	6,205,342	6,959,458	4,877,240	(2,082,218)
Renewable Energy Fund	2,400,000	2,400,000	2,400,000	-
Volvo Ocean Race	775,000	-	-	-
Total	\$19,723,352	\$31,325,578	\$40,543,961	\$9,218,383
Revenue				
Opening Balance Revenues	\$1,459,964	\$1,574,863	\$1,830,845	\$255,982
RI Commerce Corporation Base Appropriation	4,044,514	7,394,514	7,536,126	141,612
EOC Commerce Programs	-	3,100,000	13,750,000	10,650,000
I-195 Redevelopment District Commission	746,596	931,305	872,200	(59,105)
Community Service Objectives	597,350	1,026,492	589,492	(437,000)
Airport Impact Aid	1,025,000	1,025,000	1,025,000	-
STAC Research Alliance (EPScore)	1,150,000	1,150,000	1,150,000	-
RI College and University Collaborative	-	-	165,000	165,000
Chafee Center at Bryant	376,200	376,200	376,200	-
Innovative Matching Grants	500,000	1,000,000	1,000,000	-
Renewable Energy Fund	2,400,000	2,400,000	2,400,000	-
Volvo Ocean Race	775,000	-	-	-
Federal Grants	6,205,342	6,959,458	4,877,240	(2,082,218)
Hotel Tax Revenue	-	4,983,438	5,000,000	16,562
Finance Program Allocation ¹	741,609	342,228	342,228	-
Grant Reimbursements	808,411	843,000	843,000	-
Other	545,225	70,191	77,529	7,338
Total	\$21,375,211	\$33,176,689	\$41,834,860	\$8,658,171
Net Gain/(Loss)	\$1,651,859	\$1,851,111	\$1,290,899	(\$560,212)
FTE Levels	45.5	53.0	50.0	(3.0)

¹Includes Small Business Loan Fund, Industrial-Recreational Building Authority and Industrial Facilities Corp.

Source: Rhode Island Commerce Corporation and Budget Office

Office of Health and Human Services

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Governor	Enacted	Enacted	Governor	Enacted	Enacted
Central Management	\$127.9	\$124.2	\$209.2	\$85.0	68.4%	\$149.3	\$25.1	20.2%
Medical Assistance (Including Medicaid)	2,206.8	2,263.7	2,254.3	(9.3)	-0.4%	2,260.0	(3.6)	-0.2%
Total	\$2,334.7	\$2,387.9	\$2,463.6	\$75.7	3.2%	\$2,409.3	\$21.4	0.9%
Expenditures By Source								
General Revenue	\$915.7	\$909.9	\$926.0	\$16.1	1.8%	\$914.7	\$4.8	0.5%
Federal Funds	1,402.8	1,462.2	1,522.3	60.1	4.1%	1,476.1	13.9	0.9%
Restricted Receipts	16.2	15.7	15.2	(0.5)	-3.1%	18.5	2.8	17.6%
Total	\$2,334.7	\$2,387.9	\$2,463.6	\$75.7	3.2%	\$2,409.3	\$21.4	0.9%
Authorized FTE Levels	184.0	187.0	187.0	-	0.0%	187.0	-	0.0%

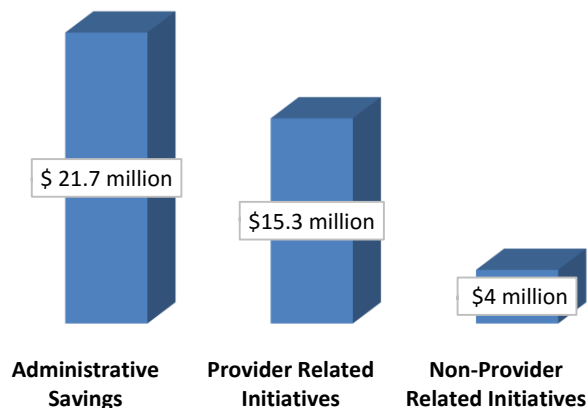
\$ in millions. Totals may vary due to rounding.

The Executive Office of Health and Human Services (OHHS) is the umbrella agency that oversees the departments of Health; Human Services; Children, Youth, and Families; and Behavioral Healthcare, Developmental Disabilities, and Hospitals. Its mission is to serve as the coordinating agency for healthcare policy in Rhode Island and as the Medicaid single state agency.

MAJOR ISSUES AND TRENDS FOR FY2016

The Executive Office of Health and Human Services aims to contain costs within the Medicaid program, while continuing to advance the philosophy of improving quality of care to achieve better outcomes. EOHHS has taken a direct role in coordinating and overseeing health reform initiatives that are aimed to change how healthcare is paid for. The State continues to move the system from a fragmented, siloed system of care, to a coordinated system that is incentivized by improving health outcomes. Many of the proposed changes within the Governor's FY2017 budget are focused on objectives outlined in the recommendations provided by the Reinventing Medicaid Workgroup and the Working Group on Healthcare Innovation.

FY2017 Governor Recommended General Revenue Savings

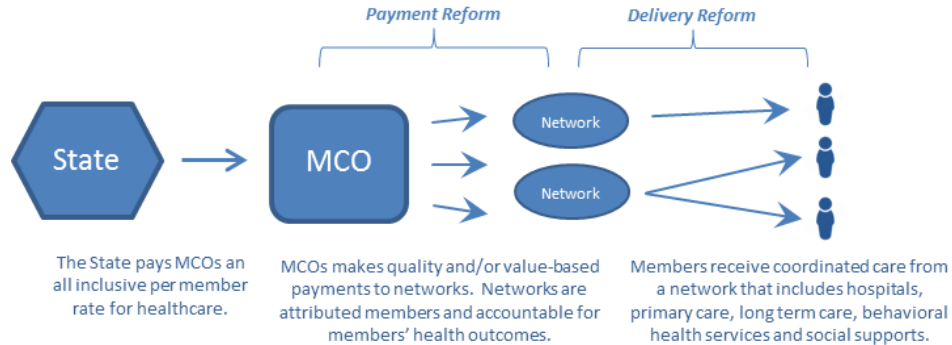


The Governor includes three main categories of savings to align with these objectives; administrative efficiency savings, provider payment reform initiatives, and non-provider related initiatives. Administrative savings represent 52.0 percent of the overall saving proposals, while providers are shouldering 38.0 percent of the \$41.0 million in proposed general revenue savings.

OHHS' strategy is to transition away from its current system of payment and service delivery in which the State pays managed care organizations (MCOs) a capitated per-member-per-month amount for most of members' care. The MCO's, in turn, predominantly pay a negotiated rate or fee to providers for each

service they provide. This payment system incentivizes providers to deliver more services because payment is dependent upon the quantity of services they deliver. The current delivery system supplies a wide range of uncoordinated services from multiple providers in siloed health, behavioral health and long-term care delivery systems.

In place of the current payment system, the Office is reforming its program to one where MCOs pay provider networks based upon the health *outcomes* of members rather than upon the *quantity* of services provided and where value rather than volume is incentivized. Under a reformed delivery system, payments are made to networks of providers rather than individual providers so that care is coordinated among delivery systems and unnecessary and ineffective services are avoided, as shown below.



Notably, the shift toward an “accountable” system of care continues to reduce resources to the Managed Care Organizations (MCOs). MCO’s will assume a reduction of \$9.3 million in general revenue (\$26.5 million all funds). This accounts for 61.0 percent of the general revenue reductions in the Department’s FY2017 budget.

The budget includes smaller general revenue reductions to hospitals and nursing homes; however, significant existing general revenue resources will be repurposed to incentivize hospitals and nursing homes toward improving health outcomes. EOHHS proposes to reallocate resources community hospitals receive from the federal government for uncompensated care hospitals provide to uninsured and indigent patients, known as Disproportionate Share Hospital (DSH) payments; and payments they receive that brings their total Medicaid expenditures up to this Medicare upper payment limit known as Upper Payment Limit (UPL). Article 9 presents language which will allow the office to pool these payments and reinvest the resources to incentivize hospitals and nursing homes.

Provider Related Initiatives	
Provider Type	FY2017 General Revenue Savings
Managed Care Organizations	(\$9.3)
Hospitals	(3.0)
Nursing Homes	(2.0)
Transportation Contract	(1.0)
Total	(\$15.3)

\$ In Millions

Analyst’s Note: The EOHHS has not yet received approval from CMS to establish the incentive programs. Additionally, funds generated by the UPL and DSH payments from hospitals are being leveraged to incentivize nursing facilities.

The largest scale IT project the State has undertaken nears completion as the second Phase of the Unified Health Infrastructure Project (UHIP) is expected to launch in the summer of 2016. The project continues to escalate in costs, increasing general revenues by \$6.8 million in FY2017. Efficiencies in the state of the art system; however are expected to generate \$19.0 million in general revenue savings in the budget and represent 86.0 percent of budgeted FY2017 administrative savings.

Lastly, the Governor builds on the FY2016 Budget by including a second increase to direct care workers, allocating \$2.0 million in general revenues in FY2017. This increase is intended to support EOHHS in its efforts to promote community based living for elders and individuals with disabilities.

CENTRAL MANAGEMENT

OHHS is responsible for consolidating and coordinating core functions of the four health and human services agencies, including budget, finance, and legal.

The Budget includes 185.0 FTE positions in FY2017, an increase of 1.0 FTE position over FY2016 Budget as Enacted. The additional 1.0 FTE is a federally-funded position in support of the State Innovation Model grant.

Central Management	General Revenue
FY2016 Enacted	\$25,831,585
<i>Target and Other Adjustments</i>	<i>1,157,128</i>
Unified Health Infrastructure Project (UHIP)	6,824,382
Primary Care Provider Savings	(1,500,000)
Personnel	1,031,292
FY2017 Governor	\$33,344,387

Unified Health Infrastructure Project (UHIP)**\$6.8 million**

The Governor's budget increases OHHS funding for the Unified Health Infrastructure Project (UHIP) by \$6.7 million compared to the FY2016 Budget as Enacted. UHIP cost overruns are attributed to required federal system enhancements, miscellaneous design, development and implementation (DD&I) costs, and the Healthsource RI contact center.

The UHIP project began in 2013 when the State undertook the establishment of the Rhode Island's Health Benefit Exchange. The State also opted to integrate our health insurance eligibility system with the human services program eligibility system, food assistance (SNAP) and cash assistance (TANF). The project is being developed in two phases. Phase I includes the development of the commercial health insurance eligibility system and simple Medicaid eligibility. This portion of development is complete however, refinement and improvements to the system continue. Phase II includes eligibility for complex/long-term Medicaid eligibility and inclusion of SNAP and TANF programming. This phase is currently in development and expected to be complete in July of FY2016.

Since the inception of the UHIP, the costs associated with the development of this system have continually escalated year over year. The original projected costs were expected to be approximately \$150.0 million to complete Phase I and Phase II. In FY2016 the projected costs were \$230.0 million, and the most recent projections from the Department for overall costs through calendar year 2020 are approximately \$363.7 million.

The UHIP project has been largely funded through federal contributions. Over the life of the project, federal funds will contribute approximately \$285.0 million (78 percent) and the State will contribute \$79.0 million (22 percent) in general revenues to the project by calendar year 2020.

The most notable increases are in the Optum Call Center and Deloitte, the primary developer of the UHIP system. The HSRI call center was almost entirely funded through the ACA state based exchange federal funding. The total cost of the call center contract is \$9.9 million, of which \$2.4 million are general revenue contributions in FY2017.

Deloitte has been the largest UHIP contractor responsible for the development of the intellectual technology supporting the UHIP system. The current contracted services for FY2017 are intended to enhance the UHIP

Unified Health Infrastructure Project (UHIP)	
Vendor	FY2017 General Revenue
Deloitte	\$4,149,340
Optum Call Center	2,433,988
Miscellaneous M&O	415,592
HP Enterprises	(347,986)
Miscellaneous DD&I	109,507
Northrop Grumman Information Technology	71,233
Technical Assistance/Project Management	(28,729)
Hardware for DD&I and Testing	21,437
Total	\$6,824,382

Citizen Portal, required by the federal government, and expand the RI Bridges worker portal, (case management system) to improve usability for case managers. Additional costs are associated with the remaining contractors for DD&I and Maintenance and Operating costs.

Primary Care Provider Savings

(\$1.5 million)

The Governor's Budget saves \$1.5 million in FY2017 as a result of a pending credit from the federal government relating to the FY2015 Primary Care Physician Payment Settlement.

In 2013 the Affordable Care Act required states to increase Medicaid reimbursement to primary care and family medicine physicians. The increase was expected to elevate reimbursement from state Medicaid reimbursement rates to current federal Medicare rates, which are traditionally higher than Medicaid rates. While the federal government required states to increase payments, they also were providing a 100.0 percent match on the difference between the current rate and the elevated Medicare rate. For example if Rhode Island was reimbursing primary care physicians at \$100 per visit and Medicare was reimbursing primary care physicians \$150 per visit, the federal government would pay 100 percent of the \$50.00 increase.

Rhode Island's Medical Assistance program provided increased payments to primary and family physicians as required by the Affordable Care Act; however, the State did not fully maximize the federal funding. The Department estimates recoupment of payments will result in \$1.5 million in FY2017 and \$952,697 in FY2016 in general revenue savings.

Personnel

\$1.0 million

The Governor's budget includes an increase of \$1.0 million in general revenue for personnel in FY2017. The increased costs are associated with EOHHS health innovation efforts and supports increases in wages and benefits. Approximately \$400,000 is attributed to increases in planning values for benefit costs and \$400,000 is associated with classification shifts to higher pay grades. Additionally, EOHHS shifts costs previously budgeted to restricted receipts to general revenues and includes an increase of \$87,605 to support interns and seasonal staff.

This is the first fiscal year of EOHHS operating under its own cost allocation plan (CAP) as the Single State Medicaid agency. This is to ensure administrative costs are maximizing federal reimbursement.

EOHHS is in the process of determining what the approximate cost allocations will be for FY2016 which will be used in future forecasting.

Contracted Services

\$692,066

The Governor's Budget includes an increase of \$692,066 (\$1.1 million all funds) for contracted and purchased services. The increase is associated with the following existing contracts and services being provided to the Department.

- Additional funding to Xerox for the contract which supports the Integrated Care Initiative (ICI), Financial Alignment Demonstration call center, and Reinventing Medicaid initiatives. Total financing for the Xerox contract in FY2017 is \$3.2 million, an increase of \$512,770 from FY2016 Budget as Enacted.
- Increase in the HP Enterprise contract of \$85,512 for modifications to support major initiatives associated with the Medicaid Management Information System (MMIS).
- Increased funding for the contract with Public Consulting Group, Inc. (PCG) to develop a Cost Allocation Plan (CAP) specific to EOHHS as a single-state Medicaid agency. The budget includes an increase of \$83,000 in general revenue funds (federally matchable) to amend the existing contract.
- Increased funding for the continuation of predictive modeling and analytics system, involving the use of technology to identify patterns of fraudulent claiming and reimbursement. Contracts for this initiative

is \$260,182 (\$2.1 million all funds) an increase of \$43,706 in general revenue from FY2016 Budget as Enacted.

- Shifting Early Intervention (EI) contract expenses from general revenue to federal funds. This adjustment will result in a \$57,775 reduction in general revenues in FY2017.

MEDICAL ASSISTANCE

This program provides medical benefits to low-income, elderly, and disabled individuals. Rhode Island pays for a growing portion of Medicaid services through *managed care* programs, whereby the State contracts with a managed care organization (Neighborhood Health Plan of Rhode Island and United Healthcare of New England) are paid a fixed monthly fee, or capitation rate, for each enrolled beneficiary. A smaller portion of Medicaid services continue to be paid for through *fee-for-service* programs, whereby providers bill the State Medicaid program directly based on the particular services provided.

Medical Assistance	General Revenue
FY2016 Enacted	\$884,102,480
<i>Target and Other Adjustments</i>	<i>355,277</i>
Caseload Estimating Conference	\$35,500,000
Unified Health Infrastructure Project	(19,050,000)
Children's Health Account Assessment	(3,970,000)
MCO Administrative Reduction	(3,250,000)
MCO Pharmacy Management	(2,006,051)
Direct Care Wage Increase	2,006,051
Graduate Medical Payment	(2,006,051)
Nursing Facility Rate Freeze	(2,005,978)
MCO Re-Procurement	(2,000,000)
Accountable Care Entity Enrollment	(2,000,000)
Beneficiary Cost Share	(1,500,000)
Transportation Contract Savings	(1,000,000)
NICU Bundle Rate	(1,000,000)
Administrative Improvements	(500,000)
Pharmacy Rebates	(500,000)
Office of Health Analytics and Policy	400,000
RIte Share Improvements	(200,000)
Hospital Performance Based Initiative	Informational
Nursing Facility Performance Based Initiatives	Informational
FY2017 Governor	\$881,375,728

Caseload Estimating Conference

\$35.5 million

The Caseload Estimating Conference (CEC) estimates human services medical entitlement current and out year expenditures each November and May. These adopted expenditure levels determine the budget's appropriation for entitlement programs. Projections are based on current enrollment trends as well as Medicaid Inflation Adjustments that are used to prepare projections.

November 2015	FY2016	FY2016	Change to	FY2017	Change to
Caseload Estimating Conference	Enacted	Nov Adopted	Enacted	Nov Adopted	Enacted
General Revenue	\$884.1	\$899.4	\$15.3	\$919.6	\$35.5
Federal Funds	1,349.9	1,345.4	(4.5)	1,392.3	42.3
Restricted Receipts	10.6	10.6	-	10.6	-
Total	\$2,244.7	\$2,255.5	\$10.8	\$2,322.5	\$77.9

in millions

In FY2017 Medicaid enrollment is expected to increase by 1.0 percent totaling 275,000 individuals. FY2017 projected medical assistance general revenue expenditures are \$919.6 million from general

revenues and \$35.5 million more than FY2016 enacted. Notable adjustments in caseload are assumed through a \$12.1 million increase in general revenue expenditures for the costs associated with the Medicaid expansion. As Rhode Island prepared for the adoption of the Affordable Care Act (ACA), the State opted to expand Medicaid services to childless adults up to 138.0 percent of Federal Poverty Level (FPL). The Medicaid expansion program was fully federally funded until mid-year in FY2016 at which point it will reduce to 95.0 percent Federal Medical Assistance Percentage (FMAP), the amount of federal matching funds for state expenditures for assistance payments. FY2017 represents the first fiscal year in which general revenue is required for the Medicaid program’s expansion and will result in state contributions of \$12.0 million to program costs. Approximately 64,000 residents are currently eligible for Medicaid coverage through this avenue of eligibility.

The FMAP will be incrementally phased down to 90.0 percent by CY2020 and is forecasted to impact general revenues as follows:

General Revenue Impact	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Medicaid Expansion	-	\$12.0	\$27.2	\$33.3	\$45.1	\$54.9
<i>\$ in millions</i>						

OHHS non-expansion Medicaid programs across all other programs will recognize an increase in the Federal Medical Assistance Percentage (FMAP) from 50.32 percent in FY2016 to 50.87 percent in FY2017, decreasing the State’s share of Medicaid costs and results in approximately \$9.0 million in general revenue savings compared to FY2016 program costs.

Analyst’s Note: The Governor’s Budget reduces caseload estimates by \$8.0 million in general revenue (\$16.0 million all funds) savings in FY2017. Article 9, Section 9, would allow the Secretary of EOHHS to identify and implement fiscal controls to achieve savings associated with the Reinventing Medicaid initiative in FY2016 Budget as Enacted. RIGL 35-17-1 “establishes procedures for determining official medical expenditure and public assistance caseloads, for which appropriations by the general assembly shall be made.” The proposal appears to be in conflict with, or in violation of, RIGL 35-17-1.

UHIP Efficiency Savings (\$19.1 million)

The Governor’s Budget assumes \$19.1 million in general revenue (\$42.6 million all funds) savings from the Unified Health Infrastructure Project (UHIP) efficiencies.

The Office predicts the system’s ability to automatically verify income will reduce worker errors and detect fraud expeditiously. The system is now able to verify income electronically on a quarterly basis, so individuals whose income exceeds eligibility criteria, will be disenrolled following confirmation of income changes, therefore saving Medicaid monthly premiums. The previous system verified income on an annual basis allowing individuals to remain covered for periods in which they may not have been eligible.

Efficiencies are associated with member attribution to appropriate programs to maximize federal funds. Rhode Island receives an enhanced match; 95.0 percent match for childless adult Medicaid recipients as well as an 88.6 percent match through the Children’s Health Insurance Program (CHIP). The new system will efficiently attribute Medicaid recipients to the appropriate eligibility categories improving the State’s ability to fully maximize federal funds. Such operational efficiencies are also expected to produce savings in administrative costs and costs associated with document retention and storage.

Children’s Health Account: (\$4.0 million)

The Governor saves \$4.0 million in general revenues in the FY2017 budget by increasing the Children’s Health Account (CHA) assessment on private insurers. Article 9 will increase assessments on private and self-funded insurers to fund the CHA. The CHA fund provides commercially insured children with special health care needs access to Medicaid covered benefits not covered by commercial plans. These benefits include habilitative services and supports; such as, nursing care, certified nursing assistant care, and durable

medical equipment. This fund allows the Medicaid program to recoup some costs associated with providing services to commercially insured children.

Assessments are determined annually based on the insurance carrier number of lives covered. During the 2015 legislative session, legislation was passed to expand the assessment collection to self-insured products, broadening the base of assessment. Though the Medicaid program funds an array of services provided to disabled children, it requires commercial insurers to pay for the first \$7,500 per child, per service, per year for commercially-insured children receiving Medicaid services. The Budget increases the threshold at which Medicaid begins to cover services to \$12,500 per child, per service, per year. This will result in an additional \$4.0 million in revenue that will displace Medicaid spending and shift the cost of these services to the privately-insured, for non-covered services.

CHA Assessment	
FY2009	\$5,554,621
FY2010	6,507,664
FY2011	7,509,383
FY2012	11,153,289
FY2013	10,472,885
FY2014	11,646,280
FY2015	10,600,000
FY2016	10,600,000
FY2017	14,570,000

The FY2012 Budget as Enacted increased the CHA assessment by increasing the maximum cost recouped by the State from a \$6,000 per child per year basis to a \$7,500 per child, per service, per year. Many of the children receiving Medicaid services receive more than one of the services listed above, so by setting the limit by individual service, more costs were recouped. Beginning in FY2012, if a child receives both private duty nursing services and CNA services, for example, the first \$7,500 of each service would be recouped through the assessment, or \$15,000 total. Under the prior “per child” rules, only \$7,500 would be recouped. As a result of these changes, the CHA assessment levied on insurers rose 48.5 percent from \$7.5 million in FY2011 to \$11.2 million in FY2012, as shown in the accompanying table.

Managed Care Organization (MCO) Related Initiatives

The Governor’s Budget reduces expenditures to MCOs by \$9.3 million (\$26.5 million all funds) in FY 2017. This represents 42 percent of the overall general revenue reductions within the EOHHS budget. The initiatives include; reductions to administrative rates, savings on re-procurement of contract, savings on Accountable Entity enrollment, and savings associated with pharmacy utilization management.

MCO Administrative Rate Reduction

(\$3.3 million)

The Governor reduces general revenue expenditures of \$3.3 million (\$8.8 million all funds) by reducing the administrative rates to Managed Care Organizations (MCO). Article 7 alters the manner in which MCO administrative rates are set from a variable to a fixed approach. These administrative rates are based on MCO operating expenses and include, among other responsibilities, claims processing, patient-centered care management, member services, financial and operational oversight, provider networking, and a risk margin. The overall rate includes a medical component based on the age and health condition of the member. It also includes an administrative component that varies with the medical component.

Governor's 2017 MCO Related Savings Initiatives

Initiative	General	
	Revenue	All Funds
Administrative Rate Reduction	(\$3.3)	(\$8.8)
Re-Procurement	(2.0)	(6.8)
Pharmacy Utilization Management	(2.0)	(4.1)
Accountable Entity Savings	(2.0)	(6.8)
Total	(\$9.3)	(\$26.5)

\$ In millions

Currently, the State pays a per-member-per-month (PMPM) administrative rate to MCOs ranging from 14.5 percent for beneficiaries in substitute DCYF care to 8.6 percent for Rhody Health Options, dually eligible long-term care beneficiaries. EOHHS reports the administrative rates have steadily increased from 8.1 percent in FY2013 to 11.62 percent in FY2016. In FY2016 EOHHS paid \$148.0 million to the MCOs for administrative rates and EOHHS expects to pay \$150.0 million in FY2017.

The fixed approach will incorporate an approximate 5.0 percent decline in the MCO administrative rate compared to EOHHS’ baseline estimate. Total payments will still reflect a slight increase in the net administrative dollars paid to the MCOs. Details of the fixed rate remain under development; however,

EOHHS has generated the savings based on a preliminary analysis of year-over-year increases in administrative costs paid to its managed care partners.

Accountable Entity Savings

(\$2.0 million)

The Budget includes \$2.0 million general revenue savings (\$6.8 million all funds) in FY2017 by reforming Medicaid payment and service delivery systems towards a system that delivers coordinated, higher quality care at a lower cost while improving outcomes. Savings will be achieved through reductions in the capitated rate paid to the MCOs. MCOs will contract with accountable entities (AEs) to manage total cost of care for a minimum of 20,000 of the MCOs beneficiaries.

The FY2016 Budget established the opportunity for the creation of “accountable entities” (AEs), provider networks that includes hospitals, physicians, and specialists, and community organizations offering a full continuum of health care services for defined populations for a set, per-person rate. MCOs will contract with AEs to manage total cost of care. AE’s will transition away from its current fragmented payment structure that is based on a fee-for-service, volume driven basis, and move toward a coordinated system of care which pays providers for quality and improved health outcomes, on a value driven basis.

EOHHS has created provisional certification standards and granted certification to five Pilot Accountable Entities; Blackstone Valley Community Health Center, East Bay Community Action Program, Integra Community Care Network, LLC (Care New England), Providence Community Health Center, and Prospect Health Services of RI, Inc. (Charter Care). EOHHS is creating program and governance requirements, quality and performance measures, and total cost of care guidance; however, final contracts and enrollment of beneficiaries has not yet occurred.

MCO Re-procurement

(\$2.0 million)

The Governor’s Budget includes \$2.0 million (\$6.8 million all funds) in savings associated with re-procurement of the State’s \$1.0 billion Medicaid Managed Care (MCO) contract. Article 7 provides language to re-procure the MCO contract expected to take effect on September 1, 2016. EOHHS indicates savings will be achieved through reducing the overall contract value with the expectation that performance-based incentive contracts will generate associated savings.

The MCO contract includes the RIte Care plans for children and families, Rhody Health Partners plan for low-income elders and persons with disabilities, and adult Medicaid expansion under the Affordable Care Act of 2010. The re-procurement may require actuarial analysis and amendment to the state waiver, to reconfigure in-plan and out-of-plan benefits.

Analyst’s Note: The MCO re-procurement will be open to the public and potentially could elicit interest from other insurance companies that conduct business in Rhode Island.

MCO Pharmacy Management

(\$2.0 million)

The Governor includes \$2.0 million (\$4.1 million all funds) in general revenue savings by improving utilization of the pharmacy benefit, particularly for treatment with high cost drugs.

EOHHS developed a Pharmacy Committee to work with the MCOs ensuring utilization management tools are being used appropriately. This effort reported savings in FY2016 for newly approved medications such as Sovaldi and Harvoni to treat chronic Hepatitis C. The State’s Medicaid program is required to provide these new treatments despite their unprecedented high cost. In CY2015, 215 persons received treatment at a cost of about \$17,000 per month (after rebates).

The all funds cost estimates for the new treatments have been downwardly revised since October 2014 when the drugs were initially covered and little data regarding uptake was available to estimate cost.

In February and March 2015, OHHS revised its coverage policy for Hepatitis C therapies, which restricts prescribers to those with specialized training in the disease. Consistent with the policy in most other states, treatment by the new drugs is limited to those with evidence of significant liver disease and does not allow prescriptions for those with early Hepatitis C infection.

Hep C			
Estimates	FY2015	FY2016	FY2017
Nov-14	\$53.3	\$57.5	
May-15	14.8	31.3	
Nov-15		14.3	15.4

in millions

Sovaldi and Harvoni are considered breakthrough drugs not only for their clinical effectiveness but also because they represent the first drug priced based not on its research and development costs but rather on the cost of alternative treatment, a liver transplant. Along with Kalydeco, a \$300,000 a year treatment for cystic-fibrosis, these drugs are considered the first of a new breed of high-cost therapies that challenge the Medicaid budget.

Analyst Note: In 2015 Neighborhood Health Plan of Rhode Island (NHP) managed 65.0 percent of the overall Medicaid enrollees and exclusively manages some of the most complex and costly Medicaid beneficiaries, Rhody Health Option Dually eligible, and children in substitute DCYF care. Declining revenues could impact NHP's ability to maintain sufficient cash reserves.

Eliminate the Graduate Medical Education Program

(\$2.0 million)

The Governor's Budget eliminates the Graduate Medical Education Program, saving \$2.0 million general revenue in FY2017. Article 9 repeals the statute governing appropriations for the Graduate Medical Education program. This program is entirely funded through general revenues and only available to Rhode Island's academic Level I trauma center hospitals that have a minimum of 25,000 discharges per year and employ at least 250 interns and residents per year. Currently, Lifespan is the only hospital that meets these criteria and qualifies for this funding. During the 2015 legislative session, the Governor recommended elimination of the funding for this program however the funding was reinstated in the Enacted FY2016 Budget. This initiative is also removed in the FY2016 Supplemental Budget.

Nursing Facility Rate Freeze

(\$2.0 million)

The Governor's budget eliminates the inflation-based rate increase to nursing facilities in Section 1 of Article 7. This initiative will take effect in October 2016, maintaining current rates for nursing facilities and generate \$2.0 million in general revenue savings in FY2017.

This initiative is coupled with a proposal in Article 9 Section 2 to delay transition payments to nursing facilities. The FY2013 Enacted Budget included an initiative to begin transitioning nursing facilities from a cost-based payment methodology to a priced based methodology over four years. The purpose of this change was prompted by the varying rates Medicaid was paying nursing facilities through a cost-based payment methodology. Cost-based methodology utilized cost reporting from nursing facilities annually to set a reimbursement rate based on their expenditures. This generated varying rates of reimbursement, ranging from \$230.00 per day for prosperous nursing homes to \$186.00 per day for financially struggling nursing facilities, a difference of approximately \$16,000 per patient per year.

Price-based payment methodology sets a median per-diem daily reimbursement rate for nursing facilities. Any variance in payment to a facilities rate would be based on patient acuity levels, the level of nursing and direct care individuals require. Therefore, variance in payment will be the result of differences in patient acuity level and not the median daily rate. This adjustment would result in nursing facilities receiving lower daily rates, to slowly rising to a median price, and the facilities receiving the higher daily rates would slowly transition to the lower median daily per diem rate facilities.

This transition to a median daily rate involved a five year adjustment of \$5.00 per day per year. This would bring nursing facilities with lower rates up by \$5.00 per day and lower nursing facilities receiving higher rates by \$5.00 per day, beginning in 2012. This adjustment did not occur in FY2016 and is proposed to not occur in FY2017.

Analyst's Note: Nursing facilities that receive a lower base reimbursement rate will have an added financial impact from the rate freeze. The rate freeze, when coupled with the delay in their expected increase in transition payments toward price-based methodology, represents a larger loss for the struggling nursing facilities. Nursing facilities receiving the higher reimbursements will not receive reductions to their transition payments.

Direct Care Wage Increase

\$2.0 million

The Governor proposes an increase of \$2.0 million (\$4.1 million all funds) for wages for direct care workers providing care to long-term care beneficiaries living in the community in FY2017. Through the Reinventing Medicaid process, held in 2015, stakeholders, community providers, and direct care workers expressed the need to strengthen and increase wages for the direct care workforce in order to support the effort to increase community options for individuals receiving long-term services and supports (LTSS).

Article 9 proposes a wage-pass through program for personal care attendants and home health aides supporting individuals who receive LTSS living in the community. The proposal includes an approximate 6.0 to 7.0 percent (\$0.45 hourly) wage increase. This proposal will require amendments to the Medicaid State Plan and/or the 1115 Demonstration Waiver to determine payment methodologies, as well as the creation of regulations establishing the wage-pass through program. EOHHS intends to create a “claw back” provision to ensure the increase is flowing directly to increase wages of front-line staff.

Beneficiary Cost Share

(\$1.5 million)

The Budget includes \$1.5 million in general revenue savings in FY2017 by improving collection of beneficiary liability cost shares. Article 7 seeks authority to implement improved methods for collection of cost share liabilities in the Medicaid Fee-For-Service (FFS) system and the Rhody Health Options (RHO) programs.

Rhode Island, along with most other states, permits elders and individuals with disabilities with higher-than-allowable incomes and high medical bills to spend down their income through co-pays (their “cost share”) to a level that qualifies them for Medicaid eligibility. Per existing rules and regulations, home and community-based service providers are required to collect this patient liability at the point of service from those eligible for Medicaid through this avenue.

For fee-for-service beneficiaries, however, the Medicaid program’s claiming system does not include the programming necessary to ensure that providers are subtracting the patient liability from the claim amount before billing Medicaid. Therefore, Medicaid is unable ensure proper billing or to track providers’ collection of the patient spend down.

For MCO beneficiaries, the collection of the cost share is the responsibility of the provider. EOHHS calculates and provides the MCOs with a monthly beneficiary cost share allocation for each member, as this is a condition of eligibility. The MCO deducts the cost share allocation from the monthly reimbursement to the provider. If the beneficiary does not pay the cost share to the provider, the provider is not fully reimbursed for the care and services provided to the beneficiary.

To correct this, OHHS proposes to replace the manual tasks with an automated process to ensure that Medicaid pays for services net of any patient liability. FY2017 savings include recoupment of patient liabilities since November 1, 2013, from the Rhody Health Options MCO. The funds collected are used for the sole purpose of offsetting the EOHHS financial contribution toward LTSS expenditures provided to beneficiaries.

Analyst's Note: Providers, nursing facilities and home and community based providers, and the MCOs report significant challenges with the current collection and reporting process. CMS requires the State collect the patient's cost share as a condition of eligibility; therefore, the State must find a solution to ensure compliance with federal regulations.

Transportation Contract k

The budget includes \$1.0 million in general revenue savings in FY2017 from the non-emergency transportation contract to support the Medicaid program. In May of 2014, the Medicaid program entered into a three year risk-based contract with Logisticare, a centralized transportation broker. The State intended to improve transportation services through this contract with the expectation of decreasing the number of missed trips and ensuring a higher degree of program accountability. As a result, the funding of the transportation benefit changed to a capitated per-member-per-month payments based on monthly enrollment of eligible recipients times the agreed upon price per recipient.

In addition to Medicaid transportation, Logisticare has also been contracted to provide transportation for programs serving the elderly; including trips to adult day care, trips to congregate meal sites for the elderly, and trips for the disabled, (formerly provided through RIPTA's Ride program), which operates in compliance with the federal Americans with Disabilities Act (ADA).

The total contract covering both Medicaid and non-Medicaid transportation was budgeted at \$27.3 million for FY2016 and FY2017. The Department reports Logisticare is operating with an 8.0 percent profit margin on the existing contract, as such EOHHS suggests the adjustments to the rate is reasonable and warranted.

Neonatal Intensive Care Unit (NICU) Bundle Payments (\$1.0 million)

The Governor's Budget includes \$1.0 million (\$2.4 million all funds) of savings in FY2017 by renegotiating bundle payments the Neonatal Intensive Care Unit (NICU) receives for Medicaid covered infants.

Women and Infants Hospital operates the only Neonatal Intensive Care Unit in Rhode Island. Women and Infants has the highest rate of deliveries in the state, and operates one of the nation's largest single-family room NICU in the nation, capable of caring for 85 infants daily. The Medicaid program estimates \$27.2 million was expended in FY2016 for care provided infants in the NICU.

Administrative Improvements and Pharmacy Rebates (\$1.0 million)

The Governor includes \$1.0 million in general revenue savings in FY2017 for improved administrative efficiencies. Savings will be achieved by reducing existing administrative contracts with Xerox which EOHHS will be re-procuring contracts in July of 2016. Additionally, EOHHS will assist the MCOs in maximizing pharmacy rebates provided by pharmaceutical manufacturers.

Early Intervention (EI) (\$500,000)

The Governor's Budget includes \$500,000 in general revenues savings in FY2017, achieved by shifting contracting costs currently funded by general revenues to federal funds. EI is an entitlement program that provides services to children ages birth to age three who have been identified as needing supportive services due to developmental delays in one or more areas of development. Services are tailored to meet the needs of the child and may include speech therapy, physical therapy, occupational therapy, social programming, and assistive technology support. Currently, commercial insurers cover EI services for families that possess commercial coverage. For families who are utilizing Medicaid for health coverage, costs of services are reimbursed through the Medicaid program. EOHHS will be re-procuring contracts in July of 2016. Additionally, EOHHS will assist the MCOs in maximizing pharmacy rebates provided by pharmaceutical manufacturers.

Office of Health Analytics and Policy \$400,000

The Governor's Budget includes an increase general revenue expenditure of \$400,000 (\$800,000 all funds) in FY2017 to create the Office of Health Analytics and Policy to centralize analytics for EOHHS and oversee statewide health policy initiatives. The creation of the office was a recommendation of the Working Group on Healthcare Innovation.

EOHHS will hire an experienced healthcare actuarial and claims analysis vendor to assist the Office to conduct cost trend hearings. A key function of the new Office would be to calculate total cost of care and

use this information to hold state payers and providers accountable for containing costs. EOHHS does not intend to hire new personnel to support this office.

RlTe Share Premium Assistance

(\$200,000)

The Governor’s Budget includes \$200,000 in general savings in FY2017, achieved by efficient attribution to the RlTe Share Premium Assistance program. Article 9, Section 5, will allow EOHHS to create a process by which they will assess the most cost effective method to insure the individual, either through full coverage through Rhode Island’s MCO plans or through the RlTe Share premium assistance program. Medicaid covered groups, specifically, adults nineteen (19) and older as either low-income disabled or as part of the Affordable Care Act (ACA) Medicaid expansion, may qualify for the program.

The RlTe Share program is a health insurance premium assistance program that pays for all or part of the employee’s employer sponsored insurance (ESI). In instances when the ESI plan is found to be more cost effective than Medicaid, eligible Medicaid members will be required to enroll in their offered ESI plan and participate in the RlTe Share program. EOHHS will ensure that the average cost of subsidizing the ESI coverage and wrap around Medicaid benefit, is less than enrolling the beneficiary in the state Medicaid managed care plan.

Repurposing Savings toward Alternative Care Models

Informational

EOHHS is working to improve the delivery system for Medicaid funded services and coordinate statewide health care reform activities. The Secretary of Health and Human Services has led two Governor appointed work groups to establish a plan to achieve improved care, improved health outcomes and reduce costs for the health care delivery system.

On February 26, 2015, the Governor signed an executive order creating the Working Group to Reinvent Medicaid. This group was tasked with both recommending near-term quality improvements and cost saving measures for inclusion in the Governor’s FY2016 Budget. This group proposed reform initiatives which resulted in \$55.3 million general revenues (\$112.7 million all funds) savings, as well as development of a long-range plan for Medicaid reform.

In July of 2015 the Governor signed an executive order to create the Working Group for Healthcare Innovation, appointing 36 members. Members were tasked to develop a global healthcare spending cap; plan out and implement the tying of 80 percent of healthcare payments to quality by 2018; improve planning around healthcare system technologically; and align health and wellness goals with the Centers for Disease Control.

Hospital and Nursing Home, DSRIP and DSH Alternative Payment 2017

Initiative	General Revenue	Federal Funds
Hospital Performance Based	\$13.0	\$13.5
Nursing Facility Performance Based	8.3	8.6
Repurpose UPL Payment	(13.9)	(14.4)
Repurpose Hospital DSH Payment	(7.4)	(7.7)
Total Change	\$0.0	\$0.0

\$ in millions

Source: Office of Management and Budget

EOHHS seeks authority through Article 9 to institute the repurposing of savings

toward alternative care models to further long-term plans associated with the Reinventing Medicaid initiative and the Working Group for Healthcare Innovation. The goal of the initiatives below outline statewide policy initiatives to ensure Rhode Islanders have access to a high quality, efficient health care delivery system aimed at delivering better health outcomes. Many of the policy initiatives are based on moving from “fee-for- service” payment models toward value-based purchasing. These initiatives are expected to be revenue neutral and assist EOHHS in their efforts to move toward value-based contracting with providers.

Disproportionate Share Payments

Rhode Island's community hospitals receive payments from EOHHS and the federal government for the uncompensated care hospitals provide to uninsured and indigent patients. These payments are commonly known as Disproportionate Share Hospital (DSH) payments. Article 9 will amend "Uncompensated Care" language, changing the definition of a base year entirely and strikes the provision establishing the disproportionate share hospital payment set to increase in FY2017. The new language reduces the state statutory ceiling, from \$138.2 million to \$125.0 million, producing \$15.2 million in all funds savings in FY2017. DSH Payments to Community Hospitals were \$140.5 million in FY2016. The associated savings would be re-directed to performance-based incentive programs for hospitals and nursing homes.

Upper Payment Limits

UPL payments compensate hospitals for the gap between what hospitals receive for Medicaid outpatient and emergency department services and what they would have been paid for those services under Medicare reimbursement principles. In past fiscal years, the State has made a payment to hospitals, matched by the federal government, to bring its total Medicaid expenditures up to this Medicare upper payment limit, maximizing available federal funds. Article 9 will repeal section 40-8.3-10 of the Uncompensated Care statute. This will eliminate both the inpatient and outpatient Upper Payment Limit (UPL) payments to community hospitals, yielding \$13.9 general revenue (\$28.2 million all funds) savings in FY2017. The savings from this initiative will be repurposed to performance-based incentive programs with hospitals and nursing homes.

Delivery System Reform Initiative (DSRIP)

The Office is exploring leveraging a Delivery System Reform Incentive Program (DSRIP), a CMS program that provides states with funding that can be used to support hospitals and other providers as they change how they provide care to Medicaid beneficiaries. DSRIP programs fund incentive payments to providers that meet pre-determined process metrics in the early years of the wavier.

Department of Children, Youth, and Families

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$7.2	\$7.9	\$8.8	\$0.9	11.5%	\$9.9	\$2.0	25.7%
Child Welfare	178.5	170.7	176.3	5.5	3.2%	170.7	0.0	0.0%
Children's Behavioral Health Services	10.7	11.4	11.2	(0.2)	-1.7%	10.1	-1.3	-11.6%
Higher Education Incentive Grants	0.2	0.2	0.2	-	0.0%	0.2	-	0.0%
Juvenile Correctional Services	25.1	26.4	26.3	(0.1)	-0.3%	25.2	-1.2	-4.5%
Total	\$221.6	\$216.6	\$222.8	\$6.2	2.8%	\$216.1	(\$0.5)	-0.2%
Expenditures By Source								
General Revenue	\$158.3	\$152.6	\$154.8	\$2.2	1.4%	\$152.0	(\$0.6)	-0.4%
Federal Funds	59.8	58.9	61.7	2.8	4.7%	60.4	1.5	2.5%
Restricted Receipts	3.0	2.8	3.7	0.9	30.3%	3.5	0.6	22.1%
Operating Transfers from Other Funds	0.4	2.2	2.6	0.3	14.9%	0.3	(2.0)	-88.8%
Total	\$221.6	\$216.6	\$222.8	\$6.2	2.8%	\$216.1	(\$0.5)	-0.2%
Authorized FTE Levels	672.5	672.5	672.5	-	0.0%	672.5	-	0.0%

\$ in millions. Totals may vary due to rounding.

The Department of Children, Youth, and Families (DCYF) discharged with implementing a comprehensive statewide program to protect and create opportunities for children to reach their full potential. DCYF has three major operational divisions: Child Welfare (including child protective services, intake and case monitoring, family services, and adoption support), Children's Behavioral Health, and Juvenile Corrections (including the Rhode Island Training School for Youth and Juvenile Probation).

The Department annually supports an average of 10,000 children and their families, and indirectly services thousands more through community-based support programs.

MAJOR ISSUES AND TRENDS FOR FY2017

The Governor's Budget includes an all funds increases of \$482,330 and a decrease of general revenue of \$603,711 to DCYF in FY2017. While the Governor's budget appears to be minimally changed from FY2016 Enacted, significant shifts within the agency are occurring due to budget overruns in FY2016. The Governor's Supplemental recommendation includes an increase of \$2.2 million general revenue (\$6.2 million all funds). The overruns are attributed to System of Care (SOC) administrative and contracted services. The Governor includes savings in FY2017 primarily in the Child Welfare division through; reprocurement of the SOC service previously provided by the SOC networks, improved administrative efficiencies, and appropriate placement of children in state care.

The Department continues to transform the agency to meet strategic objectives aimed at shifting programming towards a System of Care that strengthens families to safely raise children in their own homes, promotes kinship and non-kinship foster family placements for children who are removed from their families, minimizes congregate care placement, and prioritizes safe reunification, guardianship, and adoption.

Reform at the Department has led to reestablishing the agency's administrative authority to determine placement for a child when they are removed from their homes. In 2012, DCYF entered into three-year agreements with two independent, non-profit organizations (Ocean State Network (OSN) and Rhode Island Care Management Network (RICMN)) to form the SOC networks. This shifted the majority of placement, case management and financial responsibility associated with most youth in community-based placements and residential treatment from DCYF to the lead agencies. The Department identifies the shifting placement authority back to the Department as a critical step in the restructuring the operations of the agency.

The Department issued a Request for Proposals (RFP) on March 16, 2016, for home-based services, placement-based services, and integrated home-based and placement-based services that improve long-term outcomes for children and families in DCYF care. This RFP is one of three proposals that will be used to re-procure all contracts currently issued by the Department. The remaining RFPs will be released in April (for services supporting transition to adulthood for current and former DCYF youth and accelerated adoption services) and in June (for services to prevent youth juvenile justice system involvement).

The Governor shifts \$1.6 million in personnel expenditures to Central Management, of which \$1.3 million is associated with increased administrative personnel in the Office of the Director. This increase largely represents shifting of personnel from other Divisions, whom are serving in an administrative capacity to Central Management. Additionally, the Governor includes a decrease of \$1.8 million in general revenues in the Division of Child Welfare for the System of Care contracts and personnel savings. The savings are offset by increased expenditures on foster care and daycare subsidies.

On February 17, 2016, the Child Advocate empaneled a Child Death Multidisciplinary Review Team to review circumstances of recent deaths of children in State care. The team will take a comprehensive review of the most recent fatalities in order to understand how and why the children died and any warning signs or preventative measures that could have been in place. The team issued a final report on March 31, 2016.

CENTRAL MANAGEMENT

Central Management includes the Office of the Director and Support Services. These functions provide coordination and oversight, fiscal management and accountability supports, facilities management, legal services, licensing, and youth development services.

The Governor recommends 55.4 FTE positions in FY2017, representing an increase of 8.0 FTE positions from the FY2016 enacted budget.

Central Management	General Revenue
FY2016 Enacted	\$5,575,757
<hr/>	
<i>Target and Other Adjustments</i>	<i>(428,138)</i>
Personnel	1,609,530
Technology Upgrades	450,000
Professional Services	(132,771)
FY2017 Governor	\$7,074,378

Personnel **\$1.6 million**

The budget shifts 8.0 FTE's to the Central Management division, increasing the budget by \$1.6 million in general revenue from the enacted level. The Department is shifting 4.5 FTE positions from Juvenile Corrections and 3.0 FTE positions from Children's Behavioral Healthcare program, to the Central Management Division. The Department indicates the positions were primarily administrative and the shift support restructuring at the agency.

Technology Upgrades **\$450,000**

The Governor adds \$450,000 for information technology (IT) infrastructure upgrades in FY2017, shifting the unspent funding allocations received in FY2016 Enacted Budget. The Department conducted a proof of concept to determine the feasibility of a mobile IT solution for field workers, and expects begin deploying mobile devices in the summer of 2016.

Analyst's Note: The Department of Children, Youth, and Families (DCYF) established and continues to maintain a central information data system, or the Statewide Automated Child Welfare Information System (SACWIS). This system supports all DCYF field staff and regional offices, among other entities. The SACWIS also integrates with information management systems of DCYF's private, federal, state, and other partners.

The Department included a capital request for \$17.1 million from all fund sources, which includes \$12.8 million from the Information Technology Fund (ITIF) and \$4.4 million in federal funds to upgrade DCYF's SACWIS and supporting IT infrastructure from FY2017 to FY2021 to ensure Department compliance with federal data reporting requirements. This project would update the existing SACWIS, digitize recordkeeping, and implement a recordkeeping management system to ensure the sustainability of the current system as well as modernize and increase the efficiency of the current system and processes. Specific upgrades include hardware and software improvements, and the purchase of additional licensing.

The Governor did not include the funding for this project in the FY2017 Capital Budget.

Contracted Services

(\$132,771)

The Governor saves \$132,771 in general revenue from a reduction in IT personnel support services provided by NTT Data Inc. This contract provides programming and analysis for the Statewide Automated Child Welfare Information System (SACWIS) and Rhode Island Children's Information System (RICHIST) is the state case management system.

CHILD WELFARE

The Child Welfare division has two major sub-programs:

- **Child Protective Services (CPS):** Staff within CPS includes child protective investigators, who specialize in the investigation of child abuse and neglect. If a child is deemed by an investigator to be in imminent risk of harm, he or she may be removed from the home and placed in the care of the State for up to 48 hours, pending petitions before the Rhode Island Family Court. The Screening/Intake function reviews all CPS investigations where abuse or neglect is indicated, and handles all other referrals to the Department.
- **Family Services:** Staff within Family Services provides ongoing social services and case management to children and families who become involved with DCYF due to abuse or neglect, substance abuse, or behavioral health issues.

The Governor recommends 392.6 FTE positions for the program in FY2017, 0.4 FTE less than the enacted level.

Child Welfare	General Revenue
FY2016 Enacted	\$116,626,469
<i>Target and Other Adjustments</i>	208,882
System of Care	(2,550,000)
Daycare Subsidies	1,200,000
Foster Care Subsidies	(707,607)
FY2017 Governor	\$114,777,744

System of Care Networks

(\$2.7 million)

The Governor reduces general revenue funding by \$2.7 million to the System of Care (SOC) networks in three areas; SOC administrative expenses, increased Medicaid reimbursement, and SSI contributions to cost of care for children in State care.

- The Governor includes \$2.1 million in general revenue savings by leveraging Medicaid claiming for home-based services. The Department received approval from CMS to submit claims for Enhanced Family Support Services, Family Centered Treatment, Parenting with Love and Limits, Teen

Assertive Community Treatment, Positive Parenting Program and Trauma Systems Therapy. This will allow the Department to receive approximately 50.0 percent of the costs associated with providing these services. Previously the Department paid the cost of providing these services with state general revenue dollars.

- The Governor reduces contracted administrative costs associated with the SOC network contracts by \$2.0 million in FY2017. The SOC Network contracts ended as of March 31, 2016, and as a result, core administrative services previously provided by the Networks, were transitioned to the Department.

Analyst's Note: While savings are being projected for FY2017, the Governor recommends \$2.0 million in additional funding in FY2016.

- The Governor anticipates \$550,000 in general revenue savings for children in State care who are eligible for Social Security Income (SSI). The State will pursue SSI eligibility for children who demonstrate disabling conditions. If children are qualified, it will allow the State to collect SSI income on the child's behalf and apply the income toward their cost of care.

Personnel

(\$2.0 million)

The Governor includes a reduction of general revenues by \$2.0 million in personnel costs as a result of agency realignment efforts, shifting administrative personnel to central management, as well as \$781,998 in turnover savings. Additionally, the Department recognizes general revenue surplus attributable to a change in TANF MOE, therefore general revenue savings will not reduce FTE allocations.

Daycare Subsidies

\$1.2 million

The Governor includes a \$1.2 million increase from general revenue for daycare subsidies for families as well as the negotiated payment rates daycare providers received in the FY2015 budget. This program supported and average of 618 children residing with foster care families in FY2015.

Foster Care and Adoption Subsidies

\$824,383

The Governor's budget increases general revenues by \$824,383 for foster care and adoption subsidies. The increase represents increases to daily foster care rates and adoption subsidies as well as reductions of federal Title IV-E matching funds.

The Foster Care daily rate increased beginning in January of 2016, from \$16.05 to \$18.59, increasing general revenue contributions by approximately \$1.0 million in FY2017. The increased rates have been partially offset by the caseload reductions in out-of-home care placements. As of March 1, 2016, there were approximately 1,272 children in foster care, compared to an average daily rate of 1,308 children in FY2015.

CHILDREN'S BEHAVIORAL HEALTH

The Division of Children's Behavioral Health designs, implements, and monitors a statewide system of care for children and youth requiring mental health services, including those children who are involved with the Department due to child abuse, neglect, or delinquency. The Department seeks to support all children and youth with serious emotional disturbances in the least restrictive, clinically-appropriate setting.

The Governor recommends 19.0 FTE positions for the program in FY2017, a reduction of 2.0 FTEs from the enacted level.

Children's Behavioral Health Services	General Revenue
FY2016 Enacted	\$4,593,903
<i>Target and Other Adjustments</i>	883,295
<i>FMAP Adjustments</i>	
Personnel	(308,776)
Medicaid Match	(163,622)
FY2017 Governor	\$5,004,800

Contract Extensions**\$933,452**

The Governor includes an increase of \$933,452 in general revenue expenditures as a result of proposed savings in the FY2016 Enacted Budget that were not achieved. The Department is undergoing a review and re-procurement of contracts issued by the Department. For this reason, many contracts have been extended beyond the projected dates; therefore, assumed savings in the FY2016 were not realized. The contracts associated with the unachieved savings are: Parent Support Network contract, providing Mental Health Services related to child abuse and neglect; Yale University, providing evaluation services; and AS220, providing mentoring and training services to youth in the juvenile correction facility.

Analyst's Note: Project Hope and Project Reach, have been identified as initiatives that have concluded; however, they remain funded with \$933.452 within the Department's budget. The Department intends to shift funds attributed to these accounts for other contracted services for the Division of Children's Behavioral Health.

Personnel**(\$308,776)**

The Governor's budget reduces general revenue personnel funding in the Division of Children's Behavioral Health, generating \$308,776 savings. The reduction of personnel to the Division supports the ongoing reforms and realignment efforts at the agency. 3.0 FTE positions will shift to Central Management.

Medicaid Adjustments**(\$163,622)**

The Budget includes \$163,622 in general revenue savings associated with appropriately allocating medical expenditures to Medicaid which were previously reimbursed by the Department. The Department continues to uncover opportunities to maximize Medicaid covered services for children in their care and custody.

HIGHER EDUCATION INCENTIVE GRANTS

The Post-Secondary Tuition Assistance Program provides tuition assistance to youth formerly in foster care to attend a wide range of post-secondary institutions, and is funded by state higher education incentive grants and federal education training vouchers. General revenue funding for the incentive program is set by statute at \$200,000.

During the 2014-2015 academic year, a total of 20 youth aged out of DCYF care, all of which received assistance. A total of 48 students in DCYF care received the federally-funded higher education grants. Of the awarded students, 15 attended the University of Rhode Island, 10 attended Rhode Island College, and 16 attended the Community College of Rhode Island and 7 attended other private schools. DCYF indicates that the number of applicants is always significantly higher than the number of youth who receive assistance due to a number of factors, including some youth who are determined to be eligible, but choose not to attend college.

Higher Education Incentive Grants	General Revenue
FY2016 Enacted	\$200,000
<i>Target and Other Adjustments</i>	0
FY2017 Governor	\$200,000

JUVENILE CORRECTIONS

Juvenile Corrections include two major programs for youth:

- The Rhode Island Training School for Youth (RITS) is a secure residential facility for adjudicated juvenile offenders as well as those awaiting trial. The RITS includes 148 beds for male residents and 12 for female residents. The School is a 24-hour, 365-day operation providing housing, food, clothing, medical care, and education.
- Juvenile Probation and Parole supervises adolescents placed on probation by the Family Court.

The Governor recommends 207.0 FTE positions for the program in FY2017, 3.0 FTE positions less than the enacted level. The decrease includes staff who' transitions due to the ongoing realignment efforts at the Department.

Juvenile Correctional Services	General Revenue
FY2016 Enacted	\$25,591,602
<i>Target and Other Adjustments</i>	
RI Hospital Contract	(19,760)
Personnel	(485,617)
FY2017 Governor	\$24,927,098

RI Hospital Contract ***(\$485,617)***

The Governor recommends saving \$485,617 in general revenues by reducing contracted services provided by Rhode Island Hospital. The Division of Juvenile Corrections has contracted with Rhode Island Hospital since 2000 to support the medical, dental, and psychiatric services for youth at the Youth Detention Center (YDC). The Department has continued to make progress on preventing entry into the YDC and reducing recidivism, resulting in a declining annual population, from 1,103 youth in 2005 to 500 youth in 2014. The contracted services are being reduced to support the current census in the YDC.

Personnel ***(\$159,127)***

The Governor decreases personnel funding within Juvenile Corrections, which includes personnel at the Rhode Island Training School (RITS) by \$159,127. According to the State Budget Office, this reduction is primarily associated with turnover savings and the agency realignment efforts. 4.5 FTE administrative positions will shift to Central Management.

Department of Health

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$11.8	\$11.3	\$12.5	\$1.2	10.6%	\$5.2	(\$6.1)	-54.3%
Community and Family Health and Equity	63.1	68.6	79.4	10.8	15.8%	-	(68.6)	-100.0%
Community Health and Equity	-	-	-	-	0.0%	106.0	106.0	100.0%
Customer Services	-	-	-	-	0.0%	11.0	11.0	100.0%
Environmental and Health Services Regulation	16.7	18.5	17.8	(0.7)	-4.0%	-	(18.5)	-100.0%
Environmental Health	-	-	-	-	0.0%	11.7	11.7	100.0%
Health Laboratories and Medical Examiner	8.3	9.4	9.2	(0.1)	-1.2%	12.3	2.9	31.0%
Infectious Disease and Epidemiology	5.4	6.8	5.5	(1.3)	-19.0%	-	(6.8)	-100.0%
Policy, Information and Communications	-	-	-	-	0.0%	3.1	3.1	100.0%
Preparedness, Resp, Infectious Dis, & Emergency Services	-	-	-	-	0.0%	14.0	14.0	100.0%
Public Health Information	3.7	3.9	3.7	(0.1)	-3.8%	-	(3.9)	-100.0%
State Medical Examiner	2.5	2.9	2.9	(0.0)	-0.3%	-	(2.9)	-100.0%
Total	\$111.4	\$121.4	\$131.1	\$9.7	8.0%	\$163.3	\$41.9	34.5%
Expenditures By Source								
General Revenue	\$22.8	\$25.8	\$25.7	(\$0.1)	-0.5%	\$26.5	\$0.7	2.6%
Federal Funds	57.7	65.8	70.1	4.3	6.6%	100.4	34.6	52.6%
Restricted Receipts	30.9	29.8	35.3	5.5	18.5%	36.5	6.7	22.3%
Other Funds	0.0	-	-	-	0.0%	-	-	0.0%
Total	\$111.4	\$121.4	\$131.1	\$9.7	8.0%	\$163.3	\$41.9	34.5%
Authorized FTE Levels	491.3	490.6	490.6	-	0.0%	503.6	13.0	2.6%

\$ in millions. Totals may vary due to rounding.

The mission of the Department of Health (DOH) is to prevent disease and to protect and promote the health and safety of the people of Rhode Island. Since Rhode Island has no local health departments, the Department coordinates public health activities across the State. The Department's responsibilities include licensing and regulation, collection and analysis of health data, disease surveillance, prevention, and control, and vital records. The Department also houses the Office of the Medical Examiner, the agency responsible for investigating and certifying suspicious or unexplained deaths.

MAJOR ISSUES AND TRENDS FOR FY2017

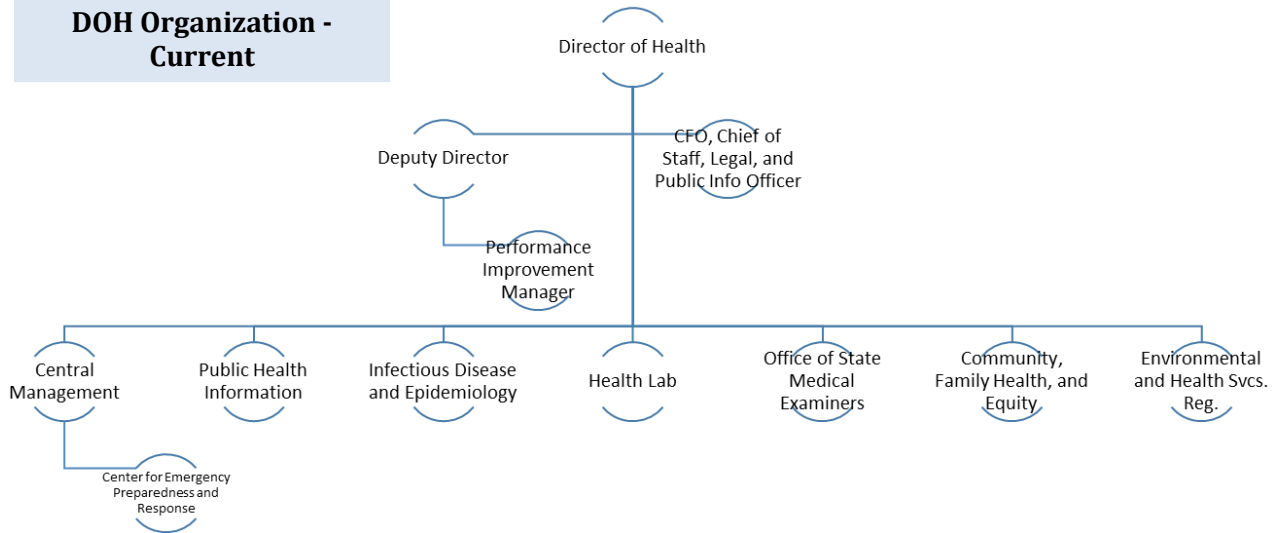
The FY2017 all funds budget for the Department totals \$163.3 million, \$41.9 million (34.5 percent) more than the FY2016 Budget as Enacted. The increase is largely driven by the transfer of the Women, Infants, and Children (WIC) program from the Department of Human Services to the Department of Health to conform to federal requirements. The \$26.1 million shift amounts to 62.2 percent of the all funds increase for FY2017. General revenues increase by \$666,038, or 2.6 percent.

The Governor proposes to reorganize the Department of Health for FY2017. Existing divisions are reconfigured for efficiency and to maximize service delivery based upon the Department's strategic objectives. The proposal includes development of a new Department of Health Academic Center. The Center is still under development, but is proposed have external components to include public health research and public health education programs. Internal activities would include workforce development and quality improvement programs.

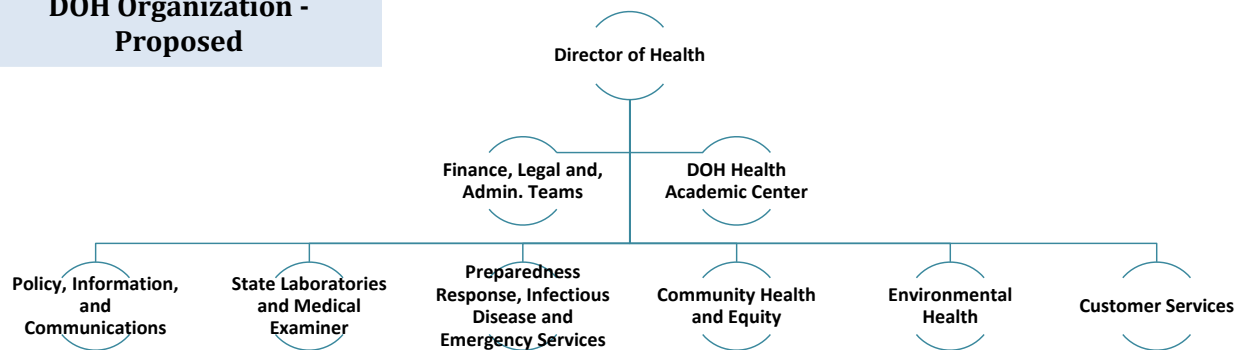
Programmatic Reorganization

The Governor reorganizes the Department's programs and subprograms, which creates some new divisions as well as eliminates functions that were determined to be inconsistent with its current mission and goals.

DOH Organization - Current



DOH Organization - Proposed



Specific changes include:

- The Office of the State Medical Examiner is merged with the Health Laboratories division to create the State Laboratories and Medical Examiner program. Presently, the Office is a stand-alone program within the Department. This change will better reflect the physical location of both functions of the Department.
- Environmental and Health Services Regulation division is dissolved in FY2017, and its functions are allocated to both a new Environmental Health program and a new Customer Services division. Regulation of health professionals and certain healthcare and other facilities shifts to the new division of Customer Services.
- The Public Health Information program, which houses the Office of Vital Records, is eliminated in FY2017. The Office of Vital Records shifts to the new division of Customer Service to better reflect the Department's role as an entity which interfaces regularly with the public. Other functions of the program shift to a new program of Policy, Information, and Communications. This new division will also house its health systems policy and regulation, and legislative and regulative affairs subprograms.

- The division of Community, Family Health, and Equity is renamed Community Health and Equity, and remains largely intact. However, the Healthy Homes and Environment subprogram shifts to a newly created program of Environmental Health in FY2017. This new program will house the drinking water quality protection and food protection functions.
- The Governor establishes a new division to house the Department's work related to infectious diseases, sexually-transmitted diseases, emergency preparedness, and other emergency medical services. This program will be referred to as Preparedness, Response, Infectious Disease, and Emergency Services.

CENTRAL MANAGEMENT

Central Management provides overall leadership, management, and administrative functions for the Department. Currently the Central Management program includes the Center for Emergency Preparedness and Response. The Governor reorganizes the Department in FY2017, combining the Center with Infectious Disease and Emergency Medical Services.

The Governor funds 56.2 FTE positions in FY2016 and 31.3 FTE positions in FY2017. The reduction reflects the shift of emergency preparedness personnel to the new division.

Central Management	General Revenue
FY2016 Enacted	\$319,445
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<i>Target and Other Adjustments</i>	-
FY2017 Governor	\$319,445

COMMUNITY AND FAMILY HEALTH AND EQUITY

The Division of Community and Family Health and Equity develops family-centered, comprehensive, community-based programs and systems of care with a focus on eliminating health disparities and controlling disease (including HIV/AIDS and viral hepatitis). The division includes six teams: health disparities and access to care, health homes and environment, chronic care and disease management, health promotion and wellness, perinatal and early childhood health, and preventive services and community practices. The Governor recommends 122.0 FTE positions in FY2016.

In FY2017 the Governor renames the division Community Health and Equity, and shifts the Women, Infants, and Children (WIC) nutrition program from the Department of Human Services, to the Department of Health. No funding or FTE positions are included for the current division title in FY2017.

Community and Family Health and Equity	General Revenue
FY2016 Enacted	\$2,532,862
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<i>Target and Other Adjustments</i>	<i>(2,532,862)</i>
FY2017 Governor	\$0

COMMUNITY HEALTH AND EQUITY

The Governor creates a new division of Community Health and Equity in FY2017, shifting functions from the existing division of Community and Family Health and Equity, and shifting the Women, Infants, and Children (WIC) nutrition program from the Department of Human Services, to the Department of Health.

The Division of Community Health and Equity aims to eliminate health disparities, assure healthy child development, control disease (including HIV/AIDS and viral hepatitis), and strive for healthy communities. The division includes five centers: health disparities and access to care, chronic care and disease management, health promotion and wellness, perinatal and early childhood health, and preventive services.

The Governor includes funding and authorization for 133.5 FTE positions in FY2017. This includes the shift of 122.0 FTE positions from the renamed division, plus 13.0 FTE positions for the WIC program transfer.

Community Health and Equity	General Revenue
FY2016 Enacted	\$0
<i>Target and Other Adjustments</i>	<i>1,530,102</i>
FY2017 Governor	\$1,530,102

Community Health and Equity	Other Fund Changes
Women, Infants, and Children (WIC) Program	\$26,092,707

Women, Infants, and Children (WIC) Program (federal funds) \$26.1 million

The FY2017 budget shifts the Women, Infants, and Children (WIC) program from the Department of Human Services (DHS) to the Department of Health. The United States Department of Agriculture (USDA), which oversees the WIC program at the national level, expressed legal and administrative concerns that DHS did not meet the standard required by federal regulation. USDA recommended that the WIC program be administered by a health department, or comparable department, rather than DHS. The shift would align the program with these other responsibilities. Prior to FY2010, the WIC program was administered by the Department of Health.

The WIC program provides federal grants to states for supplemental foods, health care referrals, and nutrition education for low-income pregnant, breastfeeding, and non-breastfeeding postpartum women, and to infants and children up to age five who are found to be at nutritional risk. The budget shifts \$26.1 million and 13.0 FTE positions from DHS to the Department.

CUSTOMER SERVICES

The Governor proposes the creation of a Customer Services program in FY2017. The division would have licensure and regulatory responsibilities of health care professionals and facilities, and would be comprised of four centers: Professional Licensing, Professional Boards and Commissions, Vital Records, and Health Facilities Regulation.

The division encompasses portions of the current Environmental and Health Services Regulation division, and the Public Health Information division. The budget includes 85.9 FTE positions in FY2017.

Customer Services	General Revenue
FY2016 Enacted	\$0
<i>Target and Other Adjustments</i>	<i>(6,117)</i>
Reorganization	6,304,316
Personnel Changes	223,306
FY2017 Governor	\$6,521,505

Customer Services	Other Fund Changes
Medical Marijuana Patient Licenses	\$379,080

Reorganization \$6.3 million

The Governor shifts \$6.3 million in general revenue funding from existing programs to a new Division of Customer Services in FY2017.

Personnel Changes \$223,306

The budget adds \$223,306 in general revenue for personnel changes in FY2017. This includes the addition of 1.0 Associate Director FTE (\$102,860 salary), and a shift of expenses from an existing Executive Assistant position from restricted receipts to general revenues. According to the Department,

the restricted receipt account (federal indirect cost recoveries) does not have sufficient resources to finance the position.

Medical Marijuana Patient Licenses (restricted receipts) \$379,080

The Governor proposes a number of changes to how medical marijuana is licensed and tracked in the state. Many of the changes fall to the Department of Business Regulation, however, the Department of Health would maintain responsibility for patient licensing. The Governor creates a restricted receipt account for receipt of licensure fees, which are estimated to total \$379,080 after accounting for the 10.0 percent indirect cost recovery surcharge.

The Department would also begin licensing “authorized marijuana purchasers”, or individuals who would be allowed to purchase medical marijuana from a compassion center and possess and transport the marijuana on behalf of a registered patient. The new licensure category would require authorized purchasers to register and pay a \$25 annual fee. The restricted receipt estimate does not include any potential authorized purchaser fees as they are expected to generate minimal resources and it is unknown how many registrations will occur.

ENVIRONMENTAL AND HEALTH SERVICES REGULATION

The Division of Environmental and Health Services Regulation is responsible for two broad areas of regulation and oversight: health facilities and professionals, and environmental concerns such as safe food and drinking water.

As part of the departmental restructuring, the Governor eliminates the division in FY2017, shifting funding and FTE positions to the Environmental Health and Customer Services divisions.

Environmental and Health Services Regulation	General Revenue
FY2016 Enacted	\$9,559,707
<i>Target and Other Adjustments</i>	<i>(9,559,707)</i>
FY2017 Governor	\$0

ENVIRONMENTAL HEALTH

The Environmental Health division is created in FY2017, combining parts of the Environmental and Health Services Regulation and the Healthy Homes divisions. The division is responsible for licensing and regulating activities related to the provision of clean and safe food and drinking water, as well as environmental hazards like lead, radon, and asbestos in homes and businesses.

The Governor recommends 88.0 FTE positions in FY2017, reflecting the merger of portions of two pre-existing divisions.

Environmental Health	General Revenue
FY2016 Enacted	\$0
<i>Target and Other Adjustments</i>	<i>4,982,143</i>
Lead Poisoning Prevention	187,000
FY2017 Governor	\$5,169,143

Lead Poisoning Prevention \$187,000

DOH is required by law to maintain a lead prevention program and the Governor adds \$187,000 to support its lead poisoning prevention activities. Of the total increase, the majority is intended to support Certified Lead Centers, which provide case management to approximately 550 lead poisoned children (\$150,000). This also includes \$25,000 for the Lead Elimination Surveillance System (LESS). This system, which also supports the Asbestos program, supports the lead program’s operations. Blood lead level tracking, case management, inspection and lead abatement information are maintained within this

system. Lastly, the budget includes \$12,000 to fund an agreement with the Providence Plan to provide data analysis and GIS services to the Department to assist with its efforts to increase the prevalence of lead screening and testing throughout the State.

The Department engages in a number of lead abatement activities and programs, including the prevention and treatment of lead poisoning for both children and adults. The Department seeks to eliminate childhood lead poisoning in the state through lead screenings, education and policy development, and referrals for medical treatment for identified cases of lead poisoning. In 2014, approximately 26,000 children younger than 72 months of age were screened. Of the children screened, 5.2 percent were determined to have blood lead levels at or exceeding 5 micrograms per deciliter, a decline from 19.9 percent in 2012. At this level, a child is considered to be lead poisoned based upon current Centers for Disease Control (CDC) guidelines.

HEALTH LABORATORIES AND MEDICAL EXAMINER

The Governor merges the Health Laboratories and Medical Examiner divisions in FY2017. The division will provide laboratory services to state and municipal agencies, health care providers, and the general public, for the purposes of public health, environmental protection, and forensic science. The laboratory performs approximately 250,000 analyses each year, largely on a fee-for-service basis, and collects approximately \$1.3 million in fees.

The Medical Examiner investigates and certifies the cause of death in the case of all known or suspected homicides, suicides, accidents, sudden infant deaths, drug related deaths, medically unattended or unexplained deaths, and deaths which may be evidence of an epidemic or other threat to the public health. The Office also provides expert testimony in criminal and civil cases.

The Governor recommends 83.0 FTE positions in FY2017, reflecting the consolidation of the two divisions and the addition of 1.0 FTE position in the Office of the Medical Examiner.

Health Laboratories and Medical Examiner	General Revenue
FY2016 Enacted	\$7,375,260
<i>Target and Other Adjustments</i>	<i>(121,702)</i>
Reorganization	2,774,940
Medical Examiner Scene Investigator	92,843
FY2017 Governor	\$10,121,341

Reorganization

\$2.8 million

The Governor merges the Health Laboratories and Medical Examiner divisions in FY2017. The budget reflects the shift of \$2.8 million and 17.5 FTE positions in the Office of the Medical Examiner to the new division.

Medical Examiner Scene Investigator

\$92,843

The Governor includes \$92,843 in additional general revenue in FY2017 to employ a new Scene Investigator for the Office of the Medical Examiner, increasing the number of investigators from five to six, and to comply with recommendations offered by the National Association of Medical Examiners (NAME). This recommendation was made to the Department in April 2015 as part of the NAME accreditation process. NAME indicated that the work of the Office is compromised by the lack of a sufficient number of investigators. DOH anticipates that the addition of one new investigator will decrease the amount of time needed to close cases, complete autopsy reports, and will permit the Department to respond in a more timely manner to inquiries from the Office of the Attorney General. Despite the aforementioned lack of resources, the Office has maintained accreditation.

INFECTIOUS DISEASE AND EPIDEMIOLOGY

The Infectious Disease and Epidemiology program is responsible for surveillance and prevention of infectious diseases, including meningitis, Lyme disease, Severe Acute Respiratory Syndrome (SARS), food- and water-borne illnesses, hepatitis, sexually transmitted diseases, and vector-borne diseases such as rabies. The program also offers clinical services (testing, diagnosis, and treatment) for tuberculosis and sexually transmitted diseases.

The Governor eliminates the program in FY2017, merging it with emergency preparedness response activities into a new Preparedness Response, Infectious Disease, and Emergency Services division.

Infectious Disease and Epidemiology	General Revenue
FY2016 Enacted	\$1,717,250
<i>Target and Other Adjustments</i>	<i>(1,717,250)</i>
FY2017 Governor	\$0

POLICY, INFORMATION, AND COMMUNICATIONS

The Governor creates a new Policy, Information, and Communications division in FY2017. The division includes the Center for Health Data and Analysis, which coordinates the collection and sharing of health-related data to inform health policy decisions, monitors the status and quality of the public health, and supports public health initiatives. This new division will also house the Health Systems Policy and Regulation subprogram.

The Governor includes 19.1 FTE positions for FY2017 in the division.

Policy, Information, and Communications	General Revenue
FY2016 Enacted	\$0
<i>Target and Other Adjustments</i>	<i>937,935</i>
FY2017 Governor	\$937,935

PREPAREDNESS, RESPONSE, INFECTIOUS DISEASE, AND EMERGENCY SERVICES

The Governor creates a new division entitled Preparedness, Response, Infectious Disease, and Emergency Services for FY2017. The division includes four centers that currently exist within two divisions of the department: Emergency Preparedness and Response; Infectious Disease and Epidemiology; HIV, Hepatitis, STD, and TB; and, Emergency Medical Services.

The division prepares for and responds to catastrophic events, disasters, and emergencies. It also monitors and works to prevent the spread of infectious diseases, and licenses and regulates emergency medical services in the state.

The Governor recommends 62.9 FTE positions in FY2017.

Preparedness, Resp, Infectious Dis, & Emergency Services	General Revenue
FY2016 Enacted	\$0
<i>Target and Other Adjustments</i>	<i>1,902,523</i>
FY2017 Governor	\$1,902,523

PUBLIC HEALTH INFORMATION

The Division of Public Health Information includes three units. The Center for Health Data and Analysis coordinates the collection and sharing of health-related data to inform health policy decisions, monitors the status and quality of the public health, and supports public health initiatives. The Office of Vital Records maintains the statewide birth, death, marriage, and divorce statistics. The Office of Health Information Technology is responsible for developing a statewide Health Information Exchange to

facilitate the sharing of critical health information among health care providers, and for promoting the use of electronic medical records.

The Public Health Information program is eliminated in FY2017. The Office of Vital Records shifts to the new division of Customer Service to better reflect the Department's role as an entity which interfaces regularly with the public. Other functions of the program shift to a new program of Policy, Information, and Communications. This new division will also house the health systems policy and regulation, and legislative and regulative affairs subprograms.

Public Health Information	General Revenue
FY2016 Enacted	\$1,556,492
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<i>Target and Other Adjustments</i>	<i>(1,556,492)</i>
FY2017 Governor	\$0

STATE MEDICAL EXAMINER

The Office of the State Medical Examiner is responsible for investigating and certifying the cause of death in the case of all known or suspected homicides, suicides, accidents, sudden infant deaths, drug related deaths, medically unattended or unexplained deaths, and deaths which may be evidence of an epidemic or other threat to the public health. The Office also provides expert testimony in criminal and civil cases.

The Governor merges the Health Laboratories and Medical Examiner divisions in FY2017. The budget reflects the shift of \$2.8 million and 17.5 FTE positions in the Office of the Medical Examiner to the new division.

State Medical Examiner	General Revenue
FY2016 Enacted	\$2,774,940
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<i>Target and Other Adjustments</i>	<i>(2,774,940)</i>
FY2017 Governor	\$0

Department of Human Services

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$9.3	\$10.1	\$9.6	(\$0.5)	-5.0%	\$10.3	\$0.2	1.7%
Child Support Enforcement	8.1	9.6	9.8	0.2	1.6%	9.5	(0.12)	-1.3%
Health Care Eligibility	19.9	19.5	22.3	2.8	14.1%	19.7	0.17	0.9%
Individual and Family Support	152.2	156.0	172.7	16.7	10.7%	107.1	(48.84)	-31.3%
Rhode Island Works	84.8	90.4	90.0	(0.4)	-0.4%	99.6	9.13	10.1%
State Funded Programs	282.8	269.7	283.7	13.9	5.2%	283.7	13.91	5.2%
Supplemental Security Income Program	18.2	18.7	18.4	(0.3)	-1.9%	18.5	(0.20)	-1.1%
Veterans Affairs	29.9	29.4	29.4	(0.0)	-0.1%	30.1	0.71	2.4%
Elderly Affairs	16.5	18.9	18.3	(0.6)	-3.2%	19.1	0.20	1.0%
Total	\$621.6	\$622.4	\$654.1	\$31.7	5.1%	\$597.5	(\$24.9)	-4.0%
Expenditures By Source								
General Revenue	\$94.6	\$98.3	\$97.7	(\$0.5)	-0.6%	\$103.3	\$5.0	5.1%
Federal Funds	520.3	517.5	549.9	32.4	6.3%	487.9	(29.6)	-5.7%
Restricted Receipts	2.4	2.1	1.4	(0.7)	-34.1%	1.3	(0.8)	-38.2%
Operating Transfers from Other Funds	4.4	4.6	5.1	0.5	11.6%	5.1	0.5	10.9%
Total	\$621.6	\$622.4	\$654.1	\$31.7	5.1%	\$597.5	(\$24.9)	-4.0%
Authorized FTE Levels	959.1	959.1	959.1	0.0	0.0%	955.1	(4.0)	-0.4%

\$ in millions. Totals may vary due to rounding.

The Department of Human Services (DHS) administers programs and services that support the needs of children and families, adults and children with disabilities, veterans, and the elderly. These services include health care, child care, cash assistance, and other supportive services for working parents and families.

MAJOR ISSUES AND TRENDS FOR FY2017

The Governor reduces funding for FY2017 as compared to the enacted level, in part, due to efficiencies associated with the anticipated completion of the Unified Health Infrastructure Project (UHIP). The savings is estimated to be \$1.6 million of general revenue funds. UHIP is a collaborative undertaking between the Office of Health and Human Services, Department of Health, Office of the Health Insurance Commissioner, and the Department of Administration, that will allow Rhode Islanders to enroll in public and private health insurance plans and in other state social service programs through a single online interface. Over the life of the project, federal funds will contribute approximately \$285.0 million and the State will contribute \$79.0 million in general revenues to the project by calendar year 2020.

The Governor eliminates three programs and reduces one within the Department, saving approximately \$430,000. Two of the programs are housed within the Individual and Family Support division, eliminating funding for costs not otherwise matchable (CNOM) programs within the Office of Rehabilitative Services (ORS). These two programs provide funding for Home Modifications and Personal Care Attendants to a relatively small population of individuals. Additionally, one program in Elderly Affairs is eliminated and one is reduced: The Volunteer Guardian Program (VGP) and the Long Term Care (LTC) Ombudsman, respectively.

The November 2015 Caseload Estimating Conference (CEC) projects an increase of \$4.6 million in general revenue funds for Child Care Assistance program spending. Additionally, there is a shift of \$3.3 million in existing costs to general revenue in the Child Care Assistance Program (CCAP) due to the Temporary Assistance to Needy Families Block Grant, which are federal dollars, being fully utilized by the Department. These increases are due to continued program growth and the impact of new federal requirements

The Governor decreases the Department-wide FTE cap by four FTEs, from 959.1 to 955.1 in FY2017. Seven FTEs from the Department's Front End Detection/Fraud Unit (housed in Individuals and Family Support) are moving to the Department of Administration's (DOA) new audit unit. Additionally, three full-time positions are added to Veterans' Affairs. The seven FTEs moving to DOA and the three FTEs added to Veterans' Affairs equates to 4.0 less FTEs overall in the Department. As of March 5, 2016, 81 positions are unfilled and 878.1 are filled within the Department.

Caseload Estimating Conference

Every November and May, the State revises cash assistance caseload forecasts in order to estimate entitlement program spending for both the current and the following fiscal year. The November 2015 Caseload Estimating Conference adopted estimates dictate the entitlement program appropriations included in the Governor's Budget.

Overall spending for cash assistance programs, which includes RI Works, child care subsidies to working families, Supplemental Security Income (SSI) state supplement, and General Public Assistance (GPA), is estimated to be \$116.2 million in FY2017, an increase of \$5.6 million from the enacted level. The major contributor to this increase is the assumed continued growth of the Child Care Assistance program and the impact of new federal requirements for this program (\$4.9 million federal funds increase and \$4.6 million in general funds increase). This increase is offset by a reduction in the caseload within RI Works (\$3.7 million federal funds decrease) from 11,524 in FY2016 to 10,744 persons in FY2017.

Cash Assistance Program - November 2015 Adopted Estimates			
	FY2016	FY2017	Change to
	Enacted	Adopted	Enacted
Rhode Island Works	\$29.2	\$25.5	(\$3.7)
Federal Funds	29.2	25.5	(3.7)
Child Care	\$61.3	\$70.8	\$9.5
Federal Funds	49.9	54.8	4.9
General Revenue	11.4	16.0	4.6
SSI - State Supplement	\$18.7	\$18.5	(\$0.2)
General Revenue	18.7	18.5	(0.2)
General Public Assistance	\$1.4	\$1.4	(\$0.0)
General Revenue	1.4	1.4	0.0
Total	\$110.6	\$116.2	\$5.6
Federal Funds	79.1	80.3	1.2
General Revenue	31.5	35.9	4.4

\$ in millions. Total may vary due to rounding.

CENTRAL MANAGEMENT

Central Management, which includes the Office of the Director, supervises, coordinates, and monitors all departmental functions within DHS. This division also includes the Office of Policy Analysis, Research, and Development; the Operations Management Unit; the Collections, Claims, and Recoveries Unit; and the Fraud Investigation Unit.

The Governor recommends 22.0 FTE positions in FY2017 for Central Management, a decrease of 0.4 FTE positions from the enacted level. This difference can be explained due to a change in cost allocations between programs in the Department. Many DHS employees work across multiple programs.

Central Management	General Revenue
FY2016 Enacted	\$5,412,814
<i>Target and Other Adjustments</i>	<i>192,879</i>
FY2017 Governor	\$5,605,693

INDIVIDUAL AND FAMILY SUPPORT

The Division of Individual and Family Support (IFS), also referred to as the Division of Economic Support, operates the Department's economic benefits and work support programs, including the federal

Supplemental Nutrition Assistance Program (SNAP), the Emergency Food Assistance Program, child care subsidies, the Rhode Island Works cash assistance program, Supplemental Security Income (SSI), and General Public Assistance (GPA).

The Division also provides services to individuals with disabilities, operating the Office of Rehabilitation Services (ORS), which includes the State's vocational rehabilitation program, services for the blind and visually impaired, and disability determination.

The Governor recommends 406.5 FTE positions in FY2017, a decrease of 47.2 FTE positions from the 2016 enacted level. This decrease reflects a number of changes in staffing within the program, including a 13.0 FTE shift from the General Public Assistance (GPA) Unit to vacant positions within DHS or other Human Services agencies and a 20.0 FTE shift from the Unified Health Infrastructure Project due to changes in cost allocation between programs in the Department. 13.0 FTEs from the Women, Infants, and Children (WIC) program will move to DOH; the budget does not lower staffing authorization for the transfer of the WIC employees.

These reductions are combined with a series of other changes that better reflect current programming and the Department's cost allocation plan, which is based upon actual workloads that vary throughout the year (e.g. some eligibility staff may shift from conducting determinations for one program area, such as Medicaid, and be shifted to conducting determinations for another program area, such as SNAP). Additionally, DHS will have seven less FTEs due to the Department's Front End Detection/Fraud Unit moving to the Department of Administration (offset by an addition of three employees in Veterans Affairs totaling four less FTEs in the Department overall compared to FY2016 enacted staffing levels).

Individual and Family Support	General Revenue
FY2016 Enacted	\$22,970,906
<i>Target and Other Adjustments</i>	<i>(1,587,029)</i>
Unified Health Infrastructure Project	(1,594,157)
SNAP Payment Error Rates	(500,000)
Eliminate GPA Program Staffing	(349,906)
Eliminate Select ORS CNOMS	(302,094)
FY2017 Governor	\$18,637,720

Individual and Family Support	Other Fund Changes
Women, Infants, and Children (WIC) Program	(25,458,739)

Unified Health Infrastructure Project **(\$1.6 million)**

The Governor proposes a \$1.6 million cost savings within DHS in FY2017 due to the completion of the Unified Health Infrastructure Project (UHIP). Approximately \$500,000 of SNAP bonus funds (which is further explained below) is included in this savings, pending approval from the Food and Nutrition Service. This \$1.6 million savings is mostly composed of workforce savings due to automation of departmental tasks (e.g. processing human services applications). Additionally, the savings is composed of operational efficiencies, assumed once the office goes paperless and saves funds on document retention and storage.

UHIP is a two phase IT project. Phase I, which went live in October 2013, includes "simple" Medicaid eligibility and enrollment, and supports HealthSource RI (HSRI), the State's health insurance marketplace, mandated under the federal health reform law. Phase II includes "complex" Medicaid eligibility and the inclusion of DHS programs such as cash assistance (TANF) and food assistance (SNAP). RI Bridges, the State's new integrated eligibility system, is expected to launch on July 12, 2016. Phase II of UHIP is anticipated be finalized after the launch of RI Bridges.

Despite the projected decrease in DHS for FY2017, the costs across state departments associated with the development of this system have continually escalated year over year. The project began in FY2013 through interdepartmental collaboration between EOHHS, HSRI, DHS, and the Department of Administration's Office of Digital Excellence. One of the project goals is to replace the State's legacy eligibility system, InRhodes, with an integrated eligibility system that would serve as a single portal for DHS programs, Medicaid, and HSRI. Supported by enhanced Medicaid matching funds and HSRI establishment grants, the original projected costs were expected to be approximately \$150.0 million to complete Phase I and Phase II. In FY2016 the projected costs were \$230.0 million, and the most recent projections for overall costs through calendar year 2020 are approximately \$363.7 million. The UHIP project has been largely funded through federal contributions. Over the life of the project, federal funds will contribute approximately \$285.0 million and the state will contribute \$79.0 million in general revenues to the project by calendar year 2020.

SNAP Payment Error Rates

(\$500,000)

For four consecutive federal fiscal years (FFY), FFY2010 through FFY2013, the Department of Human Services (DHS) failed to meet the annual national performance measure for the Supplemental Nutrition Assistance Program (SNAP). In June 2015, DHS was notified that RI was under the threshold for SNAP error rates for FFY2014 and therefore one-half of the FFY2013 penalty, \$341,675, was no longer due. Additionally, DHS received a bonus of approximately \$500,000 for "most improved payment accuracy" and a bonus of approximately \$400,000 for "best program access index" in FFY2014. DHS assumes that there will be no penalty in FFY2015 and that they will continue to qualify for bonus funds of approximately \$500,000. These bonus funds are required to be invested into SNAP for items such as training or IT investment. The Department is awaiting communication from The Food and Nutrition Service (FNS) about whether or not the bonus funds can be invested into UHIP.

Each year, the United States Department of Agriculture (USDA) assesses each state's SNAP program and determines the accuracy of benefits paid as part of its quality control efforts. The USDA's assessment consists of three components: overpayment rate, underpayment rate, and a payment error rate, which is the sum of the previous two components. The overpayment rate estimates the percent of payments made to households in excess of the entitled amount, whereas the underpayment rate reflects payments that were not received by eligible households. The payment error rate is the benchmark used by the USDA as a performance metric and to determine what, if any, penalty is assessed to an individual state.

USDA provided DHS an option to pay half of the penalty assessed and reinvest internally the second half of the penalty to improve the accuracy of benefits awarded. However, if the national benchmark was not met in the subsequent fiscal year and improvements were insufficient to decrease the error rate, DHS was required to pay the remaining half of the penalty. For example, for FFY2011, a penalty of \$519,251 was assessed, however, only \$259,625.50 was due and the Department was permitted to reinvest the remaining half into its programs. During the FFY2012 audit it was determined by the USDA that Rhode Island once again exceeded the national benchmark, and was required to pay the full, initial penalty amount of \$519,251 for FFY2011.

Eliminate GPA Program Staffing

(\$349,906)

The Governor proposes a \$349,906 savings by eliminating the General Public Assistance (GPA) staffing unit. The Unit's work would shift to other employees throughout its field offices. This proposal will shift 13.0 FTE to vacant positions in the Department. Over time, participation in the GPA program has continued to decline. The November 2015 Caseload Estimating Conference projected that 395 individuals would participate in the program, a decline of approximately 40 individuals, or nearly 10.0 percent from the FY2016 enacted level to the FY2017 adopted estimate. This program is entirely general revenue funded.

Eliminate Select ORS CNOMs**(\$302,094)**

The Budget decreases by approximately \$300,000 by eliminating funding for a costs not otherwise matchable (CNOM) within the Office of Rehabilitation Services (ORS). These funds are matched dollar-for-dollar by federal funds. The relatively limited population of individuals, served by ORS through these CNOM programs, is unable to access service elsewhere. These programs seek to prevent primarily disabled or elderly persons from moving to higher levels of care.

Specifically, the Governor proposes to eliminate two rehabilitative services:

- **Home Modifications (\$105,761):** The Budget eliminates funding for Home Modifications (wheelchair ramps, shower replacements, and other improvements to address physical barriers within the home). This program serves approximately 20 individuals per year through the Ocean State Independent Living Center (OSCIL), the majority of these clients are unemployed. Approximately \$5,000 is left in the budget for this program to cover any remaining case authorizations in process between FY2016 and FY2017.
- **Personal Care Attendant (\$196,333):** The Budget eliminates Personal Care Attendant (PCA) funding; this is anticipated to impact individuals without access to other PCA funding programs. According to DHS, this program currently serves 11 people, and provides access to support for basic daily living skills for up to 20 hours per week. Many of these individuals are unemployed and are not otherwise ORS customers. DHS indicates that the cost of this program could increase significantly based on a recent court decision related to how PCAs and other home-based caregivers are paid. Approximately \$10,000 is left in the budget for this program to cover any additional program costs that may carry forward into FY2017.

Women, Infants, and Children (WIC) Program (federal funds)**(\$25.5 million)**

The Budget shifts the Women, Infants, and Children (WIC) program, \$25.5 million, and 13.0 FTEs from the Department of Human Services (DHS) to the Department of Health. The United States Department of Agriculture (USDA), which oversees the WIC program at the national level, expressed legal and administrative concerns that DHS did not meet the standard required by federal regulation. USDA recommended that the WIC program be administered by a health department, or comparable department, rather than DHS. The shift would align the program with these other responsibilities. Prior to FY2010, the WIC program was administered by the Department of Health.

The WIC program provides federal grants to states for supplemental foods, health care referrals, and nutrition education for low-income pregnant, breastfeeding, and non-breastfeeding postpartum women, and to infants and children up to age five who are found to be at nutritional risk.

RHODE ISLAND WORKS

Rhode Island Works provides cash assistance and employment support services, including child care assistance, to enable working parents with children to support their families. Rhode Island Works (RIGL 40-5.2-5) replaced the Family Independence Program in 2008. This program is funded through the federal Temporary Assistance to Needy Families (TANF) program.

Rhode Island Works	General Revenue
FY2016 Enacted	\$11,368,635
<i>Target and Other Adjustments</i>	<i>0</i>
Caseload Estimating Conference	4,641,722
TANF Child Care Cap	3,264,771
Child Care Expansion Program	Informational
FY2017 Governor	\$19,275,128

Caseload Estimating Conference**\$4.6 million**

The November 2015 Caseload Estimating Conference (CEC) estimated a Rhode Island Works caseload average of 11,524 recipients and total program cost of \$25.5 million for FY2017, all of which is federal funds.

Rhode Island also provides child care assistance to low income families (typically, families earning less than 180.0 percent of the federal poverty level, or \$36,162 annually for a family of three, are eligible). General revenue funding is estimated to increase by \$4.6 million in FY2017. The CEC adopted a FY2017 estimate of 9,500 child care subsidies at a cost of \$16.0 million general revenue (\$70.8 million all funds). The estimate assumes continued program growth and the impact of the new federal requirements, which are anticipated to begin in FY2017. These new requirements include the following changes: 12 months of uninterrupted child care benefits, three months of continued eligibility when a family faces a job loss, and an increased funding allocated towards quality improvement activities.

TANF Child Care Cap**\$3.3 million**

The Budget adds \$3.3 million in general revenue funds to the Child Care Assistance Program (CCAP). This increase in general revenue funds is due to TANF (Temporary Assistance to Needy Families) Block Grant funds, which are federal dollars, being fully utilized by the Department. Rhode Island's TANF Block Grant totals approximately \$95.0 million and has a 30 percent cap on funds that can be allocated to the CCAP program, which has been maximized. In previous years, the Department has been under the 30 percent cap and was able to carry funding into the following fiscal year; due to increased child care caseloads, this is no longer the case and the 30 percent cap has been met. The Department is awaiting communication from the federal government as to whether or not additional TANF funds are authorized to be allocated towards CCAP.

TANF funds are the primary funding source for Rhode Island Works. To access these funds each fiscal year, the State is required to maintain expenditures of at least 80 percent of historic "qualified" state expenditures under the former Aid to Families with Dependent Children (AFDC) Program, referred to as maintenance of effort (MOE). In Rhode Island, 80 percent MOE is approximately \$64.0 million dollars.

Child Care Expansion Programs**Informational**

Beginning October 1, 2013, two pilot programs expanded access to child care assistance: the Transitional Child Care Pilot Program and the Back to Work RI Child Care Assistance Pilot Program. The Back to Work RI Child Care Pilot Program, now called the Child Care for Training Program, had the program's sunset date removed from statute in FY2016, making it a permanent part of Child Care Assistance Program (CCAP).

- The **Transitional Child Care Pilot Program** increases exit income eligibility for current child care program participants from 180.0 percent of the federal poverty level (FPL) up to 225.0 percent FPL, or from \$36,162 in annual income to \$45,360 in annual income for a family of three, respectively. Families who receive child care assistance may continue to participate in this program until September 30, 2016 (through the first quarter of FY2017), when the program is set to expire. Due to the program expiring in September 2016, the FY2017 projected cost is \$441,997, which are Temporary Assistance to Needy Families (TANF) Block Grant funds. It is anticipated that an average of 350 children per cycle (a cycle is defined as a two week period) are anticipated to be served through the end of the pilot in FY2017.
- The **Child Care for Training Program**, formerly the Back to Work RI Child Care Pilot Program, was made a permanent part of the Child Care Assistance Program in FY2016. This program provides short-term child care assistance to families who are engaged in approved job training and preparation activities and who require child care to participate. In FY2017 is projected that there will be an average of 57 children per cycle (a cycle is defined as a two week period). Families must also meet income eligibility requirements (below 180.0 percent FPL, or \$36,162 annually for a family of three).

This program will be funded via Temporary Assistance to Needy Families (TANF), it is anticipated that this program will cost \$375,944 in FY2017.

STATE FUNDED PROGRAMS

State Funded Programs incorporates two different programs, General Public Assistance (GPA) and The Supplemental Nutrition Assistance Program (SNAP). Only one of these programs, in fact, is state-funded.

General Public Assistance (GPA) is a state-funded program (RIGL 40-6-3) that provides basic cash assistance to adults between the ages of 19 and 64 with very limited income and resources who have an illness, injury, or medical condition that is expected to last 30 days or more and prevents them from working. GPA also includes the hardship contingency fund, intended as the benefit of last resort for Rhode Islanders who do not qualify for Rhode Island Works or SSI. This benefit and funding level is directed by statute and does not typically fluctuate from year to year.

The Supplemental Nutrition Assistance Program (SNAP), “food stamps”, is a federal nutrition program that provides food assistance to low-income households. SNAP benefits (\$282.1 million in FY2017) are fully federally funded. SNAP’s benefit disbursements are budgeted within this program, however, administrative responsibility of SNAP, as well as corresponding budgetary resources, are maintained by the Individual and Family Support program.

State Funded Programs	General Revenue
FY2016 Enacted	\$1,658,880
<i>Target and Other Adjustments</i>	<i>0</i>
Caseload Estimating Conference	(88,980)
FY2017 Governor	\$1,569,900

Caseload Estimating Conference **(\$88,980)**

Estimators at the November 2015 Caseload Estimating Conference (CEC) projected a reduction in the number of persons receiving general public assistance from 455 to 395 (at a monthly cost of \$135.00 each) based upon recent program trends. Expenditures for monthly cash payments and indigent burials, and the GPA hardship contingency fund (\$210,000 general revenue, which is not estimated during the CEC, but included in program totals) are projected to be \$1.6 million in FY2017, an \$88,980 general revenue decrease from FY2016 enacted levels.

The GPA hardship contingency fund, which is funded by statute and outside of the CEC, was funded at \$210,000 in general revenue in the FY2016 Budget as Enacted. The Governor proposes level funding for FY2017.

SUPPLEMENTAL SECURITY INCOME

The Supplemental Security Income (SSI) program is a federal income support program that provides basic cash assistance to individuals aged 65 or older and to adults and children with serious disabilities. Individuals eligible for SSI are also eligible for Medical Assistance (Medicaid) and SNAP (food stamps). Like all but four states (Arizona, North Dakota, Mississippi, West Virginia), Rhode Island pays beneficiaries a state supplement to the SSI benefit (RIGL 40-6-27).

The federal government, through the Social Security Administration, pays a basic benefit to SSI recipients. The actual monthly benefit depends on the recipient’s income; generally, the more income an individual earns, the lower the monthly benefit. Like most states, Rhode Island provides a supplemental state-funded payment to each recipient of the federal payment. The State also makes a state-only payment to some individuals who exceed the federal income eligibility requirements.

The total payment (state and federal) is set at a specific level and is recalculated each year as the federal benefit is adjusted so that the benefit keeps pace with inflation. The amount of the state supplement

decreases every year by an amount equal to the federal payment's cost-of-living adjustment, thereby keeping the total benefit the same. Beginning December 2014, the federal benefit increased by 1.7 percent.

For SSI recipients in an assisted living residence, a majority of the payment goes to the facility and the resident retains up to \$20.00 of the payment as a personal needs allowance.

In order to be eligible for SSI, an individual must be age 65 or older, blind, or disabled. For the purposes of determining eligibility for SSI, "disabled" means that an individual over the age of 18 has a medically determinable physical or mental impairment that results in an inability to perform any "substantial gainful activity" and that is either expected to result in death or to last for a year or more. For a child, it is a condition that results in "marked and severe functional limitations" and is expected to either result in death or to last for a year or more.

SSI-eligible individuals must also have "limited resources," defined as less than \$2,000 in resources for an individual or child, and less than \$3,000 in resources for a couple. Certain assets and resources are not included in the resource calculation, including the individual's home, household goods and personal effects, burial plots, and a single vehicle.

Supplemental Security Income Program	General Revenue
FY2016 Enacted	\$18,706,478
<i>Target and Other Adjustments</i>	<i>0</i>
Caseload Estimating Conference	(204,378)
FY2017 Governor	\$18,502,100

Caseload Estimating Conference ***(\$204,378)***

The November 2015 Caseload Estimating Conference (CEC) SSI estimate reflects total general revenue costs of \$18.4 million (included \$53,000 in fees associated with the SSI program) in FY2017, which represents a reduction of \$204,278 from the enacted level. This is based upon a SSI caseload estimate of 34,165 individuals in FY2017, with individuals receiving an estimated average monthly payment \$45.00.

Prior to January 1, 2011, the federal government administered the state supplemental payment for all beneficiaries in Rhode Island, issuing a single check including both the federal and state payment. The State was charged a transaction fee of \$10.56 for each payment. Beginning in 2011, the State made the supplemental payments for a majority of recipients directly, avoiding \$4.0 million in transaction fees annually. The State continues to pay transaction fees to the federal government to administer state supplemental payments for a small portion of the caseload for which it also determines eligibility. Transaction fees are expected to total \$53,000 in FY2016 and FY2017.

HEALTH CARE ELIGIBILITY

Health Care Eligibility is responsible for determining Medicaid eligibility. This includes the determination of eligibility for medical benefits for certain low income individuals and/or families with dependent children, and individuals who meet eligibility criteria within the following populations: RI Works participants; SSI participants; Children with Special Health Care Needs; children in foster care or subsisted adoption within the Department of Children, Youth, and Families; low income families; and aged, blind, or disabled individuals.

The Governor recommends 194.3 FTE, 4.8 less FTEs than the enacted FY2016 level due to a change in cost allocation between programs in the Department. This change is based upon actual workloads that vary throughout the year (e.g. some eligibility staff may shift from conducting determinations for one program area, such as Medicaid and be shifted to conducting determination for another program area, such as SNAP).

Health Care Eligibility	General Revenue
FY2016 Enacted	\$8,071,757

<i>Target and Other Adjustments</i>	<i>705,884</i>
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FY2017 Governor	\$8,777,641
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VETERANS' AFFAIRS

The Division of Veterans' Affairs serves Rhode Island's veteran population of approximately 70,000. The program operates the Rhode Island Veterans' Home, a state-run nursing facility in Bristol, Rhode Island, and the Veterans' Cemetery in Exeter, Rhode Island.

The Governor's FY2017 Budget includes 243.1 FTE positions, which is an increase of 3.5 FTEs from enacted. This increase in FTEs includes a proposed addition of 3.0 FTEs (which is explained below) to the Department, which increases the Department's overall FTEs by 3.0 (offset by a reduction of 7.0 employees in Individual and Family support, totaling 4.0 less FTEs in the Department overall compared to FY2016 enacted staffing levels). The additional 0.5 FTE increase is due to a change in cost allocation between programs in the Department.

Veterans Affairs'	General Revenue
FY2016 Enacted	\$20,496,870

<i>Target and Other Adjustments</i>	<i>(162,565)</i>
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Veterans' Affairs Additional Positions	250,820
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Veterans' Home - New Construction	Informational
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FY2017 Governor	\$20,585,125
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Veterans' Affairs Additional Positions **\$250,820**

The Governor proposes a \$250,820 increase in general revenue expenditures to add three positions to the Veterans' Affairs Office and to increase the Director's salary. This expenditure represents the general revenue funded portion of the new positions' salaries and benefits. These new positions are being added to enhance outreach activities to veterans in Rhode Island. The additional positions include two Chiefs of Veterans' Affairs, each receiving a salary of \$57,000, and an Implementation Aid, receiving a salary of \$50,000. Additionally, it is recommended that the Director of Veterans' Affairs receives a salary increase of \$33,000.

Veterans' Home – New Construction **Informational**

The Governor recommends \$27.0 million in bond proceeds for the construction of a new Veterans' Home and renovation of existing facilities in Bristol. This authorization is in addition to the ballot approved in 2012 providing \$94.0 million; however, due to an increased federal reimbursement, the cost to the State will decrease by \$12.4 million.

The original design was estimated to cost approximately \$94.0 million; consequently, the 2012 bond referendum was written to allow the full use of the \$94.0 million, net federal reimbursement, in case federal funds were not awarded. After voter approval of the 2012 referendum, the federal Veterans' Administration (VA) approved a different design with a community living center and clusters of private rooms arrayed around the common areas, instead of the semi-private rooms included in the original design. This new design is consistent with modern VA nursing home standards, and is estimated to cost \$121.0 million, including \$60.5 million in state funds and \$60.5 million in federal reimbursements. The language of the 2012 bond referendum, however, only allows the State to issue \$33.5 million (\$94.0 million minus the \$60.5 million federal reimbursement) leaving a shortfall of \$27.0 million. The new bond referendum will address this shortfall to fully fund the new Veterans' Home at a reduced cost to the State.

CHILD SUPPORT ENFORCEMENT

The Office of Child Support Enforcement assists families by ensuring payment of court-ordered child support payments. The Office provides the following services: location of non-custodial parents, establishment of paternity, establishment and modification of child support orders, and enforcement, through the use of license suspensions, credit bureau reporting, tax refund intercepts, and liens. Collections recovered for families that receive state support through Rhode Island Works or Medicaid are retained by the State; other collections are distributed directly to families.

The Governor recommends 59.2 FTE positions for FY2017, a decrease of 1.0 FTE position from FY2016. This change is due to cost allocation between programs in the Department.

Child Support Enforcement	General Revenue
FY2016 Enacted	\$2,996,584
<i>Target and Other Adjustments</i>	0
Child Support System	318,039
FY2017 Governor	\$3,314,623

Child Support System **\$318,039**

The Budget adds \$318,039 in general revenue in FY2017 for costs associated with licensing and maintaining the InRhodes system. The Office is anticipated to be the only remaining user of InRhodes, which is being replaced through UHIP with a new integrated eligibility system (IES) in FY2017. According to DHS and the State Budget Office, it is prohibitive for the Office to remain the sole user of InRhodes given the cost of licensing and maintenance fees. A feasibility study was completed in January 2016 to identify alternatives to InRhodes for this division. The Department is awaiting direction from the Federal Office of Child Support regarding whether additional 90/10 funding would be available for this project to lower the cost of a new case management system for the State.

ELDERLY AFFAIRS

The Division of Elderly Affairs (DEA) provides comprehensive services, advocacy, and public policy dedicated to the needs of older Rhode Islanders, adults with disabilities, their caregivers, and families. Elderly Affairs implements a system of community-based care for individuals sixty years and older as well as adults with disabilities. The Division is responsible for developing and implementing a State Plan on Aging under the federal Older Americans Act. The Division oversees the Aging and Disability Resource Center (called "The Point") and a network of community information specialists who provide referrals to services and other resources to elders and adults with disabilities. The Division also monitors more than 200 community service grants to regional and community-based agencies.

The Governor recommends 31.0 FTE positions for FY2017, consistent with the FY2016 enacted level.

Elderly Affairs	General Revenue
FY2016 Enacted	\$6,588,759
<i>Target and Other Adjustments</i>	551,932
Eliminate Volunteer Guardian Program	(81,512)
Long Term Care Ombudsman Reduction	(45,000)
FY2017 Governor	\$7,014,179

Eliminate Volunteer Guardian Program **(\$81,512)**

The Governor recommends nearly \$82,000 in general revenue savings by eliminating the Division of Elderly Affairs' (DEA) Volunteer Guardianship Program (VGP). This program is entirely general revenue funded, and according to DHS, does not further DEA's mission to help elders remain in his or her community. According to the most recent quarterly report, released in December 2015, there are a total of

80 participants in this program: one individual is in a group home, three individuals are in an assisted living facility, and 76 individuals are in nursing homes.

The purpose of the VGP is to provide guardianship services to low-income, older, at-risk persons who have been identified by a referral source as being in need of a guardian. Volunteers are appointed as "Good Samaritan" Guardians of the person by a Probate Court Judge and make important health care, residence, and relationship decisions (guardians, under this program, do not make decisions regarding the property or finance of the ward). If this program is eliminated, volunteer guardians can continue to be appointed, however, the elimination of the program would mean that there would no longer be a coordinator to recruit, train, and support volunteers. DHS indicated that staff overseeing this program may be redirected to other areas.

Long Term Care Ombudsman Reduction

(\$45,000)

The Governor proposes \$45,000 in savings by reducing funding to the Long Term Care (LTC) Ombudsman. The reduction is proposed due to the continued decline in the State's nursing home population. Additionally, DHS indicates that the scope of the LTC Ombudsman's purview has narrowed in recent years. Currently, DHS contracts with the Alliance for Better Long Term Care to fulfill this position, and as a result of this proposal, would likely reduce staff. Alliance for Better Long Term Care advocates on behalf of residents of nursing homes, assisted living residences, other facility residents, and those who receive home care services. The ombudsman program identifies, investigates, and resolves complaints raised by residents, or persons acting on their behalf, of long term care facilities and persons receiving home or hospice care. According to their 2015 annual report, Alliance for Better Long Term Care opened 622 cases (each case involves one or more complaints) in FY2014.

CAPITAL PROJECTS

The Governor recommends a total of \$78.3 million for capital projects from FY2017 through FY2021. Specific capital projects and funding amounts for DHS include:

- \$27.0 million in bond proceeds for the construction of a new Veteran's Home and renovations of existing facilities in Bristol. This \$27.0 million is in addition to the 2012 ballot approval, which provided \$94.0 million to this project. Due to increased federal reimbursements, the cost to the state will decrease by \$12.4 million.

Analyst Note: The 2012 bond referendum only allowed the State to issue \$33.4 million, leaving a shortfall of \$27.0 million. The new bond referendum, proposed for November 2016, will address this \$27.0 million shortfall to fully fund the project at a reduced cost to the State.

- \$165,000 annually from FY2017 through FY2021 in Rhode Island Capital Plan Funds to establish and refurbish vending facilities to be operated by the legally blind. \$200,000 was recommended to be spent in FY2016. Prior to FY2016, expenditures totaled \$835,245.
- \$75,000 from restricted receipts in FY2016 to complete a survey of Veterans' Cemetery burial fields. Currently this survey is on hold.

Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$1.3	\$1.6	\$1.6	\$0.0	1.8%	\$1.7	\$0.1	4.9%
Hospital & Community System Support	3.2	2.8	2.7	(0.1)	-4.1%	2.9	0.13	4.8%
Services for the Developmentally Disabled	239.5	230.9	237.7	6.9	3.0%	235.2	4.35	1.9%
Behavioral Healthcare Services	16.3	19.4	21.0	1.7	8.5%	20.9	1.54	8.0%
Hospital & Community Rehabilitation Services	114.8	116.3	116.8	0.5	0.4%	114.3	(2.04)	-1.8%
Total	\$375.1	\$370.9	\$379.8	\$8.9	2.4%	\$375.0	\$4.1	1.1%
Expenditures By Source								
General Revenue	\$173.3	\$172.5	\$174.5	\$2.0	1.1%	\$168.1	(\$4.3)	-2.5%
Federal Funds	187.7	182.6	189.4	6.8	3.7%	187.5	4.9	2.7%
Restricted Receipts	9.9	9.2	8.4	(0.8)	-8.9%	8.4	(0.7)	-8.1%
Operating Transfers from Other Funds	4.3	6.7	7.6	0.9	14.0%	10.9	4.3	63.9%
Total	\$375.1	\$370.9	\$379.8	\$8.9	2.4%	\$375.0	\$4.1	1.1%
Authorized FTE Levels	1,420.4	1,421.4	1,419.4	(2.0)	-0.1%	1,417.4	(4.0)	-0.3%

\$ in millions. Totals may vary due to rounding.

The Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) provide a comprehensive system of care for people with mental illness, physical illness, developmental disability, and substance use disorders or addiction. BHDDH administers a coordinated system of mental health promotion and substance abuse prevention through contracted, community-based service delivery programs and direct services at both campuses of Eleanor Slater Hospital (Pastore Center in Cranston and Zambarano in Burrillville) and Rhode Island Community Living and Supports (RICLAS) facilities.

The Governor's budget recommends 1,417.4 FTEs, a reduction of 4.0 FTEs from the FY2016 budget. This represents a shift of 2.0 FTE positions to the Department of Administration Division of Capital Asset Management and Maintenance, and an additional reduction of 2.0 FTE positions at the Department.

MAJOR ISSUES AND TRENDS FOR FY2017

The Governor's budget recommendation for BHDDH largely represents level funding for operations and services to the Department; however, significant savings and shifts in funding allocations are present throughout the recommendation. The budget includes \$168.1 million in general revenues (\$375.0 million all funds), representing an increase of \$4.1 million from the FY2016 Budget as Enacted.

The most significant shifts in general revenue occur in the Division of Developmental Disabilities. The Governor includes significant savings associated with the transitioning of persons with intellectual disabilities from residential placements in private and state owned group homes to less costly living settings known as Shared Living Arrangements (SLA). The Department projects \$1.5 million in general revenue savings in FY2016 and \$7.5 million in FY2017 for implementation of this initiative. To date, the Department has not fully realized the proposed savings in FY2016 associated with this initiative. The Department reports 27 of the 100 individuals that were expected to transition by the March 1, 2016 target date have transitioned, leaving 73 individuals yet to be transitioned. Further, an additional 72 individuals are expected to transition by July 1, 2016, to meet the FY2016 proposed savings. This delay raises concerns that the proposal will not generate the predicted savings in FY2016 and FY2017.

The State continues to invest in supportive services in integrated settings to comply with the Consent Decree requirements. The State was sued by the federal government for violations of the Olmstead Act, requiring the State to take targeted action to create supportive employment and community integration of person's with intellectual disabilities. Increased expenditures associated with State compliance with the Consent

Decree. In FY2017 the State increases general revenue expenditures by \$4.8 million. This investment of general revenues will increasingly grow to meet the requirements of the Consent Decree until FY2024, where more than \$30.0 million more annually will be required.

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Analyst's Note: The Court Appointed Monitor overseeing the implementation of initiatives associated with the Consent Decree, reported that several benchmarks remained unachieved in the August report. In the most recent review of the State's progress, held on March 14, 2016, the federal judge expressed concern that the State was not meeting the requirements of the Consent Decree. The State will participate in an evidentiary hearing in federal court to be held on April 8, 2016. If the State has not met the requirements of the Consent Decree, there is potential for contempt proceedings and the state could be issued fines of an unknown amount.

BHDDH continues efforts to reorganize the hospital system and better manage personnel and overtime costs at Eleanor Slater Hospital and at Rhode Island Community Living and Supports (RICLAS), the state-run system of residential services for the developmentally disabled. Despite agreed upon overtime reductions due to the incorporation of seasonal staffing, overtime costs at RICLAS have exceeded budgeted amounts in the current fiscal year, and the Governor increases overtime funding by \$900,000 in the FY2016 supplemental budget.

The Department reduces general revenue expenditures by \$3.3 million due to adjustments in the Federal Medical Assistance Percent (FMAP) value. FMAP values are the federal government's contribution to state medical assistance programs. The Department did not utilize updated FMAP values for requested FY2016 and FY2017 program allocations, thus programs will recognize savings in both years, \$1.5 million in FY2016 and \$3.4 million in FY2017.

Other initiatives include a reduction of \$2.2 million in general revenue expenditures based on a shifting of professional services expenses to Managed Care Organizations (MCO), \$1.1 million in personnel savings, and \$2.5 million in general revenue expenditures for increased wages for direct care workers.

Consent Decree Related Expenditures		
Fiscal Year	Incremental Cost Per Year	Total Additional Expenditure
FY2017	\$1,870,474	\$1,870,474
FY2018	\$2,264,400	\$4,134,874
FY2019	\$2,264,400	\$6,399,274
FY2020	\$3,446,175	\$9,845,449
FY2021	\$3,840,100	\$13,685,549
FY2022	\$5,415,800	\$19,101,349
FY2023	\$5,145,800	\$24,247,149
FY2024	\$5,809,725	\$30,056,874
Total	\$30,056,874	\$109,340,992

* Source: Office of Management and Budget

* \$ All Funds Expenditures

* Inflationary costs are not included in totals

Federal Medical Assistance Percentage (FMAP)	
FMAP Corrections	General Revenue Savings
Private DD Providers	(\$1,710,082)
RICLAS	(956,677)
Hospitals	(728,987)
Totals	(\$3,395,746)

CENTRAL MANAGEMENT

The Office of the Director provides overall management and policy direction for the Department. The program oversees most functions within BHDDH, except for the Hospital, where day-to-day operations are managed by an Executive Director (appointed by the BHDDH Director). The program functions include Management and Administration; Legislative Affairs; Constituent Affairs; Advocacy; Hospital Appeals; Strategic Planning; Community and Provider Involvement; and Public Education. The program also centralizes emergency management, asset management and capital projects, performance improvement, and funds development for the Department.

For FY2017, the Governor recommends 11.6 FTE positions, and increase of 0.6 FTEs from the enacted level. Minor adjustments include shifting of 0.15 FTE cost allocation of the Chief of Information and Public Relations salary and increased salary and benefit cost allocation of the Director to general revenue.

Central Management	General Revenue
FY2016 Enacted	\$1,015,570
<i>Target and Other Adjustments</i>	<i>82,173</i>
FY2017 Governor	\$1,097,743

HOSPITALS AND COMMUNITY SUPPORT SYSTEM

The Hospitals and Community Support program provides financial management support for the entire Department, including the hospitals and community patient care facilities. Operational areas within the program include Budget Development/Program Analysis; Business Services; Accounting and Financial Control; Federal Grants; Contract Management; Revenue Collection; Billing and Accounts Receivable; Patient Resources and Benefits; and Hospital Cost Setting/Revenue Forecasting.

The Governor's FY2017 proposal decreases FTEs to 19.0 FTE positions, 4.0 FTEs less than FY2016 Enacted levels. The reduction represents the shifting of 2.0 FTEs to the Department of Administration and 2.0 FTEs are assumed in personnel turnover.

Hospital & Community Support System	General Revenue
FY2016 Enacted	\$1,468,050
<i>Target and Other Adjustments</i>	<i>6,914</i>
FY2017 Governor	\$1,474,964

HOSPITAL AND COMMUNITY REHABILITATIVE SERVICES

The Hospital and Community Rehabilitative Services program provides care for individuals requiring both short and long-term hospitalization for psychiatric and developmentally disabled issues. The Hospital facilities are licensed by the Department of Health (DOH) and accredited by the national board for health care organizations, the Joint Commission on Accreditation of Healthcare Organizations (JCAHO). The Eleanor Slater Hospital has two campuses: the larger campus, the Pastore Center in Cranston, has 306 licensed beds, while the Zambarano Campus in Burrillville has 189 licensed beds. The Pastore Center Campus focuses on long-term psychiatric and psychogeriatric services. The Zambarano Campus focuses on long-term and rehabilitative care.

For FY2017, the Governor recommends 906.8 FTE positions, consistent with FY2016 level.

Hospital & Community Rehabilitation Services	General Revenue
FY2016 Enacted	\$53,513,521
<i>Target and Other Adjustments</i>	
Eleanor Slater Hospital Reorganization	183,063
Personnel Savings	(4,108,441)
Hospital Management Contract (AMS)	(1,112,909)
Hospital License Fee	290,619
FY2017 Governor	\$49,035,997

Eleanor Slater Hospital Reorganization**(\$4.1 million)**

The Governor proposes general revenue savings of \$4.1 million (\$8.4 million all funds) in the FY2017 budget from reorganization efforts currently underway at Eleanor Slater Hospital, including: reducing overtime expenditures, consolidation of medical units, efficiencies in medical service costs, and adjustment to the level of care for a portion of the patients in Long-Term Care Hospital (LTACH).

Analyst's Note: The Department has not provided details on the progress of reorganization efforts at the Hospital and how specifically the savings will be achieved.

Personnel Savings**(\$1.1 million)**

The Budget includes general revenue savings of \$1.1 million for personnel expenditures in the FY2017. The savings are due to turnover, and administrative duties are partially being outsourced to the Applied Management Service (AMS) contract. AMS is a healthcare management consulting firm contracted by the Department to provide experienced administrative personnel to fill administrative vacancies as well as assist with the hospital reorganization efforts.

Hospital Management Contract (AMS)**\$290,619**

The Department contract with Applied Management Services (AMS) provides administrative staff to assist the Department in the reorganization and increased operational efficiencies in the hospital system. The contract is extended through FY2017, increasing general revenues expenditures by \$290,619 (\$585,250 all funds).

Hospital License Fee**(\$270,144)**

The Budget reduces general revenue financing for the Hospital Licensing Fee paid by Eleanor Slater Hospital by \$270,144 (\$408,152 all funds). The reduction in hospital revenues in FY2016 reduced the tax liability in FY2017.

Eleanor Slater Hospital is the public psychiatric hospital operated by BHDDH. The hospital license fee is a provider tax that the State levies to collect revenue from hospitals. In FY2017, the proposed rate is 5.862 percent of hospital revenues.

BEHAVIORAL HEALTHCARE SERVICES

The Behavioral Healthcare Services program consists of two subprograms: Mental Health and Substance Abuse. The program plans, coordinates, and administers systems of treatment for substance abuse prevention and promotion of mental health. The program provides screening, intervention, early intervention, referral, clinical treatment, and recovery support activities. The program works closely with other departments and agencies in the State, including education, child welfare, and the criminal justice system.

The Department of Behavioral Healthcare program is primarily level funded with minor reductions in expenditures related to personnel reductions, saving \$106,398 in general revenue (\$168,449 all funds) in FY2017 as compared to enacted level.

The FY2017 Governor's Budget recommends 33.0 FTE positions, a reduction of 2.0 FTE Senior Health Promotion Specialist positions from the enacted level.

Behavioral Healthcare Services	General Revenue
FY2016 Enacted	\$2,368,459
<i>Target and Other Adjustments</i>	<i>13,864</i>
Personnel	(106,398)
FY2017 Governor	\$2,275,925
<i>Personnel</i>	<i>(\$106,398)</i>

The Budget includes a reduction of \$106,398 for personnel expenditures due to turnover, saving \$106,398 in general revenues in FY2017 which equates to 1.0 FTE position.

DEVELOPMENTAL DISABILITIES

The Developmental Disabilities (DD) program supports a statewide network of private and public programs for those with developmental disabilities. These supports include several levels of residential care, community placements, day programs, and respite programs. The goal of the program is to provide access to appropriate supports in the least restrictive environment for the developmentally disabled. The program manages a population that ranges from those previously institutionalized at Ladd School, prior to the closure of the facility in 1993, to those with mild functional disabilities in need of daytime supports and vocational training to function within the community.

The program serves approximately 4,100 individuals through state-run programs and community-based providers including those who receive case management services only. The state-run system consists of 24 hour nursing-level facilities, the state group home system, otherwise known as RICLAS (Rhode Island Community Living and Supports) and a private residential provider network. According to The Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals in January of 2016, approximately 1,600 individuals are served in residential settings, 283 in Supportive Living Arrangements (SLA) and 1,291 are residing in group home settings. Clients served by DD programs also are served through day programs, supportive employment, and programs that provide support to allow individuals to continue living with their families. Many clients are served by more than one DD program.

For FY2017, the Governor recommends 447.0 FTE positions consistent with FY2016 enacted level.

Services for the Developmentally Disabled	General Revenue
FY2016 Enacted	\$114,123,111
<i>Target and Other Adjustments</i>	<i>390,701</i>
Residential Transitions	(7,564,720)
Community Supported Employment	4,800,000
Caseload Growth	2,873,368
Direct Care Worker Wage Increase	2,500,000
Reallocation of Professional Services	(2,165,755)
Support Intensity Scale (SIS) Tier Changes	(697,556)
FY2017 Governor	\$114,259,149

Residential Transitions**(\$7.6 million)**

The Governor's assumes \$7.6 million in general revenue savings (\$16.2 million all funds) by shifting residents from private and state run group homes to less costly living arrangements known as Shared Living Arrangements (SLA). All new SLA will be financed through the private DD sub-program.

SLA is a residential option offered through BHDDH for adults with developmental disabilities. This option allows the individual to reside with and receive support from a person living in the community, known as "shared living". The individual providing the shared living arrangement is compensated by a licensed BHDDH provider. The provider conducts extensive personal interviews and ensures the environment and individual is able to offer a safe, compatible living arrangement which complies with BHDDH program regulations. The reimbursement for such an arrangement ranges from \$70 per day to \$109 per day, five to eight times less expensive than residential group home placement.

The savings estimate is based on transitioning 100 residents to SLAs by March 1, 2016; another 72 by July 1, 2016; 72 by November 1, 2016; and 50 residents by March 1, 2017. A total of 294 residents would transition to SLAs by the end of FY2017.

Community Supported Employment**\$4.8 million**

The Governor's Budget includes an increase of \$4.8 million in general revenue expenditures (\$12.2 million all funds) in FY2017 to meet the requirements of the Consent Decree. The Consent Decree requires the state to transition from Center Based Supportive programs toward a Community Supportive Employment delivery system for individuals with disabilities. Additionally, the Consent Decree requires the State to reallocate the resources previously used to fund sheltered workshop programs to support the transition to Community and Supportive Employment services.

- The Governor includes an increase of \$4.5 million in general revenue to increase Community and Supportive Employment Services and reduce Center Based programming.
- The Governor's Budget includes an increase of \$918,964 in general revenue expenditures in FY2017 to achieve supportive employment targets established by the Consent Decree. These funds are to supplement provider transition costs associated with meeting the requirements of the Consent Decree which are not included in the current provider payment structure.
- The Governor's Budget eliminates \$400,000 in general revenue expenditures for the Sheltered Workshop Conversion Trust Fund, managed by the Sherlock Center. The Trust Fund funds providers' start-up costs and provides technical assistance to convert services from primarily sheltered employment to primarily supported employment services. The program is no longer required by the terms of the interim settlement agreement.
- The Governor's Budget reduces general revenues by \$244,150 in FY2017 by renegotiating contracted cost allocations associated with travel and time spent of the court appointed monitor. Time and travel for monitoring were significantly higher during the onset of the monitoring process and the time requirements are reduced for the coming year.

FY2016 and FY2017 Residential Transitions

RICLAS	FY2016 Savings	FY2017 Savings
Tier A	\$238,973	\$716,918
Tier B	1,099,244	3,297,731
Tier C	1,486,528	9,910,189
Tier D	-	-
Tier E	-	-
Total	\$2,824,745	\$13,924,838
Private Providers		
Tier A	-	625,417
Tier B	-	708,017
Tier C	323,208	969,623
Tier D	-	-
Tier E	-	-
Total	\$323,208	\$2,303,057
Combined Total	\$3,147,953	\$16,227,895

Source: Office of Management and Budget

* Savings include all funds

Analyst's Note: The court appointed monitor reported to the Senate Health and Human Services Committee on February 26, 2016, informing the committee on the state requirements of the Consent Decree and report on the progress the State has made toward meeting the requirements in the agreement. The monitor reported the State has made progress, however several targets have not been achieved.

Additionally, the Court Appointed Monitor, overseeing the implementation of initiatives associated with the Consent Decree, reported that several benchmarks remained unachieved in the August report. At the most recent review of the State's progress, held on March 14, 2016 the federal judge expressed concern that the State was not meeting the requirements of the Consent Decree. The State will participate in an evidentiary hearing in federal to be held on April 8, 2016. If the State has not met the requirements of the Consent Decree, there is potential for contempt proceedings and the State could be issued fines of an unknown amount.

In January 2014, the Department of Justice concluded that day services provided by the State to individuals with developmental disabilities have not been provided in the most integrated settings appropriate to their needs; therefore, violated the Americans with Disabilities Act. Findings were centered on sheltered workshops run by the Training Through Placement program and the Harold A. Birch Vocational Program at Mount Pleasant High School. These programs were found to have isolated individuals with developmental disabilities from their non-disabled peers, be institutional in the nature of the settings, characterized by protracted placements, and to result in segregation.

The resultant Consent Decree requires the State to restructure its programs to focus on employment in integrated settings rather than on sheltered workshops and day programs. Supported employment placements are to be typical jobs in the community that pay at least minimum wage and that offer employment for an average of at least 20 hours per week. The State is also required to provide transition services for individuals with developmental disabilities beginning at age 14. Services are to include internships, job site visits, and mentoring, so that upon graduation from high school, students are being prepared for jobs in the community at competitive wages.

The Decree requires significant funding, sustained over a ten year period, and the redirection of funds currently used to support services in segregated settings, to those that incentivize services in integrated settings.

Caseload Growth

\$2.9 million

The Budget increases \$2.9 million (\$5.8 million all funds) due to projected 3.0 percent caseload growth (100 individuals) in the Community Based Services and Center Based Supports. There has been a consistent caseload growth over the last several fiscal years. The FY2012 caseload included 3,297 individuals, rising to 3,603 in FY2015.

Direct Care Wage Increase

\$2.5 million

To achieve the Community Based Programming goals in the Consent Decree, a wage increase for direct care workers in the DD system is proposed, increasing general revenues expenditures by \$2.5 million (\$5.1 million all funds) in FY2017.

Analyst's Note: The proposed wage increase for the Private DD direct care workers is in addition to the propose wage increase associated with Article 9. Article 9 proposes a wage-pass through program for personal care attendants and home health aides that support individuals living in the community who receive Long-term services and supports.

Reallocation of Professional Services

(\$2.2 million)

The Budget decreases \$2.2 million (\$4.4 million all funds) due to the shifting of costs associated with professional supports such as Physical Therapy, Occupational Therapy, and Speech Therapy to the beneficiary's health coverage. Beneficiaries would begin to receive professional services through Managed Care Organizations (MCOs) or the Medicaid fee-for-service program.

Supports Intensity Scale (SIS) Tier Changes

(\$697,556)

The Governor's Budget reduces general revenue by \$697,556 (\$1.4 million all funds) in FY2017 attributable to support intensity scale (SIS) changes. This initiative is intended to assess current beneficiary eligibility determination for DD services and assumes reductions in Tier Level for 96 individuals.

The SIS is a nationally utilized interview process used to measure support needs of an individual with intellectual disabilities in personal, work-related, and social activities. The SIS evaluation process creates a framework to develop a supportive services plan to match funding sources with identified required needs. The tiers are developed based on the results of the SIS assessment and generate funding allocations that support areas such as: case management, day programming, employment services, transportation, training, home health services, and assisted living supports.

Governor's Commission on Disabilities

Expenditures By Program	FY2015 Actual	FY2016 Enacted	FY2016 Governor	Change from Enacted		FY2017 Governor	Change from Enacted	
Governor's Commission on Disabilities	\$1,215,102	\$428,524	\$435,961	\$7,437	1.7%	\$440,570	\$12,046	2.8%
Expenditures By Source								
General Revenue	\$355,439	\$383,056	\$381,890	(\$1,166)	-0.3%	\$386,147	\$3,091	0.8%
Federal Funds	263,931	35,459	21,181	(14,278)	-40.3%	10,297	(25,162)	-71.0%
Restricted Receipts	6,633	10,009	32,890	22,881	228.6%	44,126	34,117	340.9%
Other Funds	589,099	-	-	-	-	-	-	-
Grand Total	\$1,215,102	\$428,524	\$435,961	\$7,437	1.7%	\$440,570	\$12,046	2.8%
Authorized FTE Levels	4.0	4.0	4.0	-	-	4.0	-	-

The Governor's Commission on Disabilities advocates for people with disabilities, expands economic opportunities for businesses owned by or employing people with disabilities and their families, and ensures that people with disabilities have access to government. The Commission is responsible for coordinating compliance by state agencies with federal and State disability rights laws.

Governor's Commission on Disabilities	General Revenue
FY2016 Enacted	\$383,056
<i>Target and Other Adjustments</i>	<i>3,091</i>
FY2017 Governor	\$386,147

	Other Fund Changes
Handicapped Accessibility Capital Projects	Informational

Handicapped Accessibility Capital Projects (RICAP funds)

Informational

The FY2016 Budget as Enacted consolidates all handicapped accessibility capital projects into the Department of Administration to improve project coordination and oversight, however, the Commission will still maintain a role in determining and prioritizing specific handicapped accessibility projects.

The Governor provides a total of \$7.6 million in Rhode Island Capital Plan (RICAP) funds for ADA and accessibility renovations at state buildings. The Governor recommends \$1.0 million annually for the fiscal years 2016 through 2021. Expenditures prior to FY2016 total \$1.6 million. This funding was previously included under the Governor's Commission of Disabilities budget, but shifted to the Department of Administration in FY2016. This includes funds to improve or expand handicapped accessibility at the State House; fire safety improvements at the Pastore Center; and classroom renovations and parking improvements to increase access to higher education for the disabled at both the University of Rhode Island and Rhode Island College.

Commission on the Deaf and Hard of Hearing

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Commission on the Deaf and Hard of Hearing	\$430,792	\$491,883	\$539,040	\$47,157	9.6%	\$587,746	\$95,863	19.5%
Expenditures By Source								
General Revenue	\$387,625	\$411,883	\$409,040	(\$2,843)	-0.7%	\$477,746	\$65,863	16.0%
Restricted Receipts	\$43,167	\$80,000	\$130,000	\$50,000	62.5%	\$110,000	\$30,000	37.5%
Total	\$430,792	\$491,883	\$539,040	\$47,157	9.6%	\$587,746	\$95,863	19.5%
Authorized FTE Levels	3.0	3.0	3.0	-	0.0%	4.0	1.0	33.3%

The Commission on the Deaf and Hard of Hearing (CDHH) advocates and coordinates the promotion of an environment in which deaf and hard of hearing persons in Rhode Island are afforded equal opportunity in all aspects of their lives. The CDHH develops policy and recommends programs and legislation to enhance cooperation and coordination among agencies and organizations that now serve, or have the potential to serve, the deaf and hard of hearing.

MAJOR ISSUES AND TRENDS FOR FY2017

The Governor includes funding in FY2017 for 1.0 Interpreter for the Deaf to increase accessibility for Commission staff working with the public. Additionally, restricted receipt funding is increased to fund the installation and upgrade of assistive listening systems in Statehouse public areas.

Deaf and Hard of Hearing	General Revenue
FY2016 Enacted	\$411,883
Target and Other Adjustments	5,553
Interpreter for the Deaf	60,310
FY2017 Governor	\$477,746

Deaf and Hard of Hearing	Other Funds Changes
Emergency and Public Communications Access Program	\$30,000

Interpreter for the Deaf **\$60,310**

The budget includes funding for 1.0 FTE Interpreter for the Deaf position for FY2017. The interpreter will provide full-time accessibility for Commission staff and the public. Two Commission staff members are deaf and use American Sign Language, but have access to interpreters for less than 20.0 percent of the work week. The budget adds \$70,310 in salary and benefit costs for the position, partially offset by \$10,000 in savings from the reduced use of contract interpreter services.

Emergency and Public Communications Access Program (restricted receipts) **\$30,000**

The Emergency and Public Communications Access Program (EPCAP) seeks to improve emergency communication and communication access within state departments, and to support emergency responder training. Annual operations of this program are funded by a transfer of restricted receipts from the Public Utilities Commission (PUC) to the Emergency and Public Communications Access Fund.

The budget increases funding for the EPCAP by \$30,000, to \$110,000 for FY2017. The increased funding will be used to install and upgrade assistive listening systems in the Governor's State Room and public hearing rooms throughout the Statehouse in order to comply with Americans with Disabilities Act accessibility requirements.

Office of the Child Advocate

Expenditures By Program	FY2015	FY2016	FY2016			FY2017	
	Actual	Enacted	Governor	Change from Enacted		Governor	Change from Enacted
Child Advocate	\$660,641	\$717,273	\$714,417.0	(\$2,856)	\$3,981.7	\$695,582	(\$21,691) -3.0%
Expenditures By Source							
General Revenue	613,552	672,273	669,417	(2,856)	-0.4%	650,582	(\$21,691) -3.2%
Federal Funds	47,089	45,000	45,000	0	0.0%	45,000	- 0.0%
Grand Total	\$660,641	\$717,273	\$714,417	(\$2,856)	-0.4%	\$695,582	(\$21,691) -3.0%
Authorized FTE Levels	6.0	6.0	6.0	-	0.0%	6.0	- 0.0%

The Office of the Child Advocate (OCA) protects the legal, civil and special rights of all children and youth involved in the care of the Department of Children, Youth and Families (DCYF). The Office strives to improve conditions and circumstances through monitoring, compliance and advocacy.

MAJOR ISSUES AND TRENDS FOR FY2017

The Governor's budget funds the Office of the Child Advocate with \$650,582 in general revenues and maintains 6.0 FTE positions, consistent with FY2016 Enacted Budget. FY2017 shows \$8,062 in general revenue savings associated with reduced salary requirements for the newly appointed Child Advocate coupled with increases in state-wide adjustments.

The Governor recently nominated a new Child Advocate Jennifer A. Griffith, Esq., an attorney at Rhode Island Legal Services; Inc. Her name was submitted to the Senate on March 17, 2016 for advice and consent.

Central Management	General Revenue
FY2016 Enacted	\$672,273
<i>Target and Other Adjustments</i>	<i>(21,691)</i>
Child Death Multidisciplinary Review Team	Informational
FY2017 Governor	\$650,582

Child Death Multidisciplinary Review Team

Informational

The Child Advocate convened a Child Death Multidisciplinary Review Team on February 17, 2016. The team was convened to investigate fatalities of children in state care and custody following child deaths that came to the attention of the Child Advocate's office at the end of 2015.

The Child Advocate's statute provides authority to convene a Multidisciplinary Review Team when circumstances warrant review. The team will take a comprehensive review of the most recent fatalities in order to understand how and why the children died and any warning signs or preventative measures that could have been in place. The team will issue a report on March 30, 2016.

Office of the Mental Health Advocate

Expenditures By Program	FY2015 Actual	FY2016 Enacted	FY2016 Governor	Change from Enacted		FY2017 Governor	Change from Enacted	
Mental Health Advocate	\$504,149	\$508,251	\$549,419	\$41,168	8.1%	\$542,009	\$33,758	6.6%
Expenditures By Source								
General Revenue	\$504,149	\$508,251	\$549,419	\$41,168	8.1%	\$542,009	\$33,758	6.6%
Authorized FTE Levels	3.7	4.0	4.0	-	0.0%	4.0	-	0.0%

The Office of the Mental Health Advocate (OMHA) ensures the legal, civil, and special rights of people with mental illness in Rhode Island. This includes providing legal representation at involuntary commitment proceedings, monitoring procedures and policies at in-patient treatment facilities and community-based mental health programs, proposing and evaluating legislation, and litigating civil rights and treatment rights disputes. The Office also advocates for improvements in the Mental Health System by monitoring and evaluating the quality of services available to clients of the mental health system. The Office seeks to close gaps in the services and programs administered by mental health providers including shortcomings in service related to emergency hospitalizations, psychiatric care for prison inmates, and homelessness among individuals with chronic serious mental illness.

MAJOR ISSUES AND TRENDS FOR FY2017

In the FY2016 budget the Governor proposed consolidating the Office of the Mental Health Advocate into a single, new Division of Advocacy within the Executive Office of Health and Human Services (OHHS) under Article 18, along with three additional advocacy agencies (the Governor's Commission on Disabilities, the Commission on the Deaf and Hard of Hearing, and the Office of the Child Advocate). The consolidation proposal was withdrawn by the Governor and was not enacted. Consolidation savings were not restored in the FY2016 budget. The FY2017 proposal restores those reductions.

The Governor provides \$542,009 in funding, entirely general revenues, for the Office for FY2017. The budget reflects an increase of \$33,758 for FY2017.

Mental Health Advocate	General Revenue
FY2016 Enacted	\$508,251
<i>Target and Other Adjustments</i>	<i>33,758</i>
FY2017 Governor	\$542,009

Elementary and Secondary Education

Expenditures By Program	FY2015 Actual	FY2016 Enacted	FY2016 Governor	Change from Enacted	FY2017 Governor	Change from Enacted		
Administration of the Comprehensive Education	\$220.5	\$229.6	\$237.6	\$8.0	3.5%	\$236.9	\$7.3	3.2%
Central Falls	39.0	39.5	39.5	-	0.0%	38.9	(0.7)	-1.7%
Davies Career and Technical School	18.0	18.9	18.7	(0.2)	-1.2%	19.9	0.9	5.0%
School for the Deaf	6.9	7.4	7.3	(0.0)	-0.5%	7.4	0.0	0.6%
Metropolitan Career and Technical School	12.4	13.7	13.8	0.1	0.4%	9.6	(4.1)	-29.7%
Education Aid	778.8	815.6	816.7	1.1	0.1%	858.6	43.0	5.3%
School Construction Aid	68.1	90.9	90.9	-	0.0%	80.0	(10.9)	-12.0%
Teacher Retirement	88.6	92.8	92.8	-	0.0%	99.1	6.3	6.8%
Total	\$1,232.2	\$1,308.5	\$1,317.4	\$8.9	0.7%	\$1,350.4	\$41.9	3.2%
Expenditures By Source								
General Revenue	\$1,002.5	\$1,067.7	\$1,067.5	(\$0.2)	0.0%	\$1,109.3	\$41.5	3.9%
Federal Funds	197.2	204.0	211.0	7.1	3.5%	206.2	2.3	1.1%
Restricted Receipts	28.6	28.9	30.6	1.6	5.6%	30.2	1.2	4.3%
Other Funds	3.9	7.9	8.2	0.4	4.6%	4.7	(3.2)	-40.2%
Total	\$1,232.2	\$1,308.5	\$1,317.4	\$8.9	0.7%	\$1,350.4	\$41.9	3.2%
Authorized FTE Levels	344.4	337.4	339.4	2.0	0.6%	339.4	2.0	0.6%

\$ in millions. Totals may vary due to rounding.

The Rhode Island Department of Elementary and Secondary Education, under the leadership of the Board of Education, is responsible for a strategic plan defining goals and objectives for elementary and secondary education; preparation and presentation annually of an educational budget for the Department of Elementary and Secondary Education, subordinate boards and agencies, and State aid to local school districts; approval of the basic subjects and courses of study to be taught, and instructional standards required to be maintained in the public elementary and secondary schools of the State; and, adoption of standards and qualifications for the certification of teachers and provision for the issuance of certificates.

MAJOR ISSUES AND TRENDS FOR FY2017

The Governor fully funds the sixth year of the education funding formula and provides funding for categorical aid accounting for most of the \$41.5 million general revenue increase in FY2017. Other increases include \$1.0 million for a new Innovation Fund Planning Grants program, \$1.0 million for a new Principal School Leadership program, \$750,000 for a new Fellowship for Instructional Excellence program, and \$6.3 million for teacher retirement. The decrease in other funds is due to proposed changes in Rhode Island Capital Plan (RICAP) expenditures.

Federal funding for the Race to the Top – Early Learning Challenge (RTTT-ELC) will end on December 31, 2016. The grant funded 13.25 FTE positions needed to carry out the program. The Governor adds \$569,626 in general revenues to support ongoing RTTT-ELC initiatives, including \$219,629 to sustain 3.25 FTE positions for six months in FY2017 and \$350,000 to fund the Kindergarten Entry Profile (KEP) Survey initiative.

Through Article 5, the Governor submits a total of \$257.5 million in ballot referenda to Rhode Island voters for their approval in November. Included in the proposed as six questions is \$40.0 million in bond proceeds to fund the School Building Authority Capital Fund. The proceeds would be used to repair, upgrade, and modernize public schools, focusing on projects that demonstrate an urgent health and safety need or an investment in science, technology, engineering, arts/design, and math (STEAM), as well as career and technical education learning spaces.

ADMINISTRATION OF THE COMPREHENSIVE EDUCATION STRATEGY (ACES)

This program encompasses the offices of Accelerating School Performance, Educator Excellence and Instruction Effectiveness, Fiscal Integrity and Efficiencies, and Legal. Through these offices, RIDE provides leadership and support for the entire elementary and secondary education system in Rhode Island.

The Governor recommends 153.4 FTE positions in FY2016 and FY2017 for the program, an increase of 2.0 FTE positions relative to the FY2016 Budget as Enacted. The new staff positions will support educator performance evaluation.

Administration of the Comprehensive Education	General Revenue
FY2016 Enacted	\$20,661,893
<i>Target and Other Adjustments</i>	<i>104,950</i>
Innovation Fund Planning Grants	1,000,000
New Principal School Leadership	1,000,000
Fellowship for Instructional Excellence	750,000
Race to the Top-Early Learning Challenge Grant Sustainability	569,629
Scholastic Aptitude Test (SAT)	500,000
Model Evaluation	290,000
Personnel (2.0 FTE Positions)	285,915
Computer Science Education Grants	260,000
Eliminate Channel 36 Transition Grant	(200,000)
Eliminate DOJ Consent Decree Monitor	(125,000)
Education Commission of the States	53,100
Community Service Grant - One-Time - Woonsocket Music Program	(50,000)
VM Ware Licensing	34,500
FY2017 Governor	\$25,134,987

Innovation Fund Planning Grants **\$1.0 million**

As part of a strategic focus on building-level innovation and empowerment, \$1.0 million is included to provide both planning and implementation grants directly to schools to help fund the establishment of a statewide cohort of innovation and empowerment schools. The program will also incentivize break-through educational models, innovation, enhanced building-level empowerment, and education practices that promote equity and increased efficiency. The planning grants will be used to establish the first cohort of innovation and empowerment schools. Planning grants of \$25,000 to \$50,000 per school will be awarded through a competitive process and used to initiate school and community wide conversations about innovation and autonomy.

New Principal School Leadership **\$1.0 million**

As part of a strategic focus on building-level innovation and empowerment, \$1.0 million is included to provide both planning and implementation grants directly to schools to help fund the establishment of a statewide cohort of innovation and empowerment schools. The program will build a sustainable model of identifying, developing, and credentialing emerging leaders who will work as members of school leadership teams through three initiatives.

- **Emerging Leaders Program:** Participants will become credentialed as K-12 Instructional Leaders. In the first year, about 35 educators from approximately five to eight schools will have the costs of participation provided through this fund. As the program moves forward, the costs for participation

will be phased in to require candidates and their districts to bear some of the cost for earning the credential.

- **Leadership Practice Improvement Program:** This program will support the development of existing principals through online modules and on-site coaching. The intent is to fully fund training for about 135 principals over the next three years. Those principals with teams of educators in the Emerging Leader program and who are considering applying to be a school of choice, and those whose schools are struggling will be prioritized.
- **Principal Preparation Program at Rhode Island College:** Approximately 90.0 percent of Rhode Island's principals are prepared at either Rhode Island College (RIC) or Providence College. This component of the plan involves working with RIC faculty, as well Providence College faculty, to redesign the principal program to include strengthened selection, clinical experiences, and relevant coursework in school culture and leadership.

Fellowship for Instructional Excellence

\$750,000

The Governor includes \$750,000 for the first year of a proposed two-year fellowship program. The program would bring approximately 7 master teachers from district schools to the Department of Education where the teachers will participate in high-quality professional development programs, and serve on and lead statewide educational projects. The teachers would leave the district for a year, the district would use a long-term substitute, if needed, to fill the gap. After the fellowship, the teacher would follow the plan made with the district upon accepting the fellowship.

Race to the Top – Early Learning Challenge Sustainability

\$569,626

The budget includes \$569,626 for sustain certain Race to the Top - Early Learning Challenge (RTTT-ELC) activities after the expiration of the grant on December 31, 2016. In December 2011, Rhode Island was awarded a Race to the Top - Early Learning Challenge grant for \$50.0 million over four years. The focus of the grant is to improve access to early learning programs as a strategy to close the preparation gap among children entering kindergarten. The federal grant supports work to expand the child-care program quality-rating system, provide professional development for individuals working in early-learning programs, build upon the statewide data system to monitor students from birth through their college years, and develop a statewide kindergarten assessment. The funding includes \$219,629 to sustain 3.25 FTE positions for six months in FY2017 and \$350,000 to fund the Kindergarten Entry Profile (KEP) Survey initiative. The KEP will provide information to help teachers understand the developmental needs of the students to better tailor instruction, to share with parents and to contribute toward a statewide measure of how Rhode Island children are doing when they enter kindergarten.

Scholastic Aptitude Test (SAT)

\$500,000

The budget includes \$500,000 in general revenue to make the Scholastic Aptitude Test (SAT) and the Preliminary Scholastic Aptitude Test (PSAT) free for all students in Rhode Island. Currently, less than 60.0 percent of Rhode Island high school students take the SAT. The goal is to get 100.0 percent participation rate and to permit high schools to administer the test during the school day. The intent is to start the college conversation with students earlier and to remove barriers to increase college participation rates.

Model Evaluation

\$290,000

The budget includes an increase of \$290,000 in general revenue to support Rhode Island's model evaluation system. Of the total, \$150,000 provides for assessment training data analysis and maintenance support for Instruction Management System and \$140,000 is to maintain the system that schedules

observations, track scores, and is linked to the RI teacher certification system. These expenses were previously funded through the original federal Race to the Top, which expired in June 2015. Through this grant program, new investments were made in standards and curriculum, instruction improvement systems, educator effectiveness, human capital development, and school transformation and innovation.

Personnel (2.0 FTE positions) ***\$285,915***

The budget includes \$285,915 for salary and benefits to support 2.0 new FTE positions. A Performance Management Executive position will be responsible for operation and maintenance of the department's performance management system, including ED Stats for major programs and performance review of professional staff. The other position is for an Education Specialist to support RI Evaluation Model. The Education Specialist will develop and implement professional practice and foundations training for RI Model evaluators, develop and provide training on student learning aspect for all approved models, produce guidebooks and other guidance documents on an annual basis. Also, provide technical support to LEA's. The tasks to be performed through the new positions were previously funded through the original federal Race to the Top, which expired in June 2015. Additional funding for these positions was not provided in FY2016.

Computer Science Education Grants ***\$260,000***

The budget includes \$260,000 in general revenue to increase access to computer science courses across the State. The Department has not indicated how the program will work or how the funding will be spent.

Eliminate Channel 36 Transition Grant ***(\$200,000)***

The Governor eliminates the grant funding for Public Telecommunications Authority (Channel 36). The FY2014 Budget as Enacted removed direct funding for the state Public Telecommunications Authority in FY2014; instead, the budget included a \$300,000 grant to help transition the program and employees from the state Public Telecommunications Authority to the private, not-for-profit Rhode Island Public Broadcasting Service (PBS) Foundation. In FY2015, the final planned year of the transition, the grant was reduced by \$50,000 to \$250,000. In FY2016, the grant was reduced to \$200,000, although the original plan was for the Authority to be self-sufficient by FY2016. The Governor eliminates this grant in FY2017.

Eliminate Department of Justice (DOJ) Consent Decree Monitor ***(\$125,000)***

The FY2016 Budget included \$125,000 in general revenue for the Department's estimated share of costs associated with settlement and monitoring fees regarding the United States Department of Justice's (USDOJ) investigation into the Training Thru Placement program. In January of 2013, the USDOJ notified Rhode Island that an investigation had been initiated into whether the State had violated Title II of the Americans with Disabilities Act of 1990 which prohibits discrimination on the basis of disability in the services, programs, or activities of all State and local governments. The investigation was focused on the wages and conditions of people with disabilities working at the Training Thru Placement program housed at the Harold H. Birch Vocational Program at Mount Pleasant High School. In addition to investigating the Department, the USDOJ will investigate the Office of Health and Human Services, the Department of Human Services, the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH), and a local school department. An interim agreement has been entered that settles the case as filed in federal court and requires the State to carry out certain remedial actions to address the rights of people with disabilities to receive state- and city funded employment and daytime services in the broader community rather than in segregated facilities.

In FY2015, the expenses for the monitoring were incurred by BHDDH, and future expenses are expected to also be charged through BHDDH. At this time the Department has not been notified to any payments

that may be required in FY2016 or FY2017, and the Governor proposes eliminating the funding in FY2016 and FY2017.

Education Commission of the States **\$53,100**

The budget includes \$53,100 in general revenue so the State can join the Education Commission of the States. The Education Commission of the States provides education policy research and reports as well as opportunities for collaboration with other member states.

Community Service Grant – One-Time – Woonsocket Music Program **(\$50,000)**

The budget eliminates \$50,000 in one-time funding for a community service grant to Woonsocket Schools. The grant provided support for the music program.

VM Ware Licensing **\$34,500**

The budget includes \$34,500 in general revenue to renew licensing fees with VM Ware. The Department had originally requested \$150,000 for a five-year license for a support and maintenance contract to manage 150 virtual servers that is due to expire in FY2017. The Governor recommends the license be converted to an annual payment. The annual payment is estimated to trigger a 15.0 percent cost escalation (\$4,500 annually) relative to the five-year contract.

CENTRAL FALLS SCHOOL DISTRICT

In 1991, it was determined that the City of Central Falls could not afford to meet its contractual, legal, and regulatory obligations related to school funding because its tax base had sustained little or no growth over several years. The school district was reorganized and has since been under the control of the State Department of Elementary and Secondary Education. Since FY1993, the State has been responsible for 100.0 percent of the education expenditures for the Central Falls School District.

Since FY2012, Central Falls has been funded according to the education funding formula. The Governor recommends \$38.9 million for the Central Falls School Department in FY2016. This includes the formula distribution as well as \$4.6 million in funding through the Central Falls Stabilization Fund, but not aid received through other education aid categories. (See Education Aid in the Special Report section of this publication for further detail.)

Central Falls	General Revenue
FY2016 Enacted	\$39,520,102
<i>Target and Other Adjustments</i>	-
Funding Formula Adjustment	(1,570,730)
Central Falls Stabilization	912,961
FY2017 Governor	\$38,862,333

Central Falls Stabilization **\$912,961**

Central Falls schools are currently 100.0 percent state funded, with the State providing both the local and state contributions. Generally, the costs outside the foundation aid formula, such as transportation, facility maintenance and retiree health benefits, are paid by the district. This categorical was created due to concerns regarding the city's capacity to meet the local share of education costs. Previously the statute required Central Falls to pay its share of the local contribution prior to receiving stabilization funds. However, the 2012 General Assembly amended the statute to provide for an annual review of the respective shares and to allow stabilization funds to be provided without the district having to pay the entire local share as determined from the education funding formula. Although Central Falls has been working with the Department to reduce expenditures over the last several years, the district has not been

able to reduce costs enough to keep pace with the phase in of the funding formula. Also, charter school tuitions have been increasing. The Governor recommends funding this category at \$4.6 million in FY2016, an increase of \$912,961 from the enacted level.

DAVIES CAREER AND TECHNICAL CENTER

The Davies Career and Technical School provides a high school education program in occupational areas for students in grades nine through twelve. The school provides an integrated academic and vocation curriculum with up-to-date technology programs to provide a solid foundation for students entering postsecondary education or the community. Davies operates as a local education agency and is governed by a Board of Trustees.

The Governor recommends \$13.0 million in general revenue funding for the Davies Career and Technical School, an increase of \$1.4 million from the FY2016 Budget as Enacted. This includes \$2.0 million for the Davies Stabilization Fund. (See Education Aid in the Special Report section of this publication for further detail.)

The Governor recommends 126.0 positions in FY2016 and FY2017 for the program, consistent with the FY2016 Budget as Enacted.

Davies Career and Technical School	General Revenue
FY2016 Enacted	\$11,640,152
<i>Target and Other Adjustments</i>	
Funding Formula Adjustment	(611,226)
Davies Stabilization Fund	1,969,874
FY2017 Governor	\$12,998,800

Funding Formula Adjustment **(\$611,226)**

The Davies School receives funding from state and federal sources; however, beginning in FY2012, it receives its State funding as determined through the new funding formula. In FY2017 the Davies School will receive a reduction of \$611,226 in funding formula aid. Instead of being State funded, the sending districts now pay a portion of the tuition for each student from their district. Furthermore, Davies is now responsible for the cost of transporting students to and from their sending districts. The estimated cost for transportation is about \$650,000 in FY2017.

Davies Stabilization Fund **\$2.0 million**

Through Article 11, the Governor establishes a stabilization fund to provide additional support to Davies for costs associated with a stand-alone high school offering both academic and career and technical coursework. The \$2.0 million provided in FY2017 includes \$1.7 million for state retirement expenses, since the teachers at Davies are part of the state system, and \$309,059 to offset the loss in revenues caused by the proposed \$355 per-pupil reduction in local tuition rates.

RHODE ISLAND SCHOOL FOR THE DEAF

The Rhode Island School for the Deaf is a public school which offers educational programs to approximately 160 deaf and hard of hearing youth (and their families) from birth through age 21 in the elementary program, junior and senior high school, and early intervention and preschool programs.

The Governor recommends \$6.3 million in general revenue funding for FY2017, and 60.0 FTE positions in FY2016 and FY2017 for the program. The funding represents an increase of \$47,154, and the FTE positions are consistent with FY2016 Budget as Enacted. However, the FY2016 Budget requires the

School to hold 2.0 FTE positions vacant for the fiscal year, unless other sources of funding become available. As of February 22, 2016, the School has 5.6 vacant FTE positions.

School for the Deaf	General Revenue
FY2016 Enacted	\$6,279,590
<i>Target and Other Adjustments</i>	<i>47,154</i>
FY2017 Governor	\$6,326,744

METROPOLITAN CAREER AND TECHNICAL SCHOOL

The Met School is a career and technical public school district with two campuses in Providence and a third in Newport. It provides a comprehensive education which includes internships, individual learning plans, advisory, and a college transition program for students in grades nine through twelve.

The Governor recommends \$9.5 million in general revenue funding for the Met, a decrease of \$334,537 from the FY2016 Budget as Enacted. This includes \$279,135 for the Met School Stabilization Fund. The Met School is governed by a board, appointed by the Board of Education but operated independently. Also, unlike Davies, the employees at the Met School are not state employees. (See Education Aid in the Special Report section of this publication for further detail.)

Metropolitan Career and Technical School	General Revenue
FY2016 Enacted	\$9,864,425
<i>Target and Other Adjustments</i>	<i>-</i>
Funding Formula Adjustment	(631,672)
Met School Stabilization Fund	297,135
FY2017 Governor	\$9,529,888

Funding Formula Adjustment **(\$631,672)**

The Met School was formerly 100.0 percent state funded; however, beginning in FY2012, it received its general revenue funding through the new funding formula. In FY2017 the Met School will receive a reduction of \$631,672 in funding formula aid. Sending districts pay a portion of the tuition for each student from their district. Furthermore, the Met School is now responsible for the cost of transporting students to and from their sending districts and will no longer be reimbursed by sending districts for transportation costs. Generally, the school provides RIPTA passes to students; however, due to the lack of RIPTA services available to students in Woonsocket, the school contracts for bus service for those students. The total estimated cost to the school is about \$177,000 annually.

Met School Stabilization Fund **\$297,135**

Through Article 11, the Governor establishes a stabilization fund to provide additional support to the Met School for costs associated with a stand-alone high school offering both academic and career and technical coursework. The \$297,135 provided in FY2017 is to offset the loss in revenues caused by the proposed \$355 per-pupil reduction in local tuition rates.

EDUCATION AID

The Department provides direct support to schools and school districts, including charter and state-owned schools through this program. This program also provides funding for group home beds, non-public textbook reimbursement, state-level professional development, the early childhood demonstration pilot project, state E-rate reimbursement, and the state's share of the school breakfast program.

Education Aid	General Revenue
FY2016 Enacted	\$796,039,977
<i>Target and Other Adjustments</i>	
Year 6 Funding Formula	33,596,384
Categorical Aid	8,339,431
Group Home Aid	(1,146,100)
Telecommunications Access Fund (E-Rate)	500,000
Charter School Growth	Informational
FY2017 Governor	\$837,329,692

Education Aid	Other Funds
Advanced Coursework Network Pilot (Permanent School Fund - restricted receipts)	\$300,000

Year 6 Funding Formula**\$33.6 million**

The Governor's FY2017 budget recommendation includes an additional \$33.6 million to fund the sixth year of the funding formula, for a total of \$809.3 million, for all the school districts except Central Falls, which is included as a separate budget program, and the state schools. In FY2016, the Governor amended the Full-Day Kindergarten Accessibility Act to implement a requirement that all districts provide full-day kindergarten by August 2016. In Article 11 of the FY2017 Budget, the Governor recommends repealing statutory language requiring that, beginning in FY2017, districts receive the fully-transitioned value of formula aid for student FTE positions converted to full-time kindergarten in the 2014-2015 school year or after. Language in the Executive Summary states that repealing this language will treat all classrooms equally, consistent with the transition plan. The language recommended for repeal, however, was enacted through 2014-S-2791 Sub A, to provide state support for the traditional districts that would be adding classrooms to accommodate the full-day program and treat them as if they were charter schools experiencing growth. Since the implementation of the funding formula, charter schools that add classrooms have been given the fully-transitioned value for those students.

Full-Day Kindergarten Formula Funding	
Districts	Amount
Barrington	\$36,232
Coventry	240,295
Cranston	549,602
East Greenwich	14,368
Glocester	111,182
Johnston	193,957
North Kingstown	129,723
Scituate	17,230
Smithfield	37,736
Tiverton	58,523
Warwick	261,415
Woonsocket	740,483
Exeter-West Greenwich	84,487
Total	\$2,475,235

Source: Rhode Island Department of Education.

The Governor repeals RIGL 16-7.2-7(c) to realize \$2.5 million in state cost avoidance in FY2017. Since the funding was not in the budget base, the reduction is seen as cost avoidance instead of savings. The table shows the impact of the cost avoidance by district.

Analyst's Note: These numbers are based on March 2015 data and would be subject to change based on the March 2016 update. Since these numbers were presented as a "cost avoidance" it is not clear if the cost of not repealing the statutory language would be equivalent. Senate Fiscal Staff has requested further clarification on this issue.

The funding for sixth year of the education funding formula for all school districts, charter schools, Davies Career & Technical School (Davies), and the Metropolitan Career and Technical School (Met) totals \$30.8 million. The remaining difference is due to the decrease in funding to Central Falls (\$1.6 million), Davies (\$611,226), and the Met (\$631,972) in FY2017 relative to the FY2016 enacted level. The increase includes the increase in the core instruction per pupil from \$8,928 to \$8,979 (\$2.0 million decrease), the state share ratio updates (approximately a \$500,000 decrease), charter school growth (\$4.0 million increase), and the cost of the sixth year of the ten-year transition period (\$24.2 million).

The Education Adequacy Act (2010-S-2770, Substitute A as Amended) provided a new school funding formula that creates a single methodology for distributing state aid to all public schools. The core principle behind the formula is that state funding should follow the student; therefore, distribution could change annually based on shifts in enrollment. There are no changes in funding methodology for the School for the Deaf, since it is an education program that already has a state, federal and local share.

The formula establishes a per-pupil spending amount (\$8,979 in FY2017) and allocates this funding based on student enrollment. The formula also includes a single factor to adjust the core foundation amount to address the effects of poverty and other factors influencing educational needs. The high need student weight, or student success factor, increases the core foundation amount by 40.0 percent, (\$3,592 in FY2017) for each student eligible for free or reduced lunch. The formula also accounts for local revenue generating capacity and overall poverty level by using the EWAV (Equalized Weighted Assessed Valuation) and the concentration of pre-kindergarten through sixth grade students eligible for free or reduced price lunch.

The Act includes a multi-year transition plan to ease districts into the new formula, allowing time to adjust for gains or losses in education aid. The plan provides a transition period of ten years for those districts projected to receive less school aid than they did through the aid distribution in FY2011, and seven years for those districts projected to receive more aid. (See Education Aid in the Special Report section of this publication.)

Categorical Funds

\$8.3 million

When the education funding formula was passed in 2010, five categorical funds were identified that would not be distributed according to the formula, but according to other methodology. They include Transportation, High-Cost Special Education, Career & Technical Education, Early Childhood, and the Regionalization Bonus. In Article 11 of the FY2017 Budget, the Governor recommends two new aid categories: English Learners and Density Fund. (The Central Falls, Davies and Met School Stabilization Funds are addressed in the relevant section of this analysis.)

FY2017 Governor's Categorical Education Aid		
Categorical	Change from Enacted	Total Funding
Transportation	\$0.0	\$4.4
High-Cost Special Education	2.0	4.5
Career & Tech. Schools	-	3.5
English Learners	2.5	2.5
Density Fund - Choice Schools	2.6	2.6
Early Childhood	1.2	5.2
Regionalization Bonus	-	-
Total	\$8.3	\$22.7

\$ in millions. Totals may vary due to rounding.

The Governor's FY2017 Budget includes funding for all of these categories.

- **Transportation:** This fund provides funding for transporting students to out-of-district, non-public schools and for 50.0 percent of the local costs associated with transporting students within regional school districts. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Governor level funds this category at \$4.4 million in FY2017.
- **High-Cost Special Education:** This fund reimburses districts for instructional and related services provided to a student pursuant to an Individual Education Plan (IEP). The State reimburses costs that exceed five times the combined core instruction and student success factor funding (currently \$62,853 for FY2017). The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Governor funds this category at \$4.5 million in FY2017, an increase of \$2.0 million over the FY2016 Budget as Enacted.

Through Article 11, the Governor proposes to lower this threshold, beginning in FY2018, to four times the core foundation amount. Based on FY2017 values, the new threshold would be \$50,282.

Since the distribution is subject to a prorated reduction based on the funds available, this change has no fiscal impact on the State; however, distributions to individual districts may experience a variance. The Governor's Fair Funding Formula Working Group recommended adjusting the threshold for the high-cost special education categorical to broaden district and school reimbursement eligibility.

- **Career and Technical Schools:** This fund contributes toward the initial investment needs to transform existing programs or create new programs and the costs associate with facilities, equipment maintenance and repair, and supplies of higher cost programs at career and technical schools. The Governor funds this category at \$3.5 million in FY2017, level funded with the FY2015 and FY2016 Budgets as Enacted.

Under current law, the Department recommends criteria for the allocation of funds appropriated to this categorical program by the General Assembly. Through Article 11, the Governor empowers the Department to develop the criteria for the distribution of funds.

- **English Learners:** Through Article 11, the Governor establishes a categorical fund for English Learners (EL). The fund would provide a 10.0 percent weight on the per-pupil core instruction amount for each English learner identified by standards and assessments identified by the Commissioner. The article restricts the funds to provide services to EL students and requires that the funds be managed in accordance with requirements enumerated by the Commissioner; however, the article does not prevent the displacement of local EL funding. Distribution is subject to a pro-rata reduction based on the funds available. The Governor provides \$2.5 million in FY2017, approximately one-half of the estimated full funding amount.

The Governor's Fair Funding Formula Working Group recommended providing additional support for English Language Learners to improve education outcomes.

Analyst's Note: The Department indicates that eligibility for this aid would be aimed at the English Learners at the lowest fluency levels; however, no such language is included in the article.

- **Public School of Choice Density Aid:** Through Article 11, the Governor establishes as new category of state aid for districts where 5.0 percent of more of the average daily membership enrolls in a public school of choice, such as Davies, the Met, or a charter school. Such districts would receive an additional \$300 for each student attending a public school of choice. The per-pupil amount is calculated by the Department to offset costs that must be paid by a sending district even though students are attending a different school. Examples of such costs include heating, lighting, accounting services, teachers, and building administrator. While these costs can sometimes be reduced when enrollment declines are concentrated in specific schools or classrooms, public school of choice enrollment are generally scattered across schools and grades within a district. The article requires that the Department recalculate these costs every three years, in a manner to be determined by the Commissioner. The budget includes \$2.6 million in density aid to be divided among six qualifying communities: Central Falls, Cumberland, Lincoln, Pawtucket, Providence, and Woonsocket. The Governor's Fair Funding Formula Working Group recommended providing additional support to districts with high percentages of students enrolled in public schools of choice.
- **Early Childhood Education:** This fund is designed to increase access to voluntary, free, high-quality pre-kindergarten programs. The funds will be distributed through a request for proposals process targeting communities in three tiers, with the first tier having the highest concentration of children at risk for poor educational outcomes. The Governor funds this category at \$5.2 million in FY2017, an increase of \$1.2 million over the FY2016 Budget as Enacted. The additional funds are needed as a match to the federal Pre-Kindergarten Expansion grant (\$5.7 million).

- Regionalization Bonus:** This fund provides a bonus to regionalized districts and those that regionalize in the future. In the first year, the bonus is 2.0 percent of the State's share of the total foundation aid. In the second year, the bonus is 1.0 percent of the State's share and in the third year the bonus phases out. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Governor provides no funding in FY2017, the sixth year of funding for the regionalized districts, since no new regional districts have been formed. This represents level funding from the FY2014 Budget as Enacted.

Group Homes

(\$1.1 million)

The Governor's FY2017 budget includes \$4.0 million to fund group home beds. This is \$1.1 million less than the FY2016 Budget as Enacted, and represents a decrease of 35 beds (7.8 percent) system wide, a decrease of \$525,000. This reduction also includes a decrease of \$621,100, required pursuant to RIGL 16-7-22(1)(ii) to reduce the average daily membership of a district by the number of group home beds used in the group home aid calculation. This adjustment is shown in the group home aid category, rather than in the formula calculator.

LEA	FY2016 Enacted	Number of Beds FY2016	FY2016 Aid based on bed count	Number of Beds	Change from Enacted			Total Change	FY2017 Total Aid
					Number of Beds	Aid change due to bed count	Aid change due to RIGL 16-7-22(1)(ii)		
Burrillville	\$283,374	20	\$300,000	4	(16)	(\$240,000)	\$22,766	(\$217,234)	\$66,140
Coventry	95,489	8	120,000	8	-	-	(12,360)	(12,360)	83,129
Cranston	46,354	4	60,000	4	-	-	(6,652)	(6,652)	39,702
East Providence	510,748	34	510,000	34	-	-	(64,598)	(64,598)	446,150
Lincoln	113,099	9	135,000	9	-	-	(11,703)	(11,703)	101,396
Middletown	302,018	26	330,000	26	-	-	(11,628)	(11,628)	290,390
Newport	184,024	18	210,000	18	-	-	(27,207)	(27,207)	156,817
North Providence	182,432	16	240,000	16	-	-	(28,690)	(28,690)	153,742
North Smithfield	101,850	8	120,000	8	-	-	(9,713)	(9,713)	92,137
Pawtucket	491,410	49	750,000	49	-	-	(132,446)	(132,446)	358,964
Portsmouth	536,183	37	555,000	37	-	-	(9,665)	(9,665)	526,518
Providence	1,083,736	126	1,740,000	110	(16)	(240,000)	(224,052)	(464,052)	619,684
Smithfield	219,020	16	240,000	16	-	-	(15,680)	(15,680)	203,340
South Kingstown	300,911	21	315,000	16	(5)	(75,000)	(4,669)	(79,669)	221,242
Warwick	247,344	22	300,000	32	10	150,000	(50,060)	99,940	347,284
Woonsocket	54,653	8	90,000	10	2	30,000	(25,253)	4,747	59,400
Bristol-Warren	109,676	8	120,000	8	-	-	(8,314)	(8,314)	101,362
Exeter-West Greenwich ¹	252,851	18	270,000	8	(10)	(150,000)	(1,177)	(151,177)	101,674
Total	\$5,115,172	448	\$6,405,000	413	(35)	(\$525,000)	(621,100)	(\$1,146,100)	\$3,969,072

¹ The 10 bed increase in Warwick and the 2 bed increase in Woonsocket were reported in the December 31, 2015, DCYF Group Home Report; and consequently, the \$180,000 increase in Group Home Aid will be applied to the FY2016 Revised Budget as well, pursuant to RIGL 16-64-1.1(b)(2).

Telecommunications Education Access Fund (E-Rate)

\$500,000

The purpose of the Rhode Island Telecommunications Education Access Fund (RITEAF or E-rate) is to fund a basic level of internet access for all qualified schools (kindergarten through grade 12) and libraries in the State. In the past, the state match portion of the RITEAF has been derived from two sources: a monthly E-rate surcharge on landlines of \$0.26 per line and general revenues.

In addition to declining restricted receipt revenue, under the new federal rules Rhode Island federal subsidies declined. The federal subsidy is based on the income eligibility guidelines used for the free and reduced

school lunch program.

Rhode Island Telecommunication Education Access Fund

Revenue	FY2013	FY2014	FY2015	FY2016 Projected	FY2017 Projected
Balance Forward	\$469,777	\$124,352	\$192,898	\$93,565	(\$163,422)
Revenue from \$0.26 per land line ¹	1,198,889	1,210,081	1,001,684	1,193,278	1,193,278
General Revenue	-	400,000	400,000	400,000	900,000
Expenditures	(1,544,314)	(1,541,535)	(1,501,017)	(1,850,266)	(1,848,878)
Total	\$124,352	\$192,898	\$93,565	(\$163,423)	\$80,978

¹ net 10.0 percent cost recovery.

Source: Accounts and Controls and Rhode Island Department of Elementary and Secondary Education

district has a 50.0 percent discount rate, the district pays the vendor providing the service 50.0 percent of the eligible costs. The vendor receives the remaining 50.0 percent directly from the federal program. Under the previous rules, Rhode Island received a federal discount of 65.0 percent. In FY2016, under the new rules that subsidy is 55.0 percent as the discount rate is calculated on a district-wide basis, instead of by building. Consequently, at a time when our education system is relying more heavily on wireless access, two of the three funding streams for this program are declining.

The FY2016 Budget as Enacted includes \$400,000 as the state general revenue match for the E-Rate program. The Governor increases funding by \$500,000 to \$900,000 in FY2017.

Charter School Growth

Informational

The Governor's FY2017 budget includes \$76.0 million for public charter schools, an increase of \$8.5 million from the FY2016 Budget as Enacted. The Governor's FY2017 Budget includes \$4.0 million for the following charter school growth:

- Achievement First, which is located in Providence and enrolls 518 students from Cranston, North Providence, Providence and Warwick, will add a fourth grade, and a second grade (160 new students).
- Beacon Charter High School for the Arts, Founders Academy, which is located in Woonsocket and enrolls 276 from around the State, will add a seventh grade to the middle school established in FY2016 (45 new students).
- Blackstone Academy, which is located in Pawtucket and enrolls 255 students from Central Falls, Pawtucket, and Providence, will expand its capacity within the current high School model (50 new students).
- Highlander, which is located in Providence and enrolls 468 students, will add a 12th grade (64 new students).
- Hope Academy, which is located in Providence and enrolls 72 students from North Providence and Providence, will add a second grade (36 new students).
- Nowell Academy, which is currently located in Providence and enrolls 160 high schools students, will add a site in Warwick (36 new students).
- RIMA – Blackstone Valley Prep, which is located in Cumberland and currently enrolls 1,394 students, will add a first, fifth, and eleventh grade (322 new students).

- RISE Mayoral Academy, which is currently located in Woonsocket and enrolls 65 students from Woonsocket, North Smithfield, and Burrillville, will add a first grade (40 new students).
- Southside Elementary, which is located in Providence and enrolls 48 students from Providence, will add a second grade (24 new students).
- Times2 Academy, which is located in Providence and enrolls 685 students from Providence, will expand (42 students).

Advanced Coursework Network Pilot (Permanent School Fund – restricted receipts) \$300,000

The Advanced Coursework Network offers advanced coursework options for Rhode Island students with the goal of expanding access to opportunities that promote college and career readiness while they remain enrolled at their public school. The Advanced Coursework Network is made up of Network Members, schools and districts that voluntarily chooses to extend the Advanced Coursework Network opportunities to students, and Network Providers (school districts, Rhode Island based community based organizations or higher education institutions) that extends advanced coursework opportunities to Rhode Island students. Course offerings include advanced math and science, world languages, dual/concurrent enrollment, and career preparation coursework that results in the attainment of an industry-recognized certificate or credential.

The budget includes \$300,000 in Permanent School Fund restricted receipts to fund the pilot year of the new program in FY2017. The permanent school fund received fees paid by auctioneers and can only be used for the promotion and support of public education. Previously the fund was used to make mini-grants to support turnaround expenses at priority schools through the federal No Child Left Behind program. Over the last five fiscal years, the fund has collected \$288,000 annually.

HOUSING AID

In 1960, the school housing aid program was enacted by the General Assembly to guarantee adequate school facilities for all public school children in the state, and to prevent the cost of constructing and repairing facilities from interfering with the effective operation of the schools. Applications for aid to support the construction and renovation of school buildings are submitted to and evaluated by the Rhode Island Department of Elementary and Secondary Education (RIDE). State aid is provided for approved projects based on a percentage of cost. The percentage provided by the State to the school district is determined based on a share ratio designed to measure a community's need. For FY2016, the minimum state share is 35.0 percent for school districts and the maximum is 96.1 percent: the state share for charter schools is 30.0 percent.

The 2010 General Assembly passed legislation increasing the minimum share ratio from 30.0 percent in FY2011 to 35.0 percent in FY2012 and to 40.0 percent in FY2013. The 2012 General Assembly froze the reimbursement rate at 35.0 percent, but provided that projects completed after June 30, 2010, that received approval from the Board of Regents by June 30, 2012, receive the 40.0 percent minimum.

The 2011 General Assembly enacted legislation limiting the approval of new projects between FY2012 and FY2015, to those necessitated by immediate health and safety reasons. Any project requested during the moratorium must be reported to the chairs of the House and Senate Finance Committees. Any project approval granted prior to the adoption of the school construction regulations in 2007, which is currently inactive, did not receive voter approval, or has not been previously financed, is no longer eligible for reimbursement. Article 22 of the FY2015 Budget extends the moratorium from June 30, 2014, to May 1, 2015, limiting the approval of new projects between FY2012 and FY2015 to those necessitated by immediate health and safety conditions.

As part of the 2011 legislation, RIDE was charged with developing recommendations for further cost containment strategies in the school housing aid program. The following recommendations were submitted on March 22, 2012:

- Establish capital reserve funds on the state and local level.
- Reduce the minimum share ratio.
- Limit costs associated with bonding by establishing a mechanism to allow districts with poor bond ratings to borrow at a lower interest rate, reduce the State's reimbursement rate on interest, and provide incentives for districts to re-finance bonds.

Article 13 of the FY2014 Budget as Enacted provided an incentive to communities to refinance existing school housing bonds by allowing communities to receive 80.0 percent of the total savings, instead of distributing the savings based on the state share ratio. The increased savings to the communities would only apply to refinancing done between July 1, 2013, and December 31, 2015. The table shows the estimated savings realized through the incentive.

For FY2017, the Governor recommends \$70.9 million, level funded to the FY2016 Budget as Enacted. For FY2016, the Department projects expenditures of \$66.8 million in school housing aid, a decrease of \$4.1 million from the FY2016 Budget as Enacted; however, pursuant to law the surplus must be deposited into the School Building Authority Capital Fund.

School Construction Aid	General Revenue
FY2016 Enacted	\$90,907,110
<i>Target and Other Adjustments</i>	
School Building Authority Capital Fund	(10,907,110)
School Construction Bond Referendum	Informational
FY2017 Governor	\$80,000,000

School Building Authority Capital Fund ***(\$10.9 million)***

Article 9 of the FY2016 Budget as Enacted designated the Department of Elementary and Secondary Education (Department) as the State's School Building Authority and charged the Department with implementing a system of state funding for school facilities, managing the school housing aid program, and developing a project priority system. The Authority oversees two distinct funding mechanisms for school facilities: the foundation program, as enumerated in RIGL 16-7-35 through 16-7-47, and the school building authority capital fund (Capital Fund), as created through the article. The FY2016 budget added 1.0 FTE position to the Department for a new construction manager to assist in developing procedures for the proposed Capital Fund. In FY2016, the Department received a one-time, pass-through appropriation of \$20.0 million in new general revenue to capitalize the Capital Fund, which is held in trust and administered by the Rhode Island Health and Education Building Corporation (RIHEBC). For FY2017, the budget provides \$9.1

**School Bond Refinancing Incentive Estimated Savings
Summary**

Municipality	Local Savings	State Savings	Total Savings
Burrville	\$391,582	\$97,896	\$489,478
Central Falls	485,690	121,423	607,113
Cumberland	392,456	98,136	490,592
Johnston	41,684	10,421	52,105
Lincoln	1,590,165	397,541	1,987,706
New Shoreham	329,114	82,278	411,392
North Kingstown	419,141	104,785	523,926
North Providence	492,390	123,098	615,488
Pawtucket	44,094	11,023	55,117
Portsmouth	208,533	52,135	260,668
Providence	5,854,680	1,463,670	7,318,350
South Kingstown	232,603	58,151	290,754
Tiverton	753,270	188,317	941,587
West Warwick	525,572	131,393	656,965
Woonsocket	728,129	182,083	910,212
Total Savings	\$12,489,103	\$3,122,350	\$15,611,453

million in general revenue to capitalize the Capital Fund, a decrease of \$10.9 million from the FY2016 budget as Enacted.

School Construction Bond Referendum

Informational

Through Article 5, the Governor submits a total of \$257.5 million in ballot referenda to Rhode Island voters for their approval in November. Included in the proposed as six questions is \$40.0 million in bond proceeds to fund the School Building Authority Capital Fund. The proceeds would be used to repair, upgrade, and modernize public schools, focusing on projects that demonstrate an urgent health and safety need or an investment in science, technology, engineering, arts/design, and math (STEAM), as well as career and technical education learning spaces.

TEACHER RETIREMENT

Since 1949, all teachers are required to become members of the State Retirement System. The State pays 40.0 percent of the employer's share of the retirement contribution each year. These funds, which are actuarially determined annually, are appropriated to the Department of Education for transfer to the State Retirement Fund.

On November 17, 2011, the General Assembly passed the Rhode Island Retirement Security Act of 2011 (RIRSA) to reform the state and local pension systems. The Act introduces a hybrid pension structure for all except public safety employees and judges, to shift risk to the employee by combining the attributes of both the defined benefit and defined contribution plans.

Teacher Retirement	General Revenue
FY2016 Enacted	\$92,805,836
<i>Target and Other Adjustments</i>	-
Defined Benefit Plan	6,225,432
Defined Contribution Plan	45,314
FY2017 Governor	\$99,076,582

Defined Benefit Plan

\$6.2 million

The Budget provides total funding of \$95.2 million for the state's contribution to the teacher retirement defined benefit plan, reflecting a net increase of \$6.2 million from FY2016 Budget as Enacted. The employer contribution rates are actuarially determined annually, and appropriated to the Department of Education for transfer to the State Retirement Fund. For teachers the State pays 40.0 percent of the employer contribution.

Defined Contribution Plan

\$45,314

The Budget provides \$3.8 million in general revenue for the State's share of the contribution to the new defined contribution portion of the hybrid pension system, reflecting a net increase of \$45,314 from FY2016 Budget as Enacted. The plan includes a mandatory 5.0 percent employee and 1.0 percent employer contributions. For teachers the State pays 40.0 percent of the employer contribution.

CAPITAL PROJECTS

The Budget includes a total of \$8.2 million in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2016 and \$4.1 million in FY2017, including:

- \$3.8 million in FY2016 to replace and repair the HVAC system for five buildings at the MET School's Peace Street and Public Street campuses.

- \$3.0 million in FY2016 and \$2.3 million in FY2017 for capital repairs at two career and technical schools (Warwick, and Woonsocket).
- \$500,000 in FY2016 and \$1.4 million in FY2017 to replace and repair the HVAC system at the Davies Career and Technical School.

Public Higher Education

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Office of Postsecondary Commissioner	\$10.0	\$28.3	\$28.6	\$0.3	1.2%	\$31.0	\$2.7	9.5%
University of Rhode Island	721.1	720.7	757.4	36.7	5.1%	777.4	56.7	7.9%
Rhode Island College	163.6	179.0	177.3	(1.7)	-0.9%	186.6	7.6	4.2%
Community College of R.I.	152.6	162.2	159.6	(2.5)	-1.6%	168.4	6.3	3.9%
Total	\$1,047.4	\$1,090.2	\$1,123.0	\$32.8	3.0%	\$1,163.4	\$73.3	6.7%
Expenditures By Source								
General Revenue	\$188.2	\$196.3	\$181.0	(\$15.3)	-7.8%	\$199.5	\$3.2	1.6%
Federal Funds	4.5	15.1	15.4	0.3	2.3%	14.3	(0.8)	-5.2%
Restricted Receipts	0.6	0.7	0.7	-	0.0%	0.7	0.0	1.2%
Other Funds	854.0	878.1	925.9	47.8	5.4%	948.9	66.5	7.6%
Total	\$1,047.4	\$1,090.2	\$1,123.0	\$32.8	3.0%	\$1,163.4	\$73.3	6.7%
Third Party Funded FTE	642.9	745.8	745.8	-	0.0%	745.8	-	0.0%
Authorized FTE Levels	3,604.1	3,513.4	3,513.4	-	0.0%	3,548.0	34.6	1.0%
Total	4,247.0	4,259.2	4,259.2	-	0.0%	4,293.8	34.6	0.8%

\$ in millions. Totals may vary due to rounding.

The major responsibilities of the Board of Education (Board), pertaining to higher education, include the governance of public institutions of higher learning and the regulation of proprietary schools; the preparation of a public higher education budget and capital development program; and the development of policies in pursuit of the primary goals of excellence, opportunity and access, diversity and responsiveness, coordination and accountability in public higher education.

The system of public higher education consists of three major institutions located at eight different campuses across the State of Rhode Island: the University of Rhode Island (URI), Rhode Island College (RIC), and the Community College of Rhode Island (CCRI).

Prior to January 1, 2013, higher education in Rhode Island functioned under the direction of the Board of Governors for Higher Education. The FY2013 Budget as Enacted established a new Board of Education consisting of 11 members, appointed by the Governor with the advice and consent of the Senate. The Board of Governors for Higher Education and the Board of Regents for Elementary and Secondary Education were abolished as of January 1, 2013.

The FY2015 Budget as Enacted established the Council on Postsecondary Education, which has duties and responsibilities per RIGL 16-59-1 and 16-59-4, much the same as the former Board of Governors for Higher Education.

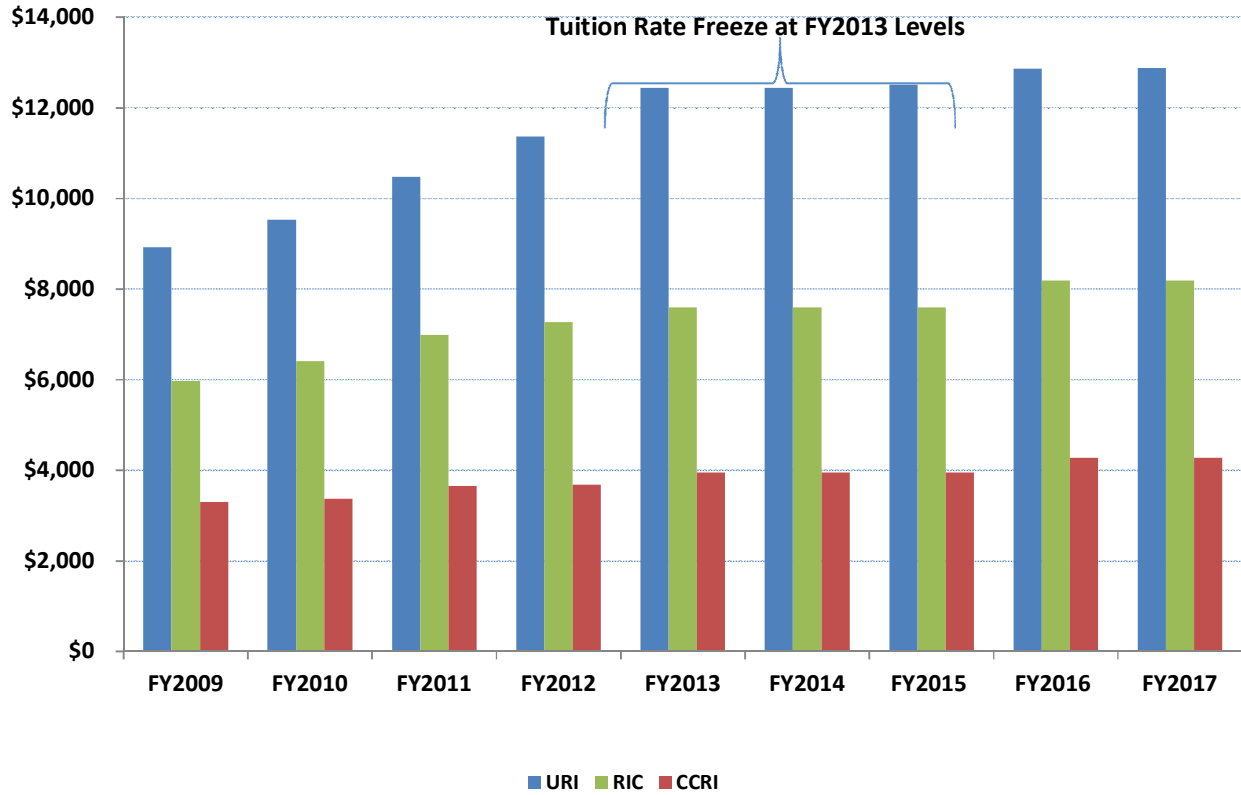
MAJOR ISSUES AND TRENDS FOR FY2016

The Governor's FY2017 budget proposal includes total funding of \$1,163.4 million, representing an increase of \$73.3 million (6.7 percent) over the FY2016 Budget as Enacted, including a general revenue increase of \$3.2 million (1.6 percent).

In FY2016, tuition increased at all three schools for the first time in three years. In FY2017, the Governor intends for the tuitions to be maintained at the FY2016 level. The institutions are required to maintain internal student aid at the 2015/2016 academic year level. The budget requires the president of each institution to report to Chair of the Council of Postsecondary Education, prior to the commencement of the 2016/2016 academic year, that the student aid levels have been maintained.

Actual tuition and fee rates, by institution, along with a projection for FY2016 and FY2017, are shown in the graph below.

In-State Undergraduate Tuition & Fees



	FY2013	FY2014	FY2015	FY2016	FY2017	Change from FY2016	% Change
URI							
In-State Tuition	\$10,878	\$10,878	\$10,878	\$11,128	\$11,128	\$0	0.0%
Out-of-State Tuition	26,444	26,444	26,444	27,118	27,118	-	0.0%
Mandatory Fees	1,572	1,572	1,628	1,734	1,756	22	1.4%
Tuition & Fee Revenue	264,180,165	265,448,401	278,399,179	286,270,413	293,751,712	7,481,299	2.7%
RIC							
In-State Tuition	\$6,530	\$6,530	\$6,530	\$7,118	\$7,118	\$0	0.0%
Out-of-State Tuition	17,228	17,228	17,228	18,779	18,779	-	0.0%
Mandatory Fees	1,068	1,072	1,072	1,079	1,079	-	0.0%
Tuition & Fee Revenue	65,553,238	66,058,085	66,087,375	70,261,112	70,019,183	(241,929)	-0.4%
CCRI							
In-State Tuition	\$3,624	\$3,624	\$3,624	\$3,950	\$3,950	\$0	0.0%
Out-of-State Tuition	10,256	10,256	10,256	11,180	11,180	-	0.0%
Mandatory Fees	326	326	326	316	316	-	0.0%
Tuition & Fee Revenue	54,426,909	53,028,803	51,694,330	56,699,890	55,805,064	(894,826)	-1.7%

URI College of Engineering Phase II– General Obligation Bond Referendum

The Governor recommends a \$25.5 million bond referendum to renovate and construct an addition to Bliss Hall on the Kingston Campus, as the second phase of the Engineering School project. The project will upgrade building systems, improve classroom space, modernize teaching laboratories, and provide advanced research facilities, as well as the addition to Bliss Hall. In 2014 a \$125.0 million bond referendum was approved by voters to begin a comprehensive overhaul of physical space dedicated to engineering programs at URI. The 2014 bond provided for the renovation of Kirk Hall and the demolition of Crawford Hall, Gilbreth Hall, Kelly Hall and Annex, and Wales Hall.

General Obligation Debt Service

The Governor proposes restructuring/refunding of outstanding debt in FY2016 to provide additional general revenue resources to support economic development and technology improvements around the State. The changes in certificates of participation (COPs) are due to normal changes based on debt service schedules. For the institutions, the COPs issuances were for energy conservation and technology improvement projects.

The budget includes \$17.4 million for general obligation debt service in Post-Secondary Education funded by general revenue in FY2017 and \$10.4 million in FY2016. This is a decrease of \$14.6 million and \$7.6 million respectively from the FY2016 Budget as Enacted and is a result of refunding of the general obligation bond debt.

	Debt Service Savings				Total
	General Obligation		Certificates of Participation		
	FY2016 Governor	FY2017 Governor	FY2016 Governor	FY2017 Governor	
University of Rhode Island	(\$9,684,183)	(\$5,003,339)	\$10	\$311,201	(\$14,376,311)
Rhode Island College	(3,809,446)	(2,649,395)	(128,137)	256,275	(6,330,703)
Community College of Rhode Island	(1,138,284)	14,683	-	(1,200)	(1,124,801)
Total	(\$14,631,913)	(\$7,638,051)	(\$128,127)	\$566,276	(\$21,831,815)

Source: Rhode Island Budget Office

OFFICE OF THE POSTSECONDARY COMMISSIONER

Expenditures By Source	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
General Revenue	\$5.5	\$5.8	\$5.8	(\$0.0)	-0.2%	\$9.3	\$3.5	60.0%
Federal Funds	\$4.5	\$15.1	\$15.4	\$0.3	2.3%	\$14.3	(\$0.8)	-5.2%
Other Funds	0.0	7.4	7.4	-	0.0%	7.4	-	0.0%
Total	\$10.0	\$28.3	\$28.6	\$0.3	1.2%	\$31.0	\$2.7	9.5%

The Office of the Postsecondary Commissioner (OPC), formerly the Office of Higher Education, houses the Commissioner of Higher Education, two Associate Commissioners, legal staff, financial and audit support, and several positions supporting specific programs, such as early college access and veterans affairs. The Office provides research, policy, and fiscal analysis, and seeks to ensure that higher education in Rhode Island remains economically and geographically accessible. The FY2016 Budget as Enacted created a new Division of Higher Education Assistance (DHEA) within the Office of the Postsecondary Commissioner and eliminated the Rhode Island Higher Education Assistance Authority.

The Governor recommends 24.0 FTE positions for the OPC, including 1.0 FTE that is third-party funded, in FY2017, a decrease of 1.0 FTE position to account for the transfer of the audit function to the new Office of Internal Audit to standardize audit functions across executive agencies by consolidating the functions and merging personnel from the Bureau of Audits and similar units in the Departments of Transportation, Human Services, and Higher Education into the Office of Internal Audit within the Office of Management and Budget. In FY2016, the budget provides 25.0 FTE positions including 1.0 FTE that is third-party funded, consistent with the FY2016 Budget as Enacted.

Office of Postsecondary Commissioner	General Revenue
FY2016 Enacted	\$5,815,323
<i>Target and Other Adjustments</i>	
	64,441
Rhode Island Nursing Education Center	3,421,859
FY2017 Governor	\$9,301,623

Rhode Island Nursing Education Center **\$3.4 million**

The budget provides \$3.4 million for the State's share of the base lease, tenant improvements, and the first-year payments on the Certificate of Participation (COPs) for the Rhode Island Nursing Education Center. The FY2015 Budget as Enacted, through Article 4, authorized the Board of Education and the Department of Administration to enter into a multi-year lease with the developer (Commonwealth Ventures of Boston, Massachusetts) of the South Street Landing property (also referred to as the South Street Power Station or Dynamo House) in Providence for use as a Nursing Education Center by the University of Rhode Island (URI), Rhode Island College (RIC), and Brown University. The lease will run for an initial term of fifteen years, with a two-year extension option, beginning from the date the two schools take possession of their sections of the building. The project is entering into the construction design document phase. Construction is scheduled for completion in November 2016, with classes starting in the winter of 2017. The original plan had the school opening in September 2016.

UNIVERSITY OF RHODE ISLAND

Expenditures By Source	FY2015 Actual	FY2016 Enacted	FY2016 Governor	Change from Enacted	FY2017 Governor	Change from Enacted
General Revenue	\$89.1	\$90.6	\$80.7	(\$9.9) -10.9%	\$90.1	(\$0.6) -0.6%
Other Funds	632.0	630.0	676.7	46.7 7.4%	687.3	57.3 9.1%
Total	\$721.1	\$720.7	\$757.4	\$36.7 5.1%	\$777.4	\$56.7 7.9%

The University of Rhode Island (URI) was founded in 1888 as an agricultural school known as the Rhode Island College of Agriculture and Mechanic Arts. The college was actually the second State college established in Rhode Island. The Agricultural Experiment Station building was the first structure on campus, and was built in 1889; the building was later renamed Taft Hall. Today, Taft Hall houses internship, international exchange, and foreign student programs. In 1955, the school became known as the University of Rhode Island.

URI quickly evolved beyond its genesis as a land grant and agricultural school, and today has retained a focus on biological and natural sciences, along with a developing focus on technology in areas such as ocean engineering, chemistry, pharmacy, economics, nursing, and renewable energy. URI has the third oldest continuously operating marine laboratory in the United States, the oldest turfgrass research program in the country, and has implemented green building technology in the expansion and renovation of its facilities. URI provides Bachelor's, Master's, and Doctorate level degrees.

URI has three campuses: the 1,250 acre Kingston Campus; the 153 acre Bay Campus in Narragansett; and the Providence Campus, located in the Shepard Building on Washington Street in Providence. The budget includes 2,489.5 FTE positions in FY2017, including 573.8 third-party funded FTE positions, an increase of 33.0 FTE positions. In FY2016, the budget provides 2,456.5 FTE positions in including 573.8 third-party funded FTE positions, consistent with the enacted level.

University of Rhode Island	General Revenue
FY2016 Enacted	\$90,644,246
<i>Target and Other Adjustments</i>	<i>(4,019)</i>
General Obligation Debt Service	(5,003,339)
Personnel/New Professors/COLA	4,120,882
Scholarships and Loans	200,473
Institute of Coastal Adaptation and Resiliency	100,000
Enrollment	Informational
FY2017 Governor	\$90,058,243

General Obligation Debt Service **(\$5.0 million)**

The Governor proposes restructuring/refunding of outstanding debt in FY2016 to provide additional general revenue resources to support economic development and technology improvements around the State. The changes in certificates of participation (COPs) are due to normal changes based on debt service schedules. For the institutions, the COPs issuances were for energy conservation and technology improvement projects.

The budget includes \$13.2 million for general obligation debt service at URI funded by general revenue in FY2017 and \$8.5 million in FY2016. This is a decrease of \$5.0 million and \$9.7 million respectively from the FY2016 Budget as Enacted and is a result of refunding of the general obligation bond debt.

	Debt Service Savings				Total
	General Obligation		Certificates of Participation		
	FY2016 Governor	FY2017 Governor	FY2016 Governor	FY2017 Governor	
University of Rhode Island	(\$9,684,183)	(\$5,003,339)	\$10	\$311,201	(\$14,376,311)
Rhode Island College	(3,809,446)	(2,649,395)	(128,137)	256,275	(6,330,703)
Community College of Rhode Island	(1,138,284)	14,683	-	(1,200)	(1,124,801)
Total	(\$14,631,913)	(\$7,638,051)	(\$128,127)	\$566,276	(\$21,831,815)

Source: Rhode Island Budget Office

Personnel/New Professors/COLA **\$4.1 million**

The Governor's FY2017 Budget proposal recommends an increase of \$4.1 million for personnel costs funded by general revenue. The increase includes \$3.1 million intended to assist in avoiding a tuition increase; \$1.0 million for salary and benefits growth due to a proposed 3.0 percent COLA increase for academic and some administrative personnel due to contract negotiations; and, \$71,868 for Crime Lab personnel to fully fund the 9.0 FTE positions in the office.

Scholarships and Loans **\$200,473**

The Budget includes an additional \$200,473 in general revenue supported scholarships and loans. The University and Colleges provide student loans and aid financing from general revenue, tuition, and other funds. In order to keep the state-to-institutional ratio for student aid at historical levels, the budget includes additional state resources to match the increase in institutional resources.

Institute of Coastal Adaptation and Resiliency **\$100,000**

The Governor proposes \$100,000 to show the State's commitment to the formation of an Institute of Coastal Adaptation and Resiliency at the Graduate School of Oceanography. This institute would be created in partnership with the federal National Oceanic Atmospheric Agency to assist shoreline communities in managing and preparing for sea-level rise, extreme weather events, and fishery changes related to climate change. These funds will position the University to apply for federal funding.

Enrollment **Informational**

Instate enrollment is projected to be 7,823 full-time equivalent students in FY2017 a decrease of 99 students, or 1.2 percent; while out-of-state students are projected at 6,723 students, an increase of 126

students, or 1.9 percent. As the University has not raised its tuition once in the last 4 years (in FY2016), it has recruited more out-of-state students, who pay a higher rate, in an effort to generate more revenue.

URI	FY2013	FY2014	FY2015	FY2016	FY2017	Change	% Change
				Projected	Projected		
Instate	8,498	8,254	8,045	7,922	7,823	(99)	-1.2%
Out-of-State	5,958	6,089	6,606	6,597	6,723	126	1.9%
Total FTE Enrollment	14,456	14,343	14,651	14,519	14,546	27	0.2%

RHODE ISLAND COLLEGE (RIC)

Expenditures By Source	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Governor	Enacted	Enacted	Governor	Enacted	Enacted
General Revenue	\$46.2	\$50.2	\$46.2	(\$4.0)	-8.0%	\$49.5	(\$0.7)	-1.4%
Other Funds	117.4	128.8	131.1	2.3	1.8%	137.1	8.3	6.4%
Total	\$163.6	\$179.0	\$177.3	(\$1.7)	-0.9%	\$186.6	\$7.6	4.2%

Rhode Island College (RIC) was established in 1854 as the Rhode Island State Normal School, with the mission of providing teacher preparation to Rhode Island residents. In 1959, RIC moved to its current campus location on 180 acres off of Mount Pleasant Avenue in Providence and was renamed Rhode Island College to reflect expanded curriculum.

Today, RIC provides comprehensive education at the Bachelor's and Master's level, with a focus on Rhode Island residents. Rhode Island College is accredited by the New England Association of Schools and Colleges, the Council on Social Work Education, National Association of Schools of Art and Design, National Association of Schools of Music, National Association of State Directors of Teacher Education and Certification, National Council for Accreditation of Teacher Education, and the Commission on Collegiate Nursing Education.

The budget includes 926.2 FTE positions in FY2017, including 82 third-party funded FTE positions, an increase of 2.6 FTE positions. In FY2016, the budget provides 923.6 FTE positions in including 82.0 third-party funded FTE positions, consistent with the enacted level.

Rhode Island College	General Revenue
FY2016 Enacted	\$50,203,011
<i>Target and Other Adjustments</i>	249,342
General Obligation Debt Service	(2,649,395)
Personnel/New Professors/COLA	1,508,153
Scholarships and Loans	200,473
Enrollment	Informational
FY2017 Governor	\$49,511,584

General Obligation Debt Service **(\$2.6 million)**

The Governor proposes restructuring/refunding of outstanding debt in FY2016 to provide additional general revenue resources to support economic development and technology improvements around the State. The changes in certificates of participation (COPs) are due to normal changes based on debt service schedules. For the institutions, the COPs issuances were for energy conservation and technology improvement projects.

The budget includes \$1.4 million in FY2016 for general obligation debt service at RIC funded by general revenue and \$2.6 million in FY2017. This is a decrease of \$3.8 million and \$2.6 million respectively from the FY2016 Budget as Enacted and is a result of refunding of the general obligation bond debt.

	Debt Service Savings				Total
	General Obligation		Certificates of Participation		
	FY2016 Governor	FY2017 Governor	FY2016 Governor	FY2017 Governor	
University of Rhode Island	(\$9,684,183)	(\$5,003,339)	\$10	\$311,201	(\$14,376,311)
Rhode Island College	(3,809,446)	(2,649,395)	(128,137)	256,275	(6,330,703)
Community College of Rhode Island	(1,138,284)	14,683	-	(1,200)	(1,124,801)
Total	(\$14,631,913)	(\$7,638,051)	(\$128,127)	\$566,276	(\$21,831,815)

Source: Rhode Island Budget Office

Personnel

\$1.5 million

The Governor's FY2017 Budget proposal recommends an increase of \$1.5 million for personnel costs funded by general revenue. The increase includes \$1.0 million intended to assist in avoiding a tuition increase, and \$559,279 for salary and benefits growth due to a proposed 3.0 percent COLA increase for academic and some administrative personnel due to contract negotiations.

Scholarships and Loans

\$200,473

The Budget includes an additional \$200,473 in general revenue supported scholarships and loans. The University and Colleges provide student loans and aid financing from general revenue, tuition, and other funds. In order to keep the state-to-institutional ratio for student aid at historical levels, the budget includes additional state resources to match the increase in institutional resources.

Enrollment

Informational

Total enrollment is projected to be 6,888 full-time equivalent students in FY2017 a decrease of 47 students. Relative to FY2013, out-of-state enrollment is projected to increase by 31.8 percent. As the University has not raised its tuition once in the last 4 years (in FY2016), it has recruited more out-of-state students, who pay a higher rate, in an effort to generate more revenue; however, both re projected in decrease in fFY2017.

RIC	FY2013	FY2014	FY2015	FY2016	FY2017	Change	% Change
				Projected	Projected		
Instate	6,010	5,958	5,916	5,860	5,834	(26)	-0.4%
Out-of-State	800	867	1,098	1,075	1,054	(21)	-2.0%
Total FTE Enrollment	6,810	6,825	7,014	6,935	6,888	(47)	-0.7%

COMMUNITY COLLEGE OF RHODE ISLAND (CCRI)

Expenditures By Source	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
General Revenue	\$47.5	\$49.6	\$48.3	(\$1.4)	-2.8%	\$50.6	\$1.0	2.0%
Restricted Receipts	0.6	0.7	0.7	-	0.0%	0.7	0.0	1.2%
Other Funds	104.5	111.9	110.7	(1.1)	-1.0%	117.1	5.3	4.7%
Total	\$152.6	\$162.2	\$159.6	(\$2.5)	-1.6%	\$168.4	\$6.3	3.9%

The Community College of Rhode Island (CCRI) was established by the General Assembly in 1960 as Rhode Island Junior College. The first class of 325 students enrolled at a temporary Providence location in the fall of 1964. CCRI has provided a variety of career, technical, and academic programs and has established partnerships with businesses and non-profit organizations to provide worker training.

Today, CCRI has four main campuses: the 205 acre Knight Campus in Warwick; the 300 acre Flanagan Campus in Lincoln; the 7 acre Liston Campus in downtown Providence; and the 5 acre Newport County Campus in Newport. In addition, CCRI holds classes in the Shepard Building in downtown Providence and at Westerly Middle School.

The budget includes 854.1 FTE positions in FY2017 and FY2016, including 573.8 third-party funded FTE positions, consistent with the enacted level.

Community College of Rhode Island	General Revenue
FY2016 Enacted	\$49,642,376
<i>Target and Other Adjustments</i>	<i>15,023</i>
3.0 Percent COLA	769,367
Scholarships and Loans	200,473
Enrollment	Informational
FY2017 Governor	\$50,627,239

3.0 Percent COLA **\$769,367**

The budget includes \$769,367 in general revenue funding for salary and benefits growth due to a proposed 3.0 percent COLA increase for academic and some administrative personnel due to contract negotiations.

Scholarships and Loans **\$200,473**

The Budget includes an additional \$200,473 in general revenue supported scholarships and loans. The University and Colleges provide student loans and aid financing from general revenue, tuition, and other funds. In order to keep the state-to-institutional ratio for student aid at historical levels, the budget includes additional state resources to match the increase in institutional resources.

Enrollment **Informational**

The following table shows the actual student enrollment, both by headcount and by FTE, from 2007 through 2015, and a projection for 2016 and 2017. Enrollment is projected to decrease by 18.0 full-time equivalent students, or 0.2 percent.

CCRI Student Enrollment, 2007-2017 Projected				
Year	Headcount	Headcount % Change	FTE	FTE % Change
2007	15,739	2.7%	9,641	4.9%
2008	16,369	4.0%	10,059	4.3%
2009	16,810	2.7%	10,330	2.7%
2010	17,476	4.0%	10,771	4.3%
2011	17,226	-1.4%	10,523	-2.3%
2012	17,541	1.8%	10,591	0.6%
2013	17,351	-1.1%	10,433	-1.5%
2014	17,017	-1.9%	10,141	-2.8%
2015	16,718	-1.8%	9,882	-2.6%
2016 Projected	16,718	0.0%	9,882	0.0%
2017 Projected	16,413	-1.8%	9,864	-0.2%
9-Year Average	16,916	1.0%	10,263	0.8%

CAPITAL PROJECTS

In addition to the projects financed with bond issues mentioned above, there are a number of significant capital projects in Higher Education in FY2017.

URI, RIC, CCRI – Asset Protection: Asset Protection projects are budgeted from Rhode Island Capital Plan funds (RICAP) and are used to maintain and repair facilities, including roads, buildings, and infrastructure. The asset protection program includes a number of projects at various facilities, and allows each school to shift funding based on current priorities. The Governor recommends a total of \$21.4 million in asset protection funding for URI, RIC, and CCRI in FY2017 and \$15.1 million in FY2016. In FY2017, this amount includes \$7.7 million in additional RICAP asset protection funding for URI (\$5.7

million) and RIC (\$2.0 million) intended to unencumber resources that can be used in lieu of raising tuition or increasing general revenue support.

CCRI Knight Campus Renewal: The budget includes \$2.2 million in RICAP funding in FY2016 and \$4.0 million in FY2017 for the renovation of 280,000 square feet of the 385,000 square-foot Knight Campus Megastructure, including lighting, painting and replacement of carpeting/tile. Total project costs are estimated at \$23.2 million, including \$20.1 million in RICAP funds, \$3.0 million in other funds, and \$92,868 in college funds, from FY2015 through FY2020.

RIC Infrastructure Modernization: The budget provides \$3.0 million in RICAP fund in FY2017 and \$3.1 million in FY2016 to modernize and replace steam lines, water lines, and the electrical distribution system. Improvements will address issues of water quality, limit power failures, and eliminate steam plumes throughout the campus. Total RICAP funding for the project is \$29.1 million through FY2021.

CCRI Westerly Campus: The budget includes \$2.0 million in RICAP funding in FY2017 as the State's contribution toward a public-private partnership to repurpose and educational facility in Westerly to provide classroom and laboratory space for a new collaborative program with local industries. The funding will help develop specialized work areas for industrial education such as metal working.

Rhode Island State Council on the Arts

Expenditures By Program	FY2015	FY2016	FY2016	FY2017				
	Actual	Enacted	Governor	Change from Enacted	Governor	Change from Enacted		
Central Management	1,918,412	2,952,124	2,454,800	(\$497,324)	-16.8%	1,533,700	(\$1,418,424)	-48.0%
Grants Programs	1,054,574	1,084,574	1,084,574	-	-	1,084,574	-	-
Total	\$2,972,986	\$4,036,698	\$3,539,374	(\$497,324)	-12.3%	\$2,618,274	(\$1,418,424)	-35.1%

Expenditures By Source	FY2015	FY2016	FY2016	FY2017				
	Actual	Enacted	Governor	Change from Enacted	Governor	Change from Enacted		
General Revenue	\$1,490,966	\$1,863,052	\$1,859,778	(\$3,274)	-0.2%	\$1,539,620	(\$323,432)	-17.4%
Federal Funds	713,200	775,353	774,296	(1,057)	-0.1%	775,454	101	0.0%
Operating Transfers from Other Funds	183,075	1,398,293	905,300	(492,993)	-35.3%	303,200	(1,095,093)	-78.3%
Total	\$2,387,241	\$4,036,698	\$3,539,374	(\$497,324)	-12.3%	\$2,618,274	(\$1,418,424)	-35.1%

Authorized FTE Levels

	6.0	8.6	8.6	-	-	6.0	(2.6)	-30.2%
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\$ in millions. Totals may vary due to rounding.

The Rhode Island State Council on the Arts (RISCA) provides grants, technical assistance and support to arts organizations, schools, community centers, social service organizations, and local governments to bring the arts into the lives of Rhode Islanders. RISCA provides these services through grant making, partnerships, education and technical assistance. RISCA also manages the Art for Public Facilities Program providing art for state buildings.

The Governor recommends 8.6 FTE positions for FY2016 and 6.0 FTE positions in FY2017, a decrease of 2.6 FTE positions to reflect the elimination of the Film & Television Office.

RI State Council on the Arts	General Revenue
FY2016 Enacted	\$1,863,052
<i>Target and Other Adjustments</i>	<i>1,859</i>
Elimination of the RI Film & Television Office	(325,291)
Cultural Arts and the Economy	Informational
Percent for the Arts	Informational
Year of the Arts	Informational
FY2017 Governor	\$1,539,620

Elimination of the RI Film & Television Office **(\$325,291)**

The Budget eliminates 2.6 FTE positions and \$325,291 in general revenue funding associated with the elimination of the Rhode Island Film and Television Office in RISCA. The FY2016 budget transferred the Office from the Department of Administration (DOA) to RISCA, where it had been prior to FY2013. The Office promotes Rhode Island as a site for film and television projects and, in conjunction with the Division of Taxation, manages the motion picture tax credit program. The FTEs and funding are eliminated; however, the enabling statute and duties of the Film Office remain.

Cultural Arts and the Economy **Informational**

In November 2014, voters approved a \$30.0 million bond issue to establish the Cultural Arts and the Economy Grant Program. RISCA, in consultation with Rhode Island Commerce Corporation, administers this new program. Similar to the State Preservation Grants Program administered by the Historic Preservation and Heritage Commission, this program offers matching grants to public and non-profit historic sites, museums, artistic organizations, performance centers, and cultural art centers for capital preservation and renovation projects.

The Program provides \$23.1 million in 1:1 matching grants to certain arts organizations that were named in voter referendum, for facility improvement, preservation and renovation.

Cultural Arts and the Economy	Location	Project	Grant
Trinity Repertory Company	Providence	Renovate Lederer Theater and Pell Chafee Center	\$4.6
Rhode Island Philharmonic/Music School	E. Providence	Complete Carter Center	2.4
Newport Performing Arts Center	Newport	Restore Newport Opera House	4.2
WaterFire Providence	Providence	Develop Warehouse into Multi-use Arts Center	3.2
Westerly Land Trust/United Theater	Westerly	Restore United Theater	2.4
Stadium Theater	Woonsocket	Restore Stadium Realty Building	2.1
AS220	Providence	Improve Empire St., Performing Arts/Gallery Buildings	2.1
Chorus of Westerly	Westerly	Renovate Kent Hall	1.1
2nd Story Theater	Warren	Renovate Market and Liberty Street Buildings	1.1
Total Projects			\$23.1
Pool fund			6.9
Total			\$30.0

\$ in millions

The remaining \$6.9 million are a pool of matching funds awarded by RISCA to non-profit cultural organizations through a three-year competitive grant program for capital improvements to both owned and leased facilities. RISCA has established rules and regulations for the program and intends to begin disbursement of funds to the named organizations in January 2016. Additional applications for the remaining pool funds will be reviewed on October 1, 2016, and again in 2017. Awards from this fund will be announced in the January following the application deadline. The following table shows the grants awarded in the first round.

Organization	Town	Award Amount
Barrington Public Library	Barrington	\$10,000
Blackstone River Theatre	Cumberland	97,000
The Greenwich Odeum	East Greenwich	250,000
East Providence Historical Society Educational Center	East Providence	28,000
R.I. Philharmonic Orchestra & Music School	East Providence	250,000
Jamestown Arts Center	Jamestown	58,000
Dirt Palace	Providence	23,500
Educational Center for the Arts & Sciences	Providence	3,000
Everett	Providence	50,000
Governor Henry Lippitt House Museum	Providence	56,000
HeadsUp, Inc. for Mathewson St. Black Box Theatre	Providence	50,000
Museum of Art, Rhode Island School of Design	Providence	250,000
New Urban Arts	Providence	250,000
ONE Neighborhood Builders for Paragon Performance Space	Providence	250,000
Providence Performing Arts Center	Providence	50,000
Southside Cultural Center	Providence	300,000
The Music Mansion	Providence	50,000
The Players	Providence	100,000
The Steel Yard	Providence	92,650
The Wilbury Theatre Group	Providence	25,000
The Contemporary Theater Company	South Kingstown	100,000
Granite Theatre	Westerly	33,269
Total		\$2,376,419

RISCA has entered into an agreement with the Rhode Island College and University Based Research Collaborative to develop a set of metrics designed to measure the State's return on investment and the contributions of this program to the economy of the State. The FY2016 budget includes \$15.0 million in bond revenues for the program, an increase of \$10.0 million relative to the Budget as Enacted. \$8.0 million is provided in FY2017.

Percent for the Arts Program**Informational**

The Rhode Island State Council on the Arts administers the State's Percent for Public Art Program, which was established in 1987 to expand the public experience of art, foster the development of artists, and create a more humane environment. It also serves to stimulate the state's economy.

In accordance with Rhode Island General Law, at least 1.0 percent of state government capital construction costs are allocated for the acquisition of works of art to be placed in public places. The 1.0 percent is generally spent on the project from which the funds were derived; any amounts not expended by RISCA are retained to provide for the maintenance and restoration of existing works.

The following table shows recently completed, current, and future projects of the program.

1% for Public Art Program - 2011 to Present	Location	Art Project Cost
<i>Recently Completed Projects (Spent)</i>		
Division of Motor Vehicles	Cranston	\$88,000
Rhode Island School for the Deaf	Providence	43,000
URI - School of Pharmacy	Kingston	995,020
Division of Motor Vehicles- Conservation	Cranston	2,000
Intermodal Station	Warwick	300,000
Met School	Providence	78,000
<i>Current Projects (Budget)</i>		
Wickford Junction	Wickford	350,000
URI - Center for Chemical and Forensic Sciences (<i>previously, Biotechnology and Life Sciences</i>)	Kingston	458,000
Rhode Island College - Art Center	Providence	170,000
Veterans Home	Bristol	210,000
Virks Building	Cranston	120,000
<i>Future Projects (Budget)</i>		
Eleanor Slater Hospital	Cranston	370,000
Rhode Island College, Gaige Lee Hall	Providence	360,000
Total		\$3,544,020

Year of the Arts**Informational**

In 2017, Rhode Island will commemorate the 50th anniversary of the establishment, by law, of RISCA. To celebrate, RISCA proposed a series of initiatives, to take place during the 50th anniversary "Year of the Arts," designed to promote current policy priorities and support programs that revitalize communities, create jobs, increase arts education, and highlight the role of the arts in Rhode Island. To promote 2017 as the "Year of the Arts" RISCA requested \$1.0 million for the following initiatives:

- Declare 2017 the "Year of Arts" (\$50,000): Funding would provide a project manager for a year-long series of activities, a design consultant, printing and promotional costs, and monthly panel and focus groups.
- Creative Crossings (\$500,000): Creating a new, community-based grant program targeting innovative, arts-based solutions that revitalize communities, create jobs, and grow creative industries in the State.
- Destination Marketing (\$260,000): Funding to promote Rhode Island as a destination for the arts, and positioning the arts as a significant part of the Rhode Island brand.
- Economic Development (\$60,000): Expanding RISCA's current professional development program and increasing access to capital for artists and art-related businesses.
- Arts in Schools (\$135,000): Increasing access to arts learning opportunities in schools throughout the state by supporting artists working with arts and non-arts teachers, and expanding RISCA's Big Yellow School Bus program which provides \$400 grants to schools to transport students to arts and cultural events during the school day.

- Year of the Arts License Plate (\$30,000): Branding Rhode Island as the “State of the Arts” through a specialty license plate. According to the National Assembly of State Arts Agencies, 17 states currently have specialty license plates for the arts. The estimated cost is for a campaign to develop and promote the license plate.

The Governor does not include the requested funding.

Rhode Island Atomic Energy Commission

Expenditures By Program	FY2015 Actual	FY2016 Enacted	FY2016 Governor	Change from Enacted	FY2017 Governor	Change from Enacted
Atomic Energy Commission	\$1,187,852	\$1,337,169	\$1,604,090	\$266,921 20.0%	\$1,350,935	\$13,766 1.0%
Expenditures By Source						
General Revenue	872,139	957,170	936,450	(\$20,720) -2.2%	981,100	\$23,930 2.5%
Federal Funds	89	54,699	325,555	\$270,856 495.2%	50,308	(\$4,391) -8.0%
Operating Transfers from Other Funds	315,624	325,300	342,085	\$16,785 5.2%	319,527	(\$5,773) -1.8%
Total	\$1,187,852	\$1,337,169	\$1,604,090	\$266,921 20.0%	\$1,350,935	\$13,766 1.0%
Authorized FTE Levels	8.6	8.6	8.6	-	8.6	-

Totals may vary due to rounding.

The Rhode Island Atomic Energy Commission (Commission) operates and maintains the Rhode Island Nuclear Science Center (RINSC), which is used for medical, biological, environmental, and materials research, education and commercial activities. The Commission also provides assistance to other state agencies in their radiation and emergency response programs.

RINSC operates a research reactor and provides laboratories and classrooms for research and education programs for the University of Rhode Island as well as for other colleges and universities in the state and throughout New England. In 2010, the University of Rhode Island (URI) began offering a nuclear engineering minor program of study; a new nuclear engineer operating course has been added this year that prepares students for the license exam. The Commission continues its collaboration with schools and universities in the State. Davies High School, Brown University physics classes, and URI mechanical design students are among those that have recently utilized the facility.

MAJOR ISSUES AND TRENDS FOR FY2017

The \$266,921 increase in all funds in the Governor's FY2016 budget is due primarily to a United States Department of Energy grant shift from FY2015 into FY2016 for the purchase of new radiation monitoring instrumentation that was delayed. There is currently only one monitor in the facility; this grant will fund the replacement of this monitor as well as place additional instruments to monitor the air at different locations around the facility, particularly in locations where experiments with radioactive materials are conducted. The Commission is waiting for the last two instruments to be fabricated.

The Commission continues the renewal process for its 20-year licensure from the Nuclear Regulatory Commission (NRC). The Rhode Island Atomic Energy Commission is required to provide assurances to the NRC that it would have adequate resources to operate the facility safely during the renewal period. The Commission's current license remains in effect until the new license is approved. To ensure safety, the NRC inspects the facility twice per year, and it has not identified any significant problems during these inspections. The NRC reports that it plans to have all reactors relicensed by December 2016.

The Budget authorizes 8.6 FTE positions in FY2016 for the program, 2.6 of which are funded through URI for its radiation safety functions and URI funding also covers 40.0 percent of the Commission's overhead costs, including its building maintenance and repair costs.

Atomic Energy Commission	General Revenue
FY2015 Enacted	\$913,197
<i>Target adjustments and statewide changes</i>	43,973
FY2016 Governor	\$957,170

CAPITAL PROJECTS

The Budget includes \$78,931 in RICAP-funded asset protection projects for FY2016, including a carry forward of \$28,931, and \$50,000 annually thereafter. Projects include driveway and landscaping improvements in order to assure access to the cooling towers and emergency generator propane tanks. The Commission also plans to install a gravity-fed sewer system and refurbish basement laboratories.

Rhode Island Historical Preservation and Heritage Commission

Expenditures By Program	FY2015 Actual	FY2016 Enacted	FY2016 Governor	Change from Enacted		FY2017 Governor	Change from Enacted	
Historical Preservation & Heritage Commission	\$5.4	\$4.0	\$4.1	\$0.1	2.7%	\$3.0	(\$1.0)	-24.8%
Expenditures By Source								
General Revenue	\$1.1	\$1.4	\$1.4	\$0.0	3.6%	\$1.4	(\$0.0)	-0.5%
Federal Funds	1.9	2.1	2.0	(0.1)	-3.4%	1.1	(1.0)	-47.3%
Restricted Receipts	0.4	0.4	0.4	(0.0)	-0.3%	0.4	(0.0)	-0.3%
Other Funds	2.1	0.1	0.2	0.1	179.4%	0.1	0.0	11.6%
Total	\$5.4	\$4.0	\$4.1	\$0.1	2.7%	\$3.0	(\$1.0)	-24.8%
Authorized FTE Levels	16.6	16.6	16.6	-	0.0%	16.6	-	0.0%

\$ in millions. Totals may vary due to rounding.

The Rhode Island Historical Preservation and Heritage Commission (Commission) operates a statewide historical preservation program that identifies and protects historic buildings, districts, structures, and archaeological sites. The Commission also develops and carries out programs to document and celebrate the rich cultural heritage of Rhode Island's people. Through a site manager, the Commission administers the Eisenhower House at Fort Adams State Park in Newport as a venue for events and social functions.

The Budget authorizes 16.6 FTE positions for FY2017, unchanged from enacted level.

MAJOR ISSUES AND TRENDS

The Governor's budget includes \$1.4 million (\$3.0 million all funds) in FY2017 representing a decrease of \$7,112 in general revenue (\$989,605 all funds) expenditures relative to FY2016 Budget as Enacted.

The budget includes personnel savings of \$28,052 in general revenue (\$86,381 all funds). This reduction corrects misstated personnel allocations and adjusts for medical benefits. The Governor has not reduced the FTE authorizations; however, the reduced funding for personnel will require the Commission to reduce staffing by 1.0 FTE.

The notable decrease in the budget is associated with the reduction of federally funded grants. The largest federal grant reduction, representing a loss of \$903,503 was associated with completion of work associated with the Hurricane Sandy Disaster Relief Grant. Additional federal grant expirations combined total, \$78,924, resulting in a total reduction of \$981,427 of federal funds in FY2017.

Central Management	General Revenue
FY2016 Enacted	\$1,380,972
Target and Other Adjustments	(7,112)
Federal Grant Reduction	Informational
State Preservation Grant Program	Informational
FY2017 Governor	\$1,373,860
Federal Grant Reduction	Informational

The Hurricane Sandy Disaster Relief grant was part of the Disaster Relief Appropriations Act of 2013. The National Park Service allocated \$50.0 million nationally for the preservation of historic resources damaged by Hurricane Sandy. The Commission was awarded a total of \$3.2 million and distributed funding in FY2015 and FY2016. The grant made repairs to the Watch Hill Lighthouse, Rose Island Lighthouse, the Cliff Walk, as well as funding surveys of archaeological sites on Block Island, and the coasts of Narragansett, Charlestown and Westerly.

State Preservation Grant Program

Informational

In November of 2014, voters approved \$5.0 million in general obligation bonds to recapitalize the State Preservation Grant Program. The State Preservation Grants Program was established to improve and or repair landmarks and historic facilities such as museums, cultural centers, theatres, and public historic sites. In FY2016, the Commission completed Round 1 of awards, totaling \$1.8 million to support 25 statewide projects. Round 2 grant applications are currently under review at which point funding allocations will be determined.

CAPITAL PROJECTS

In FY2016 the renovations to the Eisenhower House were completed with the project costs totaling \$2.4 million. Final payments to contractors were made in FY2016 totaling \$120,000. No additional funds are allocated for FY2017 for the Eisenhower House.

Department of the Attorney General

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
General Division	\$2.8	\$3.2	\$3.3	\$0.2	5.1%	\$3.3	\$0.2	5.4%
Criminal Division	21.3	23.1	24.7	1.6	6.9%	23.7	0.6	2.8%
Civil Division	5.5	6.2	6.0	(0.2)	-2.9%	6.1	(0.1)	-2.1%
Bureau of Criminal Identification	1.4	1.6	1.7	0.1	7.3%	1.8	0.2	10.5%
Total	\$30.9	\$34.0	\$35.7	\$1.7	5.0%	\$34.9	\$0.8	2.5%
Expenditures By Source								
General Revenue	\$23.9	\$25.2	\$25.1	(\$0.1)	-0.3%	\$25.6	\$0.4	1.6%
Federal Funds	1.9	1.3	3.7	2.5	190.2%	1.7	0.4	31.0%
Restricted Receipts	5.1	7.3	6.6	(0.7)	-9.6%	7.3	0.0	0.6%
Operating Transfers from Other Funds	0.0	0.3	0.3	-	0.0%	0.3	-	0.0%
Total	\$30.9	\$34.0	\$35.7	\$1.7	5.0%	\$34.9	\$0.8	2.5%
Authorized FTE Levels	233.1	236.1	236.1	-	0.0%	236.1	-	0.0%

\$ in millions. Totals may vary due to rounding.

The Department of the Attorney General is the central legal agency of the State. The Department is responsible for the prosecution of all felony criminal cases and misdemeanor appeals as well as prosecution of misdemeanor cases brought by state law enforcement in the various district courts. Additionally, as chief legal officer of the state, the Attorney General acts to protect consumers against fraudulent business practices; investigates Opens Meetings Act and Access to Public Records compliance; and, acts as the central repository for criminal history and information in the State. The Department is divided into four budget programs: Criminal, Civil, General, and Bureau of Criminal Identification. The Budget includes 236.1 FTE positions in FY2016 and FY2017, consistent with the FY2016 Budget as Enacted.

MAJOR ISSUES AND TRENDS FOR FY2017

The Budget includes \$34.9 million in total funding for the Department, an increase of \$847,466 from the FY2016 Budget as Enacted. General revenues increased by \$402,772 or 1.6 percent from the FY2016 Budget as Enacted, to \$25.6 million.

\$390,330 of the overall increase is due to comprehensive personnel upgrades designed to mitigate the persistent loss of highly skilled staff. 162.1 FTEs are being raised 2 pay grades and 80 are proposed to go up 1 grade. Another \$137,345 will fund an investigator and paralegal clerk in the Criminal Division that were previously funded by three expiring federal grants.

The Budget decreases general revenue by \$250,000 in the Civil Division based upon expected reductions in outside legal costs since the April 2015 settlement of the state and municipal worker pension litigation.

The Budget moves \$6.0 million in restricted receipts relating to Google forfeiture funds from FY2016 to FY2017. The Department indicates that these funds will be for two capital projects – a Customer Service Center to be located in the Pastore Complex (total project costs estimated to between \$10-11 million) and the renovation of the Attorney General’s main offices at 150 South Main Street (estimated total costs estimated between \$3-5 million).

GENERAL DIVISION

The General Division is responsible for the overall operations of the Department. It consists of the following units: Executive, Fiscal, Personnel, Operations, Management Information Systems, and Public Information/Legislation. The Division oversees the finances of the Department, prepares and submits the

Department's annual budget, and lobbies for the resources necessary for the efficient operation of the Department.

The Budget includes 22.0 FTE positions in FY2016 and FY2017 for the program, consistent with the enacted level.

General	General Revenue
FY2016 Enacted	\$2,855,011
<i>Target and Other Adjustments</i>	
Personnel	19,533
FY2017 Governor	\$3,026,299

Personnel **\$151,755**

The Budget includes \$151,755 for pay grade increases and benefit adjustments throughout the general management program.

CRIMINAL DIVISION

The Criminal Division is charged with the prosecution of felony cases and misdemeanor appeals. The Division assists the Attorney General in carrying out the constitutional responsibility to prosecute all felony criminal offenses occurring in the State, as well as all misdemeanor criminal cases brought by State law enforcement agencies or appealed to the Superior Court. Specialized units focused on white-collar crime, narcotics and organized crime, firearms offenses, juvenile offenders, domestic violence and sexual assault, Medicaid fraud, and District Court offenses.

The Budget includes 150.1 FTE positions in FY2016 and FY2017 for the program, consistent with the FY2016 Budget as Enacted.

Criminal	General Revenue
FY2016 Enacted	\$15,461,041
<i>Target and Other Adjustments</i>	
Personnel	(25,100)
Operating Costs	137,345
Google Forfeiture Funds	102,639
FY2017 Governor	\$15,675,925

Personnel **\$137,345**

An increase of \$137,345 in salary and benefits is included for 2.0 FTE positions (1.0 Investigator, and 1.0 Paralegal Clerk) which were previously funded through federal grants. In FY2017, funding from the Victims of Crime Act (VOCA) grant, Grants to Encourage Arrest Policies (GTEAP), and Drug Court grant, is expiring.

Operating Costs **\$102,639**

The Budget includes an additional \$102,639 based on historical expenditures for snow plowing, rental of outside property, leasing equipment, and out of state travel for Grand Jury witnesses and experts.

Google Forfeiture Funds (restricted receipts) **Informational**

The Budget moves \$6.0 million in restricted receipts relating to Google forfeiture funds from FY2016 to FY2017. The Department indicates that these funds will be for two capital projects – a Customer Service Center to be located in the Pastore Complex (total project costs estimated to between \$10-11 million) and the renovation of the Attorney General's main offices at 150 South Main Street (estimated total costs estimated between \$3-5 million). The following table outlines expenditures of these funds to date.

Google Forfeiture Funds: Expenditure Summary						
Item	FY2013	FY2014	FY2015	FY2016*	FY2017*	Total
Building Renovation & Design	-	\$1,118,978	\$1,867,151	\$2,750	\$6,000,000	\$8,988,879
Vehicles	53,769	-	-	-	-	53,769.00
Building Acquisition	-	3,400,000	-	-	-	3,400,000.00
IT System Design	-	574,205	1,301,371	2,712,608	-	4,588,184.00
General Operating Expenses	4,600	40,994	731,679	2,582,250	-	3,359,523.00
Total	\$58,369	\$5,134,177	\$3,900,201	\$5,297,608	\$6,000,000	\$20,390,355
Balance Remaining from Award						\$39,609,645
<i>*FY2017 Governor Budget Recommendation</i>						

Analyst Note: The highest ranking department official, in this case, the Attorney General, has sole authority to make spending requests to the Department of Justice for use of Google forfeiture funds. The state budget serves only as a planning tool for monitoring these expenditures.

The Criminal Division of the Office assisted in an investigation of the AdWords program of Google, Inc., which Canadian pharmacies used to advertise importation of illegal prescription drugs to U.S. consumers. In FY2012, the Department of Attorney General received \$60.0 million from the United States Department of Justice (DOJ) as part of the Google Forfeiture Settlement. Funds from this settlement may only be used by law enforcement agencies for law enforcement purposes and may not be used to replace funds that have already been appropriated. All projects must be approved by the DOJ.

CIVIL DIVISION

The Civil Division is charged with conducting the State's legal affairs and representing the State in legal proceedings. By law, the Attorney General initiates and defends actions in state and federal courts whenever warranted; ensures that representation is provided to state officers, employees, and agencies in all courts; advises state officers and agencies on legal issues; and issues written opinions on legal issues when requested by governmental officers.

The Budget provides 44.0 FTE positions in FY2016 and FY2017 for the program, consistent with the FY2016 Budget as Enacted.

Civil	General Revenue
FY2016 Enacted	\$5,285,996
<i>Target and Other Adjustments</i>	<i>12,702</i>
Pension Litigation	(250,000)
Personnel	86,845
Tobacco Litigation	Informational
FY2017 Governor	\$5,135,543

Pension Litigation

(\$250,000)

The Budget decreases general revenue funding by \$250,000 for reduced legal costs. Previously, this funding was used to support outside legal counsel for the State's role in the pension litigation. A settlement agreement was reached on April 2, 2015, regarding the 2011 pension changes. It affected almost 59,000 past and present state and municipal workers. Three municipal police and fire unions are likely to continue the litigation. The financial requirements of future litigation are unclear.

Paralegal FTE

\$86,845

The Budget includes \$86,845 to hire 1.0 Principal Clerk Stenographer position. This position is responsible for stenographic secretarial duties including transcribing general and technical dictation.

Tobacco Litigation**Informational**

The Budget includes \$40,000 in general revenue, consistent with the enacted level, for expenses relating to the National Association of Attorney General (NAAG) – Tobacco Litigation.

In 1998, the State, along with 45 others, participated in a Master Settlement Agreement (MSA) with participating tobacco manufacturers. Under the MSA, participating states are entitled to annual payments from manufacturers. Participating manufacturers claim that many states are not fully complying with the terms of the MSA, and as a result, the manufacturers are making legal claims that future annual payments should be reduced. Rhode Island, as a participating state in NAAG, is required to provide legal counsel and/or resources for the legal proceedings, which have gone to arbitration.

BUREAU OF CRIMINAL IDENTIFICATION

The Bureau of Criminal Identification (BCI) is the state entity charged with maintaining criminal history information for crimes committed in Rhode Island. The BCI responds to criminal history records requests, analyzes and records fingerprint information, maintains pistol permits, issues security guard licenses, and conducts employee background checks. The BCI is open 24-hours per day, 7-days per week to respond to requests from law enforcement agencies throughout the country.

The Budget includes 20.0 FTE positions in FY2015 and FY2016 for the program, consistent with the enacted level.

Bureau of Criminal Identification	General Revenue
FY2016 Enacted	\$1,591,162
<i>Target and Other Adjustments</i>	<i>15,323</i>
Personnel	151,730
FY2017 Governor	\$1,758,215
Personnel	\$151,730

The Budget includes \$151,730 for pay grade increases and associated benefits throughout the Bureau of Criminal Identification program.

CAPITAL PROJECTS

The Budget includes Rhode Island Capital Plan (RICAP) funding of \$300,000 in FY2017 for renovations on the Attorney General's main office building at 150 South Main Street, including HVAC upgrades, repointing/limestone repairs on the building exterior, new piping infrastructure due to leakages, electrical wiring upgrades, roof replacement, and renovations to preserve the cupola on the top of the building. The project totals \$3.0 million in RICAP funds through FY2021. Additionally, as indicated above, the Budget includes \$6.0 million in Google forfeiture restricted receipts in FY2017.

Department of Corrections

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$8.6	\$9.1	\$9.8	\$0.7	8.1%	\$10.2	\$1.1	12.1%
Community Corrections	15.1	16.0	15.9	(0.2)	-1.0%	17.2	1.1	7.1%
Custody and Security	126.5	127.6	131.3	3.7	2.9%	134.6	6.9	5.4%
Healthcare Services	20.6	20.8	22.2	1.4	6.7%	22.1	1.4	6.6%
Institutional Based Rehab/Population Mgmt	9.8	10.1	10.5	0.4	3.8%	12.7	2.6	25.8%
Institutional Support	19.4	26.0	26.7	0.6	2.5%	28.0	2.0	7.6%
Parole Board	1.3	1.4	1.4	0.1	4.2%	1.4	(0.0)	-2.3%
Total	\$201.4	\$211.0	\$217.7	\$6.7	3.2%	\$226.1	\$15.1	7.2%

Expenditures By Source

General Revenue	\$196.2	\$200.2	\$204.4	\$4.2	2.1%	\$212.7	\$12.5	6.2%
Federal Funds	1.5	1.3	1.9	0.5	41.0%	1.1	(0.2)	-15.5%
Restricted Receipts	0.2	0.0	0.3	0.2	472.9%	0.1	0.0	27.8%
Other Funds	3.5	9.4	11.2	1.8	18.7%	12.3	2.8	30.1%
Total	\$201.4	\$211.0	\$217.7	\$6.7	3.2%	\$226.1	\$15.1	7.2%

Authorized FTE Levels	1,419.0	1,419.0	1,419.0	-	0.0%	1,432.0	13.0	0.9%
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\$ in millions. Totals may vary due to rounding.

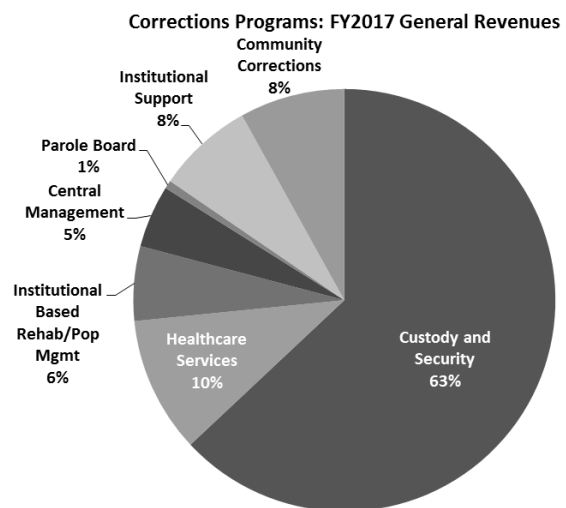
The Rhode Island Department of Corrections (DOC) provides appropriate, safe, secure, and humane control of offenders, while actively assisting and encouraging offenders to become productive and law-abiding members of the community. Additionally, the Rhode Island State Parole Board is budgeted as a unit of the Department, but has independent programmatic decision-making authority. Collectively known as the Adult Correctional Institutions (ACI), there are seven separate occupied facilities, which have a total current capacity of 3,989 beds. Through February 2016, the Department has averaged 3,099 inmates (77.7 percent of capacity) housed at the ACI for the fiscal year, including 2,974 men, and 125 women. The Department also provides supervision of offenders in the community (home confinement, probation, and parole).

MAJOR ISSUES AND TRENDS FOR FY2017

The Budget includes \$226.1 million in total expenditures for FY2017; including \$212.7 million in general revenue, an increase of \$12.5 million over the FY2016 enacted level. The FY2017 Budget for the Department of Corrections is based on an estimated average daily population of 3,200; an increase of 92 inmates from the FY2016 Budget as Enacted.

The Budget includes \$473,303 in general revenue for a training class of approximately 60.0 Correctional Officers in FY2017. Funding for an FY2016 training class was removed because of a U.S. Department of Justice (DOJ) lawsuit over bias in testing materials. The Department currently has 55.0 Correctional Officer vacancies.

The Governor proposes an additional \$1.3 million in general revenue investment in recommendations stemming from the Justice Reinvestment Initiative (JRI). These personnel and operating changes are designed to modernize probation, target supervision towards



high-risk, high-needs probationers and improve the risk assessment of all probationers while diverting appropriate individuals to more applicable programming. The reduction inmate population for FY2017 is based on estimates from the JRI.

The Governor also funds a Pay-for-Success (PFS) pilot project jointly administered by the Department and DOA's Office of Management and Budget designed to increase employment and reduce recidivism among high-risk or formerly incarcerated individuals. DOC is working with the Harvard University to develop a PFS model that uses private investment to fund programming for approximately 100 individuals. The investors would be paid-back based on demonstrated outcomes.

The Budget also funds an additional \$3.8 million for Correctional Officer overtime. In addition to the delay in bringing on a training class in FY2016 this increase is attributed to reopening of housing modules, attrition and weapons requalification time.

CENTRAL MANAGEMENT

The Central Management program houses the administrative functions of the Department, including human resources, management, legal, financial, and physical plant responsibilities. Beginning in FY2013, the program includes Inmate Accounts and Central Distribution Center internal service funds. The Budget includes 75.0 FTE positions in FY2016 and FY2017, consistent with the FY2016 Budget as Enacted.

Central Distribution Center services are provided to all state departments and agencies. The operational cost of the program is shown on a centralized basis for informational purposes (internal service funding), but the actual costs are reflected in the operating budgets of user agencies.

Central Management	General Revenue
FY2016 Enacted	\$8,958,836
<i>Target and Other Adjustments</i>	<i>(52,479)</i>
Personnel	1,304,428
Time Tracker Software	(350,000)
INFACTS System Data Transfer	218,842
Electronic Medical Records System Update	100,000
Correctional Officer Training Class	Informational
FY2017 Governor	\$10,179,627

Personnel **\$1.3 million**

The Budget increases \$1.3 million in salary and benefits due to the following expenses: approximately \$600,000 for changes to statewide benefits and cost-of-living increases, \$500,000 to fill vacant positions, and \$300,000 for the correctional officer training class.

Employee Time Tracker Project **(\$350,000)**

The Budget eliminates funding for development of the time tracker system by \$350,000. According to the Department, the Division of Information Technology (DoIT) has procured a contract with a vendor to provide a statewide time and attendance system that will provide the software for the time tracking needs of the DOC. This new software will replace the current Access-based time-keeping system for 1,500 employees, instead providing a time card entry system in up to 25 locations which has the capability to use a biometric (fingerprint) system that eliminates data entry. The system will track all hours including overtime, leave hours, and exception hours.

INFACTS System Data Transfer **\$218,842**

The Budget includes \$218,842 in general revenue to replace expiring Byrne Grant federal funds which paid for contracted programming services. The Department has been using contract personnel to re-write

the Inmate and Probation & Parole databases to be transferred to the Inmate Facility Tracking System (INFACTS).

Electronic Medical Records

\$100,000

The Budget includes \$100,000 to update the electronic medical records (EMR) system to include a platform for administration of a medication system. The electronic medication administration record (e-MAR) would track delivery and refusals of medication and standardize the system by using electronic barcodes at the time of distribution. The Department currently tracks these records using a manual paper-based system.

Correctional Officer Training Class

Informational

The Budget includes \$473,303 in general revenue (shifted from the FY2016 Budget as Enacted) for a training class of approximately 60.0 Correctional Officers in FY2017. The FY2016 revised budget does not include a training class due to the ongoing U.S. Department of Justice (DOJ) lawsuit over bias in testing materials used by DOC; in preparation of the FY2017 class, recruitment activities (marketing and advertising) will continue in FY2016. The Department currently has 55.0 Correctional Officer vacancies.

According to the Department, the DOJ has stated that they will allow DOC to hold a CO training class in FY2017. DOC is actively working on getting those individuals who passed the written exam several years ago to continue with the training and have posted dates for this group to turn in a supplemental application to let DOC know that they are still interested. The training will not happen until July. The DOC does not yet have an estimate of how many applications are expected to be received.

The Department normally conducts training classes on an annual basis due to high turnover rates for Correctional Officers (COs). The average vacancy rate is 3 to 4 COs per month, amounting to 29 to 36 vacancies per year. The Department does not have a target staffing level or minimum roster because needs change on a daily basis based on population and security issues within specific facilities; however, classes are conducted annually to ensure the Department has trained COs available to adapt to changes in staffing requirements. Without a sufficient number of trained COs, current COs must fill shift needs, increasing overtime costs to the Department.

Analyst's Note: On February 10, 2014, the U.S. Department of Justice (DOJ) filed a lawsuit alleging that the Department engages in recruiting practices that adversely affect minority candidates. The DOJ's complaint states that the manner in which the DOC uses the written and video examinations as part of the hiring process for entry level Correctional Officers violates Title VII of the Civil Rights Act of 1964 (Title VII) because such use is not "job related or consistent with business necessity," as the law requires, and does not validly enable the employer to identify those applicants who are qualified for entry-level CO positions at RIDOC.

The lawsuit seeks damages that include job offers, back pay and retroactive seniority. The Department has sought the help of six private consultant firms, selected by the Attorney General's office, to review and analyze testing procedures and documents for the written and oral testing phases of the Department's Training Academy procedures and to provide methodology relating to such procedures. The Department is in the early stages of litigation and there is no timeline for closure of the issue. According to the Department, it is unlikely the FY2017 class will be held if the case is still pending.

COMMUNITY CORRECTIONS

The Community Corrections program is responsible for supervising offenders serving portions of their sentence under probation, parole, or community confinement, and also provides certain services to victims of crimes. The Probation and Parole unit provides supervision and services for individuals under the jurisdiction of the courts or Parole Board and attempts to successfully reintegrate individuals from incarceration back into the community. Community Confinement provides supervision to individuals sentenced to "house arrest" by the courts and can include work-release supervision. Community Corrections uses electronic monitoring as a primary component of its supervision strategy. Victim

Services provides 24-hour per day automated information about offender status and victim advocacy services, including crisis intervention, referral, and case management. The Budget includes 129.0 FTE positions in FY2016 and 134.0 FTE positions in FY2017 for the program, an increase of 5.0 FTE positions from the FY2016 Budget as Enacted.

Community Corrections	General Revenue
FY2016 Enacted	\$15,957,837
<i>Target and Other Adjustments</i>	<i>(108,648)</i>
Justice Reinvestment Initiative	1,284,000
Pay-for-Success Pilot Project	Informational
Community Corrections Population	Informational
FY2017 Governor	\$17,133,189

Justice Reinvestment Initiative

\$1.3 million

The Budget includes \$1.3 million for personnel and operating changes related to the Justice Reinvestment Initiative. This initiative was created by the Governor through Executive Order 15-11 as a working group to “examine investments that would break the cycle of crime and incarceration and improve public safety.” The working group was composed of 26 members representing three branches of government and several non-profit advocacy organizations in consultation with the Council of State Governments Justice Center, a non-profit organization that specializes in assisting government leaders in the analysis of justice systems. With the goal of reducing recidivism rates, the group identified three issue areas which presented the greatest challenges, particularly in the management of the pre-trial population: outdated probation policies; ineffective probation practices; and, insufficient assessment and diversion tools. Justice reinvestment identified these issues as the primary drivers of recidivism costs and developed solutions intended to reduce recidivism. In addition to the potential positive social and public safety outcomes that were identified by this work, very specific budgetary savings were projected as well. After the initial recommended investments are made in FY2017 (yielding a small net cost of \$300,000), an additional \$1.1 to \$1.4 million in net savings is gained each year over the next 4 years, saving nearly \$3.8 million in total. The following table outlines expenditures related to the group’s findings:

Justice Reinvestment Initiatives: Funding Overview

Initiative	FY2017	FY2018	FY2019	FY2020	FY2021	Total
Community-Based Cognitive Behavioral Programming	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$2.9
Pre-trial Assessment and Diversion	0.3	0.2	0.2	0.2	0.2	1.2
Additional Probation Supervision	0.2	0.6	0.6	0.6	0.6	2.6
Victim's Compensation Benefits*	0.1	0.1	0.1	0.1	0.0	0.5
Improved Batterer's Intervention Programs	0.1	0.1	0.1	0.1	0.1	0.5
Leveraging Medicaid to pay for Performance Contracts	0.1	0.3	0.5	0.5	0.5	1.9
Expanded Assessment of Probationers	0.0	0.0	0.0	0.0	0.0	0.1
Total	\$1.4	\$1.9	\$2.1	\$2.1	\$2.1	\$9.5
<i>Projected Net Savings</i>	<i>(\$0.3)</i>	<i>\$0.3</i>	<i>\$1.1</i>	<i>\$1.3</i>	<i>\$1.4</i>	<i>\$3.8</i>

\$ in millions

**Allocated to the Crime Victim's Fund within the Office of the General Treasurer.*

Source: Justice Reinvestment Report, Council of State Governments Justice Center (March 2017)

Community-Based Cognitive Behavioral Programming: The Budget includes \$610,000 for an estimated 800 high behavioral health needs persons (or high risk of recidivating) to undergo a four month program per year at a cost of \$700 per individual. Work will entail supervision by parole officers coupled with treatment and programming based on need, risk, and responsivity. The total amount also includes \$50,000 for one-time training costs for parole officers.

Pre-trial Assessment and Diversion: The Budget includes \$150,000 for personnel time to perform assessments, \$70,000 for programming updates to the existing database and \$30,000 for training. Additional assessment fields in the pre-trial database will be added to enhance the information available to judges once an individual is brought before them.

Additional Probation Supervision: The Budget includes \$236,000 to hire an additional 5.0 Probation Officer 1 positions to be responsible for performing pretrial assessments, as well as lowering the amount of caseloads on current officers.

Improved Batterer's Intervention Programs: The Budget includes \$100,000 for five providers to train program facilitators and staff on evidence based treatments and to subsidize participation costs for indigent participants.

Leveraging Medicaid to Pay for Performance Contracts: This initiative leverages Medicaid payments to incentivize behavioral health care providers to ensure timely access to treatment on probation. Behavioral healthcare providers that serve people on probation will be required to tailor their interventions to people with higher risks and needs. The Budget includes \$65,000 for the state share of enhanced provider payments.

Expanded Assessment of Probationers: The Budget includes \$23,000 to cover the costs associated with use of the recidivism risk assessment tool with probationers by community corrections staff.

Pay-for-Success Pilot Project

Informational

The Governor funds a Pay-for-Success pilot project to be administered by the Department of Administration in partnership with the Department of Corrections (DOC). DOC is working with the Harvard Kennedy School's Government Performance Lab to develop a proposal to increase employment and reduce recidivism among high-risk or formerly incarcerated individuals.

Each year more than 3,000 Rhode Islanders return to their communities after time spent in prison or jail. In 2013, 50.0 percent of men and 41.0 percent of women released from state correctional facilities returned to prison or jail within three years; for those released from medium and maximum security facilities, the three-year rate was 68.0 percent.

To improve recidivism rates, DOC is exploring the use of Pay-for-Success, a data-driven approach to improving service delivery. In a Pay-for-Success initiative, investors provide up-front funding for a project; and the State only repays investors if a third party evaluator determines the initiative achieved specific, predetermined outcomes that benefit society and save taxpayer dollars.

Initial funding of \$500,000 will support a pilot project for approximately 75 to 100 formerly incarcerated people to obtain skills development and employment training, while fostering access to transitional jobs and permanent employment. The pilot will also include initial staff training, program development and management, and data collection and analysis to determine whether expansion of Pay-for-Success would be a good investment for the State.

DOC will manage the programmatic components of the Pay-For-Success project, but the Office of Management and Budget (OMB) will serve as contract administrator to ensure that funds are not disbursed unless certain benchmarks are achieved. Because OMB coordinates the State's involvement in the Pew-MacArthur Results First Initiative and has developed a cost-benefit model for recidivism reduction programs, it will be able to project potential savings from recidivism reduction and track whether those savings are realized.

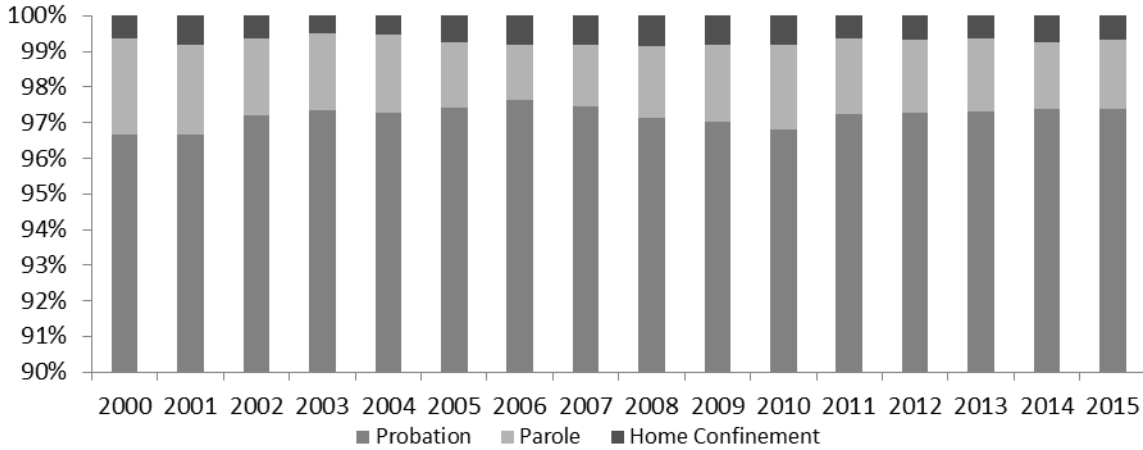
Community Corrections Population

Informational

While representing only 8.1 percent of the Department's general revenue budget for FY2017, Community Corrections serves the largest number of individuals. In FY2015, the program served 24,463 cases,

representing a 1.2 percent increase over FY2014 and a 9.8 percent decrease over the past decade. Based on Department of Corrections' statistics, 1 out of every 46 adult residents in the State is on probation or parole. This equates to 1 of every 22 men and 1 of every 141 women.

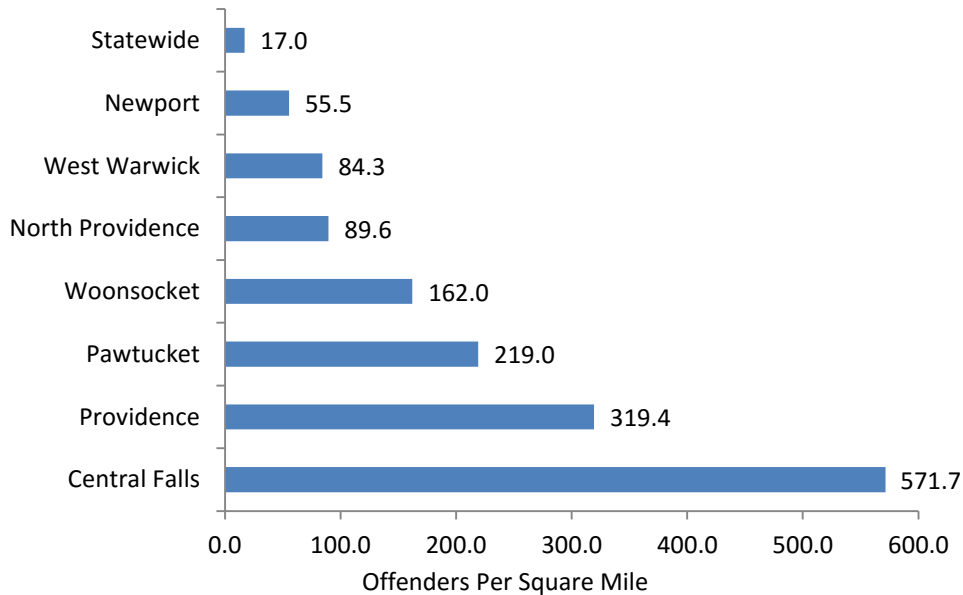
Community Corrections Population Trends



Source: DOC FY2015 Annual Population Report

The number of cases in the State's urban areas is substantially higher than the statewide average. The Department reports that 43.0 percent of the population under the supervision of the Community Corrections program lives in Providence or Pawtucket. Statewide there are an average of 17.0 probationers and parolees per square mile. This increases to as high as 571.7 probationers and parolees per square mile in the City of Central Falls.

Probationers and Parolees by Square Mile as of June 30, 2015



Source: DOC FY2015 Annual Population Report

CUSTODY AND SECURITY

The Custody and Security program is responsible for the secure custody and control of the State's inmate population to ensure the safety of staff, inmates, and the general public. The program represents the core of what currently falls under the Institutional Corrections program. The program manages six correctional institutions and one jail complex, all located in Cranston at the Pastore Center. Men's facilities include High Security, Maximum Security, the John J. Moran and Donald Price Medium Security (currently closed) facilities, Minimum Security, and the Intake Center. Women are housed in the Gloria McDonald and Bernadette Guay facilities. The Budget provides a staffing level of 990.0 FTE positions in FY2016 and FY2017 for the program, consistent with the FY2016 Budget as Enacted.

Custody and Security	General Revenue
FY2016 Enacted	\$127,071,484
<i>Target and Other Adjustments</i>	<i>(186,266)</i>
Correctional Officer Overtime	3,745,178
Personnel	3,097,968
Correctional Officer Briefing Time	197,598
Weapons Training Software	80,000
SCAAP Adjustment	Informational
Inmate Population	Informational
FY2017 Governor	\$134,005,962

Correctional Officer Overtime**\$3.8 million**

The Budget includes \$3.8 million in additional general revenue for costs associated with Correctional Officer (CO) overtime. Double overtime hours continue to exceed 1,000 hours per pay period. This is in part due to the reopening of housing modules, attrition of 55.0 vacant CO positions, weapons requalification time, and the delay in the Correctional Officer training class. According to the National Institute of Corrections, the current filled FTE level is inadequate to cover authorized posts, which increases the Department's reliance on overtime staff.

Personnel**\$3.1 million**

The Budget includes an increase of \$3.1 million in general revenue funding for estimated cost-of-living adjustments for the anticipated salary increase that all members of the Rhode Island Brotherhood of Correctional Officers will receive once a contract has been finalized. The salary increase is consistent with the cost of living adjustments other state employees recently received. RIBCO is currently in contract negotiations with the State.

Correctional Officer Briefing Time**\$197,598**

The shift commanders on the evening shift are unable to take a lunch due to being the only supervisors on until 6:30 am. Once another supervisor is in the building, the evening commanders take their lunch which does not allow time for briefing on information key to the shift. The Department agreed with RIBCO that additional OT would be provided to the evening shift commanders to perform the briefing and reduce their allotted lunch time.

Weapons Training Software**\$80,000**

The Budget includes \$80,000 to purchase an electronic weapons simulator which will be used in conjunction with the current requalification process to train staff in more realistic situations, such as inmate disturbances or hostage situations. The current simulator has become obsolete with no updates available from the vendor.

SCAAP Adjustment**Informational**

The State receives funding from the federal Department of Justice to help offset costs associated with housing undocumented aliens who have committed crimes in the State. Funding for State Criminal Alien Assistance Program (SCAAP), which was created in 1990, offsets general revenue personnel costs for providing services while detainees are incarcerated. The Department reports the number of inmates who meet federal eligibility standards under SCAAP. These include “undocumented criminal aliens who have at least one felony or two misdemeanor convictions for violations of state or local law, and who are incarcerated for at least 4 consecutive days during the reporting period.” The final award to the State is based on actual inmate levels as compared to other states during a determined reporting period.

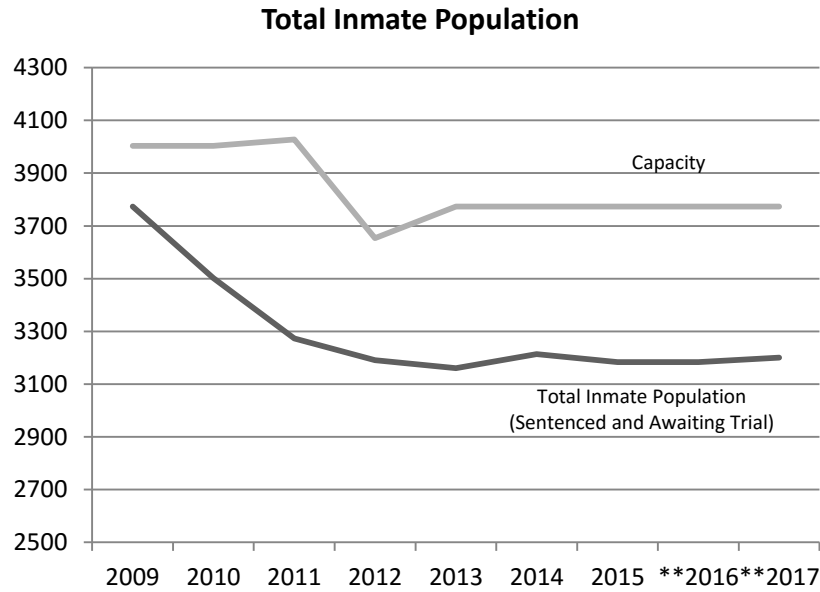
The 2015 application contained identifying information for 679 individuals. The federal government then determines the number of inmates eligible for reimbursement and issues funding to the State. Of note, the State is never notified of the number of inmates qualifying under SCAAP. The Department of Justice calculates and issues payments to states based on the amount of federal funding available. The Budget includes \$571,759 in both FY2016 and FY2017 in federal funds to finance personnel, adult inmate education, and other counseling and reentry services for undocumented immigrants.

Inmate Population**Informational**

The Department’s budget is largely influenced by the number of inmates in its custody at any given time. As the Department does not control the number of inmates entering or leaving its care, its budget is in large part a reflection of overall judicial and prosecutorial policies in the State. Factors may include legislative mandates requiring minimum sentences, variances in sentencing policies based on the judges, and/or prosecution or defense counsel involved in cases.

The Department of Corrections’ budget was based on an average daily population of 3,183 for the FY2016 revised budget, a decrease of 109 inmates from the FY2016 enacted level of 3,292. For FY2017, the Governor assumes a population of 3,200, a decrease of 92 inmates from the FY2016 Budget as Enacted. These reductions are based upon the estimated impact of the Governor’s Justice Reinvestment Initiative.

Population Reduction Initiatives: The average monthly census for incarcerated individuals has decreased by 18.4 percent since September 2007, when the monthly average population reached a high point of 3,937. In FY2014, the continuous decline experienced since 2007 ended as totals increased by 53 inmates over the eleven month period from July to May. However, this change appears to have been reflective of a national trend, as 29 other states saw an increase in population during the same time period. According to the Department, the uptick appears to be temporary as projections indicate an average inmate population of 3,206 in FY2016, a decrease of 86 from the enacted level of 3,292.



**FY2012 capacity change represents the Price Medium Security facility closing.*

***FY2016 and FY2017 figures are estimates.*

Source: DOC FY2015 Annual Report.

Three initiatives implemented in FY2008 aided in the reduction of the inmate population since the peak in September 2007.

- The Public Defender’s Defender Advocacy Program increases the use of alternatives to sentencing, including drug and alcohol treatment, counseling, and probation and/or parole, in lieu of prison time. A significant number of violators are in non-compliance with conditions of probation due to myriad social issues, for example: drug addiction, alcoholism, mental illness, homelessness, and unemployment (poverty). Addressing these issues eases the transition of re-entry, increases the likelihood of compliance, and reduces recidivism. The Defender Advocacy Program social worker attempts to address these issues on an individual case by case basis. In FY2015, some but not all of the tracked interventions include the following: new social worker referrals (312); in court social work contacts (emergency triage assistance without a referral) (675); diversions from custody (108); and warrant cancellation (33). According to the Office of the Public Defender, increasing the number of arraignments without incarceration contributes to the decline in awaiting trial population and the inmate commitment census.
- The General Assembly also enacted Corrections Options, an earned good time initiative allowing offenders to reduce their prison time based on certain earned criteria. The initiative brought good time award policies for lower security inmates in line with those for inmates under more restrictive supervision. Eligible activities include good behavior, participation in various rehabilitative programs, and other incentives. Inmates sentenced to serve nine months or less are on average serving between 80.0 percent and 90.0 percent of their sentences, as opposed to 90.0 percent to 98.0 percent prior to the passage of the Corrections Options legislation. The effect of this legislation particularly impacted the average monthly sentenced population with a small decrease in the awaiting trial population; however, that trend has been reversing as there has been an increase in the number of awaiting trial commitments.
- As part of the FY2012 Budget as Enacted, the General Assembly allowed medical parole for inmates who have a chronic and incurable mental or physical illness, and for whom the medical costs are

deemed to be exorbitant by the Department of Corrections. The Department's Medical Director verifies all medical opinions and has the ability to deny the petition for medical parole prior to submission of an application to the Parole Board. Medical parolees are required to wear electronic monitoring equipment unless the medical facility to which the parolee is admitted cannot accommodate such equipment. All prisoners, except those serving sentences of life without parole, are potentially eligible for medical parole. Of the 6 inmates who filed for medical parole in FY2013, 2 were denied due to the nature of the crimes committed; 3 inmates were granted medical parole, however, these inmates are still residing at the DOC due to difficulty finding nursing home placement due to nature of their crimes. In FY2014, 2 inmates applied for medical parole; however, one inmate was not eligible under the statute, and the other was eventually released on straight parole.

Budgeting: The Department primarily bases its budget on the projected number of inmates it will house at the Adult Corrections Institutions (ACI). Two average cost models are used for projections:

- **Personnel and Operating:** One model includes the total of personnel and operating costs (not including administrative and capital costs) divided by the number of inmates. Actual costs in FY2015 were \$57,937. The FY2016 revised budget assumes \$60,188, up \$1,259 from the enacted level of \$58,930; FY2017 costs are expected to be \$61,882, up \$1,695 from the FY2016 revised budget.
- **Per Diem:** Per diem costs for inmates are associated with the Institutional Support program. For FY2017, this number is estimated to be \$4,122, which includes food, linens, medicines and other normal expenses. This cost assumption is based on per diem costs for one additional inmate, and assumes that no additional staff would be needed and space exists to house the inmate in an already open and supervised cell/bed. The FY2016 revised budget per diem cost assumes \$4,214 per inmate. The FY2016 Budget is based on an estimated average of 3,200 inmates, or 86 inmates below the FY2016 enacted amount of 3,292 inmates. From FY2010 through FY2015, the Department has averaged 3,254 inmates. Through February 2016, the Department has averaged 3,099 inmates for the fiscal year. The Budget includes \$13.2 million for FY2017 for an estimated inmate population of 3,200 or a decrease of \$92 to \$4,122 per inmate.

HEALTHCARE SERVICES

The Healthcare Services program is responsible for medical, dental, and mental health service provision to all inmates. Prior to FY2013, these responsibilities were allocated to the Institutional Corrections program. The Budget includes 83.0 FTE positions for FY2016 and FY2017, consistent with the FY2016 enacted level.

Healthcare Services	General Revenue
FY2016 Enacted	\$20,771,182
<i>Target and Other Adjustments</i>	<i>114,536</i>
Pharmacy Services	710,471
Mental Health Contract Services	542,068
FY2017 Governor	\$22,138,257

Pharmacy Services

\$710,471

The Budget increases \$710,471 in pharmacy expenses due to Hepatitis C treatments for ten inmates. Total expenditures for Hepatitis C treatments is estimated at \$1.1 million in FY2017, consistent with the FY2015 level when ten treatments were completed.

Inmates are treated for Hepatitis C on a case-by-case basis using the drug Sovaldi. Currently, 5 inmates are being treated at a cost of \$460,000 (5 X \$92,000). The Budget includes funding for 8 inmates. According to the Department, Sovaldi has resulted in increased cure rates while decreasing the duration of treatment but was expensive and has since switched to Harvoni which is offered at \$30K less per inmate.

DOC estimates approximately 30.0 percent of the prison population (964 inmates, based on FY2015 average population of 3,214 inmates) is in various stages of the disease.

Mental Health Contract Services

\$542,068

The Budget includes \$542,068 for medical related contract services, including medical doctor services, psychiatry services for sentenced and jailed inmates, a sex offender treatment program, and discharge planning. The Governor cites updated contracts which have been awarded at higher rates as the reason for the increase.

Inmate Medicaid

Informational

Under the new Affordable Care Act (ACA), more inmates are qualified for Medicaid coverage for in-hospital treatment. The new minimum requirements for coverage expanded the qualifying population to anyone with an income level under 133 percent of the Federal Poverty Level (FPL).

Since 1997, the federal government has allowed matching Medicaid funds to pay for specialized in-patient care, such as hospitals, nursing homes, intermediate care or juvenile psychiatric hospitals. Hospitalization must be longer than 24 hours and the inmate must meet the State's criteria of the State's Medicaid program or have been enrolled in the program prior to incarceration. Daily in-prison health care is not covered by Medicaid. Since 2008, the Department has pursued federal participation for inmates that previously had met Medicaid eligibility standards. The amounts vary year to year, as the amount the Department may capture is based on the number of Medicaid-eligible inmates and hospital days.

Inmate Medicaid Capture	
Fiscal Year	Total
2008	125,000
2009	4,100
2010	49,000
2011	119,000
2012	-
2013	400,000
2014	533,000

The Department is working with the Executive Office of Health and Human Services (EOHHS) to obtain Medicaid coverage for inmates as they are being discharged, insuring that those being released receive necessary medical and treatment services once they are in the community. On average approximately 1,200 inmates complete applications for enrollment and since these offenders are released there is no data reflecting how many applications were accepted.

INSTITUTIONAL BASED REHABILITATION/POPULATION MANAGEMENT

The Institutional Based Rehabilitation/Population Management program handles educational and vocational training; Correctional Industries; case management services; inmate treatment services, including substance abuse and counseling and other services; and reentry services including discharge planning and reentry assistance.

Correctional Industries provides inmate labor and work crews and certain manufactured items. Correctional Industries services are provided centrally to all state departments and agencies as well as to municipalities. State law requires the State and municipalities to solicit bids from Correctional Industries when soliciting labor and/or supplies offered under the program. The operational cost of the program is shown on a centralized basis for informational purposes (internal service funding), but the actual costs are reflected in the operating budgets of user agencies.

The Budget includes 55.0 FTE positions for the program in FY2016 and 63.0 FTE positions in FY2017, an increase of 8.0 FTE positions from the FY2016 Budget as Enacted.

Institutional Based Rehab/Population Management	General Revenue
FY2016 Enacted	\$9,524,559
<i>Target and Other Adjustments</i>	24,974
Medication/Mediation Assisted Treatment Program	2,500,000
Personnel - Discharge Planning Services	92,701
FY2017 Governor	\$12,142,234

Medication/Mediation Assisted Treatment Program **\$2.5 million**

The Budget includes \$2.5 million to fund personnel and medical costs for the Medication/Mediation Assisted Treatment Program (MMAT). This program, which became an initiative of the Governor's Overdose Prevention and Intervention Task Force, will utilize contracted staff and services to screen for opioid disorders and conduct assessments of new inmates to determine treatment options. According to the Governor, opioid use disorder affects up to 20.0 percent of the 16,000 individuals committed to the Adult Correctional Institution (ACI) annually. The amount also includes funding for methadone treatments and software development for a database that will track screenings and assessments.

Medication/Mediation Assisted Treatment Program	
Category	Amount
Methadone Treatment	\$1,711,735
Personnel	763,265
Electronic Medical Records System & Maintenance	25,000
Total	\$2,500,000

Personnel – Discharge Planning Services **\$92,701**

The Budget includes a net change of \$92,701 for personnel changes related to discharge planning services. According to the Department, several non-profit agencies have experienced problems with discharge planning due to budget cuts within the organization and high employee turnover. To mitigate the issue, the Budget reduces \$694,000 in contracted services and increases \$786,701 in salary and benefits to convert contracted discharge planning services to in-house personnel. Personnel funding will be used to hire 7.0 Probation Officer 1 positions (\$709,079) and 1.0 Senior Word Processing Typist (\$77,622).

INSTITUTIONAL SUPPORT

Created in FY2013, the program is responsible for food services, facilities maintenance and repairs, and the Inmate Classification Unit. These responsibilities were previously done through the Institutional Corrections program. The Budget includes 57.0 FTE positions for FY2016 and FY2017, consistent with the FY2016 Budget as Enacted.

Institutional Support	General Revenue
FY2016 Enacted	\$16,595,667
<i>Target and Other Adjustments</i>	(12,049)
Operating - Food Services and Distribution	(689,978)
Personnel - Food Services	(151,889)
FY2017 Governor	\$15,741,751

Operating – Food Services and Distribution **(\$689,978)**

The Budget reduces food service operational costs by \$689,978 based on the estimated drop in the average inmate population and other savings in FY2017.

Personnel – Food Services**(\$151,889)**

Personnel costs for food services are reduced by \$151,889 in the Food Services Unit based upon planned turnover for FY2017.

PAROLE BOARD

The Parole Board is a six-member appointed commission that is charged with evaluating and authorizing the early release of inmates who meet certain conditions. The Department determines eligibility criteria, including that inmates must serve at least one-third of their sentence prior to being eligible for parole and must meet defined criteria post-parole and for the duration of their sentence. The Board is supported by an Administrator, an Investigator, and support staff. The Department has budgetary responsibility for the Board; however, it remains autonomous with regard to making parole decisions.

In 2013, the General Assembly passed the “Good Conduct Certificate” legislation, allowing the Parole Board to award of a certificate of good conduct to an individual who has not been convicted of more than one felony (that is not a crime of violence) and who has paid all fines and other penalties imposed by the court. It assigns power to the Parole Board to hear petitions from individuals for issuance of a certificate and to establish a minimum period of good conduct for potential applicants. The Certificate is issued to individuals convicted of crimes that may affect their ability to find employment and who have successfully completed rehabilitation. In some cases, it would relieve the petitioner of collateral consequences resulting from the criminal record. Current staff assists the Parole Board in administering the program. The Budget includes 10.0 FTE positions in FY2016 and FY2017, consistent with the FY2016 Budget as Enacted.

Parole Board	General Revenue
FY2016 Enacted	\$1,345,685
<i>Target and Other Adjustments</i>	<i>(7,204)</i>
FY2017 Governor	\$1,338,481

CAPITAL PROJECTS

The Budget includes a total of \$53.2 million in capital projects from FY2017 through FY2021, including \$12.3 million in FY2017.

Major items in FY2017 include:

- \$3.8 million for asset protection projects at correctional facilities including drainage system improvements, window replacement, painting, and HVAC.
- \$1.7 million for restoration and repairs to the exterior of the Intake Service Center (ISC), upgrades the HVAC systems, and general repairs and upgrades.
- \$1.0 million for general asset protection projects and mechanical system upgrades at the Maximum Security building.

Judiciary

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Supreme Court	\$35.0	\$39.4	\$40.5	\$1.1	2.8%	\$40.0	\$0.7	1.7%
Superior Court	23.2	23.6	23.5	(0.1)	-0.5%	23.2	(0.3)	-1.4%
Family Court	23.2	23.9	23.5	(0.5)	-1.9%	23.8	(0.1)	-0.5%
District Court	12.5	13.0	12.2	(0.8)	-6.2%	12.3	(0.7)	-5.1%
Traffic Tribunal	8.4	8.5	8.4	(0.1)	-1.7%	9.0	0.5	5.6%
Worker's Compensation Court	7.4	7.8	7.9	0.1	1.1%	8.1	0.3	4.3%
Judicial Tenure & Discipline	0.1	0.1	0.1	(0.0)	-0.1%	0.1	0.0	2.7%
Total	\$109.8	\$116.3	\$116.0	(\$0.3)	-0.3%	\$116.7	\$0.4	0.3%
Expenditures By Source								
General Revenue	\$94.4	\$96.0	\$95.6	(\$0.4)	-0.5%	\$96.3	\$0.3	0.3%
Federal Funds	3.1	3.4	3.4	(0.0)	-1.1%	3.1	(0.3)	-9.2%
Restricted Receipts	10.9	11.3	11.4	0.1	0.7%	11.7	0.3	3.0%
Operating Transfers from Other Funds	1.3	5.5	5.6	0.1	1.6%	5.5	0.0	0.5%
Total	\$109.8	\$116.3	\$116.0	(\$0.3)	-0.3%	\$116.7	\$0.4	0.3%
Authorized FTE Levels	723.3	724.3	724.3	-	0.0%	724.3	-	0.0%

\$ in millions. Totals may vary due to rounding.

Rhode Island has a unified court system composed of six statewide courts. The Supreme Court is the court of review, the Superior Court is the general trial court, and the Family, District, Traffic Tribunal, and Workers' Compensation Courts are trial courts of special jurisdiction. The entire system is state-funded with the exception of probate courts, which are the responsibility of cities and towns, and the municipal courts, which are local courts of limited jurisdiction.

The Chief Justice of the Supreme Court is the executive head of the state court system and has authority over the Judicial budget. The Chief Justice appoints the State Court Administrator and an administrative staff to handle budgetary and general administrative functions. Under the direction of the Chief Justice, the Court Administrator manages appropriations for all state courts, except those as provided otherwise by law. Each court has responsibility over its own operations and has a chief judge who appoints an administrator to handle internal court management.

MAJOR ISSUES AND TRENDS FOR FY2017

Total general revenue funding is \$310,364 (0.3 percent) more than the FY2016 Budget as Enacted. Article 1 caps at \$1.1 million the amount the Judiciary may charge five state agencies for public courthouse occupancy costs which are based on a March 2014 study of actual occupied space throughout the Courts, an increase of \$124,098 reimbursed to the Judiciary from these departments.

In FY2016, the Judiciary began a concerted effort to collect \$81.0 million in overdue fines and fees. Tax intercept notices were sent out to individuals who owe fines to the Superior and District courts at a cost of \$142,957. The program (RIGL 8-15-9.3) requires the Judiciary to send out at least 30-day prior written notice to persons who owe court imposed or court related fees. To comply, the Judiciary needs to send out mailings to 180,000 individuals. In addition, the Judiciary needs to send out notices to 30,000 individuals that may have their taxes intercepted. The FY2017 Budget includes an additional \$54,000 in the Traffic Tribunal program to send these additional tax intercept letters. The cost is based on the estimated mailing costs to jurors.

The Judiciary is developing a new Case Management and an E-Filing system. The new system will integrate information throughout the justice system and diminish the requirement for paper storage of case materials as all the information will be stored electronically. To date, \$6.1 million has been spent on this

system. The Budget includes \$878,000 million in FY2016 and \$814,000 in FY2017 in restricted receipts from the Information Technology Investment Fund to support ongoing system development.

The Budget includes \$5.6 million in FY2016 and \$5.5 million in FY2017 in Rhode Island Capital Plan Fund financing for court-wide HVAC projects and asset protection. The capital plan also includes a total of \$10.0 million for completion of unfinished courtroom space at the Noel Judicial Complex in Warwick and additions to the existing parking structure, with \$3.0 million allocated in both FY2016 and FY2017

SUPREME COURT

The Supreme Court is the only constitutionally-established court in the State, and is empowered with administrative authority over the entire state court system. The Court is the final court of review, and also issues advisory opinions to Legislative and Executive branches of government and regulates the Rhode Island Bar. Administrative functions include budgeting, human resource management, purchasing, information technology management, and fine and fee collection. The Supreme Court also offers programs related to domestic violence prevention, mandatory continuing legal education, alternative dispute resolution, victim rights information, and the interpreter program. The Budget includes 159.3 FTE positions in FY2016 and FY2017 for the program, a decrease of 1.0 FTE position from the enacted level which was shifted to another program.

Supreme Court	General Revenue
FY2016 Enacted	\$30,649,257
<i>Target and Other Adjustments</i>	
Indigent Defense	296,044
Court Offsets	242,166
Case Management System	124,098
Judicial Pay Structure	Informational
FY2017 Governor	\$31,311,565

Indigent Defense

\$242,166

The Judiciary is responsible for the defense of indigent persons who cannot be represented by the Office of the Public Defender due to conflicts of interest or other reasons. For FY2017, the Budget includes \$2.9 million for indigent defense, an increase of \$242,166 over the FY2016 Budget as Enacted level, and a decrease of \$60,345 below the final FY2015 amount spent (\$2.9 million).

Indigent Defense Caseload Summary

Court	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
District	623	582	555	574	583	584
Superior	1,074	989	910	909	971	1,055
Supreme	24	20	19	31	22	27
Family ¹	570	551	521	6,406	9,621	10,629
Total Cases	2,291	2,142	2,005	7,920	11,197	12,295
Total Costs	\$2,790,051	\$2,744,570	\$2,422,920	\$2,408,584	\$2,571,680	\$2,910,164
Avg. Cost per Case	\$1,218	\$1,281	\$1,208	\$304	\$230	\$237

¹ The manner in which the number of Family Court cases was calculated changed when the Indigent Defense Attorney Portal went live on October 10, 2012. Prior to 10/10/12 the number represents the number of monthly timesheets submitted, whereas afterwards represents the number of actual cases. In FY 2013 there were 173 monthly timesheets submitted and 6,233 cases. The FY 2013 Family Court count reflects this.

Source: Judiciary FY2017 Budget

Court Offsets**\$124,098**

Article 1 caps the total amount the Judiciary may charge five state agencies for public courthouse occupancy costs at \$1.1 million. State agencies that occupy court space include the Public Defender's Office; Office of the Attorney General; Department of Corrections; Department of Children, Youth, and Families; and Department of Public Safety. Agencies that occupy space in the court buildings around the State incur costs for a share of building related expenses based on the amount of space that is occupied. In total, the agencies occupy 19.7 percent (89,979 square feet) of useable court space based on a March 2014 study.

Case Management System**Informational**

The Judiciary has been developing a new Case Management System and an E-Filing System. The new system will integrate information throughout the justice system and diminish the requirement for paper storage of case materials as all the information will be stored electronically. To date \$6.0 million has been spent on this initiative. The Budget includes \$878,000 in FY2016 and \$814,000 in FY2017 in restricted receipts from the Information Technology Investment Fund to support ongoing system development.

To date, civil cases in Superior, Family, District, Workers' Compensation Courts Traffic, and Traffic Tribunal have been converted to the new system. In June 2016, the Supreme Court and criminal cases for Superior and District Courts will be converted and e-filing for those courts will go live.

SUPERIOR COURT

The Superior Court has jurisdiction for all felony cases, misdemeanor cases that have been appealed or waived from the District Court, and civil cases in which the disputed amount exceeds \$10,000, and all probate and zoning appeals. The Court has four locations throughout the state, including Providence, Warwick, Wakefield, and Newport. The Gun Court and Adult Drug Court were established in FY1995 and FY2002, respectively. The Superior Court also has appellate jurisdiction of decisions of local municipal and probate courts. Appeals from various boards and commissions, such as zoning board and Ethics Commission appeals, are heard in Superior Court as well as petitions to review disciplinary action imposed upon a state or local police officer by the chief of that department. In addition to conducting trials, the Superior Court administers the Court-Annexed Arbitration Program which speeds the disposition of certain less complex civil cases in which there is \$100,000 or less at issue. Matters such as contract disputes, personal injury claims, and property damage suits may be certified to this alternative dispute resolution program.

The Budget includes 164.7 FTE positions in FY2015 and FY2016 for the program, an increase of 1.0 FTE position from the enacted level shifted from another program within the court system.

Superior Court	General Revenue
FY2016 Enacted	\$23,209,940
<i>Target and Other Adjustments</i>	<i>115,275</i>
Personnel	(518,155)
FY2017 Governor	\$22,807,060

Personnel**(\$518,155)**

The Budget reduces \$518,155 in general revenue, primarily due to increased turnover (7.5 percent) in the Superior Court program. Currently, 1.0 Judge position and 1.0 Magistrate position are vacant.

FAMILY COURT

The Rhode Island Family Court, established in 1961, was the first statewide Family Court in the United States. The Family Court has jurisdiction to hear and determine all petitions for divorce and any motions in conjunction with divorce proceedings, such as motions relating to the distribution of property, alimony,

support and custody of children. It also hears petitions for separate maintenance, and complaints regarding support for parents and children. The Family Court also has jurisdiction over matters relating to delinquent, wayward, dependent, neglected, abused, or mentally deficient or mentally disordered children. In addition, it has jurisdiction over adoptions, paternity proceedings, and a number of other matters involving domestic relations and juveniles. Appeals from decisions of the Family Court are taken directly to the state Supreme Court.

The Court runs specialty court programs, including the Juvenile Drug Court, Domestic Violence Court, Truancy Court, Mental Health Court Clinic, and the Juvenile Re-Entry Court. The Court has four locations throughout the state, including Providence, Warwick, Wakefield, and Newport. The Budget includes 175.0 FTE positions in FY2016 and FY2017, an increase of 1.3 positions from the enacted level shifted from other programs within the court system.

Family Court	General Revenue
FY2016 Enacted	\$20,918,555
<i>Target and Other Adjustments</i>	<i>127,055</i>
FY2017 Governor	\$21,045,610

DISTRICT COURT

The District Court has jurisdiction over all criminal misdemeanor cases if the defendant waives the right to a jury trial. If the defendant asks for a jury trial, the case will be transferred to the Superior Court. The District Court also has jurisdiction over bail hearings in felony cases and over violation hearings in misdemeanor cases. The District Court presides over civil trials in which the damages sought total up to \$5,000. If the parties agree, the District Court can hear civil suits for damages to a maximum of \$10,000. District Court jurisdiction also includes Small Claims Court for damages up to \$2,500; violations of municipal ordinances and regulations; violations and hearings on involuntary hospitalization under the mental-health, drug-abuse, and alcohol laws; regulatory appeals, including those related to taxation; and violations of state or local housing codes. Appeals from District Court decisions go to the Superior Court. The Court has four locations throughout the state, including Providence, Warwick, Wakefield, and Newport. The Budget includes a staffing level of 95.0 FTE positions in FY2016 and FY2017 for the program, a decrease of 1.0 FTE from the FY2016 enacted level shifted to another program within the court system.

District Court	General Revenue
FY2016 Enacted	\$12,589,546
<i>Target and Other Adjustments</i>	<i>189,875</i>
Personnel	(745,291)
Veteran's Court	Informational
FY2017 Governor	\$12,034,130

Personnel **(\$745,291)**

The Budget decreases \$745,291 in salary and benefits, reflecting a turnover rate of 6.2 percent for vacancies within the program, including 1.0 Judge position.

Veterans Court **Informational**

As a problem solving court, the mission of the Veterans Treatment Court is “to successfully rehabilitate participants, on a case-by-case basis, by providing the tools and skills necessary to address veterans’ unique challenges to reintegrate successfully into society and to maintain a productive and law abiding lifestyle within the community.” The first Veterans Court in New England opened its doors for referrals in the District Court in April 2011. The designated calendar, which was initially part of a pilot program

funded through a Substance Abuse and Mental Health Services (SAMHSA) grant, was designed to direct veterans diagnosed with trauma related disorders into a court program that integrates support and treatment plans with the judicial process. It is intended to divert the offenders away from incarceration while providing appropriate rehabilitative alternatives.

The Budget includes \$125,372 in FY2016 and \$127,175 in FY2017 in federal funds, reflecting the second year of a new Veterans Grant which will be used by the Judiciary to expand outreach to an estimated 250 additional veterans as part of its Veteran's Court activities. The activities will focus on a jail diversion program and substance abuse issues of veterans appearing before the court. The FY2016 Budget as Enacted included \$234,000 in general revenue to fund personnel costs for 1.0 District Court judge to preside over the Veteran's Court.

TRAFFIC TRIBUNAL

The Traffic Tribunal replaced the Administrative Adjudication Court in 1999. The Traffic Tribunal is responsible for hearing most traffic cases, distributing and controlling traffic summonses, and maintaining accurate driver accident and violation records. The Traffic Tribunal hears appeals from the Division of Motor Vehicles and the municipal courts as well as certain violations of the Department of Environmental Management. The Tribunal has authority to enforce its own judgments. The Traffic Tribunal has one location, at the Pastore Center in Cranston. The Budget includes 78.3 FTE positions in FY2016 and FY2017, a 0.1 FTE increase from the FY2016 enacted level.

Traffic Tribunal	General Revenue
FY2016 Enacted	\$8,542,221
<i>Target and Other Adjustments</i>	
Personnel	(114,982)
Security Services	386,941
Postage	150,000
	54,000
FY2017 Governor	\$9,018,180

Personnel **\$386,941**

The Budget increases \$386,941 in general revenue, primarily due to statewide benefits changes and filling 1.0 vacant Magistrate position.

Security Services **\$150,000**

The Budget includes \$150,000 for Capitol Police overtime expenses at the Traffic Tribunal. Overtime expenses are tracked through an internal service account funded from the Judicial budget. The increase over the enacted level of \$75,000 is based on actual expenditures in FY2015 of \$210,435.

Postage **\$54,000**

The Budget includes a \$54,000 increase in postage for the Judiciary to send out tax intercept notices to individuals who owe fines to the Traffic Tribunal. These notices are a follow up to the original mailings which were sent in FY2016. The program (RIGL 8-15-9.3) requires the Judiciary to send out at least 30-day prior written notice to persons who owe court imposed or court related fees. To comply, the Judiciary needs to send out mailings to 180,000 individuals. In addition, the Judiciary needs to send out notices to 30,000 individuals that may have their taxes intercepted. The cost is based on the estimated mailing costs to jurors.

WORKERS' COMPENSATION COURT

The Workers' Compensation Court has jurisdiction over all disputes between employers and employees relating to workers' compensation. The court's jurisdiction includes contested cases involving the rehabilitation of injured employees and claims involving disputes between an employer and its workers'

compensation insurer. Since FY1990, the expenses incurred in the operation of the court are paid through the Workers' Compensation Administrative Fund (restricted receipts). The Budget includes 50.0 FTE positions in FY2016 and FY2017, an increase of 1.0 FTE position over the enacted level shifted from another program within the court system.

Workers' Compensation Court	Restricted Receipts
FY2015 Enacted	\$7,712,640
<i>Target and Other Adjustments</i>	<i>51,167</i>
FY2016 Enacted	\$7,763,807

JUDICIAL TENURE AND DISCIPLINE

The Commission on Judicial Tenure and Discipline is the program charged with investigating judges who have been charged with misconduct. The Supreme Court may affirm, modify or reject the recommendations of the Commission. The Budget includes 1.0 FTE position in FY2016 and FY2017 for the program, consistent with the enacted level.

Worker's Compensation Court	Restricted Receipts
FY2016 Enacted	\$7,853,054
<i>Target and Other Adjustments</i>	<i>242,963</i>
FY2017 Governor	\$8,096,017

CAPITAL PROJECTS

The Budget includes \$27.2 million in RICAP funds for FY2017 through FY2021 for capital projects, including \$5.5 million in FY2017.

- The Budget includes \$10.0 million to expand the capacity of the Noel Judicial Complex by finishing courtroom space in the interior shell and adding parking to accommodate the expansion, including \$3.0 million in FY2017, and \$4.0 million in FY2018. The Judiciary expects to complete the project in two phases. The first phase of the project adds two decks to the current parking garage to address the need for additional parking as a result of the proposed expansion. The second phase of the project will build out the shelled courtroom space within the Noel Complex. Noel is centrally located in Warwick and may serve populations in both Washington and Providence counties.
- The Budget includes \$900,000 for ongoing projects to replace, clean and restore HVAC systems in judicial buildings and ongoing asset protection projects.
- The Budget includes \$875,000 in FY2017 for asset protection projects throughout the court system. Projects include security upgrades, courtroom restorations, restroom renovations, interior renovations to public spaces, elevator upgrades, and exterior courthouse refurbishments.
- The Budget includes \$750,000 for restorations to the Licht Judicial Complex, beginning with \$500,000 in FY2017. Funds will be used to repair decaying plaster, replace or renovate courtroom benches, and other upgrades to the courthouse exterior.

Military Staff

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
RI National Guard	\$15.5	\$19.4	\$19.6	\$0.2	1.0%	\$24.7	\$5.3	27.3%
Total	\$15.5	\$19.4	\$19.6	\$0.2	1.0%	\$24.7	\$5.3	27.3%
Expenditures By Source								
General Revenue	\$2.1	\$2.0	\$2.4	\$0.4	20.0%	\$2.7	\$0.7	35.0%
Federal Funds	12.4	15.4	14.6	(0.8)	-5.2%	17.5	2.1	13.6%
Restricted Receipts	0.2	0.3	0.4	0.1	33.3%	0.3	-	-
Operating Transfers from Other Funds	0.8	1.7	2.2	0.5	29.4%	4.2	2.5	147.1%
Grand Total	\$15.5	\$19.4	\$19.6	\$0.2	1.0%	\$24.7	\$5.3	27.3%
Authorized FTE Levels	85.0	92.0	92.0	-	-	96.0	4.0	4.3%

\$ in millions. Totals may vary due to rounding.

The mission of the Military Staff (Rhode Island National Guard) is to prepare for immediate mobilization in the event of war or national emergency; to maintain peace, order, and public safety in the state in time of man-made or natural disaster or when otherwise directed by the Governor; and, to participate in the development and establishment of local, regional, and nationwide initiatives and programs.

MAJOR ISSUES AND TRENDS FOR FY2017

The Governor recommends 92.0 FTE positions in FY2016 and 96.0 FTE positions in FY2017 reflecting an increase 4.0 FTE positions, of which 2.0 FTE positions are for facilities maintenance with the Army National Guard and are 100.0 percent federally-funded. The other 2.0 FTE positions are for facilities maintenance with the Air National Guard at Quonset. These two positions are 75.0 percent federally-funded. The Governor includes \$50,000 in general revenue under the State Activation account to fund Military Staff participation in a cybersecurity initiative.

According to the FY2017 Budget performance measures tracks (based on federal fiscal year) the percentage of the State's armories and readiness centers that meet or exceed the United States Army building code compliance standards remains at 11.0 percent, the same percentage reported last year.

NATIONAL GUARD

The National Guard program is composed of reserve units of the United States Army and Air Force, the Rhode Island National Guard (RING), and the State Historic Militia. The Guard is authorized to have in excess of 3,300 members (2,178 Army National Guard and 1,136 Air National Guard). The Guard has numerous facilities throughout the state, including 14 armories, 3 air bases, 2 training sites, and 10 maintenance and support buildings, housing equipment valued at \$500.0 million. The Guard is largely financed through federal funds, including drill and training pay for Army and Air Guard personnel, supplies, equipment, facility maintenance and capital projects. State funds are provided as a match on some projects and primarily pay employee salary and benefit costs, training, travel, and maintenance.

RI National Guard	General Revenue
FY2016 Enacted	\$2,065,434
<i>Target and Other Adjustments</i>	
	(3,346)
Operating, Contracted Services, and Assistance and Grants	330,501
Quonset Fire Protection	161,370
Adjutant General Pay Adjustment and Position Conversion	55,760
Cybersecurity Commission Initiative	50,000
FY2017 Governor	\$2,659,719

RI National Guard	Other Fund Changes
Personnel, Contracted Services, Construction Costs, and Operating	\$2,135,933

Operating, Contracted Services, and Assistance and Grants **\$330,501**

The Governor includes \$1.5 million in general revenue (\$8.7 million in all funds) in FY2017 for operating, purchased services, and assistance and grants, reflecting an increase of \$330,501 from the FY2016 Budget as Enacted.

Operating, Purchased Services, and Grants	FY2016 Enacted	FY2017 Governor	Change
Operating Costs	\$841,518	\$1,092,365	\$250,847
Purchased Services	81,797	148,301	66,504
Assistance and Grants	202,000	215,150	13,150
Total	\$1,125,315	\$1,455,816	\$330,501

The Governor includes \$1.1 million in general revenue (\$6.6 million in all funds) in FY2017 for operating expenses, an increase of \$250,847. The largest adjustment is the net increase of \$147,637 in general revenue for building maintenance and repair expenses, reflecting the change in the use and funding share source for the United States Property and Fiscal Office (USPFO) building on Camp Street in Providence. The USPFO structure and its federal unit is supported using 100.0 percent federal funds. However, the federal government built a new USPFO structure at Camp Fogarty in East Greenwich and vacated the Camp Street building.

Because the Camp Street building was well maintained and the Guard needed a new location for its RING Medical Detention facility, the Guard transferred the RING Medical Detention facility from Quonset to the Camp Street location. However, because the RING Medical Detention facility is funded 50.0 percent by the State and 50.0 percent by the federal government, the Guard requires an increase in general revenues to cover the costs of this facility.

Operating	FY2016 Enacted	FY2017 Governor	Change
Building Maintenance and Repairs	\$90,061	\$237,698	\$147,637
Utility Expenses	556,859	600,209	43,350
All Other Operating Adjustments	194,598	254,458	59,860
Total	\$841,518	\$1,092,365	\$250,847

The Governor includes \$148,301 in general revenue (\$1.7 million in all funds) in FY2017 for purchased services, a net increase of \$66,504 in general revenue from the FY2016 Budget as Enacted. Purchased services for the National Guard include IT system support, janitorial and security services at National Guard sites, fire protection services, and medical testing services for guard employees.

The Governor includes \$42,377 in general revenue for contracted snow removal services that are appropriated under the Other Buildings and Grounds category. Previously, the Guard used Guard owned vehicles and personnel to clear the snow. However, the Guard replaced several of the snow removal vehicles over the past year due to age and maintenance issues, and new federal rules prohibit the Guard from using any of the replacement military vehicles acquired through federal funds for snow removal.

Therefore, the Guard is now required to contract snow removal services. Also the janitorial services increases \$16,184 reflecting the change in funding source for the USPFO building, from 100.0 percent federally-funded building to a 50/50 federal/state share building, where the State assumes more of the operating costs for the facility.

Purchased Services	FY2016 Enacted	FY2017 Governor	Change
Accounting/Auditing	\$0	\$9,204	\$9,204
Architectural Services	30	-	(30)
Doctors/Dentists	680	531	(149)
Environmental Services	83	964	881
Extermination Services	1,242	991	(251)
Fire Protection Services	10,008	8,296	(1,712)
Janitorial Services	69,754	85,938	16,184
Other Building and Grounds	-	42,377	42,377
Total	\$81,797	\$148,301	\$66,504

The Governor includes \$215,150 in general revenue funded assistance and grants in FY2017 for honor guards and buglers for funeral honors to military personnel and veterans. This reflects a net increase of \$13,150 in general revenue from the FY2016 Budget as Enacted. In 2012, the federal National Guard Bureau notified the Rhode Island National Guard that the federal government would no longer support military honors for funerals of Navy, Marine, and Coast Guard personnel, requiring full state contribution for these honors. Federal support for Army and Air Force burials has also eroded as a result of this action. RIGL 30-25-1 and 30-25-2, require the State to fund military funeral honors for honorably discharged military personnel at their funerals as a tribute to their service to the United States. Payments are stipends to (usually) retired military personnel for services performed. Each military honors event includes three rifles for the squad and one bugler, with each stipend totaling \$50.00.

Assistance and Grants	FY2016 Enacted	FY2017 Governor	Change
Assistance and Grants	\$202,000	\$215,150	\$13,150
Total	\$202,000	\$215,150	\$13,150

Quonset Fire Protection

\$161,370

The Governor increases general revenue funded personnel costs by \$161,370. The increase reflects the additional State share for firefighters at the Quonset Air Base that exceeds the federal compensation cap for firefighters. Previously, firefighters at Quonset Air Base were financed with 100.0 percent federal funds under the Master Cooperative Agreement Appendix 24 Firefighter program. Subsequently, the federal government adopted new rules that capped the federal contribution rate for the firefighters at a 2012 compensation rate. Firefighters hired before 2012 were “grandfathered” and are not subject to the federal 2012 cap level. The State is required to pay any amounts in excess of the cap on the “grandfathered” amounts. The additional \$161,370 reflects the amount of compensation for the “grandfathered” firefighters that exceeds the federal cap.

Firefighter staffing levels must remain the same as per the federal agreement, so federal turnover cannot be utilized to supplant the State share. There are 30.0 FTE positions assigned to the program, including 3.0 FTE vacant positions.

Adjutant General Pay Adjustment and Position Conversion

\$55,760

The Governor increases the general revenue appropriation by \$55,760 for increased personnel costs, including a net adjustment of \$29,834 to the Adjutant General’s salary and benefits, reflecting the change in Adjutant General’s paygrade; and an increase of \$25,926 reflecting the change in payroll costs for a 1.0 Air National Guard Senior Environmental Planner position. This new position does not require a change in the authorized FTE level for the National Guard, as it is created by converting a vacant and unfunded 1.0 Administrative Assistant position with payroll costs that were 50.0 percent state and 50.0 percent

federal to a position with payroll costs that are 25.0 percent state and 75.0 percent federal. The increase reflects the filling of the position that was previous vacant and unfunded.

Cybersecurity Commission Initiative

\$50,000

The Governor includes \$50,000 in general revenue under the State Activation account to fund Military Staff participation in the Rhode Island Cybersecurity Commission Initiative. The Governor's Executive Order 2015-10 dated May 7, 2015, established this Commission to develop strategies and protections to minimize the impact of a cyber disruption on government and on private sector operations, as well as to encourage the development of the State's cybersecurity industry sector.

The Commission is comprised of representatives of state agencies, local government, quasi-government agencies, and from specific private industry sectors. The Guard is one of the State agencies named to be on this Commission. However, the Guard is required to expend only State funds on projects that solely involve a State event or action, and does not include any actions involving a federal mandated action. To accommodate State-only events or actions, appropriations are made to a State Activation account under the Military Staff budget. Usually the State Activation account is used to fund members of the Rhode Island National Guard when the Governor calls them to duty for an emergency or for a State Ceremony such as the Governor's Inauguration. The number of staff to be involved with the Commission has not been determined.

Analyst's Note: the Commission filed a draft action plan on steps the State should take to protect State government operations in October 2015. This plan is on-line and available to the public. A second plan on growing the cybersecurity industry in Rhode Island was filed in December 2015. The latter plan is under review and not yet available to the public.

Personnel, Contracted Services, Construction Costs, and Operating (federal funds)

\$2.1 million

The Governor adds \$2.1 million in federal funds for personnel, contracted services, operating, and capital equipment expenses for the National Guard and its operation of the numerous facilities owned by the Rhode Island National Guard, including 14 armories, 3 air bases, 2 training sites, and 10 maintenance and support buildings. The increase includes \$1.3 million for construction in progress on various Guard facilities, \$174,825 for contracted services mainly for previously delayed building maintenance at the Quonset Air Guard facility and janitorial services, and \$554,362 in federally-funded personnel costs.

CAPITAL PROJECTS

The Governor recommends a total of \$123.3 million (\$16.9 million RICAP) in capital projects between FY2016 and FY2021. Fund amounts are RICAP unless otherwise indicated, and include:

- \$600,000 in FY2016 (\$2.0 million in federal funds) and \$3.0 million in FY2017 (\$9.5 million in federal funds) for a new Joint Force Headquarters Building project. The funding provided in FY2016 is for site surveys and to extend the utility connections to the site at Camp Fogarty in East Greenwich. Construction is scheduled to begin in FY2017. The Governor's capital plan includes out-year RICAP appropriations of \$3.0 million (\$5.0 million in federal funds) in FY2018 and \$4.1 million (\$5.0 million in federal funds) in FY2019. The total project cost is \$32.2 million.
- The Governor includes federal fund expenditures of \$27.2 million in FY2016 and \$38.4 million in FY2017 for several construction projects encompassing the Quonset Air National Guard facilities, including a new \$27.0 million Operations and Training Facility, a new \$6.1 million Flight Simulator Facility, and a \$2.2 million extension to the Base Fire Station. These Air Guard facilities are 100.0 percent federally-funded, but were never previously incorporated into the annual state capital budget. The total projected cost for the federal capital projects is \$76.8 million.
- \$590,512 in FY2016 (\$2.1 million in federal funds) and \$700,000 in FY2017 (\$1.2 million in federal funds) for asset protection projects.

- \$250,000 in FY2016 (\$250,000 federal funds) and \$357,500 in FY2017 (\$357,500 federal funds) for the Armory of Mounted Commands Rehabilitation project which includes the roof and HVAC replacement project.
- \$773,423 in RICAP funds in FY2016 for the Benefit Street Arsenal Rehabilitation. The Governor increases funding for the building rehabilitation project to preserve and maintain the historic structure. No further funding is recommended after FY2016.
- \$125,000 in RICAP funds in FY2017 for a Bristol Readiness Center feasibility study. The Military Staff is planning for the design and renovation/construction of a new armory and field maintenance shop to service two Guard units in the East Bay area. The current facilities fail to meet federal operational, logistical, and security standards. Military Staff will use the feasibility study to explore potential site development options, including models used in other states that allow for public shared-use spaces. No further funding is recommended after FY2017.

Rhode Island Emergency Management Agency

Expenditures By Program	FY2015 Actual	FY2016 Enacted	FY2016 Governor	Change from Enacted		FY2017 Governor	Change from Enacted	
Central Management	\$14.5	\$18.5	\$28.5	\$10.0	53.9%	\$24.0	\$5.5	29.4%
Expenditures By Source								
General Revenue	\$1.8	\$1.8	\$1.8	-	-	\$1.8	-	-
Federal Funds	12.6	16.5	26.2	9.7	58.8%	20.1	3.6	21.8%
Restricted Receipts	0.1	0.2	0.3	0.1	50.0%	0.9	0.7	350.0%
Operating Transfers from Other Funds	-	-	0.2	0.2	100.0%	1.2	1.2	100.0%
Total	\$14.5	\$18.5	\$28.5	\$10.0	54.1%	\$24.0	\$5.5	29.4%
Authorized FTE Levels	32.0	32.0	32.0	-	-	32.0	-	-

\$ in millions. Totals may vary due to rounding.

The Rhode Island Emergency Management Agency (RIEMA) became a stand-alone agency in FY2015, and is the coordinating agency for multi-jurisdiction and multi-agency response in the state for all emergencies including natural and technological hazards such as fires, floods, tornadoes, hurricanes, winter storms, chemical releases, weapons of mass destruction and terrorism incidents. RIEMA is the official coordinating agency of the State for the federal Department of Homeland Security and the federal Emergency Management Agency in times of state, national, multi-jurisdiction and multi-agency emergencies and disasters. RIEMA operates and maintains the State Emergency Operations Center, as well as the statewide 800 MHz radio system and network.

MAJOR ISSUES AND TRENDS FOR FY2017

The Governor recommends funding for three capital projects under the Rhode Island Emergency Management Agency (RIEMA), including final costs associated with the Hurricane Sandy 2012 repairs, continued funding for the enhancement and further development of the Rhode Island Statewide Communications System Network (RISCON), and to conduct an RIEMA building feasibility study. The Governor recommends a net increase of \$5.2 million in federal funds for FY2017, including \$4.0 million in federal funds to cover expenses incurred with the Blizzard of 2015 (Juno). The Governor recommends 32.0 FTE positions in FY2016 and in FY2017, consistent with the enacted level.

CENTRAL MANAGEMENT

The Central Management program is the sole program at RIEMA, and is responsible for supervising, coordinating, and monitoring all departmental functions. The Central Management program provides leadership, management, strategic planning, and control of departmental activities.

Central Management	General Revenue
FY2016 Enacted	\$1,766,002
<i>Target and Other Adjustments</i>	<i>(3,947)</i>
Utility Adjustments	50,098
DOIT Maintenance Contracts	36,723
Blizzard of 2015 (Juno)	<i>Informational</i>
FY2017 Governor	\$1,848,876
Other Fund Changes	
Disaster and Emergency Preparedness Grants	\$5,254,510
Personnel Adjustments	142,051

Utility Adjustments**\$50,098**

The Governor includes \$69,098 to pay the utility expenses, reflecting an increase of \$50,098 from the FY2016 Budget as Enacted, illustrating the increased use of space by RIEMA at the Rhode Island National Guard Headquarters in Cranston.

Emergency Management Utility Expenses	FY2016 Enacted	FY2017 Governor	Change
Electricity	\$0	\$20,995	\$20,995
Fuel: Natural Gas	-	30,000	30,000
Telecomm: Overhead	7,000	6,000	(1,000)
Telecomm: Telephone Charges	-	-	-
Telephone and Telegraph	12,000	12,103	103
Waste Disposal	-	-	-
Water	-	-	-
Total	\$19,000	\$69,098	\$50,098

RISCON Maintenance Contracts**\$36,723**

The Governor includes \$1.1 million in general revenue to operate and maintain the 800MHz Rhode Island Statewide Communications System Network (RISCON). RISCON provides an emergency radio system connecting all 39 communities and state agencies. The State negotiated and signed a new contract with the vendor (Motorola) on July 1, 2013, that includes an escalator for the contract price. The contract price for FY2017 is 1,133,343, an increase of \$36,723 as compared to the appropriation contained in the FY2016 Budget as Enacted.

Blizzard of 2015**Informational**

On April 3, 2015, President Obama approved the State's request for a disaster declaration connected to the January 26 blizzard (Juno) that left nearly two feet of snow in parts of the state and brought high winds that crippled travel requiring the Governor to order a travel ban. The preliminary estimate on the storm's cost is \$4.7 million in costs to the State and municipalities.

The disaster approval means that state agencies, local governments, tribal communities, and certain nonprofit groups in all five of the state's counties will be eligible for funding through the Federal Emergency Management Agency (FEMA) to recoup costs for preparing for and responding to the storm. Most of the funding will be awarded to the Rhode Island Department of Transportation for costs to remove the snow and repair damages from that storm.

Disaster and Emergency Preparedness Grants (federal funds)**\$5.3 million**

The Governor recommends \$15.6 million in federal funds for various federal grants and reimbursements received for storm and natural disaster events, and for preparedness efforts for terrorist threats, active shooters, hazardous material containment, and other emergency events intended to improve and enhance the ability to prevent, deter, respond to, and recover from threats and incidents. The Governor recommends a net increase of \$5.2 million in federal funds for FY2017. Federal grant funds vary from year to year depending upon the number and severity of natural disasters and the availability of federal funds for non-disaster grants. The following table highlights the more significant changes in FY2017.

RIEMA Federal Grants	FY2016	FY2017	Change
	Enacted	Governor	
Blizzard - Juno Disaster 2015	\$0	\$4,000,000	\$4,000,000
Hurricane Sandy October 2012	1,076,297	3,191,356	2,115,059
Emergency Management Preparedness Grant 2013	2,049,224	80,000	(1,969,224)
FEMA Flood 1894 Hazard Mitigation	2,179,793	831,090	(1,348,703)
Pre-disaster Mitigation Competitive Grant 2013	-	1,194,367	1,194,367
Emergency Management Preparedness Grant 2014	1,328,701	200,000	(1,128,701)
All Other Grants (27)	3,961,999	6,353,711	2,391,712
Total	\$10,596,014	\$15,850,524	\$5,254,510

Personnel Changes (federal funds and restricted receipts) \$142,051

The Governor recommends \$2.9 million in federal and restricted receipt funds for personnel costs, reflecting an increase of \$139,727 in federal and an increase of \$2,324 in restricted receipts, for a net increase of \$142,051 from the FY2016 Budget as Enacted. The Governor shifts more salaries and benefits to federal funds, continuing the agency's policy of realigning job duties to maximize personnel expenditures through federal funding and restricted receipts.

CAPITAL PROJECTS

The Governor recommends a total of \$11.3 million (\$5.0 million RICAP) in capital projects between FY2016 and FY2021, including:

- \$2.1 million in FY2017 (\$1.0 million in RICAP, \$585,735 in restricted receipts, and \$500,000 in federal funds) to support the Rhode Island Statewide Communications System Network (RISCON). The project enhances and further develops RISCON, the main communications platform used by all public safety agencies in the State for the daily operations.
- \$232,075 in RICAP funds and \$692,225 in federal funds in FY2016 for residual disbursements related to the Hurricane Sandy repairs to reimburse State entities for expenses incurred during the cleanup and repair of structures damaged by Hurricane Sandy on October 29, 2012. Federal funding was provided from the Federal Emergency Management Agency (FEMA) Public Assistance Program. FY2016 will be the last year with funding related to Hurricane Sandy.
- \$249,500 in FY2017 (\$189,750 in RICAP and \$59,750 in federal funds) to conduct an RIEMA building feasibility study to evaluate the agency's spatial needs and explore building options to relocate the headquarters and emergency operations center from its present location at 645 New London Avenue in Cranston. The feasibility study will not consider reusing the current headquarter facilities.

Analyst's Note: The facility located at 645 New London Avenue serves as the headquarters for the Rhode Island National Guard. The enacted capital budget includes \$32.2 million in funding to relocate the Guard to a new Joint Forces Headquarters at Camp Fogarty in East Greenwich. The relocation of the Guard to East Greenwich fulfills new federal security mandates that the Guard cannot meet at the New London Avenue location. Recently, a new emergency operations center for RIEMA was constructed at the New London Avenue location.

Department of Public Safety

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$4.7	\$5.1	\$6.6	\$1.5	29.0%	\$6.8	\$1.7	33.6%
E-911	5.3	5.4	5.5	0.1	2.3%	5.7	0.3	6.0%
Fire Marshal	3.6	5.9	7.1	1.2	19.7%	5.1	(0.7)	-12.7%
Municipal Police Training	0.4	0.4	0.5	0.1	12.6%	0.5	0.1	15.6%
Security Services	21.9	22.7	22.7	0.0	0.0%	23.2	0.5	2.1%
State Police	81.3	84.3	81.6	(2.7)	-3.2%	80.5	(3.7)	-4.4%
Total	\$117.2	\$123.7	\$123.9	\$0.2	0.1%	\$121.8	(\$1.9)	-1.5%
Expenditures By Source								
General Revenue	\$99.1	\$97.1	\$93.3	(\$3.8)	-3.9%	\$99.8	\$2.8	2.8%
Federal Funds	6.0	6.8	10.1	3.3	49.2%	9.3	2.5	37.4%
Restricted Receipts	6.6	11.2	11.5	0.3	2.8%	5.5	(5.7)	-51.2%
Other Funds	5.5	8.7	9.0	0.3	3.5%	7.2	(1.5)	-17.0%
Total	\$117.2	\$123.7	\$123.9	\$0.2	0.1%	\$121.8	(\$1.9)	-1.5%
Authorized FTE Levels	634.2	633.2	633.2	-	0.0%	633.2	-	0.0%

\$ in millions. Totals may vary due to rounding.

The Department of Public Safety (DPS) is the principal agency of the Executive branch charged with law enforcement functions. It includes six program areas, including, the State Police, Central Management, E-911, Fire Marshal, Municipal Police Training Academy, and Security Services. The Department was created in the FY2009 Budget, and is headed by the Superintendent of the State Police.

MAJOR ISSUES AND TRENDS FOR FY2017

The Budget reflects a 4.4 percent decrease in all funds for the State Police as compared to the FY2016 enacted level. Within this reduction, there are several notable expenditure changes.

The Budget increases \$2.0 million for personnel costs in the State Police program, primarily due to a recent arbitration award resulting in wage increases and substituting overtime pay for compensatory time within the Detective Unit. At the time of the enacted budget, the assumed salary increase was consistent with the COLA other state employees recently received (2.0 percent over three years, totaling 6.0 percent); however, the arbitration settlement resulted in a 10.0 percent COLA increase: 3.5 percent, 3.0 percent, and 3.5 percent for the contract years ending April 30, 2014, 2015, and 2016, respectively. This also includes financing to fill 35.0 Trooper positions as a result of the 2016 State Police Training Academy. The Governor's Budget notes that this will not increase the Department's FTE cap as it is expected that these positions will become vacant as a result of expected and mandatory retirements that will occur in FY2017. This increase is offset by a \$5.6 million reduction in capital purchases and equipment expenditures originally budgeted from the Google settlement funds.

The Budget also includes \$118,727 for the Capitol Police program, primarily to provide overtime staff to the State House during the legislative session. The Department states that the additional funding is needed to cover any potential absences that may occur during the fiscal year due to an increase in the number of sick leaves and injured on duty cases.

The E-911 Division is implementing Next Generation 911 (NG-911), which will allow the current E-911 Call Center in North Scituate to receive emergency text messages. The Department estimates the system will go live in September.

The Governor's Revised FY2016 Budget includes the use of \$2.5 million in Google funds as a one-time appropriation towards the cost of overtime for the State Police budget. The State Police received approval by the Department of Justice for the use of these funds as a means towards offsetting the COLA increase all sworn members received as a result the recent arbitration award.

CENTRAL MANAGEMENT

The Central Management unit consists of the Business Office, Legal Office, and Public Safety Grants Administration Office (formerly Governor's Justice Commission). The Business Office oversees fiscal and budgetary oversight for the Department, as well as human resources, payroll, and purchasing. The Public Safety Grants Administration Office serves as a conduit agency for a number of federal grants that flow to local and state public safety agencies. Grant administration includes both formula and discretionary grant programs.

The Budget includes 16.6 FTE positions in FY2016 and FY2017 for the Central Management program, consistent with the FY2016 Budget as Enacted.

Central Management	General Revenue
FY2016 Enacted	\$1,325,286
<i>Target and Other Adjustments</i>	<i>5,940</i>
Personnel	76,392
FY2017 Governor	\$1,407,618
Personnel	\$76,392

The Budget includes \$76,392 for pay grade and benefit increases throughout the Central Management program.

E-911

The E-911 Uniform Emergency Telephone System's objective is to maintain a statewide emergency telephone system providing prompt transfers of E-911 calls to the appropriate responding fire department, medical rescue service or law enforcement agency. The Division operates 24 hours a day, 7 days a week. E-911 has a primary public safety answering point (PSAP) located in the State Police Headquarters complex in North Scituate, as well as a secondary PSAP in North Providence. Backup PSAP facilities are considered best management practices to provide service continuity in cases of emergencies affecting the primary PSAP.

The Budget includes 50.6 FTE positions in FY2016 and FY2017 for the program, consistent with the FY2016 Budget as Enacted.

E-911	General Revenue
FY2016 Enacted	\$5,377,414
<i>Target and Other Adjustments</i>	<i>11,347</i>
IT Systems Maintenance	188,900
Personnel	121,779
Next Generation 911	Informational
Surcharge Revenues	Informational
FY2017 Governor	\$5,699,440
IT Systems Maintenance	\$188,900

The Budget increases general revenue by \$188,900 for hardware and software purchases, and software maintenance contracts for both the E-911 and Next Generation 911 (NG-911) systems. The Budget primarily funds SONET ring connectivity (a server system which has the ability to switch data across

multiple communication lines to allow data to be transmitted uninterrupted), Solacom and Guardian call routing hardware, and broadband service and geographic information system (GIS) contracts.

Personnel

\$121,779

The Budget includes \$121,779, primarily for overtime costs and 4.0 promotions that occur in FY2016. To offset these increases, the Department holds 3.0 FTE positions vacant, consistent with the enacted budget, and includes 1.0 percent in turnover based on past turnover rates.

Next Generation 911

Informational

The E-911 Division is undergoing a technology upgrade that will allow the program to implement Next Generation 911 (NG-911). This upgrade will allow the current E-911 Call Center in North Scituate to receive emergency text messages. The system will use a Voice over Internet Protocol (VoIP) based network solution that allows a text message to be delivered to a 911 call center. As of May 15, 2014, the four largest wireless telecommunications carriers in the United States, T-Mobile, Verizon, Sprint and AT&T, which jointly have well in excess of 90.0 percent of the wireless business, are now capable of transmitting NG-911 text messaging to any public safety answering point (PSAP) which has the technology to receive the messages.

E-911 expects to complete the necessary technology purchases and installation in FY2016 and subsequently implement the NG-911 system. Once the NG-911 network update is complete and the equipment has been installed, the Division expects to be able to receive and transfer NG-911 calls. Implementation will require testing the equipment and the training of telecommunicators as the process for receiving and transferring an NG-911 originated message differs significantly from a traditional phone call. The go-live date had been delayed due to the vendor's concerns relative to FCC requirements on transmission of 911 voice calls. This has been resolved and the vendor is continuing the network updates. The final technology component needed to complete the upgrade is the GIS system changes. This is in the final stages of being sole-source procured. The vendor has indicated that its system will be on-site in one month. At that time E-911 will begin its five-month implementation, testing, training and rollout of NG-911 (September 2016 completion).

Surcharge Revenues

Informational

The State levies an E-911 surcharge on both wireline and wireless phone lines, as do most states, to fund the program. The wireline surcharge amounts to \$1.00 per line, per month, while the wireless surcharge amounts to \$1.26 per line, per month. The additional \$0.26 levied on wireless lines was enacted in 2004 to fund the costs of a GIS database development and maintenance, and to fund primary and secondary answering point improvements. All E-911 surcharge collections are deposited as general revenues. Following is a snapshot of surcharge collections, and general revenue expenditures for E-911. Beginning in FY2016, 10.0 percent of revenue collected through E-911 surcharges will be deposited into the Information Technology Investment Fund (ITIF) established in RIGL 42-11-2.5. The ITIF is used to acquire information technology hardware, software, consulting services, and ongoing maintenance contracts for state departments and agencies.

Fiscal Year	E-911 Revenues vs. Expenditures			Net to General Fund
	Revenue	Expenditures	Deposit to ITIF	
2010	\$17,898,223	\$4,635,901	-	\$13,262,322
2011	17,248,460	4,829,770	-	12,418,690
2012	17,255,771	4,766,586	-	12,489,185
2013	17,507,117	5,103,735	-	12,403,382
2014	15,242,925	5,444,296	-	9,798,629
2015	17,641,856	5,320,615	-	12,321,241
2016*	15,719,923	5,499,050	1,571,992	10,220,873
2017*	15,777,813	5,699,440	1,577,781	10,078,373

*FY2016 and FY2017 revenue estimates are provided by the Office of Revenue Analysis; expenditures reflect the FY2016 Revised and FY2017 Governor's budgets. The general revenue reduction in FY2016 and FY2017 reflects the transfer of 10.0 percent (\$1.5 million) of the surcharge revenue to the Information Technology Investment Fund (ITIF).

FIRE MARSHAL

The State Fire Marshal is responsible for enforcing the Fire Safety Code and other laws and regulations relating to fires, fire prevention, protection, inspection and investigation. The agency includes a Bomb Disposal Unit, Enforcement Unit, Fire Education and Training Unit, Inspection Unit, Investigation Unit, and the Plan Review Unit.

The Bomb Disposal Unit assists local emergency responders in the proper handling and disposal of hazardous materials suspected to be explosive. The Enforcement Unit is responsible for the criminal prosecution of any person in violation of laws related to fires, fire prevention, fire inspection, and fire investigations. The Fire Education and Training Unit is responsible for operating the Fire Academy, by providing education and training to all fire departments in the state, both public and private. The Inspection Unit is responsible for conducting fire safety inspections of all buildings regulated by the Fire Safety Code. The Investigation Unit investigates suspicious or attempted fires to determine the cause, origin and circumstances where property has been damaged or destroyed. It also investigates fires where a fatality has occurred in so far as it is possible to determine the cause. The Plan Review Unit is responsible for reviewing architectural drawings of proposed construction plans for compliance with the Fire Safety Code.

The Budget includes 36.0 FTE positions in FY2016 and FY2017 for the program, consistent with the FY2016 Budget as Enacted.

Fire Marshal	General Revenue
FY2016 Enacted	\$3,250,543
<i>Target and Other Adjustments</i>	<i>(1,590)</i>
FY2017 Governor	\$3,248,953

MUNICIPAL POLICE TRAINING ACADEMY

The Rhode Island Municipal Police Training Academy was established in 1969, and assigned to train and certify municipal law enforcement officers for all municipalities except for the City of Providence. Municipalities do not pay to send recruits to the Academy, but they do provide in-kind services including officer time to teach courses, and meeting and firing range space. Recruits are paid by municipalities for their time spent at the Academy. Since the first training class in 1970, the Academy has graduated 114 classes. The Academy runs two to three classes and 80 to 100 professional development workshops

annually. Since 1981, the Academy has been located at the Community College of Rhode Island, Flanagan Campus, in the Town of Lincoln.

The Budget includes 2.0 FTE positions in FY2016 and FY2017 for the program, consistent with the FY2016 Budget as Enacted.

Municipal Police Training	General Revenue
FY2016 Enacted	\$254,667
<i>Target and Other Adjustments</i>	<i>9,079</i>
FY2017 Governor	\$263,746

SECURITY SERVICES

The Security Services program consists of the Capitol Police, and, beginning in FY2012, the Division of Sheriffs. The Capitol Police have arrest powers and provide security at 13 state buildings, including the State House, the courthouses, and numerous Executive branch facilities. The Sheriffs are responsible for statewide activities assigned by law which relate to the duties and functions of the sheriffs of the several counties. The division is responsible for courtroom security, judicial security, cellblock, transportation of individuals charged with crimes, interstate prisoner extraditions and service of process.

The Budget includes 220.0 FTE positions in FY2016 and FY2017 for the program, consistent with the FY2016 Budget as Enacted.

Security Services	General Revenue
FY2016 Enacted	\$22,680,304
<i>Target and Other Adjustments</i>	<i>36,344</i>
Personnel - Sheriffs Division	265,354
Overtime - Capitol Police	118,727
State Fleet Loan Repayments	62,183
FY2017 Governor	\$23,162,912

Personnel – Sheriffs Division **\$265,354**

The Budget increases \$265,354 in personnel costs in the Sheriffs program, primarily due to the shift of 12.0 FTE positions from 35-hour to 37.5-hour work weeks. In the latest agreed upon labor “mini-contract” (2014), the Sheriffs labor contract stipulated that 12.0 Sheriff positions would be shifted from 35 to 37.5 hour work weeks as opposed to 6.0 Sheriff positions moving from 35 to 40 hour work weeks. Thus, the current contract recognizes three sets of Deputy-Sheriffs: 85.0 Sheriff positions working 35 hour weeks, 12.0 Sheriff positions working 37.5 hour weeks, and 61.0 Sheriff positions working 40 hour weeks.

Overtime – Capitol Police **\$118,727**

The Budget includes \$118,727 for the Capitol Police program, primarily to provide overtime staff at the State House during the legislative session. The Department states that the additional funding is needed to cover any potential absences that may occur during the fiscal year due to an increase in the number of sick leave and injured on duty cases.

State Fleet Loan Payments **\$62,183**

The Budget includes \$247,601 in general revenue, an increase of \$62,183 over the enacted level, primarily due to the purchase of 15 new vehicles for the Sheriffs Division, including 4 vans and 2 midsize buses used to transport prisoners.

STATE POLICE

The Rhode Island State Police are a uniformed and investigative law enforcement agency having statewide jurisdiction. The agency is organized into three bureaus: the Administrative Bureau, Uniform Bureau, and Detective Bureau. The Administrative Bureau consists of sworn command staff, as well as civilian personnel, and it provides overall management and support. The Uniform Bureau is responsible for crime prevention and investigates criminal and noncriminal activities. The Uniform Bureau also establishes highway safety through enforcement of motor vehicle laws with emphasis on hazardous moving violations, i.e. drunk driving and speeding. The Detective Bureau is the primary investigative unit, and provides assistance to the Attorney General's Office and other agencies in investigating organized crime and white collar crime, and provides support to police agencies throughout the state.

The Budget includes 298.0 FTE positions in FY2015 and 297.0 FTE positions in FY2016, a decrease of 1.0 position from the budget as enacted. This position was transferred to the Central Management program within the Department.

State Police	General Revenue
FY2016 Enacted	\$64,172,279
<i>Target and Other Adjustments</i>	
Personnel	16,432
Pensions	2,015,912
Pension Trust Fund	(369,391)
State Police Training Academy	Informational
State Police Vehicles	Informational
Google Forfeiture Funds	Informational
FY2017 Governor	\$65,835,232

Personnel - COLA**\$2.0 million**

The Budget increases \$2.0 million for personnel costs, primarily due to a recent arbitration award resulting in wage increases and substituting overtime pay for compensatory time within the Detective Unit. At the time of the enacted budget, the assumed salary increase was consistent with the COLA other state employees recently received (2.0 percent over three years, totaling 6.0 percent); however, the arbitration settlement resulted in a 10.0 percent COLA increase: 3.5 percent, 3.0 percent, and 3.5 percent for the contract years ending April 30, 2014, 2015, and 2016, respectively. This also includes financing to fill 35.0 Trooper positions as a result of the 2016 State Police Training Academy. The Governor's Budget notes that this will not increase the Department's FTE cap as it is expected that these positions will become vacant as a result of expected and mandatory retirements that will occur in FY2017.

Pensions**(\$369,391)**

The Budget decreases \$369,391 for the "pay-go" State Police pensions. The decrease reflects the current costs of the pensions for 44 widows' pensions, 14 disability pensions, and 211 regular pensions. Up until July 1, 1987, sworn members were not required to contribute to their pension, must have completed twenty-years of service before they were eligible to retire, and must have retired upon the completion of their twenty-fifth year of service. The costs of these pensions, along with any cost-of living adjustments received since retirement, is included annually in the Department's budget.

Pension Trust Fund**Informational**

The FY2016 Budget as Enacted created a pension trust fund for State Police troopers hired prior to 1987 who are currently receiving benefits through a pay-as-you-go (pay-go) system. Members' benefits will remain unchanged; but the proposal transitions the current system to a more traditional retirement fund whereby contributions are amortized, in this case, over 18 years. The Governor proposed using one-time funding from the Google settlement awarded to the State Police to seed the fund. Leveraging this

investment at a 7.5 percent rate of return will achieve \$157.2 million in general revenue savings over the 77-year life of the plan. The State Police must seek approval for use of Google forfeiture funds by the U.S. Department of Justice (DOJ) Asset Forfeiture Program. The State Police, being the law enforcement entity, sent a letter in June 2015 to DOJ requesting the use of the funds. As of March, 2016, the State Police have not received approval from the DOJ.

Analyst's Note: Both FY2016 and FY2017 savings are dependent on the DPS receiving DOJ approval for use of these funds. If approval is not received, \$1.0 million will need to be restored for each fiscal year.

56th State Police Training Academy

Informational

The FY2016 Enacted Budget includes \$1.8 million (all funds) for financing of the 56th State Police Training Academy, which began February 2016. The 22-week long program in FY2016 provides a stipend of \$14,300 for each recruit along with additional state payments for certain personnel benefits at a general revenue cost of \$705,962 for 40.0 recruits. The Budget also includes \$493,040 (\$5,319 per recruit) to purchase uniforms and for overhead costs. Additionally, the Budget authorizes the use of Google Forfeiture Funds in the amount of \$836,892 to finance equipment and additional services provided to the 40.0 recruits during the academy.

The 40.0 new recruits are not included as part of the Department of Public Safety's FTE authorization in FY2016 as the trainee troopers are not considered full-time equivalent (FTE) state employees until after they graduate which will occur at the very end of FY2016. After graduating from the State Police Training Academy, the new Trooper is then placed on the State's official payroll system receiving all benefits offered to sworn members of the State Police: including healthcare, holiday pay, accreditation bonuses, and overtime. Based on the schedule of the training academy, these Troopers will become FTEs in FY2017 and fill anticipated vacancies in the program. The Governor's FY2017 Budget includes financing for 35.0 Trooper positions based on historical graduation rates of the number of recruits who actually complete the Academy and become a Trooper.

FY2016 State Police Academy Costs

Item	General Revenue
Personnel Costs (During Academy - 22 Weeks)	\$705,962
Catering/Meals	152,616
Training Injuries	55,000
Beverages for Training Classes	5,150
Subtotal	\$918,728
	Google Funds
Clothing, Boots, Accessories	\$285,409
CF-31 Panasonic Laptops	184,370
Field Testing Expenses	135,130
Motorola Portable Radios	113,300
Police/Safety Supplies	83,753
Advertising	25,430
Laundry Services	7,000
Bus Transportation Services	2,500
Subtotal	\$836,892
Total	\$1,755,620

State Police Vehicles

The Department currently has 348 vehicles in the State Police vehicle fleet. While more than half of the vehicles are under 100,000 miles, 29.9 percent (104 vehicles) are over 100,000 miles. The Department has been allotted \$307,752 from the State Revolving Loan Fund for vehicle purchases in FY2017. Purchasing new vehicles decreases vehicle maintenance costs. In FY2013, the Department purchased 154 new vehicles using Google forfeiture funds. The average useful life of these vehicles is 6.5 years.

The Budget increases \$73,564 from Road Construction Reimbursements from the Department of Transportation for road details performed by the State Police, which help to pay for maintenance costs, for an all funds total of \$1.7 million for the program in FY2017, consistent with past expenditure levels.

Google Forfeiture Funds

On August 24, 2011, Google, Inc. reached a settlement agreement with the United States Department of Justice (DOJ) to forfeit \$500.0 million for allowing online Canadian pharmacies to place advertisements through its AdWords program, targeting U.S. consumers. Rhode Island received a \$230.0 million share of this award for State and local law enforcement agencies that helped investigate Google's role in placing the online ads for illegal pharmacies. Of the total award, the State directly received \$110.0 million, of which \$60.0 million was allocated to the Attorney General's Office, \$45.0 million was allocated to the State Police, and \$5.0 million was allocated to the Rhode Island National Guard. The City of East Providence and Town of North Providence each received \$60.0 million.

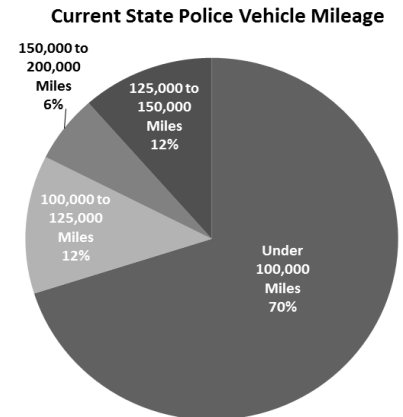
The State Police received a total of \$45.0 million from the settlement. The Budget includes \$9.9 million in FY2016 and \$5.1 million in FY2017 from the balance of its award. Approximately \$24.5 million has been spent through FY2015, mostly on capital projects. Of the balance, \$15.0 million is obligated by the Rhode Island State Police to help seed a trust fund for the State Police pay-go pension, pending DOJ approval, while the remaining funds are scheduled to be used for capital construction projects referenced in the following section.

The Governor's Revised FY2016 Budget includes the use of \$2.5 million in Google funds as a one-time appropriation towards the cost of overtime for the State Police budget. The State Police received approval by the Department of Justice for the use of these funds as a means towards offsetting the COLA increase all sworn members received as a result the recent arbitration award.

CAPITAL PROJECTS

The Budget includes a total of \$22.8 million in capital projects from FY2017 through FY2021, including \$10.9 million in restricted receipts from Google Forfeiture funds.

- The Consolidated Training Academy project will combine the current training facilities of RI State Police, Providence Police, and Municipal Police departments at the site of the former Ladd School in Exeter. Total project costs are estimated at \$19.5 million, including \$9.8 million of Rhode Island Capital Plan (RICAP) funds and \$9.8 million of Google funds (\$5.4 million in FY2017). Google funds previously approved by U.S. Department of Justice were used in FY2015 (\$176,932) to conduct a feasibility study.
- The Lincoln Woods State Police barrack is undergoing various upgrades to bring it up to date to meet Americans with Disabilities Act (ADA) requirements, upgrade security features, and to accommodate female troopers. The Budget includes RICAP funding of \$1.0 million in FY2015 along with \$1.5 million in Google forfeiture funds. In FY2016, the Budget includes an additional \$1.5 million in

Informational**Informational**

Google forfeiture funds. It is expected that the project will be completed in FY2017 as the Budget includes \$500,000 in Google funds to complete the project.

- The Budget also includes RICAP funding of \$2.0 million in FY2016 for “Phase 2” construction of the Fire Academy Building, which will incorporate classrooms and administrative offices in the existing portion of the Exeter facilities. “Phase 1” of this project was funded by general obligation bonds to construct a new four-acre burn pad, paved parking, outdoor burn props, and other “hands-on” portions of the training academy. \$900,000 for a feasibility study has also been added to this project for “Phase 3” planned construction for architectural and engineering services to add new office space for the Fire Marshal Office to be moved to after recently being relocated out of the Cranston Street Armory building due to inadequate working conditions.

Office of the Public Defender

Expenditures By Program	FY2015 Actual	FY2016 Enacted	FY2016 Governor	Change from Enacted		FY2017 Governor	Change from Enacted	
Public Defender	\$10.9	\$11.7	\$11.6	(\$0.1)	-0.7%	\$11.9	\$0.2	1.7%
Expenditures By Source								
General Revenue	\$10.8	\$11.6	\$11.5	(\$0.1)	-1.0%	\$11.8	\$0.2	1.4%
Federal Funds	0.1	0.1	0.1	0.0	44.0%	0.1	0.0	44.0%
Total	\$10.9	\$11.7	\$11.6	(\$0.1)	-0.7%	\$11.9	\$0.2	1.7%
Authorized FTE Levels	93.0	93.0	93.0	-	0.0%	93.0	-	0.0%

\$ in millions. Totals may vary due to rounding.

The Office of the Public Defender represents indigent adults and juveniles who are charged with criminal offenses or who are in jeopardy of losing custody of their children to the State. Referrals come from the Supreme, Superior, District and Family Courts. All who are financially eligible are assigned to a staff attorney for representation in the appropriate court. The main office and two branch locations are in Providence. Three additional offices are located in the southern half of the state. The metropolitan areas of Providence and Newport account for the bulk of the cases. The Office includes four basic divisions of attorneys: appellate, criminal trial (including separate felony and misdemeanor units), juvenile, and parental rights. The Public Defender is appointed by the Governor to a six-year term, with the advice and consent of the Senate.

MAJOR ISSUES AND TRENDS FOR FY2017

The agency's budget is funded almost entirely by general revenues (99.1 percent). The Budget reflects salary and benefit requirements of the existing staff, including step increases and filling a part-time staff vacancy.

The Budget includes 93.0 FTE positions for the program in FY2016 and FY2017, consistent with the FY2016 Budget as Enacted.

Central Management	General Revenue
FY2016 Enacted	\$11,621,977
<i>Target and Other Adjustments</i>	<i>13,998</i>
Personnel	123,734
Court Cost Offsets	13,197
Property Related Costs	11,476
FY2017 Governor	\$11,784,382

Personnel **\$123,734**

A \$123,734 increase in personnel costs comprises the bulk of the general revenue increase in FY2017, primarily due to the 2.0 percent for cost of living increases for existing staff. The amount also includes the cost of 1.0 part-time intake clerical FTE to support the full time intake staff.

Court Cost Offsets **\$13,197**

The Budget includes \$97,696 for courthouse fees, an additional \$13,197 over the enacted level, which the public defender's office pays to the Judiciary while occupying space in the courthouses. Agencies that occupy space in the court buildings around the State incur costs for a share of building related expenses based on the amount of space that is occupied.

Property Related Costs

\$11,476

The Budget increases \$11,476 for an increase in rent and utilities payments due for the renewal of leased space at 160 Pine Street, Providence. The lease for the Public Defender's main office space was due to expire March 31, 2016, however, the lease has been extended for ten years through March 31, 2026.

Department of Environmental Management

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from		
	Actual	Enacted	Governor	Enacted		Governor	Enacted		
Office of Director	\$8.0	\$8.4	\$9.7	\$1.3	15.7%	\$9.1	\$0.7	8.3%	
Bureau of Natural Resources	54.6	60.1	62.3	2.2	3.7%	59.9	(0.1)	-0.2%	
Bureau of Environmental Protection	26.4	30.8	30.8	(0.0)	-0.1%	30.8	(0.0)	-0.1%	
Total	\$89.0	\$99.3	\$102.8	\$3.5	3.5%	\$99.9	\$0.5	0.6%	
Expenditures By Source									
General Revenue	\$36.1	\$37.6	\$38.4	\$0.8	2.2%	\$38.2	\$0.7	1.7%	
Federal Funds	26.4	29.3	31.4	2.1	7.1%	29.7	0.4	1.4%	
Restricted Receipts	12.2	18.4	19.5	1.1	6.0%	19.1	0.7	4.0%	
Operating Transfers from Other Funds	14.3	14.1	13.5	(0.5)	-3.7%	12.8	(1.3)	-8.9%	
Total	\$89.0	\$99.3	\$102.8	\$3.5	3.5%	\$99.9	\$0.5	0.6%	
Authorized FTE Levels	399.0	399.0	399.0	-	0.0%	401.0	2.0	0.5%	

\$ in millions. Totals may vary due to rounding.

The Department of Environmental Management (DEM) is responsible for protecting, managing, and restoring the natural resources of the State. The Department is organized into three divisions: the Office of the Director, the Bureau of Natural Resources, and the Bureau of Environmental Protection.

The Department is charged with supervising and controlling the protection, development, planning, and utilization of the natural resources of the state; the promotion of agriculture and animal husbandry; and, providing for the maintenance of waterways and boating facilities.

MAJOR ISSUES AND TRENDS FOR FY2017

The FY2017 Budget includes an all funds increase of \$547,094, or 0.6 percent from the FY2016 Budget as Enacted. The Budget includes a \$654,493 (1.7 percent) increase in general revenue expenditures compared to the FY2016 Budget as Enacted. The decrease in other funds (\$1.3 million) is due primarily to project completions and changes to work schedules as programed in the enacted capital plan.

The budget strengthens the Department's Environmental Protection function through the addition of a new 1.0 FTE Senior Legal Counsel position to pursue litigation to compel compliance and ensure payment of administrative fines and penalties, and a new 1.0 FTE Environmental Scientist position to decrease response time to complaints of non-compliance and enforce new provisions of the amended wetlands and cesspool statutes. The budget also looks to improve customer service through the addition of a new Chief Public Affairs Officer, through the re-purposing of 1.0 FTE position, to strengthen the Department's communications, marketing, and outreach functions, as well as increasing its presence in social media and digital platforms.

Through Article 5, the budget includes a \$35.0 million Green Economy general obligation bond authorization for the November 2016 ballot to be allocated as follows:

- **Historic State Park Development Program:** The referendum provides \$7.0 million for major capital improvements to state-owned properties that will leverage funding from other sources such as the National Park Services' Land and Water Conservation Fund.
- **State Land Acquisition – Open Space:** The referendum adds \$4.0 million for state land acquisition. On average, DEM is able to leverage 75.0 percent of funding from federal and/or local sources. Previous bond proceeds are expected to be exhausted in FY2016.
- **State Bikeway Development Program:** The referendum provides \$10.0 million to design and construct bikeways, including the completion of the Blackstone River Bikeway, and the South County Bikeway.

- **Brownfield Remediation and Economic Development:** The referendum provides \$5.0 million to provide up to 80.0 percent in matching grants to public, private or non-profit entities for brownfield remediation projects.
- **Stormwater Pollution:** The referendum provides \$3.0 million to provide up to 75.0 percent in matching grants to public, private or non-profit entity projects that reduce stormwater pollution.
- **Local Recreation Grants:** The referendum provides \$2.0 million to municipalities to match grants of up to 80.0 percent of project costs to acquire, develop, or rehabilitate local recreational facilities such as sports fields, tennis courts, and playgrounds.
- **Local Land Acquisition:** The referendum provides \$4.0 million for grants providing up to 50.0 percent of project costs for municipalities, local land trusts, and non-profit organizations to acquire titles, development rights, or conservation easements of open spaces throughout the state. For the first time in the 30 year history of this program, DEM has depleted all the available funds.

OFFICE OF THE DIRECTOR

The Office of the Director includes the Office of Management Services, Legal Services, Administrative Adjudication, and the two central service offices of Human Resources and Information Technology. The Office is responsible for developing and implementing programs to protect the State's environment, protect citizens from public health threats resulting from pollution, and provide facilities that support outdoor recreational activities. Within the cap, the 2.0 FTE positions associated with the Bays, Rivers, and Watersheds Coordination Team, which was eliminated through Article 16 of the FY2016 Budget as Enacted, are re-purposed into a 1.0 FTE Chief Public Affairs Officer position and an 1.0 FTE Assistant Chief of Planning position.

Office of Director	General Revenue
FY2016 Enacted	\$5,162,770
<i>Target and Other Adjustments</i>	<i>143,097</i>
Community Service Grants	(450,000)
Operating Expenses	354,031
Chief Public Affairs Officer and Assistant Chief of Planning Positions	Informational
FY2017 Governor	\$5,209,898

Office of Director	Other Fund Changes
Regional Greenhouse Gas Initiative (restricted receipts)	\$494,888

Community Service Grants **(\$450,000)**

The budget decreases community service grants by a total of \$450,000, relative to the FY2016 Budget as Enacted. The decrease eliminates \$250,000 for improvements to the athletic field in Woonsocket, since the second and final year of the funding commitment was FY2016, and \$200,000 in one-time funding for North Providence drainage remediation.

Operating Expenses **\$354,031**

The budget provides additional operating expenses in FY2017 due to a new ten-year lease for the DEM headquarters at the Foundry that will begin on July 6, 2016, (\$262,833); costs associated with the implementation of the Microsoft 365 software licenses (\$80,000); and, increased electricity costs (\$10,200). The additional electricity costs will bring expenditure levels up to the actual costs experienced in FY2015.

Chief Public Affairs Officer and Assistant Chief of Planning**Informational**

The budget includes 2.0 re-purposed FTE positions, a Chief Public Affairs Officer and an Assistant Chief of Planning. The positions were previously charged to restricted receipts in the Bays, Rivers and Watershed program, which was eliminated through the FY2016 Budget as Enacted.

The Department indicates that the new Chief Public Affairs Officer's will strengthen the Department's communications, marketing, and outreach functions, as well as increasing its presence in social media and digital platforms. The Assistant Chief of Planning position will assist the Director and senior staff with strategic planning and performance measures, as well as other special projects assigned by the Director.

While the Budget approved the re-purposing of the positions, no additional funding was provided; instead the Budget Office recommends that the Assistant Chief of Planning position remain vacant. The Chief Public Affairs officer was filled October 4, 2015; consequently, the Budget Office recommends keeping the vacant Chief of Program Development position unfilled.

Regional Greenhouse Gas Initiative (restricted receipts)**\$494,888**

The budget includes an additional \$494,888 in restricted receipts for climate change, energy efficiency and renewable programs. The budget provides \$250,000 in RGGI funds for the Energy-Savings Tree Program (ESTP) that will provide grants to municipalities for tree planting on private property to limit the emission of greenhouse gasses by reducing the need for heating and cooling of homes. An additional \$200,000 will be used by the Rhode Island Farm Energy Program (RIFEP) to provide outreach and education to farmers about energy efficiency and renewable energy opportunities for agricultural operations. The RIFEP will reach out to farms that have not accessed energy efficiency and/or renewable energy projects due to their size or economic situation.

The Regional Greenhouse Gas Initiative (RGGI) is a cooperative effort by Northeastern and Mid-Atlantic states that requires member states to reduce carbon dioxide (CO₂) emissions from large fossil fuel-fired electric power plants to help address climate change. Central to this initiative is the implementation of a multi-state "cap-and-trade" program with a market-based emissions trading system. The RGGI participating states formed a non-profit corporation (RGGI, Inc.) to provide the administrative and technical services, which includes the quarterly CO₂ allowance auctions. These CO₂ allowances are generally purchased by large electric power companies that generate the electricity through the use of fossil fuels. Proceeds from the auctions are divided on a prorated basis to each of the participating states to use on climate change, energy efficiency and renewable program efforts.

Article 7 of the FY2015 Budget as Enacted amended RIGL 23-82-6 to increase the portion of the proceeds may be used for administrative/personnel costs by the DEM and the OER from the lessor of \$300,000 or 5.0 percent of the proceeds to the greater of \$300,000 or 10.0 percent of the proceeds. This would provide at least \$300,000 each year for administrative/personnel costs for the DEM and OER. DEM currently spends about \$260,000 for administrative/personnel costs annually.

BUREAU OF NATURAL RESOURCES

The Bureau of Natural Resources is comprised of six divisions which manage the State's marine, freshwater, and upland resources. The Bureau administers the State's agriculture programs, state land acquisitions, and local matching grant programs for outdoor recreation. The Bureau is also responsible for enforcing state laws and regulations governing hunting and fishing, public safety in state parks, and recreational boating; and for administering, maintaining and operating eight state parks, five campgrounds, seven state beaches, a golf course, the East Bay and Blackstone Bike Paths, and 40,000 acres of state-owned forests. Furthermore, the Bureau is responsible for oversight of all land leases and capital assets of port facilities and commercial fishing piers in Narragansett and Newport.

The budget provides 184.0 FTE positions in FY2016 and FY2017 for the program, consistent with the FY2016 Budget as Enacted.

Bureau of Natural Resources	General Revenue
FY2016 Enacted	\$20,671,723
<i>Target and Other Adjustments</i>	202,503
Personnel Costs	249,788
Local Agriculture and Seafood Act Grant Program - Funding Shift	(100,000)
Seasonal Workers - Minimum Wage Increase	Informational
FY2017 Governor	\$21,024,014

Personnel Costs **\$249,788**

The budget provides additional funding over the FY2016 Budget as Enacted for personnel costs for step and longevity increases and to replace unachieved turnover in the FY2016 Budget as Enacted.

Local Agriculture and Seafood Act (LASA) Grant Program – Funding Shift **(\$100,000)**

The budget eliminates general revenue funding for the Local Agriculture and Seafood Grant program and, through Article 20 proposes replacing the funding with the fees collected from the lease of submerged tidal land for renewable projects exceeding \$5.0 million in costs. The fee is estimated to generate \$150,000 annually. The article also updates the program to establish \$50,000 in grant funding for the fishing community.

The Local Agriculture and Seafood Grant program was established to support the growth, development, and marketing of local food and seafood within Rhode Island. The program was launched in FY2014 and is co-administered by the Division of Agriculture, within the Rhode Island Department of Environmental Management, and the Rhode Island Food Policy Council. Grants are awarded through a competitive process open to farmers, fishermen/women, non-profits, and producer groups based in Rhode Island.

Seasonal Workers Minimum Wage Increase **Informational**

Through Article 13, the Governor recommends increasing the minimum wage from \$9.60 per hour to \$10.10 per hour, effective January 1, 2017. If enacted, this will be the fifth consecutive year of minimum wage increases in Rhode Island. January 1, 2016, marked the most recent increase from \$9.00 per hour to \$9.60 per hour. The Department estimates that proposed increase will cost an additional \$67,438 in FY2017. The Governor's budget does not include the additional funding.

BUREAU OF ENVIRONMENTAL PROTECTION

The Bureau of Environmental Protection is comprised of six programs which are responsible for regulating and protecting water resources; protecting and improving air resources; regulating the transportation and disposal of solid, medical and hazardous waste, and investigating and remediating unpermitted release of those materials; responding to emergency spills of oil and chemicals that present an immediate danger to public health and environment; and assisting the public by coordinating the review of projects requiring multiple applications and permits and tracking the status of permitting activities throughout the Bureau.

The Budget provides 176.0 FTE positions in FY2016 and 178.0 FTE positions FY2017 to reflect the addition of the new 1.0 FTE Environmental Scientist position and 1.0 FTE Senior Legal Counsel position.

Bureau of Environmental Protection	General Revenue
FY2016 Enacted	\$11,751,892
<i>Target and Other Adjustments</i>	47,205
Environmental Scientist and Legal Counsel (2.0 FTE positions)	207,869
FY2017 Governor	\$12,006,966

Environmental Scientist and Senior Legal Counsel (2.0 FTE positions)**\$207,869**

The budget provides an additional 2.0 FTE positions and \$207,869 in general revenue for the salary and benefits of a new Environmental Scientist (\$89,538) and a Senior Legal Counsel (\$118,331). According to the department, the new environmental scientist will decrease response time to complaints of non-compliance and enforce new provisions of the amended wetlands and cesspool statutes. The legal counsel will pursue litigation to compel compliance and ensure payment of administrative fines and penalties.

CAPITAL PROJECTS

The Budget includes a total of \$11.0 million in capital expenditures from Rhode Island Capital Plan funds in FY2016 and \$9.6 million in FY2017, including:

- \$5.0 million in FY2016 and \$3.1 million in FY2017 for infrastructure and facility improvements at state parks and management areas. This project includes the design and construction of a new beach facility at Lincoln Woods State Park in Lincoln; the design and construction of improvements to Fisherman’s Memorial Campground; the construction of a new shower/restroom facility at George Washington Campground in Glocester; and, asset protection projects such as roof replacement, waterline connections, and roadway repair. An additional \$1.0 million was added in the FY2016 Budget as Enacted for waterline updates at Colt State Park that include installing a new waterline from Poppasquash Road to the park headquarters, replacing fire hydrants, adding sprinklers, connecting two restrooms to the new water supply, and replacing water supply piping.
- \$2.5 million in FY2016 and \$3.0 million in FY2017 for the Natural Resources Offices and Visitors’ Center project. This project involves the construction of a new building in the Arcadia Management Area to coordinate staff programming by providing office space, laboratories, storage, and workshop areas for mosquito abatement testing, the state veterinarian, and the administrative office, including the Freshwater Fisheries and Wildlife sections of the Division of Fish & Wildlife.
- \$750,000 in FY2016 and \$1.0 million in FY2017 for repairs to “high-hazard” state-owned dams. The Department has recently completed design of repairs for the two dams within the J. L. Curran Management Area in Cranston. The construction work on the upper dam began in the spring of 2014 and was completed December 2014. The Lower Curran dam is next on the priority list.

Coastal Resources Management Council

Expenditures By Program	FY2015	FY2016	FY2016	FY2017				
	Actual	Enacted	Governor	Change from Enacted	Governor	Change from Enacted		
Coastal Resources Management Council	\$4,669,180	\$5,669,383	\$7,215,410	\$1,546,027	27.3%	\$7,211,407	\$1,542,024	27.2%

Expenditures By Source	FY2015	FY2016	FY2016	FY2017				
	Actual	Enacted	Governor	Change from Enacted	Governor	Change from Enacted		
General Revenue	\$2,313,282	\$2,433,260	\$2,421,855	(\$11,405)	-0.5%	\$2,452,438	\$19,178	0.8%
Federal Funds	1,876,791	2,614,348	4,220,154	\$1,605,806	61.4%	4,098,312	\$1,483,964	56.8%
Restricted Receipts	180,733	250,000	250,000	-	0.0%	250,000	-	0.0%
Other Funds	298,374	371,775	323,401	(\$48,374)	-13.0%	410,657	\$38,882	10.5%
Total	\$4,669,180	\$5,669,383	\$7,215,410	\$1,546,027	27.3%	\$7,211,407	\$1,542,024	27.2%

Authorized FTE Levels	29.0	29.0	29.0	-	-	29.0	-	-
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\$ in millions. Totals may vary due to rounding.

The Coastal Resources Management Council (CRMC) is mandated to preserve, protect, develop and, where possible, restore the coastal resources of the state. The CRMC oversees the Coastal Habitat Restoration Program and is charged with developing an Ocean Special Area Management Plan (SAMP) and a Marine Resources Development Plan.

MAJOR ISSUES AND TRENDS FOR FY2017

The Governor's FY2017 budget recommendation for CRMC includes an all funds increase of \$1.5 million (27.2 percent) from the FY2016 Budget as Enacted. This increase includes a general revenue increase of \$19,178, reflecting statewide benefit and target adjustments, a federal funds increase of \$1.5 million, and an increase of \$38,882 in other funds. The Governor recommends 29.0 FTE positions in FY2016 and FY2017 for CRMC, level with the FY2016 Budget as Enacted.

The increase in federal funds in FY2016 and FY2017 is primarily due to the carryforward of federal funds, including grants to enhance the salt marsh in Ninigret Pond (\$2.6 million is shifted from FY2015 to FY2017); and, to restore the Narrow River after the damage incurred from Hurricane Sandy (\$1.5 million is shifted from FY2015 to FY2016).

Central Management	General Revenue
FY2016 Enacted	\$2,433,260
Target and Other Adjustments	19,178
Personnel	Informational
Federal Funds	Informational
FY2017 Governor	\$2,452,438

Personnel

Informational

For FY2017, the CRMC requested 4.0 new FTE positions to address the growing permitting, planning and policy work needed for marine resources development and the erosion SAMP. General revenue funding is also requested for a fifth position that has been left vacant in order to achieve the turnover target. The Governor does not recommend the personnel increase.

Federal Funds

Informational

Federal funds increase by \$1.6 million in FY2016 and \$1.5 million in FY2017 due primarily to the carryforward of federal grant awards.

- **Enhanced Salt Marsh in Ninigret Pond:** (\$2.6 million is shifted from FY2015 to FY2017) Funding from the National Fish & Wildlife Service of the United States Department of the Interior will restore 30.0 acres of salt marsh in Ninigret Pond and develop two designs for salt marsh restoration in the

same area. This grant requires a non-federal state match of \$321,775 which is provided in RICAP funds through the South Coast Restoration project in the Governor's Capital Budget.

- **Hurricane Sandy Narrow River Restoration:** (\$1.5 million is shifted from FY2015 to FY2016) Funding from the United States Fish and Wildlife Services will be used to restore the Narrow River estuary and adjacent shoreline through dredging, enhanced salt marsh elevation, and creation of 3.5 acres of salt marsh to protect the area from erosion. The dredging project went out to bid in fall 2015 but no bids were received so the project will be re-bid.

CAPITAL PROJECTS

The Budget provides Rhode Island Capital Plan (RICAP) funding totaling \$323,401 in FY2016 and \$410,657 in FY2017 for capital projects, including the following:

- **South Coast Restoration Project:** The budget provides RICAP funding of \$321,775 in FY2016 and \$260,657 FY2017 to match the federal National Fish & Wildlife Service grant for sediment removal and habitat restoration in Ninigret Pond.
- **Coastal Storm Risk Study:** In response to Hurricane Sandy and other coastal storms, the United States Army Corps of Engineers (USACE) is investigating solutions to reduce future flood risk by developing the long-term resilience and sustainability of coastal ecosystems. In FY2017, the budget provides \$150,000 in RICAP funds as the state share for the cost of the study being conducted by the USACE. Through the North Atlantic Coast Comprehensive Study (NACCS), the USACE identified nine high-risk areas on the Atlantic Coast for a more in-depth analysis into potential management solutions to reduce the coastal storm risk to the existing shorefront development. The study breaks Rhode Island into two planning reaches or zones. The first reach covers the Narragansett Bay area, starting at the Massachusetts border and ending at Point Judith. The second reach encompasses the south shore, including South Kingstown, Charlestown, and Westerly.

Department of Transportation

Expenditures By Program	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$10.9	\$10.7	\$12.6	\$1.9	17.8%	\$9.2	(\$1.5)	-14.2%
Infrastructure-Engineering	349.6	375.5	384.2	8.7	2.3%	367.9	(7.6)	-2.0%
Infrastructure-Maintenance	54.6	73.0	82.3	9.3	12.7%	99.3	26.3	36.0%
Management and Budget	0.5	4.5	3.7	(0.8)	-18.4%	3.0	(1.5)	-33.6%
Total	\$415.6	\$463.8	\$482.9	\$19.0	4.1%	\$479.5	\$15.6	3.4%
Expenditures By Source								
Federal Funds	\$267.7	\$263.6	\$274.3	\$10.6	4.0%	\$272.4	\$8.8	3.3%
Restricted Receipts	2.4	1.0	0.2	(0.8)	-84.0%	0.2	(0.8)	-82.0%
Other Funds	145.6	199.2	208.4	9.2	4.6%	206.9	7.7	3.8%
Total	\$415.6	\$463.8	\$482.9	\$19.0	4.1%	\$479.5	\$15.6	3.4%
Authorized FTE Levels	752.6	752.6	752.0	(0.6)	-0.1%	741.0	(11.6)	-1.5%

\$ in millions. Totals may vary due to rounding.

The Rhode Island Department of Transportation (RIDOT) is responsible for over 3,300 “lane miles” (1,100 miles) of highway and 834 bridges in the state. The Department inspects all State and municipal bridges greater than 20 feet (751 bridges). RIDOT provides services ranging from snow removal to pothole repair and from installation and maintenance of traffic signalization to design of highway and bridge construction. The Department also develops projects in the areas of rail, water, bicycle, and pedestrian transportation, coordinates with RIPTA on transit projects, and engages in air quality planning and coordination.

Established in FY1994, the Intermodal Surface Transportation Fund (ISTF) accounts for the collection of the gasoline tax, federal grants, and bond proceeds that are used for the maintenance, upgrading, and construction of the State’s highway system. It also is funded by the proceeds of the Grant Anticipation Revenue Vehicle (GARVEE) and the RI Motor Fuel Tax (RIMFT) revenue bonds, and related expenditures. The Transportation Investment and Debt Reduction Act of 2011 created the Rhode Island Highway Maintenance Account within the ISTF.

Funds are used to finance all RIDOT personnel, and operating, and ongoing repair and renovation expenditures for RIDOT facilities throughout the state, as well as highway debt service, and motor fuel tax proceeds allocated to the Rhode Island Public Transit Authority (RIPTA), the Rhode Island Turnpike and Bridge Authority, and the Department of Human Services.

MAJOR ISSUES AND TRENDS FOR FY2017

The Budget allocates a total of \$479.5 million to RIDOT, an increase of \$15.6 million from the FY2016 Budget as Enacted (3.4 percent). The Budget includes an FTE authorization of 741.0, a decrease of 11.6 FTE positions relative to the FY2016 Budget as Enacted, reflecting the transfer of positions to the Department of Administration, including 3.0 FTE positions to the Division of Capital Asset Management and Maintenance and 8.0 FTE audit positions to the Office of Management and Budget.

A report issued in January 2014 by the Special Legislative Commission to Study the Funding for East Bay Bridges states that Rhode Island will require more than \$1.0 billion in additional transportation infrastructure improvement funding over the next ten years. To address this problem, the 2014 General Assembly passed Article 21, which makes several changes to transportation funding. These changes are currently estimated to yield more than \$60.0 million annually in additional transportation funding once fully implemented in FY2019. (See Sustainable Transportation Funding below)

On December 4, 2015, President Obama signed into law the Fixing America’s Surface Transportation Act, or “FAST Act.” The \$305 billion, five-year bill, is funded without increasing the federal gas tax and is the

first law enacted in over ten years that provides long-term funding certainty for surface transportation, meaning States and local governments can move forward with critical transportation projects, like new highways and transit lines, with the confidence that federal funding is available.

RhodeWorks

2016-S-2246 - “The Rhode Island Bridge Replacement, Reconstruction and Maintenance Fund Act of 2016,” also known as “RhodeWorks,” does the following:

- Allows the Rhode Island Department of Transportation (RIDOT) to establish and collect tolls on large commercial trucks traveling on Rhode Island bridges raising a minimum of \$45.0 million annually, assuming a 25.0 percent diversion rate. Revenue collected under the tolling provision will be deposited into a newly established Rhode Island Bridge Replacement, Reconstruction, and Maintenance Fund, to be used for the replacement, reconstruction, maintenance, and operations of bridges, and for costs associated with operation and maintenance of toll facilities.
- Allows for the refinancing and restructuring of existing GARVEE bonds to realize approximately \$120.0 million in additional resources during the first three years post-refinancing.
- Allows the Rhode Island Commerce Corporation to issue new GARVEE bonds, not to exceed \$300.0 million, for bridge replacement, reconstruction, maintenance, and operations. These bonds would have an expected term of fifteen years and be repaid from future Federal Highway Administration (FHWA) funds. The FAST Act increases federal funding for states for surface transportation infrastructure improvements for five years. RIDOT estimates future federal funding increases based on these increased FAST Act amounts. The enhanced federal funding allows for the issuance of GARVEE bonds: a federally-approved financing mechanism that uses future federal grants to borrow in order to hasten project completion.

RhodeWorks allows RIDOT to assess tolls on commercial trucks Class 8 or larger.

The collection of tolls on other vehicles, including passenger cars, motorcycles, and all other vehicle classes one (1) through seven (7) pursuant to the Federal Highway Administration vehicle classification schedule, is expressly prohibited. The legislation states that no act authorizing tolls on passenger vehicles can take effect until it has been approved by the majority of voters in a statewide referendum.

The Department estimates that toll gantry construction will begin early next year and the first location could start tolling at the end of 2017 (FY2018), depending on the construction schedule.

GARVEE refinancing and the new GARVEE issuances are independent processes, as they are not dependent on toll revenue. The Departments expects to move forward with GARVEE financing in FY2016.

This legislation authorizes the Rhode Island Turnpike and Bridge Authority (RITBA) to enter into contracts with the state to operate or manage toll facilities on state roads or bridges that are not owned, leased or under the control of the Authority. However, the legislation provides clarity that any revenue generated by facilities under the control of RITBA shall only be used for the purposes of RITBA, effectively restating that tolls collected on the Newport/Pell Bridge may only be used for project costs associated with

RhodeWorks Proposal - 5 years	
Maximum Toll Through State	\$20 one way
Number of Tolling Locations	14 locations
Projected Annual Toll Revenue	\$45.0 million
Projected Annual Operating Cost	\$4.4 million
Toll Revenue (FY2016-FY2020)*	\$135.0 million
Operating Cost (FY2016-FY2020)*	\$13.2 million
Toll Gantry Pay-go Construction	\$38.0 million
Pay-Go (FY2016-FY2020)	\$83.8 million
Anticipated Federal Increase	\$102.7 million
Anticipated GARVEE Debt Service	\$64.0 million
Anticipated Unallocated Federal Funds	\$38.7 million
Federal GARVEE Bond - New Money	\$300.0 million
Federal GARVEE Bond - Refinance	\$120.0 million
Benefits - First 5 years	\$542.5 million

*Tolling begins in FY2018

maintaining bridges under RITBA control: Newport/Pell; Mt. Hope; Jamestown/Verrazano; and Sakonnet River.

Reorganization

Article 15 of the FY2016 Budget as Enacted changed the organizational functions of RIDOT by establishing a project management-based program and an asset management system.

The amendment also allowed the Director to establish divisions that he/she deems necessary to carry out the responsibilities of the department, including:

- Office of Audit
- Division of Finance
- Division of Planning
- Division of Project Management
- Division of Operations and Maintenance
- Office of Civil Rights
- Office of Safety
- Office of External Affairs
- Office of Legal
- Office of Personnel
- Office of Information Services

Article 15 required the Director of RIDOT to appoint a chief operating officer, and repealed the requirement that the deputy director of the Department of Transportation be a highway engineer.

RIDOT will now be required to report annually on the status of its 10-year transportation plan to the Speaker of the House, the President of the Senate, and the House and Senate fiscal advisors no later than March 31.

Sustainable Transportation Funding

The FY2015 Budget as Enacted provides a long-term solution to funding of road and bridge maintenance by making several changes to transportation funding. These changes are currently estimated to yield more than \$60.0 million annually in additional transportation funding once fully implemented in FY2019.

- Transfers existing revenue from inspection stickers, motor vehicle title, and car rental surcharges from the general fund to the Rhode Island Highway Maintenance Account (HMA), beginning in FY2015.
- Imposes a surcharge of \$25 on all dismissals based upon a good driving record, in addition to the current \$35 administration fee. The additional funds will be deposited into the HMA, beginning in FY2015.
- Increases the vehicle inspection fee from \$39 to \$55, with the additional revenue directed to the HMA, beginning in FY2015.
- Transfers a percentage of the proceeds annually allocated to the Rhode Island Public Transit Authority for operational support, beginning in FY2016.
- Adjusts the gasoline tax every two years according to the consumer price index to the nearest cent beginning in FY2016; however, the tax cannot go below the current amount of 33 cents per gallon.
- Requires that any funds remaining from previous general obligation bond issues that have not been otherwise allocated shall be transferred from the Intermodal Surface Transportation Fund to the HMA. This is estimated to be \$10.0 million in FY2015 and \$7.0 million in FY2016.

- Removes the authority of the Rhode Island Turnpike and Bridge Authority (RITBA) to toll the Sakonnet River Bridge and transfers 3.5 cents of the gasoline tax to the RITBA for operations and debt service in lieu of tolls on the Sakonnet River Bridge.
- Debt service expenses, which were being shifted to general revenue funds under the Department of Administration (DOA) budget, will be paid from the increased general revenue transferred to RIDOT.
- Allows more flexible use of the HMA, which was established in 2011 to provide the non-bonded match to the State federal program.
- Phases in the transfer of all vehicle license and registration fees, beginning in FY2016, to the HMA. This revenue was previously deposited into the general fund.

Rhode Island Highway Maintenance Account (HMA)

The Transportation Investment and Debt Reduction Act of 2011 created the Rhode Island Highway Maintenance Account within the Intermodal Surface Transportation Fund (ISTF).

State Matching Funds (Federal Program): To eliminate the State's reliance on borrowing for the federal funds match, the FY2012 Budget as Enacted included surcharges on driver's licenses and registrations for all vehicles, phased-in over a 3-year period beginning on July 1, 2013 (FY2014). The surcharges are deposited into the HMA to be used as part of the state match towards the department's federal highway program funds. Two-year registrations and driver's licenses are each increased by \$30 (\$10 per year for three years), while one-year registrations are increased by \$15 (\$5 per year for three years).

Prior to FY2013, the State matched Federal highway fund with general obligation bonds, which were approved by the voters as referenda questions at the November general election every two years. Debt service on the general obligation bond issues was paid with gas tax revenue, and as a result of continued borrowing, less gas tax revenue remained available each year for operations and maintenance expenditures.

State Matching Funds	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Increase Two-Year Registrations by \$30	\$7.4	\$10.9	\$10.9	\$10.9	\$10.9	\$10.9
Increase One-Year Registrations by \$15	1.5	2.3	2.3	2.3	2.3	2.3
Increase License Fees by \$30	2.5	3.6	3.6	3.6	3.6	3.6
Total Additional Revenue	11.4	16.8	16.8	16.8	16.8	16.8
2010 G.O. Bonds - Issued	7.6	-	-	-	-	-
RICAP	21.0	23.2	23.2	23.2	23.2	23.2
Total State Match for Federal Funds	\$40.0	\$40.0	\$40.0	\$40.0	\$40.0	\$40.0

\$ in millions. Totals may vary due to rounding.

Analyst's Note: In addition to the fee increases, RICAP funding and funds from previously issued General Obligation bonds are used to supplement the revenue generated by the new fees so that bond borrowing to match federal highway funding is eliminated.

Additional HMA Resources: The FY2015 Budget as Enacted provides additional funding for transportation projects through increased deposits into the HMA, including:

- A surcharge of \$25 on all dismissals based upon a good driving record, in addition to the current \$35 administration fee, beginning in FY2015.
- An increase in the vehicle inspection fee from \$39 to \$55, with the additional revenue directed to the HMA, beginning in FY2015.
- Transfers existing revenue from inspection stickers (\$16.00 per inspection), motor vehicle title (\$50.00 per title), and car rental surcharges (8.0 percent of gross receipts per rental vehicle for the first thirty days) from the general fund to the Rhode Island Highway Maintenance Account (HMA), beginning in FY2015.

- Phases in the transfer of all vehicle license and registration fees, beginning in FY2016, to the HMA. This revenue was previously deposited into the general fund.

Rhode Island Highway Maintenance Account

<i>New Fees and Surcharges</i>	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Motor Vehicle Registration and License	\$11.4	\$16.8	\$16.8	\$16.8	\$16.8	\$16.8
Inspection Sticker Increase	4.8	5.9	6.0	6.1	6.2	6.2
Good Driving Surcharge (Increase of \$25)	0.4	0.4	0.4	0.4	0.4	0.4
Total New Fees Charges	\$16.6	\$23.1	\$23.2	\$23.3	\$23.4	\$23.5
<i>Existing General Revenue being Transferred to the Highway Maintenance Account</i>						
Motor Vehicle Registration and License	\$0.0	\$13.0	\$38.8	\$49.6	\$48.8	\$48.3
Motor Vehicle Title	9.2	9.3	8.8	8.4	8.3	8.4
Inspection Sticker Increase	4.8	5.9	6.0	6.1	6.2	6.2
Rental Car Surcharge	2.9	2.9	3.0	3.0	3.0	3.1
Total Revenue Transferred from General Fund	\$17.0	\$31.2	\$56.6	\$67.0	\$66.3	\$66.1
Total Revenue to Highway Maintenance Account	\$33.6	\$54.3	\$79.9	\$90.3	\$89.7	\$89.5

\$ in millions.

Source: Office of Revenue Analysis and State Budget Office

Despite these improvements, a shortfall still exists between the funding necessary to meet transportation needs and funding available. A report issued in 2008 by the Governor's Blue Ribbon Panel estimated the State would need to spend \$640.0 million annually to maintain its transportation infrastructure in a state of good repair, representing a \$285.0 million gap annually between needs and the funds received from federal, state, and other sources. A report completed in 2011 by the Senate Commission on Sustainable Transportation Funding reached a similar conclusion.

Motor Fuel Tax Funding

A portion of the Intermodal Surface Transportation Fund (ISTF) is currently provided by 32.5 cents of the State's 33.0 cent per gallon gasoline tax. In FY2014, RIDOT received 21.75 cents of this tax, with RIPTA/DHS receiving 10.75 cents. Beginning in FY2015, 3.5 cents of the gasoline tax is transferred to the Rhode Island Turnpike and Bridge Authority to be used for maintenance operations, capital expenditures and debt service on any of its projects in lieu of a toll on the Sakonnet River Bridge. This reduced RIDOT's share of the gasoline tax to 18.25 cents per gallon.

Beginning in FY2016, the tax will be adjusted by the percentage of increase in the Consumer Price Index for all Urban Consumers (CPI-U), adjusted to the nearest 1.0 cent increment (1.0 cent increase in FY2016). In FY2016 and FY2017, the motor fuel tax is expected to generate \$4.4 million and \$4.3 million, respectively, per penny in revenue, with RIDOT receiving 19.25 cents per gallon of gasoline sold (\$83.4 million in FY2017).

The following table shows the distribution of motor fuel tax proceeds in cents per gallon.

Year	Per Penny Yield
2007	\$4,707,603
2008	4,513,744
2009	4,327,710
2010	4,289,568
2011	4,210,324
2012	4,205,959
2013	4,137,712
2014	4,236,402
2015	4,397,823
2016*	4,367,305
2017*	4,332,792

*Dept. of Revenue estimate

Motor Fuel Tax Distribution: Cents per Gallon

	General Revenue	DOT / Highway	RIPTA / Transit	RI Turnpike and Bridge Authority	Underground Storage Tank (UST) Fund	Total
FY2009	\$0.0100	\$0.2075	\$0.0875	\$0.0000	\$0.0050	\$0.3100
FY2010	-	0.2175	0.1075	-	0.0050	0.3300
FY2011	-	0.2175	0.1075	-	0.0050	0.3300
FY2012	-	0.2175	0.1075	-	0.0050	0.3300
FY2013	-	0.2175	0.1075	-	0.0050	0.3300
FY2014	-	0.2175	0.1075	-	0.0050	0.3300
FY2015	-	0.1825	0.1075	0.0350	0.0050	0.3300
FY2016	-	0.1925	0.1075	0.0350	0.0050	0.3400
FY2017	-	0.1925	0.1075	0.0350	0.0050	0.3400

The following table shows the use of motor fuel tax revenue in FY2015:

Motor Fuel Tax Use (FY2015)	Revenue	Percent of total revenue
Transit Operations (RIPTA/DHS)	\$46.2	31.7%
G.O. Bond Debt Service (DOT)	46.2	31.6%
Operating (DOT)	25.0	17.1%
GARVEE Debt Service (DOT)	8.6	5.9%
Other Operations (DOT)	2.8	1.9%
Turnpike and Bridge	15.0	10.3%
UST Fund	2.1	1.5%
Total - Estimated¹	\$146.0	100.0%

¹Includes \$3.9 million Carry Forward Balance
\$ in millions.

Federal Funding – MAP 21

The largest source of the RIDOT's infrastructure funding is through the Federal Highway Administration's Highway Trust Fund (HTF). These funds are primarily used to build the State's infrastructure and require a 20.0 percent state match. Although the Highway Trust Fund was intended to be self-sustaining through a federal gasoline tax of 18.4 cents per gallon and a diesel tax of 24.4 cents per gallon, approximately \$64.0 billion in supplemental general revenue has been paid into the Federal Highway Trust Fund since 2008. The taxes have not been raised since 1993, and inflation has eroded their value.

Originally set to expire at the end of federal fiscal year (FFY) 2009, Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) was a multi-year federal transportation funding authorization bill that mapped out the federal allocations and priorities for the distribution of Highway Trust Fund dollars. According to the Government Accounting Office (GAO), since FY2005, Rhode Island received the third highest amount of Federal Highway funding for each dollar in federal fuel tax collected (\$2.96), behind only Washington D.C. and Alaska.

Ten extensions of SAFETEA-LU were enacted, ranging from three to six months at a time, and in June 2012, Congress approved a new two-year transportation authorization called "Moving Ahead for Progress in the 21st Century (MAP-21)." The limited time of the authorization is an improvement over the short-term extensions of SAFETEA-LU for planning purposes, but a two-year authorization still requires the state to make assumptions when projecting the availability of future federal resources.

An impending shortfall of the fund was expected to occur in September 2014, however the United States Congress and ultimately the President approved a nearly \$11.0 billion short-term fix to address the looming shortfall and extend surface transportation programs through May 31, 2015. Congress approved an additional 2-month extension, extended the program through July 31, 2015. Because of the multi-year

nature of the Highway Improvement Program, the Rhode Island Department of Transportation continues to work on plans to cope with a lack of a long-term funding solution at the federal level. Based on the uncertainty at the federal level, the Department of Transportation's federal highway financing budget, as compared to the enacted budget, reflects a conservative approach to expected funds along with various changes to statewide project construction schedules and the completion of projects.

On December 4, 2015, the Fixing America's Surface Transportation (FAST) Act was signed into law authorizing Federal Highway, highway safety, transit, and rail programs for five-years from FFY2016 through FFY2020. The FAST Act provides Rhode Island with an average of \$229.8 million annually, an additional \$102.7 million in Federal Highway funding over the next five years, relative to the MAP-21.

CENTRAL MANAGEMENT

The Central Management Program includes Customer Service, Legal Services, the Real Estate section, and the Director's Office. The primary role of the Customer Service section is to provide clear, concise and timely information in response to public inquiries and in support of other offices within RIDOT. The Legal Services office works closely with the Office of the Attorney General in legal proceedings involving RIDOT and also provides support within RIDOT for program development, property management and acquisition, contracts, litigation, arbitration, and contracted outside legal services. The Real Estate section deals with acquisition, appraisal, negotiation, and relocation for property purchases (including easements and larger parcels) and property sales. The Director's Office includes the Legislative Liaison, Deputy Director, and other staff responsible for interacting with the public and making policy decisions.

Central Management	FY2015 Actual	FY2016 Enacted	FY2016 Governor	Change from Enacted		FY2017 Governor	Change from Enacted	
Federal Funds	\$9.9	\$8.5	\$8.9	\$0.3	3.7%	\$6.6	(\$1.9)	-22.6%
Other Funds	1.0	2.2	3.8	1.6	73.3%	2.6	0.4	18.9%
Total	\$10.9	\$10.7	\$12.6	\$1.9	17.8%	\$9.2	(\$1.5)	-14.2%
Authorized FTE Levels	48.6	48.6	49.0	0.4	0.8%	47	(1.6)	-3.3%

\$ in millions. Totals may vary due to rounding.

Other funds increase by \$411,705 due primarily to personnel salaries and benefits (\$389,505).

Federal funds within Central Management decrease by a net of \$1.9 million in FY2017, reflecting changes in several federal grants. FTE positions decline due to the consolidation of audit, construction, property, and asset management functions within the Department of Administration (DOA).

Federal Grant	FY2016 Enacted	FY2017 Governor	Change
Min. Penalties for Repeat Offenders DWI or DUI	\$3,200,000	\$898,483	(\$2,301,517)
NHTSA ¹ - State and Community Highway Safety Program	\$2,500,000	\$2,053,031	(\$446,969)
Primary Seatbelt Law	100,000	575,000	475,000
NHTSA - Alcohol Impaired Driving Countermeasures	100,000	300,000	200,000
NHTSA - Occupant Protection Incentive Grant	-	54,040	54,040
NHTSA - Motorcyclist Safety Grant	50,000	50,000	-
Fatality Analysis Reporting System	40,000	40,000	-
NHTSA - MAP-21-405 Funds	2,000,000	2,090,068	90,068
NHTSA - State Traffic Safety Information System	500,000	500,000	-
NHTSA - Child Safety and Booster Seat Incentive	50,000	50,000	-
Total	\$8,540,000	\$6,610,622	(\$1,929,378)

¹NHTSA - National Highway Traffic Safety Administration

The grant for Minimum Penalties for Repeat Offenders DWI or DUI is now begin managed by the FHWA, instead of the NHTSA; consequently, the funding now appears in a different account. These funds continue to be used for structural safety projects and data collection.

INFRASTRUCTURE - ENGINEERING

The Infrastructure Engineering program is responsible for the planning, engineering, design, and permitting of all RIDOT projects. The Transportation Development division assigns projects to a manager, who remains with the project from inception to construction. Some managers may have several projects, depending on the scope. The Design section is made up of three separate specializations: road, bridge, and traffic. Traffic research is also provided through several database and electronic information systems for data collection. The Environmental program works to strengthen environmental efforts and bring the Department into full environmental compliance. The Materials unit conducts sampling and quality assurance testing. The Research and Technology section evaluates new technologies, provides research for national, regional, and local programs, and provides training in new technology. The Construction section administers and inspects all construction projects. The Infrastructure Engineering program also includes the intermodal planning, health and safety, and traffic management function of the Department.

	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
Infrastructure - Engineering	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Federal Funds	\$257.8	\$255.1	\$265.4	\$10.3	4.0%	\$265.8	\$10.7	4.2%
Restricted Receipts	2.4	1.0	0.2	(0.8)	-84.0%	0.2	(0.8)	-82.0%
Other Funds	89.5	119.5	118.7	(0.8)	-0.7%	102.0	(17.5)	-14.7%
Total	\$349.6	\$375.5	\$384.2	\$8.7	2.3%	\$367.9	(\$7.6)	-2.0%
Authorized FTE Levels	432.0	432.0	400.0	(32.0)	-7.4%	395.0	(37.0)	-8.6%

\$ in millions. Totals may vary due to rounding.

Federal funding for the Infrastructure Engineering program for FY2016 increases by \$10.7 million from the FY2016 Budget as Enacted, primarily attributable to an increase of \$60.2 million in Federal Highway Administration Funds based upon revised expenditure projections and scheduling of various highway projects. This increase is partially offset by other federal fund decreases including a \$40.0 million decrease in FHWA pledged transfers due to the refinancing of GARVEE debt and a \$14.5 million decrease in federal funds for the Kingston Track Capacity Platform Improvement Rail Project.

Restricted receipts decrease by \$819,781, reflecting the transfer of the RI Highway Maintenance Account – DMV Fees to the Infrastructure Maintenance Program. Other funds decrease by \$17.5 million primarily due to a decrease of \$7.8 million in revenue available from the sale of land associated with the relocation of I-195, a \$885,096 decrease in gas tax transfers to RIPTA due to a decrease in projected gas tax revenue, and a decrease of \$7.5 million in RICAP funded highway projects.

The budget includes 40.0 previously vacant administrative FTE positions that are reclassified to in-house maintenance FTE positions to prevent the infrastructure from falling into disrepairs and to address drainage needs.

Land Sales – I-195

In the spring of 2010, RIDOT and the Rhode Island Economic Development Corporation (RIEDC) came to the General Assembly seeking \$40.0 million in general obligation bonds to allow RIEDC to purchase the land made available by the relocation of the I-Way (I-195). In total, approximately 28.7 acres are available for development. RIDOT originally allocated \$40.0 million from land sales as part of the federally-required project financing plan for the I-Way relocation. RIDOT noted that the land must be sold to meet project finance obligations and Federal Highway Administration (FHWA) requirements, but with the downturn in the economy, sale prices would be significantly lower than initial estimates. Therefore, sale of the land to RIEDC would solve the project-based cash flow problem, reduce or remove the need to act

immediately in selling the parcels (without full appraisals or marketing studies) and eliminate FHWA red-tape.

The 2011 General Assembly authorized RIEDC (now RI Commerce Corporation) to borrow up to \$42.0 million towards the purchase of this land, with an additional \$2.0 million for costs of issuance and other capital expenses. Although the bonds were sold in FY2013, the project being paid for with bond proceeds will continue through FY2017, based on the Department's projected expenditures. For FY2016 the Budget ads Enacted included \$9.3 million in proceeds from the sale of land made available from the relocation of I-195. The budget includes \$1.5 million in expenditures from bond proceeds in FY2016 and FY2017.

Highway Improvement Program

The Highway Improvement Program (HIP) includes those highway and intermodal projects which use federal funds administered by the Federal Highway Administration (FHWA). The federal funds typically require a 20.0 percent state match, which in previous years was funded by general obligation bond proceeds, and due to recent changes in law, will be funded through vehicle registration fees and RICAP funds. Other funding sources for the HIP include gas tax proceeds for debt service on motor fuel revenue bonds (which were used as the state match for GARVEE bonds), residual earnings from GARVEE bonds, and revenue from land sales.

The HIP helps to implement RIDOT's Capital Program as identified in the State's Transportation Improvement Program (TIP), a program monitored and adopted by the State Planning Council. The TIP establishes priorities for planning, design, and project implementation. Federal regulations require states and metropolitan areas to undertake an extensive public planning process, resulting in an eligible project list, the TIP, as a prerequisite for receipt of federal highway funds. No highway project can utilize federal funds unless it appears in an approved TIP. The State Planning Council approved a four-year TIP in July 2012. Priorities emphasized in the TIP include completion of major projects, bridge rehabilitation, preventative maintenance, safety, and congestion relief and environmental quality.

An impending shortfall of federal funds was expected to occur in September 2014, however the United State Congress and ultimately the President approved a nearly \$11.0 billion short-term fix to address the looming shortfall and extend surface transportation programs through July 31, 2015. On December 4, 2015, the President signed the Fixing America's Surface Transportation Act (FAST Act) providing long-term funding certainty for surface transportation. Under the FAST Act, Rhode Island is projected to receive an average of \$20.5 million more annually over five years than under the current law. This additional funding is in the TIP currently being developed.

Highway Improvement Program - Major Projects

Providence Viaduct: RIDOT successfully secured a \$10.0 million Transportation Discretionary Grant through ARRA, a Transportation Investment Generating Economic Recovery (TIGER) grant. This grant was used to begin the Providence Viaduct Project, the elevated structure that carries Route 95 through downtown Providence, across the railroad tracks, and alongside the Providence Place Mall. The I-95 Viaduct is deteriorating at a faster rate than originally anticipated and now requires bi-monthly inspections as a condition of remaining open to traffic. The project consists of replacing the current structure, which was built in 1964. Total project cost will be approximately \$177.0 million. Design costs for this project are included in the TIP in 2013, with \$20.0 million programmed per year for construction beginning in FY2013 until project is completed. Phase I (Southbound) of the project is tentatively scheduled to be completed in FY2017, with final completion of the project tentatively scheduled for FY2022.

GARVEE Funded Projects: Within the Major Projects Category, there are five projects that are funded through a federally-endorsed financing mechanism known as GARVEE (Grant Anticipation Revenue Vehicle). In 2003, RIDOT obtained permission to use a GARVEE, which allows the state to borrow against future federal funds in order to construct major projects quickly to avoid increased costs and further deterioration. The debt service on GARVEE bonds is paid through the Federal Highway Administration

(FHWA) allocation; this amount is \$12.3 million in FY2016 and \$12.6 million in FY2017, reflecting a decrease of \$40.3 million and \$40.0 million respectively from the FY2016 Budget as Enacted. These amounts reflect a significant decrease due to the refinancing of these bonds under RhodeWorks.

In Article 36 of the FY2004 Budget as Enacted, the General Assembly passed a Public Corporation Debt Management Joint Resolution authorizing the issuance of Motor Vehicle Tax Revenue bonds to complete the following five (5) major transportation infrastructure projects.

Project	GARVEE Funding	Other Funding	Total Cost
Route 195 Relocation (the I-Way)	\$303.2	\$309.6	\$612.8
Phase II, Route 403	92.2	109.5	201.7
New Sakonnet River Bridge	113.9	129.2	243.1
New Washington Bridge	79.1	7.4	86.5
Freight Rail Improvement Project (FRIP)	31.7	203.5	235.2
Total	\$620.1	\$759.2	\$1,379.3

\$ in millions. Totals may vary due to rounding.

Two of the GARVEE-funded projects have been completed (Freight Rail Improvement Program and Phase II, Route 403). The I-195 Relocation project is 85.0 percent complete, requiring finish work and landscaping. The total estimated cost to complete this project is \$38.0 million, with \$5.0 million from GARVEE proceeds and \$30.0 million from land sales. The Washington Bridge project will be completed in FY2016. The total estimate to complete this project is \$27.4 million funded with GARVEE proceeds. GARVEE proceeds of \$9.6 million are available for the demolition of the old Sakonnet River Bridge, with an additional \$2.3 million of other Federal funding for finish work on the new Sakonnet River Bridge.

Analyst's Note: These projects are substantially completed, however, debt service on the GARVEE Bonds, which are paid through the FHWA allocation, will continue through FY2024 with a refinancing anticipated to be completed in June 2016. Debt Service on the motor vehicle tax revenue bonds, which are financed through a two-cent dedication of RIDOT's gasoline tax allocation, will continue through FY2027.

INFRASTRUCTURE - MAINTENANCE

The Maintenance program provides routine maintenance for all state roads and bridges. It oversees and administers a heavy equipment fleet for road repairs, winter maintenance, bridge inspections, and other activities. The program also resolves drainage problems, provides permits for work within state right-of-ways, coordinates and schedules paving and crack-sealing, works with local communities to advance joint projects, and maintains all highway lighting and signage.

Infrastructure - Maintenance	FY2015 Actual	FY2016 Enacted	FY2016 Governor	Change from Enacted		FY2017 Governor	Change from Enacted	
Other Funds	\$54.6	\$73.0	\$82.3	\$9.3	12.7%	\$99.3	\$26.3	36.0%
Authorized FTE Levels	222.0	222.0	252.0	30.0	13.5%	252.0	30.0	13.5%

\$ in millions. Totals may vary due to rounding.

For FY2017, the Budget includes an increase of \$26.3 million in other funds, including an increase of \$5.1 million for winter maintenance and vehicle maintenance costs, \$25.0 million for roads, bridges and parking lots made available from the transfer of transportation related fees to the Highway Maintenance Account, and \$2.0 million to be transferred to the Rhode Island Public Transit Authority as a result of legislation passed in 2014. These increases are partially offset by a decrease of \$6.4 million in maintenance costs and \$2.8 million in the Rhode Island Highway Maintenance Funds portion of the state match for Federal Highway funds.

The budget includes 40.0 previously vacant administrative FTE positions that are reclassified to in-house maintenance FTE positions to prevent the infrastructure from falling into disrepairs and to address drainage

needs. The budget includes an increase of \$3.1 million in salaries and benefits primarily due to the transfer of 30.0 of the previously vacant positions into the program.

Drainage Repair, Improvement, and Preservation

The Budget includes \$3.7 million in FY2016 and \$5.0 million in FY2017 from the Highway Maintenance Account to establish a Drainage Repair, Improvement, and Preservation program. The State has approximately 25,000 catch basins, and federal law mandates that they be inspected on an annual basis and cleaned as needed. Currently, approximately 1,000 of these basins are inspected and cleaned annually. As catch basins fill with sand and other sediments, they become ineffective and cause pooling at low points on roadways. Additionally, when storm water is not appropriately handled by the catch basins, runoff can cause additional pollution when reaching bodies of water, including groundwater, wetlands and rivers. The Department estimates that an initial investment of \$500,000 per year would increase the number of catch basins serviced annually by 300, depending on the condition of the basin.

Vendor Cost

Private contractors are hired to keep up with the treatment of 1,100 miles of state road. While the State has the ability to call up to 300 vendors, a typical storm event will result in a call to approximately 250 vendors. There is no set rate for all vendors: sample rates include \$95/hour for small trucks; \$150/hour for the largest trucks; \$125/hour for front end loaders, with additional fees paid based on accessories, plow side and types of material spreaders. Unlike in past years, there were no adjustments applied to these rates to cover fuel costs. Since FY2012, the Department has offering a 20.0 percent Green Equipment Incentive for trucks with a gross vehicle weight greater than 16,000 pounds equipped with an operating closed loop spreader control system. This allows the vendors to make more efficient use of salt and sand to reduce overall winter operating costs of the Department.

Analyst Note: To date, no vendors have taken advantage of the Department's Green Equipment Incentive.

Material Cost

Salt and sand costs are dependent on contract and market prices. The current average cost for salt is \$58.00 per ton, including delivery. Sand is very inexpensive, by comparison, costing approximately \$18.00 per ton. In FY2012, RIDOT began using a new technology to produce a solution of brine, which is water mixed with salt. This solution is used to pre-treat the roads prior to storms, so long as pavement temperatures stay above 25 degrees Fahrenheit. The brine solution costs \$0.25 per gallon, and when roads are pre-treated with this brine solution, it results in a more efficient use of salt.

MANAGEMENT AND BUDGET

The Management and Budget program is made up of three divisions: Administrative Services, Financial Management, and Transportation Support Division. The Administrative Services division provides contract administration, education, minority advancement, conformance review for federal laws and regulations, and programming, administration, and coordination with the University of Rhode Island's Transportation Center. The Financial Management division oversees the Department's budget, including federal, state, capital and other funds. The Fleet Operations division maintains the Department's communications systems and vehicles in the RIDOT fleet, from passenger vehicles to heavy equipment.

	FY2015	FY2016	FY2016	Change from	FY2017	Change from		
Management and Budget	Actual	Enacted	Governor	Enacted	Governor	Enacted		
Other Funds	\$0.5	\$4.5	\$3.7	(\$0.8) -18.4%	\$3.0	(\$1.5) -33.6%		
Authorized FTE Levels	55.0	55.0	51.0	(4.0) -7.3%	47.0	(8.0) -14.5%		

\$ in millions. Totals may vary due to rounding.

The Management and Budget program is funded through motor fuel tax proceeds, without federal funding. The decrease of \$1.5 million is due primarily to the scheduling of two technology projects. The budget

provides funding to upgrade the Financial Management System (FMS) including \$1.0 million in FY2016 and \$200,000 in FY2017. The upgrade is required for the FMS to remain supported with Oracle and to avoid interruption of services. The budget also provides funding to upgrade the Project Management Portal (PMP) System. The PMP is a custom internet application for addressing all phases of design and construction projects. The application is viewable by the public with special access provided to RIDOT employees, contractors and consultants. The budget provides \$1.0 million in FY2016 and \$300,000 in FY2017 for this project.

FTE positions decline due to the consolidation of audit, construction, property, and asset management functions within the Department of Administration (DOA).

CAPITAL PROJECTS

Capital projects are an integral part of the RIDOT budget. In addition to the projects included in the Transportation Improvement Program (TIP), the following projects are also part of the RIDOT capital program.

Maintenance Facility Improvements: The Budget includes Rhode Island Capital Plan (RICAP) funding of \$400,000 in FY2017 to repair and renovate existing state highway maintenance facilities. Funds will be used for roof replacements at the Midstate facility and the Anthony garage, conversion of the Belleville maintenance facility's heating system from oil to natural gas, and installation of a backup generator at the Middletown maintenance facility. In FY2016, \$622,710 in 2004 bond proceeds is dedicated to the project.

Portsmouth Facility: The Budget includes \$2.1 million in general obligation bond funds, \$3.2 million in RICAP funding and \$741,056 in motor fuel tax revenues through FY2018 to replace the Portsmouth facility. The existing building is in poor condition, and there is insufficient space on the lot to store either salt supplies or house the vehicles indoors.

Salt Storage Facilities: The Budget includes \$1.0 million of RICAP funding annually in FY2016 and FY2017 to construct salt storage facilities across the state where salt is currently stored uncovered. Projects are pending for demolition of the old facilities and construction of new salt storage facilities at Dillon's Corner (Narragansett) and the former Lincoln Maintenance Facility. Future projects include salt storage facilities in East Providence, Pawtucket, Newport, and Portsmouth.

Vehicle Equipment Replacement Plan: The Budget includes \$19.0 million in RICAP funds, along with \$17.5 million in motor fuel tax revenue and \$3.5 million from the State Fleet Replacement fund, through FY2021, for the purchase or lease of heavy trucks, sweepers, loaders, backhoes, and tractors to replace aging equipment in the Maintenance Division. This funding will allow RIDOT to follow a structured replacement plan, which has been developed by the Department, to replace its aging fleet. According to the Department, more than 50.0 percent of its fleet and equipment was purchased before 2003.

Train Station Maintenance and Repairs: The Budget includes \$2.2 million in RICAP funds through FY2021 for major capital repairs, including HVAC and roofing repairs, at train stations in Woonsocket, South Kingstown, and Westerly, which RIDOT is responsible for.

Rhode Island Public Transit Authority

Revenues by Source	FY2015	FY2016	FY2016	Change from		FY2017	Change from	
	Actual	Enacted	Revised ¹	FY2016 Enacted		Board	FY2016 Revised	
Motor Fuel Tax	\$41.6	\$44.2	\$43.5	(0.6)	-1.5%	\$44.0	0.5	1.2%
Passenger Revenue	24.9	21.6	21.5	(0.2)	-0.8%	23.8	2.4	11.0%
Special Revenue	0.9	1.1	1.1	-	0.0%	1.2	0.1	9.9%
Other Revenue	11.3	11.0	11.5	0.4	4.1%	11.0	(0.5)	-4.4%
Federal Funds	19.8	22.5	23.1	0.6	2.7%	24.7	1.6	6.7%
State Highway Fund Revenues	-	2.7	2.7	-	0.0%	4.0	1.3	46.5%
General Revenue Appropriation	-	2.0	2.0	-	0.0%	-	(2.0)	-100.0%
Total	\$98.5	\$105.2	\$105.4	\$0.2	0.2%	\$108.7	\$3.3	3.1%
Expenditures by Category								
Salaries, Wages, and Benefits	\$71.3	\$74.2	\$74.1	(\$0.1)	-0.1%	\$74.9	\$0.8	1.0%
Contract Services	9.1	10.5	10.5	0.1	0.5%	11.2	0.6	6.0%
Operating Costs	13.7	13.8	13.7	(0.1)	-0.7%	15.4	1.7	12.6%
Utilities	2.0	1.8	1.5	(0.3)	-16.2%	2.0	0.5	31.8%
Insurance and Settlements	5.2	4.8	4.5	(0.3)	-5.3%	5.1	0.6	13.1%
Capital Match	-	0.2	0.2	-	0.0%	0.1	(0.1)	-49.2%
Revolving Loan Fund	-	0.5	0.5	-	0.0%	0.7	0.2	40.9%
Self-Insurance Reserve	-	0.3	0.3	-	0.0%	0.3	-	0.0%
Other	0.0	0.0	0.0	-	0.0%	0.0	-	0.0%
Total	\$101.3	\$106.0	\$105.3	(\$0.6)	-0.6%	\$109.6	\$4.3	4.1%
Surplus/(Deficit)	(\$2.9)	(\$0.8)	\$0.1			(\$0.9)		
Authorized FTE Levels	817.0	817.0	817.0	-	0.0%	818.0	1.0	0.1%

¹ The FY2016 Revised Budget was approved by the Board on February 22, 2016, and encompasses recent revenue changes including additional federal funding provided by the FAST Act, revenue from a pilot program with BHDDH, offset by a decrease in the gas tax. Expense projections have decreased by \$648,480 since the original budget submission. \$ in millions. Totals may vary due to rounding.

The Rhode Island Public Transit Authority (RIPTA) was established in 1964 and is currently governed by an eight (8) member Board of Directors. As defined under RIGL 39-18-3, RIPTA is responsible for:

- Providing public transit services to meet the mobility needs of the people of the State
- Increasing access to employment opportunities
- Connecting different modes of public transportation, including rail, air and water services
- Promoting community design that features public transit services
- Facilitating energy conservation and efficient energy use through public transit services
- Mitigating traffic congestion and enhance air quality

RIPTA operates and maintains two facilities in Providence and one in Newport.

MAJOR ISSUES AND TRENDS FOR FY2017

The FY2017 Budget approved by the Board for submission to the State Budget Office reflected a deficit of \$2.7 million. The Governor's proposal includes \$1.2 million in FY2017 to assist RIPTA by transferring debt service payments to general revenue in the Department of Administration. This covers the debt service in full for FY2017 due to a refinancing of the original debt, and results in a projected deficit of \$912,567 in FY2017.

Passenger revenue increases by \$2.4 million in FY2017 from the FY2016 Revised Budget, and reflects an additional \$2.1 million in revenue from student passes as the City of Providence has changed its policy to busing students living 2.0 miles from their school. Previously, the limit for receiving bus passes was 2.5 miles. However, providing this additional service has increased RIPTA labor costs by \$350,000.

Only the pay-go portion of Other Post-Employment Benefits (OPEB) is included in the Budget proposal. The total unfunded OPEB liability as of June 30, 2015, is \$50.3 million.

A one-time grant of \$2.0 million, which was included in the FY2016 Budget as Enacted, is not included in the Governor's FY2017 proposal.

The FY2016 Budget as Enacted included a provision which authorizes RIPTA to charge half-fares to senior and disabled riders, who previously rode for free. This provision, along with a fare increase beginning on March 1, 2016, is expected to increase revenues by \$3.0 million to \$3.5 million per year once it initiates.

Article 21 Funding: The FY2015 Budget as Enacted included a provision that RIPTA would receive 5.0 percent of available proceeds from revenue deposited into the Rhode Island Highway Maintenance Account (HMA) beginning in FY2016. RIPTA's share of this account was \$2.8 million in FY2016. For FY2017, RIPTA expects its share of this account to increase by \$1.2 million to \$4.0 million as the percentage of motor vehicle related fees transferred into the HMA increases from 25.0 percent to 75.0 percent.

If additional funding from a pilot program with BHDDH and from the federal FAST Act materializes, RIPTA may realize a small surplus in FY2017.

Decline in non-emergency medical trips: RIPTA continues to experience a decline in revenues from the Medicaid program. Effective May 1, 2014, all non-emergency medical transportation services for Medicaid beneficiaries and individuals over the age of 60, who do not have access to transportation for critical appointments and services are being coordinated by Logisticare, a transportation broker hired by the Executive Offices of Health and Human Services (EOHHS). The Ride program (Paratransit), through RIPTA, is now just one of twenty vendors subcontracted by Logisticare to provide transportation services.

On December 1, 2014, LogistiCare implemented the Rite Care Program Change. At that point LogistiCare began distributing RIPTIKS (single ride passes) to riders instead of Rhody 10 passes. Rhody 10 passes and monthly passes for Rite Care customers are no longer distributed in grocery stores; instead, Rite Care customers must contact LogistiCare to request passes for medical appointments. Passes for the requested number of trips are mailed to the customer. As a result of the RiteCare and Logisticare program changes, RIPTA experienced a \$3.6 million revenue reduction in FY2015 and expects a \$5.9 million deficit in FY2016.

Given the reduction in Paratransit revenues, efforts have been made to reduce expenses and increase efficiency in the program. The number of budgeted van operators has fallen from 130 to 122. Split shifts have been implemented and overtime is not included in the budget for Paratransit drivers.

Fare Changes/Reduced Fare Program

RIPTA launched a comprehensive fare study, in March of 2015, to review all fare products offered to customers as well as the rates that are charged. RIPTA hired LTK Engineering Services of Ambler, Pennsylvania, to help conduct the necessary research. The goal of the fare study was to simplify fare products; improve reliability of fare media; introduce needed products; make boarding a bus fast, convenient and reliable; implement new fare technologies; and maximize revenue and ridership. Without the new fare structure, RIPTA faced a projected operating deficit of approximately \$2.6 million in FY2016 and \$4.4 million in FY2017, and each year thereafter.

In June 2015, the General Assembly passed Article 22, as part of the FY2016 Budget. This article, which amends RIGL 39-18-4: Powers and duties of the authority, authorizes RIPTA to charge half-fares to senior and disabled riders, who previously rode for free. RIPTA asked LTK to include this authorization into the fare study.

The fare structure was proposed from four scenarios that were presented at community meetings during the month of October. The fare study recommends implementing changes in two phases:

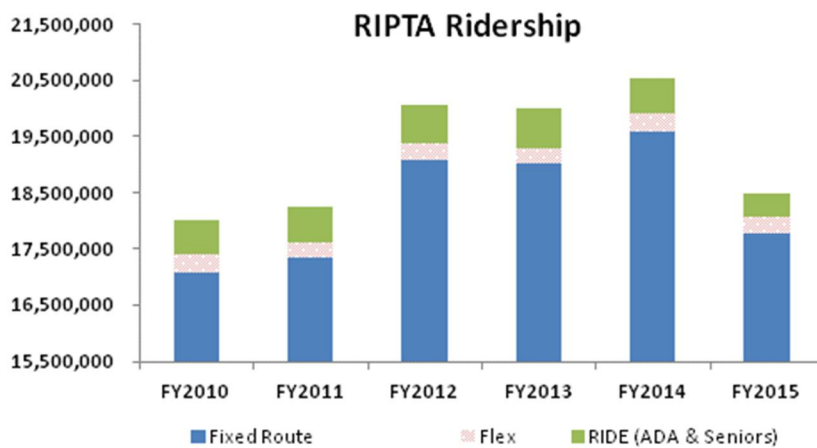
- Phase 1, which began on March 1, includes fare simplification and fare revenue recovery.
- Phase 1 changes to the reduced fare pass program will begin on July 1, 2016. A proposal to extend the half fare to all seniors, regardless of income, has been removed from the proposal.
- Phase 2, which will be completed in 1-2 years, will focus on investments in fare technology to reduce cash transactions, improve the availability of fare media, and speed the boarding process.

FULL FARES	Proposed Fare Changes			REDUCED FARES	Current	Phase 1	Phase 2
	Current	Phase 1	Phase 2				
Cash				Cash			
Base Fare	\$2.00	\$2.00	\$2.00	Base Fare	\$0.00	\$0.50	\$0.50
Transfer	0.50	1.00	discontinue	Transfer	0.00	0.25	discontinue
Smart Card	n/a	n/a	2.00	Smart Card	n/a	n/a	0.50
Transfer	n/a	n/a	included	Transfer	n/a	n/a	included
Trip-Based				Trip-Based			
RIPTiks	20.00	discontinue	n/a	RIPTiks	n/a	n/a	n/a
15-Ride Pass	26.00	discontinue	n/a	15-Ride Pass	n/a	n/a	n/a
10-Ride Ticket (includes transfer)	n/a			10-Ride Ticket (includes transfer)	n/a	5.00	discontinue
Time-Based				Time-Based			
Day Pass	6.00	6.00	6.00	Day Pass	n/a	TBD	TBD
7-Day Pass	23.00	25.00	25.00	7-Day Pass	n/a	TBD	TBD
Monthly Pass	62.00	70.00	70.00 (rolling)	Monthly Pass	n/a	TBD	TBD

Ridership

RIPTA offers three types of transit service: fixed route service consists primarily of regular bus service on established routes; Flex service provides van transportation within a limited geographic area; and the RIDE program, which provides transportation to eligible senior citizens and individuals with disabilities.

In FY2015, RIPTA's total ridership was 18.5 million passengers, a net decrease of 10.3 percent from FY2014. The largest decrease, 36.2 percent, was in RIDE senior and disabled transportation program. The following table shows ridership, by category, for RIPTA for FY2010 through FY2015.



Analyst's Note: Ridership increased by 10.2 percent between FY2011 and FY2012. RIPTA attributes this increase to a spike in gasoline prices, resulting in more people using public transportation as opposed to personal vehicles. The U.S. Energy Information Administration (EIA) reports that New England gas prices rose from an average of \$2.86 per gallon in 2010 to \$3.79 per gallon in 2012, an increase of 32.5 percent. Gas prices remained at this level through July FY2014, at which time gas prices began decreasing. The EIA reports gas prices at \$1.77 per gallon for the week beginning February 22, 2016, and fixed route ridership for FY2015 is at the FY2011 level.

SELECTED CAPITAL PROJECTS

The Governor recommends \$68.8 million in capital expenditures, of which \$4.7 million is Rhode Island Capital Plan (RICAP) funded and \$57.0 million is funded by the Federal Transit Administration (FTA) and other federal funds, between FY2016 and FY2021, including the following:

Bus Purchases: RIPTA has a fixed route fleet of 230 vehicles, including 197 fixed route buses, 10 fixed route trolleys, and 23 flex zone buses (less than 30 feet long). During FY2016, RIPTA will retire 14 buses that were put into service in 2005 and purchase 18 new, fuel-efficient buses, which are equipped with emission control devices to meet EPA guidelines for Clean Air standards;

In FY2017, RIPTA will purchase 24 buses, replacing an equal number of 2004 buses. The FTA pays 80.0 percent of each vehicle replacement cost and RIPTA pays a 20.0 percent local match.

The Budget includes \$9.7 million in FY2016, including \$7.8 million in FTA funds, \$1.8 million from the State Fleet Replacement Fund, and \$186,331 in 2010 General Obligation bond funds; and in FY2017 the Budget includes \$12.2 million for bus purchases including \$9.8 million in FTA funds and \$2.4 million from the State Fleet Replacement Fund.

Paratransit Vehicles: RIPTA maintains a fleet of 125 vehicles for the paratransit program, also known as RId. FTA guidelines specify that Paratransit vehicles should not be used for more than an average life of five years. During 2014, OHHS awarded a contract to LogistiCare to manage its transportation needs, which has reduced the number of rides provided by RIPTA and introduced a high level of uncertainty to the Paratransit program. In spite of the uncertainty, the age of the Paratransit fleet requires the continued replacement of vehicles that are past their useful life.

The Budget includes \$3.7 million in FY2016 and \$1.4 million in FY2017 for Paratransit bus purchases. The FTA pays 80.0 percent of each vehicle replacement cost and RIPTA pays a 20.0 percent local match from its revolving loan fund.

Land and Buildings Enhancements: This is a multi-year project to improve passenger facilities as outlined in RIPTA's strategic plan. RIPTA also plans improvements to transit hubs in Newport, Warwick Mall, the East Side Tunnel, and Pawtucket. This project will renovate existing Park and Ride lots and construct new Park and Ride lots. Improvements may include repaving, lighting, fencing, security enhancements, and other amenities. Security improvements to RIPTA facilities are also included in this project.

The Budget includes \$9.0 million for land and building enhancements between FY2016 and FY2021, including \$7.6 million in FTA funds, \$391,670 in local funds, \$680,000 in RICAP funds, and \$373,196 in RIPTA operating funds.

Mass Transit Hub Infrastructure

A \$35.0 million general obligation bond authorization approved by the voters at the November 2014 general election will be used to fund major renovations and enhancements to mass transit hub infrastructure. Funding is included in the Department of Transportation budget and will be used for significant bus service enhancements within downtown Providence. The goal of this project is to improve transit capacity, improve rail services at Providence Station, establish intermodal connections, and support economic development.



SPECIAL REPORTS

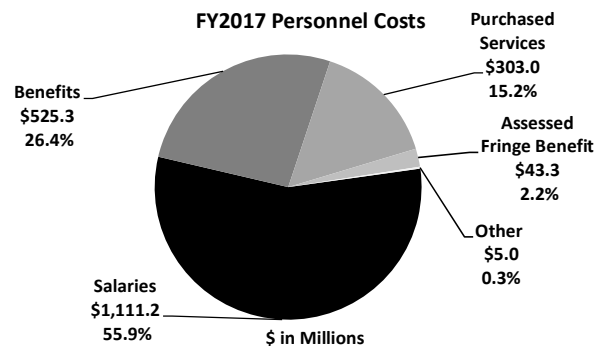
Personnel

The Governor's FY2017 Budget includes a total of \$1,987.8 million for personnel expenditures, an increase of \$66.9 million compared to the FY2016 Budget as Enacted, and \$56.4 million less than the Governor's FY2016 Revised Budget recommendation. Salaries and benefits total \$1,636.5 million and comprise 82.3 percent of FY2017 personnel expenditures (53.2 percent of the salaries and benefits costs are supported by general revenue).

The Governor's FY2016 Supplemental Budget includes \$2,044.2 million for personnel expenditures, an increase of \$123.3 million compared to the FY2016 Budget as Enacted. Salaries and benefits total \$1,602.7 million and comprise 78.4 percent of FY2016 personnel expenditures (52.6 percent of the salaries and benefits costs are supported by general revenue). Purchased services increase \$115.2 million, (\$13.4 million in general revenue), largely due to federal funding for the Unified Health Infrastructure Project (UHIP) within the Executive Office of Health and Human Services.

PERSONNEL EXPENDITURE TRENDS

Expenditures for salaries in FY2017 total \$1,111.2 million, comprising 55.9 percent of total personnel costs, an increase of \$29.5 million (2.7 percent) from the FY2016 Budget as Enacted, reflecting an increase in the number of authorized FTE positions and salary inflation. Total benefit costs, excluding assessed fringed benefits and other costs, amount to \$525.3 million and comprise 26.4 percent of total personnel costs. Benefits increase \$11.2 million (2.2 percent) from the FY2016 Budget as Enacted, primarily due to



an increase in retirement costs as a result of the Pension Settlement changes. Purchased services costs are \$303.0 million (15.2 percent) of the total personnel costs. Purchased services increase \$20.9 million (7.4 percent) from the FY2016 Budget as Enacted.

Expenses by Description	FY2014 Actual	% of Total	FY2015 Actual	% of Total	FY2016 Enacted	% of Total	FY2016 Governor	% of Total	FY2017 Governor	% of Total
Salaries	\$1,023.1	55.5%	\$1,042.9	55.6%	\$1,081.7	56.3%	\$1,097.3	53.7%	\$1,111.2	55.9%
Benefits	478.0	25.9%	478.3	25.5%	514.1	26.8%	505.4	24.7%	525.3	26.4%
Purchased Services	302.3	16.4%	310.5	16.6%	282.1	14.7%	397.3	19.4%	303.0	15.2%
Assessed Fringe Benefits	35.9	1.9%	38.9	2.1%	37.9	2.0%	40.0	2.0%	43.3	2.2%
Other	4.5	0.2%	4.4	0.2%	5.1	0.3%	4.2	0.2%	5.0	0.3%
Total	\$1,843.8	100.0%	\$1,875.0	100.0%	\$1,920.9	100.0%	\$2,044.2	100.0%	\$1,987.8	100.0%

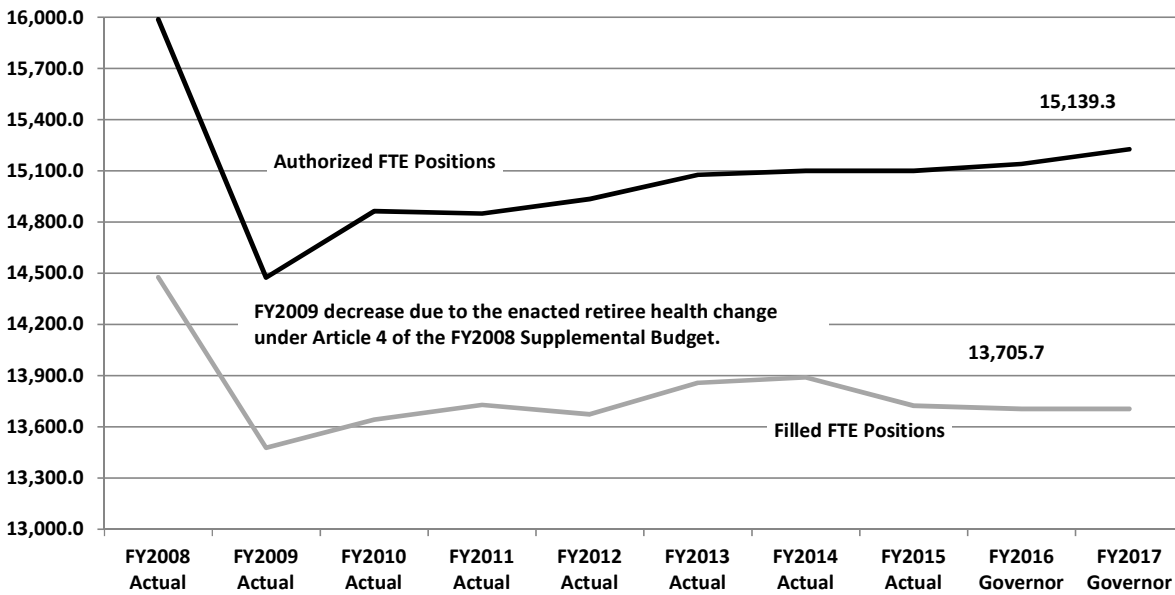
\$ in millions. Totals may vary due to rounding.

Expenses by Function	FY2014	FY2015	FY2016 Enacted	FY2016 Governor	FY2017 Governor	% of Pers. Budget	FY2017 General Revenue	FY2017 General Revenue %
General Government	\$285.9	\$295.4	\$292.0	\$304.0	\$292.1	14.7%	\$174.2	59.6%
Human Services	452.7	471.4	484.0	559.2	482.4	24.3%	209.2	43.4%
Education	562.0	555.6	579.1	593.4	612.9	30.8%	161.0	26.3%
Natural Resource	54.4	56.4	60.2	63.2	63.7	3.2%	33.0	51.8%
Public Safety	375.4	391.0	399.8	409.2	417.4	20.6%	381.0	91.3%
Transportation	113.4	105.2	105.8	115.2	119.3	6.0%	-	-
Total	\$1,843.8	\$1,875.0	\$1,920.9	\$2,044.2	\$1,987.8	100.0%	\$958.4	48.2%

\$ in Millions. Totals may vary due to rounding.

FTE POSITIONS

The FY2016 Budget as Enacted authorizes 15,118.4 FTE positions. At the start of the fiscal year, 13,684.0 FTE positions (90.5 percent of the original enacted authorized amount) were filled, leaving 1,434.4 FTE positions vacant. Over the last eight fiscal years, the state vacancy rate has averaged 8.2 percent, or 1,240.0 FTE positions. Since the start of the fiscal year, the State has a net increase of 21.7 filled FTE positions. As of March 19, 2016, 13,724.1 FTE positions (90.8 percent of the authorized amount) were filled, leaving 1,394.3 FTE positions vacant.



The following table illustrates the number of FTE positions by government function.

Government Function	FY2016 Enacted	FY2016 Governor	Change to Enacted	FY2017 Governor	% of Total	FY17/FY16	FY17/FY16
						Governor	Enacted
General Government	2,330.2	2,351.7	21.5	2,391.7	15.7%	40.0	61.5
Human Services	3,747.6	3,745.6	(2.0)	3,753.6	24.7%	8.0	6.0
Education	3,884.6	3,886.6	2.0	3,918.6	25.7%	32.0	34.0
Public Safety	3,229.6	3,229.6	-	3,246.6	21.3%	17.0	17.0
Natural Resources	428.0	428.0	-	430.0	2.8%	2.0	2.0
Transportation	752.6	752.0	(0.6)	741.0	4.9%	(11.0)	(11.6)
Subtotal	14,372.6	14,393.5	20.9	14,481.5	95.1%	88.0	108.9
Sponsored Research	745.8	745.8	-	745.8	4.9%	-	-
Total FTE Positions	15,118.4	15,139.3	20.9	15,227.3	100.0%	88.0	108.9

FY2016: The Governor's FY2016 Revised Budget proposes 15,139.3 FTE positions, a net increase of 20.9 FTE positions from the FY2016 Budget as Enacted. Major FTE changes include:

- **An increase of 12.0 FTE positions in the Department of Administration:** The Governor adds 12.0 FTE positions which includes the transfer of 5.0 FTE positions from other agencies for the centralization of capital projects in the Department, 4.0 new FTE positions within the Capital Asset Maintenance and Management program, and 3.0 new FTE positions within the Office of Management and Budget increased performance management functions.
- **An increase of 6.5 FTE positions in the Department of Labor and Training:** The Governor adds FTE positions to bolster monitoring and workforce development initiatives at the Department. This includes 3.0 FTE positions for the Misclassification Task Force, 3.0 FTE positions for grant

monitoring and evaluation, 1.0 FTE position for the State Workforce and Education Alignment project, and an offset of a 0.5 FTE position due to a retirement.

- **An increase of 3.0 FTE positions in General Treasury:** The includes a 1.0 Principal Projects Manager and 1.0 Intermediate Accountant position within the Employees' retirement System and includes a 1.0 Director of Member Services position for the CollegeBound*fund* in FY2016
- **An increase of 2.0 FTE positions in Elementary and Secondary Education:** The Governor recommends two new FTE positions within the Department of Elementary and Secondary Education. One position would support and manage the Department's performance management system. The other position would support the Rhode Island evaluation model by developing and implementing professional training for teacher evaluators.

FY2017: The Governor's FY2017 Budget proposes 15,227.3 FTE positions. The major changes include:

General Government increases by 61.5 FTE positions, includes the following:

- **An increase of 32.0 FTE positions in the Department of Administration:** The Governor proposes standardizing audit functions across executive agencies by consolidating the Bureau of Audits with similar units from the Departments of Transportation, Human Services, and from Higher Education into the Office of Internal Audit within the Office of Management and Budget. The consolidation merges 28.0 FTE positions, as well as an increase of 3.0 FTE positions for performance management functions in the Office of Management and Budget, and an increase of 1.0 FTE position to enhance cyber security protection.
- **An increase of 6.5 FTE positions in the Department of Labor and Training:** The Governor adds FTE positions to bolster monitoring and workforce development initiatives at the Department. This includes 3.0 FTE positions for the Misclassification Task Force, 3.0 FTE positions for grant monitoring and evaluation, 1.0 FTE position for the State Workforce and Education Alignment project, and an offset of a 0.5 FTE position due to a retirement.
- **An increase of 9.0 FTE positions in the Department of Revenue:** The Governor adds 6.0 new Revenue Officer I positions in the Division of Taxation to provide analytical and operational support for the proposed nexus program, which will identify and register entities that have not paid appropriate corporate, withholding, and/or sales and use taxes, and identify and collect back taxes owed.

Human Services increases by 6.0 FTE positions. This includes the following:

- **An increase of 13.0 FTE positions in the Department of Health:** The Governor transfers the Women, Infants and Children's program and the associated FTE positions from the Department of Human Services to the Department of Health,

Education increases by 34.0 FTE positions. This reflects the following:

- **An increase of 34.6 FTE positions for Public Higher Education:** The increase reflects a total increase of 35.6 FTE positions for professorships and advisors at the University of Rhode Island (33.0 FTE positions) and Rhode Island College (2.6 FTE positions), partially offset by a decrease of 1.0 FTE audit due to the centralization of audit functions under the Office of Management and Budget.
- **A decrease of 2.6 FTE positions in the Council on the Arts:** The reduction in FTE positions represents the elimination of the Rhode Island Film and Television Office and the transfer of responsibility for marketing the State to production companies and overseeing the film tax credit to the Commerce Corporation.
- **An increase of 2.0 FTE positions in Elementary and Secondary Education:** The Governor recommends two new FTE positions within the Department of Elementary and Secondary Education.

One position would support and manage the Department's performance management system. The other position would support the Rhode Island evaluation model by developing and implementing professional training for teacher evaluators.

Public Safety increases by 7.0 FTE positions. This includes the following:

An increase of 13.0 FTE positions for the Department of Corrections: This reflects an increase of 13.0 FTE positions, including 8.0 new FTE positions in discharge planning to replace contracted services and 5.0 new FTE probation officer positions and operating costs related to the Justice Reinvestment initiative. The Justice Reinvestment working group identified changes needed in the management of the pre-trial population, including diversion tools that could reduce the length of stay for certain defendants, thus reducing the awaiting trial population.

Natural Resources increases by 2.0 FTE positions. This reflects the following:

An increase of 2.0 FTE positions for the Department of Environmental Management: The budget strengthens the Department's Environmental Protection function through the addition of a new 1.0 FTE Senior Legal Counsel position to pursue litigation to compel compliance and ensure payment of administrative fines and penalties, and a new 1.0 FTE Environmental Scientist position to decrease response time to complaints of non-compliance and enforce new provisions of the amended wetlands and cesspool statutes.

Transportation decreases by 11.6 FTE positions reflecting the transfer of positions to the Department of Administration, including 3.0 FTE positions to the Division of Capital Asset Management and Maintenance and 8.0 FTE audit positions to the Office of Management and Budget.

PERSONNEL REFORMS

The FY2016 Budget as Enacted included \$5.0 million in general revenue savings from personnel reforms to be achieved in part through negotiations with the various labor bargaining units, and included \$3.2 million in further contractual and operating savings. However, there were no personnel reform savings during FY2016. The Governor includes language in the Budget (Article 3) to amend several statutory provisions pertaining to the State personnel system in an attempt to modernize the system, including:

Personnel/Merit System Reforms: The Budget amends RIGL 30-15-5 to add the position of Assistant Executive Officer in the Rhode Island Emergency Management Agency to the State's unclassified service.

Article 3 amends RIGL 36-3-10 regarding employee appeals to the State's Personnel Appeal Board. The Personnel Appeal Board hears appeals by any person with provisional, probationary, or permanent status in a position in the classified service aggrieved by an action of the Administrator of Adjudication for the Department of Administration on matters of personnel administration. The change sought by the Governor requires the Board to give deference to the degree of discipline imposed on an employee by the appointing authority only if the facts of the appeal are consistent with the facts relied upon by the appointing authority and the action and discipline imposed are not found to be capricious, arbitrary, or contrary to a rule or law. According to the Department of Administration there is no direct savings anticipated with passage of this section.

Section 3 of Article 3 amends numerous sections of RIGL 36-4 concerning the Merit System. The Merit System refers to the statutes and rules governing the process of promoting and hiring government employees based on their ability to perform a job. According to the Department of Administration there is no direct savings anticipated with passage of this section. The Governor's amendments include:

- Permitting the Governor to delegate authority to the Director of the Department of Administration to approve changes to the pay plan for unclassified employees.

- Extending the probationary period from 6 months to 12 months for new and promoted appointments to the classified service. This amendment will make it easier to dismiss a probationary employee for under performance of service. This item is contained in some of the collective bargaining agreements.
- Adding 26 positions to the State's unclassified service:

Department Directors' Salaries: The Governor would repeal RIGL 36-4-16.4, eliminating the public hearing process and General Assembly authorization to change salaries of department directors. Presently, state law requires the Department of Administration to conduct annual public hearings in March to determine the salaries for directors of state executive departments. The public hearing provides a forum for public comment in determining these salaries. In addition, the Governor proposes to amend RIGL 36-6-3 and 36-6-5 to allow the directors' salaries to be set in the same manner as salaries for employees of the Governor's Office and to receive cost of living adjustments in the same manner as employees of the executive branch who are not covered by a collective bargaining agreement.

Insurance Benefits: The Governor proposes to eliminate the requirement that non-Medicare eligible retiree health insurance be equivalent to semi-private hospital care, surgical/medical care, and major medical with a \$175 calendar year deductible. The retiree medical changes will have savings, but the savings is unknown at this time because new rates will need to be established.

Insurance Cash Payment Option: The Governor proposes to permit retired employees receiving state health insurance coverage to opt to receive a cash payment in lieu of the state health insurance, provided the retiree has other non-state health insurance coverage. The cash option payments changes will have savings, but the savings is unknown at this time because new rates will need to be established.

ANALYSIS OF STATE PERSONNEL SYSTEM

The Governor includes \$250,000 in general revenue for the implementation services required for the Employee Compensation and Classification Study. This is a decrease of \$250,000 from the FY2016 Budget as Enacted. The study was one of the recommendations received from the personnel study performed by the Segal Company. According to the Department, this funding is required for the existing vendor to present the study to the Administration and Unions. The depth of the services is not known at this time.

The Department of Administration undertook a comprehensive \$1.0 million analysis of the State's personnel system before the close of FY2013, to study alternatives to what some believe is a cumbersome and outdated system, and provide opportunities to attract talented individuals to the State in light of the recent reforms impacting the state pension system and longevity benefits. On January 28, 2013, the Department of Administration released the Comprehensive Personnel Study Report with the following findings:

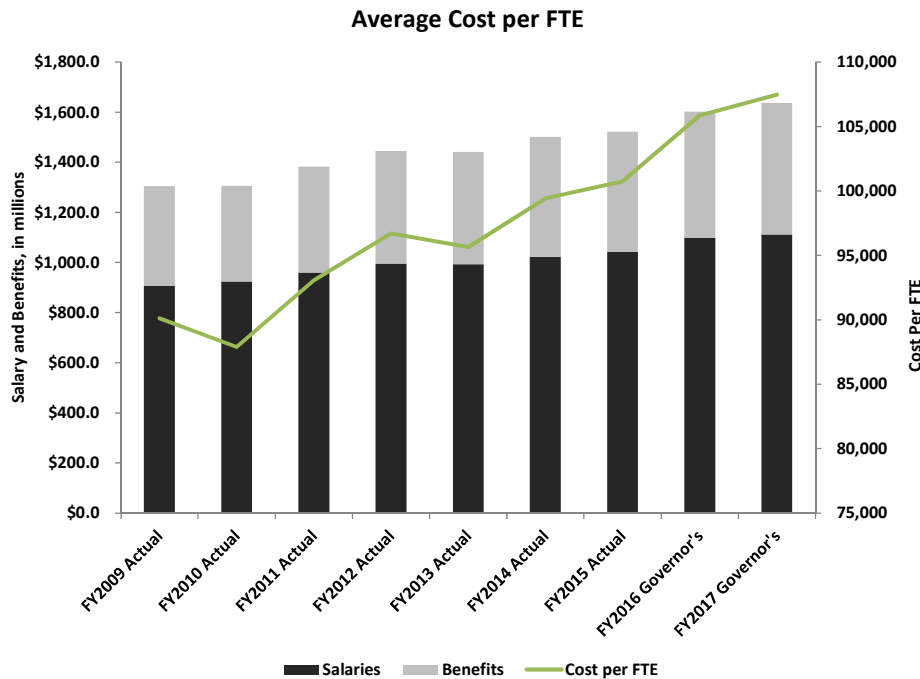
- The structure, organization, and staffing of the State's Human Resources division is not sufficient to support the State's human capital needs.
- The current recruitment and selection processes are highly paper-based, with outdated and cumbersome procedures that often delay the process and impede hiring managers' ability to identify and employ qualified candidates on a timely basis.
- The job classification structure and job descriptions do not reflect the skills and qualifications required to deliver 21st century government services.
- The compensation structures and pay delivery policies are non-competitive, highly rigid and insufficient to attract and retain skilled employees.

The goal of the Employee Classification Study is to restructure the State employee classification system and develop a new system that clearly defines jobs, has a more understandable job classification system, and contains up-to-date position descriptions. The study is also expected to develop appropriate methods

to identify the labor market for the job classification comparison and to determine the right job compensation for the job classification with the goal of attracting and retaining quality employees. The new plan will establish performance standards and appropriate assessment measures for each class of positions.

AVERAGE COST PER FTE

The projected average cost per FTE position is \$107,471 in FY2017, reflecting an increase of 1.5 percent over the FY2016 Governor’s Revised Budget, and an increase of 19.3 percent since FY2009. The cost per FTE has grown by an average of 2.3 percent each year from COLA and benefit cost increases. The cost per FTE position decreased slightly in FY2010 as a result of enacted pension reforms and overall statewide reductions to personnel expenditures.



PURCHASED SERVICES

Purchased services expenditures provide for contractors (non-state employees) who deliver special expertise to the State or where the work is temporary or project-specific. There are 10 categories of purchased services: 4 of the 10 categories, Design and Engineering, Information Technology, Management and Consultant Services, and Training and Educational Services, comprise 77.8 percent of the total FY2017 purchased service expenditure recommendation in the Governor’s FY2017 budget.

	FY2013	FY2014	FY2015	FY2016	FY2016	FY2017	FY17 to
Purchased Services	Actual	Actual	Actual	Enacted	Governor	Governor	FY16
							Change
Design & Engineering	\$43.5	\$44.8	\$43.3	\$36.6	\$45.4	\$47.5	\$4.2
Management & Consultant Services	65.0	80.0	101.7	86.9	103.3	97.1	-4.6
Training & Educational Services	56.8	44.4	42.2	43.0	50.1	46.4	4.2
Information Technology	38.0	74.9	61.7	51.8	132.5	44.8	-16.9
Medical Services	12.6	10.6	13.1	12.7	14.1	13.6	0.5
Other Contracts	8.6	13.0	15.9	16.9	17.9	15.0	-0.9
Clerical & Temporary Services	6.3	5.3	3.7	5.2	4.3	4.0	0.3
Buildings & Grounds Maintenance	5.8	6.2	6.6	6.3	6.8	7.1	0.5
Legal Services	6.0	5.4	6.3	5.9	6.2	5.2	-1.1
University & College Services	15.0	17.7	16.0	16.8	16.7	22.3	6.3
Total	\$257.6	\$302.3	\$310.5	\$282.1	\$397.3	\$303.0	-\$7.5

\$ in Millions

Does not include ISFs

For the FY2017 Budget, the Governor recommends \$303.0 million for purchased service expenses, of which \$63.8 million (21.1 percent) is general revenue. The FY2017 Budget recommendation reflects an increase of \$20.9 million over the FY2016 Budget as Enacted. Approximately \$238.2 million (78.6 percent) of the appropriation funds services in seven state departments.

Purchased Services

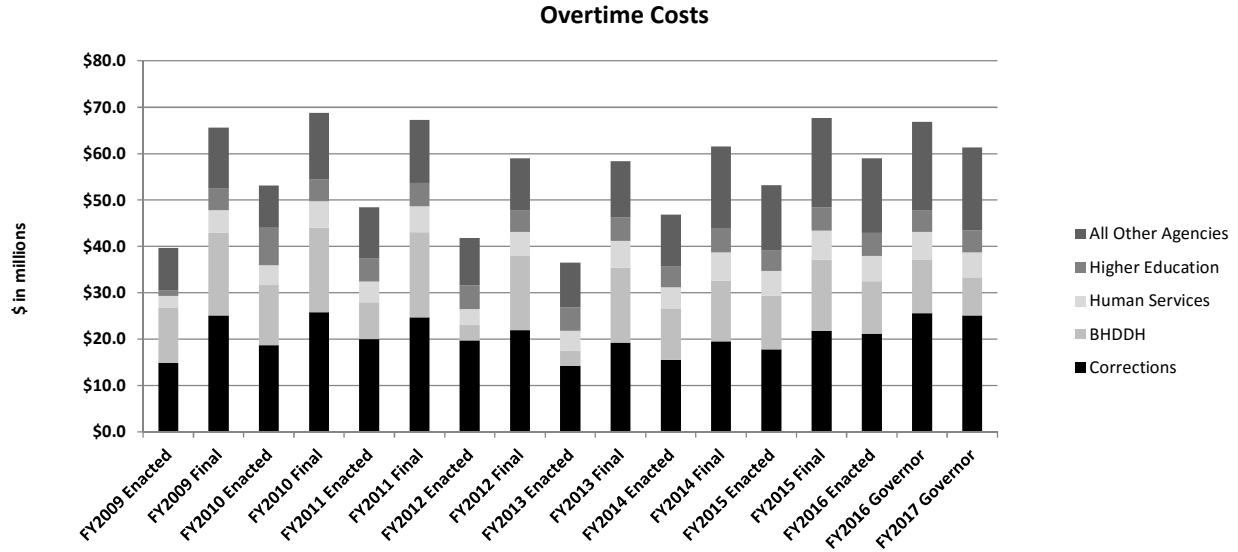
Department	FY2016	FY2016	FY2017	FY2017 General
	Enacted	Governor	Governor	Revenue
Office Health and Human Services	\$74.9	\$151.4	\$95.0	\$20.0
Elementary & Secondary Education	38.1	44.0	39.9	6.3
Transportation	30.9	39.5	38.7	-
Administration	34.9	35.7	15.7	7.2
Human Services	17.6	18.9	13.0	3.9
Higher Education	5.1	5.1	4.5	0.1
Corrections	10.4	11.2	13.4	12.9
Health	6.6	8.2	9.0	0.9
Environmental Management	6.6	7.3	7.0	0.2
Children, Youth, and Families	5.3	5.0	5.0	2.2
Labor and Training	7.2	9.7	5.8	0.1
University of Rhode Island	15.6	16.9	22.5	1.6
Revenue	1.9	5.7	4.3	0.4
All Other Agencies	27.0	38.7	29.2	8.0
Total	\$282.1	\$397.3	\$303.0	\$63.8

\$ in Millions

Does not include ISFs

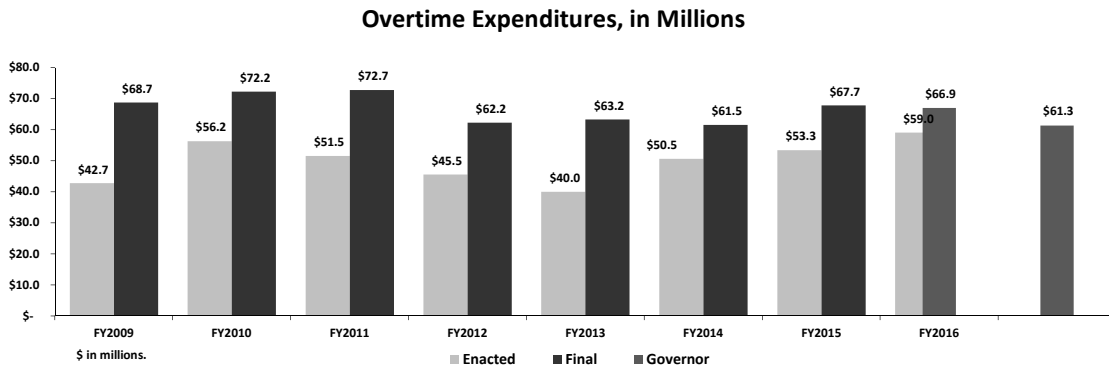
OVERTIME

Overtime costs in FY2017 are projected to total \$61.3 million, \$2.3 million more than the FY2016 Budget as Enacted and \$5.6 million less than proposed in the Governor's FY2016 Revised Budget. General revenue supports 68.4 percent of overtime expenses. 40.9 percent of the total FY2017 projected overtime expenditures for the State occur with the Department of Corrections, an 18.4 percent projected increase in overtime expenses in FY2017.



State agencies regularly over spend their overtime appropriation. Over the last six fiscal years, overtime expenditures have exceeded enacted amounts by an average of \$18.4 million (39.2 percent).

The Department of Corrections and Behavioral Healthcare, Developmental Disabilities, and Hospitals generally exceed their overtime appropriations by the largest amounts. Overtime costs often result from staffing shortages, due either to high turnover rates or insufficient FTE authorizations in the enacted budget. Where there are state or federally mandated minimum staffing levels (such as at Eleanor Slater Hospital in BHDDH), or caseload-driven personnel requirements (such as inmate population levels at the Department of Corrections) agencies must use overtime or contract personnel to provide adequate coverage. The following chart illustrates the variances between the enacted and actual expenditures for overtime costs:



STATE EMPLOYEE HEALTH INSURANCE RATES

Rhode Island offers three forms of health benefit coverage to state employees: medical coverage (through UnitedHealthcare), dental coverage (through Delta Dental), and vision coverage (through Vision Service Plan). The plan rates for UnitedHealthcare and Vision Services are determined each fiscal year and are effective every July 1. The plan rates for Delta Dental are determined on a calendar year basis and are effective every January 1. The FY2017 projected rates for all health insurance are 0.3 percent lower than the rates for FY2016 and 164.0 percent higher than the rates set in FY2001.

Health Insurance Rates Annual Employer Cost per Employee

Individual	FY2001	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2016	FY2017	% Change FY17/FY16
	Actual*	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Enacted	Governor	Governor	
Medical	\$2,772	\$5,970	\$6,020	\$6,558	\$6,559	\$7,062	\$6,967	\$7,525	\$7,622	\$7,358	\$7,601	-0.3%
Dental	241	327	360	349	350	376	382	405	411	393	405	-1.5%
Vision	41	82	83	83	84	63	59	60	59	57	59	-
Total	\$3,054	\$6,379	\$6,463	\$6,991	\$6,993	\$7,501	\$7,408	\$7,990	\$8,092	\$7,808	\$8,065	-0.3%
Family												
Medical	\$7,772	\$16,736	\$16,877	\$18,386	\$18,386	\$19,799	\$19,531	\$21,093	\$21,365	\$20,626	\$21,307	-0.3%
Dental	674	917	1,008	978	978	1,052	1,068	1,132	1,149	1,100	1,133	-1.4%
Vision	88	173	177	177	177	173	161	165	162	157	162	-
Total	\$8,533	\$17,827	\$18,062	\$19,540	\$19,541	\$21,024	\$20,760	\$22,390	\$22,676	\$21,883	\$22,602	-0.3%

Source: State Budget Office

* Medical included BCBMRI & United Healthcare

Dental projected to increase 3.0% January 1, 2017

State Employee Health Plan Costs

The FY2017 proposed total employer expenditure for state employee health plan costs is \$191.1 million, of which \$98.9 million is general revenue. This is \$2.6 million lower than the FY2016 Budget as Enacted, and \$5.8 million more than the Governor's proposed FY2016 Revised Budget.

State Employee Health Plan Total Costs

Health Plan	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2016	FY2017	FY17 to FY16	% Change FY17/FY16
	Actual	Actual	Actual	Actual	Actual	Actual	Enacted	Governor	Governor	Change	
Medical	\$126.7	\$148.6	\$145.9	\$155.2	\$162.1	\$157.5	\$180.8	\$173.0	\$178.5	(\$2.3)	-1.3%
Dental	9.0	9.2	9.2	9.3	9.8	9.7	11.4	10.7	11.0	(0.4)	-3.5%
Vision	1.6	1.6	1.5	1.4	1.4	1.4	1.5	1.6	1.6	0.1	6.7%
Total	\$137.3	\$159.4	\$156.6	\$165.9	\$173.3	\$168.6	\$193.7	\$185.3	\$191.1	(\$2.6)	-1.3%

\$ in millions

STATE EMPLOYEE CONTRACT AGREEMENT

On April 10, 2014, the Governor Chafee announced an agreement between the State and the state employee bargaining units for a proposed 4-year contract that provides three 2.0 percent cost-of-living (COLA) increases.

Prior to the April 10, 2014 agreement, the last COLA adjustment (6.0 percent total) was given to state employees in two installments occurring January 2, 2011, and June 19, 2011.

Beginning July 1, 2011, the State no longer gives longevity increases for non-union state employees. Longevity benefits for unionized state employees ceased upon the expiration of the bargaining unit contracts on June 30, 2012.

The Salary Schedules include various pay grades and within those pay grades there are individual steps (usually 4 to 5 steps) which represent an employee's "Base Rate" salary. The 2.0 percent COLA will be added to the Salary Schedules thereby adjusting each of the pay steps within the various pay grades to create a new "Base Rate". Longevity is not part of the Base Rate, rather it is the percentage that was in effect on June 30, 2011, for nonunion employees/June 30, 2012, for union employees), and applied to the Base Rate to create the "Total Rate," i.e. Base Rate + Education Incentive (if any) x Longevity % = Total Rate.

Effective Date	Percentage Increase
30-Jun-02	4.5%
27-Jun-04	1.5%
25-Jun-05	2.5%*
26-Jun-05	4.0%
25-Jun-06	3.0%
24-Jun-07	3.0%
21-Jun-09	2.5%
2-Jan-11	3.0%
19-Jun-11	3.0%
6-Apr-14	2.0%
5-Oct-14	2.0%
4-Oct-15	2.0%

Source: State Personnel Office

*Not compounded on 1.5%

State Employee Health Co-shares

Since 2005, state employees are required to pay a co-share for health insurance. The rate charged to each employee is based on a percent of premium cost and assessed by salary range. These rates increased between FY2010 and FY2012, and have since held constant, 15.0 percent for employees earning \$47,741 or less, 20.0 percent for employees earning \$47,741 to \$95,481, and 25.0 percent for employees earning more than \$95,481.

To ensure that the lower paid state employees are not negatively impacted by the COLA increase, the 2014 agreement will reset the lowest salary threshold of \$47,741 by 2.0 percent as of April 6, 2014, (\$48,696), adjust the lowest threshold again by 2.0 percent to \$49,670 on October 5, 2014, and adjust the threshold to \$50,663 on October 5, 2015..

Family Plan Co-share – Salary Ranges

FY2010	Co-share	FY2011	Co-share	Post - FY2012	Co-share	Bi-Weekly Amount
Below \$25,000	13.5%	Below \$46,350	14.0%	Below \$49,670*	15.0%	\$126.25
25,000 - 34,999	13.5%	46,350 - 92,700	20.0%	\$48,670 - \$95,481	20.0%	168.33
35,000 - 44,999	13.5%	Over \$92,700	25.0%	Over \$95,481	25.0%	210.41
45,000 - 74,999	20.0%					
75,000 - 89,999	20.0%					
Over \$90,000	25.0%					

* Will increase to \$50,663 on 10/5/2015

Individual Plan – Salary Ranges

FY2010	Co-share	FY2011	Co-share	Post - FY2012	Co-share	Bi-Weekly Amount
Below \$45,000	15.0%	Below \$46,350	17.5%	Below \$95,481	20.0%	\$60.06
45,000 - 74,999	20.0%	46,350 - 92,700	20.0%	Over \$95,481	25.0%	75.08
75,000 - 89,999	20.0%	Over \$92,700	25.0%			
Over \$90,000	25.0%					

Deductibles

The April 10, 2014, contract agreement creates new deductibles on state employee health insurance. Effective January 1, 2015, the medical deductibles will be \$250 for an individual plan and \$500 for a family plan. In addition, the agreement increases the point of service co-payments effective the first pay period after June 29, 2014, for medical appointments and service. This is the first increase since 2008.

Point of Service		5/1/2005	10/1/2008	7/1/2014
Primary Care		\$10	\$10	\$15
Specialist Visit		10	20	25
Urgent Care		10	35	50
Emergency Co-payment (waived if admitted)		25	100	125
Pharmacy	Tier 1	5	5	7
	Tier 2	12	20	25
	Tier 3	30	40	45

Revenue

The Governor's FY2017 Budget proposal increases general revenue collections by an estimated \$47.3 million (1.4 percent) above the November 2015 revenue estimate, excluding the annually-enacted hospital license fee. The Governor includes \$169.1 million for the fee. New revenue initiatives include shifting reserve funds from quasi-public agencies to general revenue, new fee and tax base expansions, and enhanced tax compliance programs.

FY2017 GENERAL REVENUE ADJUSTMENTS

Governor's Recommended Revenue Changes	FY2017
Transfers from Quasi-Public Agencies	\$16.2
Medical Marijuana Plant Tag Fees	9.8
Increase Excise Tax on Cigarettes	7.1
Transfer Pricing Audit Project	6.7
Fraud Initiative	5.0
New Revenue Officer FTEs	3.4
Earned Income Tax Credit Changes	(2.7)
Delay License Plate Reissuance	(2.0)
Increase Enforcement of Retaliatory Assessments on Foreign Insurers	1.1
Nexus Program	1.0
Sale of State Fleet Motor Vehicles	1.0
Bank and Insurance Examination Fees	0.4
Public Finance Management Fees	0.3
Transfer Submerged Land Rental Fees to DEM Restricted Receipts	(0.2)
Forward Capacity Market Revenue	0.1
Total	\$47.3

\$ in million. Totals may vary due to rounding.

Transfers from Quasi-Public Agencies

\$16.2 million

The Governor transfers approximately \$16.2 million in reserves from five quasi-public agencies to support the General Fund and to offset debt service issued by the State on the agencies' behalf.

Agency	Amount
Infrastructure Bank	\$8.0
Health and Educational Building Corporation	5.0
Resource Recovery Corporation	1.5
Narragansett Bay Commission	1.5
Airport Corporation	0.3
Total	\$16.2

\$ in millions

Rhode Island Resource Recovery Corporation: The article requires the Resource Recovery Corporation to transfer \$1.5 million to the State Controller by the end of FY2017. According to the Corporation, transferring these funds will increase the municipal tipping fee by \$5.00 per ton. On January 27, 2016, the Corporation's Board of Commissioners voted to authorize the Executive Director to file the revised municipal solid waste disposal fee pricing and procedure rule with the Secretary of State. The rule expected to become effect at the end of February 2016; however, pursuant to the rule, the tipping fee will not be adjusted unless the Corporation's cash balances fall below the minimum requirements, which include enough funds cover one-year worth of debt services (currently \$5.0 million). This fee increase is expected to happen in FY2018. The transfer of funds is not going to accelerate the schedule; however, tipping fee was projected to be around \$47.00 per ton, or less, the transfer of \$1.5 million would increase the tipping fee to about \$52.00.

Rhode Island Infrastructure Bank: The article requires the Rhode Island Infrastructure Bank (RIIB) to transfer \$8.0 million to the State Controller by the end of FY2017. According to RIIB, if the funds were transferred, planned and proposed projects for FY2017 would have to be reduced. The new Efficient Building fund (EBF) is a revolving fund designed to provide municipalities, schools, and state entities with low-cost financing for energy efficiency and renewable energy projects. As a new revolving fund the EBF requires seed money, and although RIIB has identified a \$25.0 million in potential resources, applications have been received totaling \$60.0 million in projects. It had been anticipated that RIIB would provide as much as \$12.0 million in additional seed money in late FY2017; however, the transfer of funds would force RIIB to slow or stop lending after the initial \$25.0 million. The Community Septic System Loan Program, which provides zero-interest loans to towns that then make loans to homeowners at 1.0 to 2.0 percent for replacement of cesspools and failed septic systems, would not be expanded to address the 400 or more loans in annual unmet demand. Other programs under development that would have to be cut or eliminated included the Residential PACE program and Brownfields Revolving Fund.

Narragansett Bay Commission: The article requires the Narragansett Bay Commission (NBC) to transfer \$1.5 million to the State Controller by the end of FY2017. The NBC estimates that the transfer will result in a rate increase of about 1.5 percent (about \$7.05 annually for the average single family home). This increase, however, would be in addition to an anticipated increase of about 3.0 percent to meet capital improvement and debt service requirements. NBC also expressed concerns about the impact of the transfer on the Commission's bond rating and whether such a transfer would be legal given the constraints of the Trust Indenture.

Rhode Island Health and Educational Building Corporation: The article requires the Rhode Island Health and Educational Building Corporation (RIHEBC) to transfer \$5.0 million to the State Controller by the end of FY2017. RIHEBC has indicated that the transfer of these funds would eliminate the ability of RIHEBC to continue its Financial Assistance program in any significant way. The Financial Assistance program provides fixed rate loans to institutions for equipment, facility improvements and real estate. The maximum amount of loans per institution is \$800,000 with a maximum loan term based on the useful life of the project, but in no case will the term exceed ten (10) years. The program is also used to provide other assistance such as the \$1.0 million to fund the assessment being done by the School Building Authority to document the conditions of the schools.

Rhode Island Airport Corporation: The article requires the Rhode Island Airport Corporation (RIAC) to transfer \$275,000 to the State Controller by the end of FY2017. RIAC has indicated that the transfer is payment for the remaining principal due from the RIAC to the State for airport related general obligation bonds. RIAC has confirmed that the \$275,000 equals the remaining, scheduled principal payments for 2018-2023. If this payment is made in 2017 it would reduce the amount owed from RIAC to the State to \$0 in FY 2017.

Medical Marijuana Plant Tag Fees

\$9.8 million

The Governor proposes a number of changes to the regulation of medical marijuana, which have the following impacts on general revenues:

Medical Marijuana Regulatory Fees and Changes

Governor's Recommended Changes	Rate	Revenue
<i>Plant Tag Fees</i>		\$10,735,630
Patients Who Self-Grow Marijuana	\$150	1,440,000
Caregivers Who Grow for Non-Medicaid Patients	350	8,253,228
Caregivers Who Grow Medical Marijuana for Medicaid Patients	150	611,902
Co-op Growers	350	399,000
Growers with Cultivator Licenses	350	31,500
<i>Other Changes</i>		(983,737)
Transfer Patient and Caregiver Registration Fees to Restricted Receipts		(901,647)
Decrease Compassion Center Surcharge from 4.0 to 3.0 Percent		(172,405)
Indirect Cost Recovery Fees		90,315
Total		\$9,751,893

- **Plant Tag Fees:** This initiative creates a tagging system and fee for each medical marijuana plant to monitor grower inventory and ensure compliance with growing limits. Revenue from tagging fees is estimated at \$10.7 million.
- **General Revenue Transfer:** The Governor transfers \$901,647 in general revenue from medical marijuana patient and caregiver registration fees to a restricted receipt account in the Department of Health (DOH). The account will be funded through currently established fees to support personnel performing patient registrations.
- **Decrease Compassion Center Surcharge:** The Governor reduces the compassion center surcharge from 4.0 percent to 3.0 percent. This surcharge is imposed on the net patient revenue received each month by every compassion center. The Budget includes a \$172,405 reduction in general revenue.
- **Indirect Cost Recovery Fees:** The Governor includes \$90,315 resulting from indirect cost recovery fees on several departmental receipt accounts.

The Governor's proposal establishes the Department of Business Regulation (DBR) as the licensing agency of compassion centers, compassion center staff, cultivators, and caregivers, selling plant tags and maintaining a tag database; however, the Department of Health will continue to have licensing authority over patients and authorized purchasers. The Governor includes \$1.6 million within the DBR to support the necessary software and personnel costs to set up the tracking system.

Increase Excise Tax on Cigarettes

\$7.1 million

The Governor recommends an excise tax increase of \$0.25 per pack of cigarettes, which raises the tax from \$3.75 to \$4.00 per pack of twenty, or the equivalent of \$0.20 per cigarette. The average retail price will increase by \$0.29, from \$9.17 to \$9.46 per individual pack. The additional excise tax and associated sales taxes would generate an additional \$7.1 million in revenue above the projections from the November 2015 Revenue Estimating Conference. After accounting for other pricing requirements, cigarettes purchased in Rhode Island would be priced similarly to those in Connecticut, and remain approximately \$0.40 cheaper than those sold in Massachusetts.

Source	Amount
Cigarette Excise	\$5,685,325
Cigarette Floor Stock	803,384
Sales Tax	633,248
Total Revenue	\$7,121,957

Numerous states, including Rhode Island, include some minimum pricing provisions related to the sale of cigarettes. These minimums can impact the end price as much or more than tobacco taxes. Thus, when comparing cigarette taxes between states, the average total price per pack should also be accounted for to capture the impacts of tobacco tax rates, minimum pricing and markup provisions, and applicable sales taxes. The table below compares the current end price of a pack

of cigarettes to the Governor's proposed excise increase, and outlines Rhode Island's markups compared to neighboring states.

Impact of Cigarette Excise Increase and Regional State Comparison							
	Rhode Island		Massachusetts		Connecticut		
	Current	Proposed					
Base Price per Pack in \$	\$4.39	\$4.39	\$3.95		\$4.39		
Excise Tax in \$	3.75	4.00	3.51		3.65		
<i>Subtotal base price + Excise</i>	8.14	8.39	7.46		8.04		
Wholesale Markup	2.0%	0.16	0.17	2.0%	0.15	6.5%	0.52
Wholesale Cartage	0.75%	0.06	0.06	0.75%	0.06	0.0%	0.00
Retail Markup	6.0%	0.50	0.52	25.0%	1.92	8.0%	0.69
<i>Total Base Cost</i>	8.87	9.14	9.58		9.25		
Sales Tax	7.0%	0.62	0.64	6.25%	0.60	6.4%	0.59
Total Price per Pack	\$9.49	\$9.78	\$10.18		\$9.83		

Note: The Office of Revenue Analysis calculated base price per pack using available data on states' websites. No base price for CT was available, so it was assumed that CT would have the same base price as RI. CT is scheduled to increase excise taxes on cigarettes to \$3.90 per pack on July 1, 2016. Total retail price would increase to \$10.14 per pack.

Transfer Pricing Audit Project

\$6.7 million

This initiative allows the Division of Taxation to contract with a third-party vendor to identify candidates for audits of companies that have intercompany transactions between related companies. Prior to the State's implementation of combined reporting, companies could shift revenues between related entities to avoid taxation in certain states. The audit program will have a three-year look-back period and is estimated to capture \$6.7 million in underpaid taxes.

Fraud Initiative

\$5.0 million

The Governor includes \$5.0 million for a Fraud Detection and Prevention initiative to consolidate audit functions which are currently housed in multiple state agencies. The Governor proposes standardizing departmental audit responsibilities by investing in a \$1.5 million fraud detection system. The initiative is also expected to yield \$290,000 in personnel savings by eliminating redundant functions.

New Revenue Officer FTEs

\$3.4 million

The Governor includes \$3.4 million for enhanced collection of owed taxes, fines, and penalties. The proposal allows the Division of Taxation to hire 6.0 new Revenue Officer I positions, which assist in collecting taxes on delinquent accounts and the securing of delinquent tax returns. This initiative is anticipated to increase personal income, general business, and sales and use taxes by \$2.8 million and increase collections of fines and penalties by \$645,110.

Increase Allowable Earned Income Tax Credit

(\$2.7 million)

The Governor decreases general revenue by \$2.7 million for modifications to the calculation of the earned income tax credit (EITC). The changes will allow eligible taxpayers to claim 12.5 percent in TY2016 and 15.0 percent in TY2017 of the allowable federal EITC amount.

Changes to Earned Income Tax Credit

	TY2015 (Current)	TY2016 (Current)	TY2017 (Proposed)
Income*	\$39,131	\$39,296	\$39,296
Maximum EITC (\$)	3,359	3,359	3,359
Allowable Federal Credit Amount	10.0%	12.5%	15.0%
Deduction Allowable from RI Tax Owed (\$)	336	420	504
Refundable Amount	100%	100%	100%
Total Refunded to Taxpayer	\$336	\$420	\$504

*Single filer, one qualifying child.

Note: TY2017 income amount reflects TY2016 limit as this income level is set annually by the IRS.

The EITC is a refundable tax credit for low and moderate income working individuals whereby the credit can go beyond reducing an individual's tax liability to zero to producing a credit that is greater than the amount of tax owed, thus representing a cash payment to the filer.

Delay License Plate Reissuance**(\$2.0 million)**

The Governor delays license plate reissuance until April 1, 2017. Under current law, registrants are charged \$6.00 for each set of license plates above the regular registration fee. The delay in implementing the issuance results in a loss of \$2.0 million in general revenue.

Under RIGL 31-3-33, the DMV is required to issue new reflective license plates for all registered vehicles every 10 years. Current law requires the Division to reissue license plates by July 1, 2016.

Increase Enforcement of Retaliatory Assessments on Foreign Insurers**\$1.1 million**

The Governor includes \$1.1 million for increased enforcement of retaliatory assessments on foreign insurers. A retaliatory tax is owed when an insurance company domiciled in another state imposes higher taxes and fees on a Rhode Island-domiciled policy holder for the same business. Under this structure, policies issued to Rhode Island residents by out-of-state insurance companies are subject to the higher of the domestic tax rate or the foreign tax rate of state in which the issuing insurance company is domiciled. It is intended to level the playing field by deterring a state from imposing excessive tax on non-domiciled insurance companies and is a nationwide standard within the insurance industry.

Nexus Program**\$1.0 million**

The Governor includes \$1.0 million for increased compliance with tax laws required for out-of-state entities that do business in Rhode Island. The Division of Taxation expects to identify and register entities that have not paid appropriate corporate, withholding, and/or sales and use taxes, and identify and collect back taxes owed.

Sale of State Fleet Motor Vehicles**\$1.0 million**

The Governor includes \$1.0 million in one-time revenue from the sale of over 250 passenger vehicles designated for employee use. Although Departments own these passenger vehicles, a Department of Administration review indicated there are inconsistencies in preventative maintenance processes. The Governor recommends leasing vehicles through a third-party manager responsible for upkeep and replacement of the fleet. The State Fleet Office will manage the contract and continue to manage the remainder of the fleet of over 2,000 vehicles. The Governor assumes leasing costs will be offset by operational efficiencies.

Increase Bank and Insurance Examination Fees**\$400,000**

The Governor includes \$400,000 from increased bank and insurance examination fee collections. The proposal restores turnover in both the Banking and Insurance programs at the Department of Business Regulation. Staff in these programs bill firms to reimburse the state for examination time at an hourly rate of 150.0 percent of the cost of the state FTE.

Public Finance Management Fees **\$295,000**

The Governor imposes public finance management fee assessments on re-financings and other tax-exempt debt issuances through the Public Finance Management Board, resulting in \$295,000 for new license and fee revenues within the Office of the General Treasurer.

Transfer Submerged Land Rental Fees to DEM Restricted Receipts **(\$150,000)**

The Governor transfers \$150,000 from submerged land rental fees from Deepwater Wind at the Coastal Resources Management Council (CRMC) to a restricted receipt account in the Department of Environmental Management (DEM). DEM will use the additional funding to support the local agriculture and seafood grant program.

Forward Capacity Market Revenue **\$108,864**

The Governor includes \$108,864 resulting from a negotiated agreement to manage utility services in the event of excess demand.

FY2016 SUPPLEMENTAL CHANGES**Professional Development Grant** **\$5,000**

The Governor includes \$5,000 in general revenue to reflect a grant from the Rhode Island Foundation to the Rhode Island State Council on the Arts. The grant will be used to provide grants to Expansion Arts alumni and administrators to attend professional development workshop.

Municipal Aid

For FY2017, Distressed Community Relief Aid, Motor Vehicle Excise Tax Reimbursement, and Library Aid are funded at the FY2016 Enacted level. The budget includes an additional \$1.9 million for the Payment in Lieu of Taxes (PILOT) program, allowing for a full 27.0 percent reimbursement rate. Funding for the Municipal Incentive Aid program is eliminated as it was a three-year program, saving \$5.0 million. Meal and Beverage Tax and Hotel Tax collections are projected to increase slightly for FY2017 based on historic collection rates.

Tables showing impacts by community are included at the end of this analysis.

Municipal Aid FY2015 - FY2017								
Program	FY2015	FY2016 Enacted	FY2016 Revised	Change from Enacted		FY2017 Governor	Change from Enacted	
Payment in Lieu of Taxes	\$40.1	\$40.1	\$40.1	\$0.0	0.0%	\$42.0	\$1.9	4.7%
Distressed Communities	10.4	10.4	10.4	-	0.0%	10.4	-	0.0%
Motor Vehicle Excise Tax	10.0	10.0	10.0	-	0.0%	10.0	-	0.0%
Municipal Incentive Aid	5.0	5.0	5.1	0.1	2.7%	-	(5.0)	-100.0%
State Aid to Libraries								
Grant-in-Aid	8.8	8.8	8.8	-	0.0%	8.8	-	0.0%
Library Construction	2.3	2.7	2.7	-	0.0%	2.2	(0.4)	-16.5%
Total Direct Aid	\$76.6	\$76.9	\$77.0	\$0.1	0.2%	\$73.4	(\$3.5)	-4.6%
Public Service Corporations Tax	\$14.3	\$14.3	\$13.0	(\$1.3)	-8.8%	\$13.0	(\$1.3)	-8.8%
Meals & Beverage Tax	23.6	25.2	25.2	0.0	0.0%	26.0	0.9	3.4%
Hotel Tax	7.4	9.0	9.7	0.7	7.6%	9.9	0.9	10.0%
Airport Impact Fees	1.0	1.0	1.0	-	0.0%	1.0	-	0.0%
Total Indirect Aid	\$46.4	\$49.5	\$48.9	(\$0.6)	-1.2%	\$50.0	\$0.5	1.0%
Total Aid	\$123.0	\$126.4	\$125.9	(\$0.4)	-0.3%	\$123.3	(\$3.0)	-2.4%

\$ in millions. Totals may vary due to rounding.

DIRECT AID TO LOCAL GOVERNMENT

Payment in Lieu of Taxes (PILOT)

The Payment in Lieu of Taxes (PILOT) program was established in 1986 to reimburse cities and towns for property taxes that would have been due on real property owned by nonprofit higher education institutions and nonprofit hospitals if they were subject to taxation. The objective is to offset the costs to the community for providing public safety or other municipal services to the properties and facilities covered by the statute.

For FY2017, PILOT increases by \$1.9 million from the FY2016 level, to \$42.0 million. Current law requires reimbursement at 27.0 percent of forgone tax revenue, but allows for a ratable reduction if the appropriation is less than this amount. The FY2017 Budget represents a reimbursement rate of 27.0 percent for the first time since FY2007.

Fiscal Year	PILOT Funding Trends		
	Total Funding	% Change	% Reimbursed
2008	27.8	0.0%	25.4%
2009	27.6	-0.7%	25.2%
2010	27.6	0.0%	23.8%
2011	27.6	0.0%	21.1%
2012	33.1	20.0%	23.4%
2013	35.1	6.0%	23.8%
2014	35.1	0.0%	22.0%
2015	40.1	14.2%	25.4%
2016	40.1	0.0%	23.7%
2017	42.0	4.7%	27.0%

\$ in millions.

Distressed Community Relief

The Distressed Community Relief program was established in 1990 to provide state assistance to communities with the highest property tax burdens relative to the wealth of taxpayers. For FY2016, \$10.4 million was appropriated and distributed to seven eligible municipalities. Funds are distributed to each eligible community on the basis of the community's tax levy relative to the total tax levy of all eligible communities.

Distressed Community Relief Fund Distribution

Municipality	FY2016	FY2017	Change
	Enacted	Budget	
Central Falls	\$211,123	\$187,737	(\$23,386)
Cranston	-	1,124,439	1,124,439
East Providence	685,142	685,142	-
North Providence	989,710	866,171	(123,539)
Pawtucket	1,430,131	1,277,831	(152,300)
Providence	5,332,583	4,699,234	(633,349)
West Warwick	835,708	747,878	(87,830)
Woonsocket	900,062	796,025	(104,037)
Total	\$10,384,458	\$10,384,458	\$0

For FY2017, the Distressed Community Relief Fund is maintained at the FY2016 level of \$10.4 million. The City of Cranston is newly qualified as a distressed community and will receive a 50.0 percent appropriation of \$1.2 million. In the year that a newly qualified community enters the program, it receives 50.0 percent of the current law requirement for the first year it qualifies. The remaining 50.0 percent of Cranston's appropriation will be divided among the remaining 6 distressed communities. Although East Providence will exit the program in FY2017, it will receive a one-time payment of \$685,142, pursuant to current law.

The Governor's FY2017 Budget proposes that any community classified as "distressed" be required to participate in the Division of Taxation's income tax refund offset program, allowing the Division to recover unpaid state taxes and/or fines through an intercept of an individual's income tax refund. Passage of the article would require Central Falls, Cranston, North Providence, and Providence to participate in the program to receive Distressed Communities relief. Other distressed communities already participate in the program.

Motor Vehicle Excise Tax

The Motor Vehicle and Trailer Excise Tax Elimination Act of 1998 was enacted to offer broad-based property tax relief to the residents of Rhode Island. The FY2010 Budget as Enacted included \$135.4 million for Motor Vehicle Excise Tax Reimbursement. The FY2010 Revised Budget reduced that amount to \$117.2 million. In FY2011, funding was reduced to \$10.0 million, funding for fire districts was eliminated from the budget, and the state-mandated motor vehicle tax exemption was reduced from \$6,000 to \$500. These provisions remain in effect through FY2017.

For FY2017, the Budget includes level funding for payments to cities and towns for the Motor Vehicle Excise Tax Reimbursement Program at \$10.0 million and excludes funding for fire districts. The mandatory motor vehicle tax exemption at \$500 per vehicle is maintained. Municipalities are authorized to provide an additional exemption; however, these additional exemptions are not subject to reimbursement.

Motor Vehicle Excise Tax		
Fiscal Year	Total Funding	% Change
2008	135.3	-0.7%
2009	135.4	0.0%
2010	117.2	-13.4%
2011	10.0	-91.5%
2012	10.0	0.0%
2013	10.0	0.0%
2014	10.0	0.0%
2015	10.0	0.0%
2016	10.0	0.0%
2017	10.0	0.0%

\$ in millions.

FY2014 - FY2016 Motor Vehicle Exemptions

Municipality	FY2014	FY2015	FY2016	Municipality	FY2014	FY2015	FY2016
Barrington	\$1,000	\$1,500	\$2,000	Narragansett	\$6,000	\$6,000	\$6,000
Bristol	3,000	3,000	3,000	Newport	6,000	6,000	6,000
Burrillville	1,500	1,250	1,250	New Shoreham	1,000	1,000	1,000
Central Falls	1,000	1,250	1,250	North Kingstown	3,000	3,000	3,000
Charlestown	500	500	500	North Providence	500	500	500
Coventry	500	500	500	North Smithfield	675	675	675
Cranston	500	500	500	Pawtucket	500	500	500
Cumberland	500	500	500	Portsmouth	3,000	3,000	2,500
East Greenwich	6,000	6,000	6,000	Providence	1,000	1,000	1,000
East Providence	500	500	500	Richmond	500	500	500
Exeter	500	500	500	Scituate	6,000	6,000	6,000
Foster	3,100	2,000	500	Smithfield	1,000	2,000	2,000
Glocester	500	500	500	South Kingstown	3,000	3,000	3,000
Hopkinton	500	500	500	Tiverton	6,000	6,000	6,000
Jamestown	6,000	6,000	6,000	Warren	500	500	500
Johnston	500	500	500	Warwick	2,000	2,000	2,000
Lincoln	3,000	3,000	3,000	Westerly	1,500	1,500	1,500
Little Compton	6,000	6,000	6,000	West Greenwich	500	500	500
Middletown	3,000	3,000	3,000	West Warwick	1,000	1,000	1,000
				Woonsocket	500	500	500

Source: RI Dept. of Revenue, Division of Municipal Finance.

Municipal Incentive Aid

The FY2014 Budget as Enacted created a 3-year Municipal Incentive Aid Program to encourage municipalities to improve the sustainability of their retirement plans and to reduce unfunded liabilities; however, there is no requirement that the additional state aid be spent for this purpose. The Governor allows the program to sunset in FY2017, saving \$5.0 million. The Budget includes \$352,935 in FY2017 for payments to Coventry, Johnston, and Scituate as these municipalities did not meet eligibility criteria for FY2016. Current law allows for deferred payments in the following fiscal year if eligibility criteria are met.

State Aid to Libraries Grant-in Aid

State aid to libraries is distributed based on the city or town's expenditure level as a percentage of the total expenditures by all communities statewide. In order to be eligible for these funds, cities and towns must maintain their level of support for public library services at 100.0 percent of the previous year's funding from the local tax base. The Budget includes funding for FY2017 at the FY2016 level of \$8.7 million; however, distribution is based on qualifying data from the statutory reference year. Current law reimbursement of 25.0 percent of second prior year expenses would require an additional appropriation of \$1.4 million.

State Aid to Libraries Construction Reimbursement

Rhode Island law grants authority to the Office of Library and Information Services (OLIS) to make grants to a municipality or a free public library for construction or capital improvements. Grants are limited to a maximum of 50.0 percent of the total eligible costs as determined by the

Library Aid				
Fiscal Year	Grant in Aid	Construction	Total Aid	% Change
2008	8.7	2.7	11.4	-0.4%
2009	8.7	2.6	11.3	-1.0%
2010	8.8	2.7	11.5	1.9%
2011	8.7	2.5	11.2	-2.4%
2012	8.7	2.8	11.5	2.6%
2013	8.7	2.5	11.2	-3.0%
2014	8.7	2.5	11.2	0.3%
2015	8.7	2.3	11.0	-1.8%
2016	8.7	2.7	11.4	3.6%
2017	8.7	2.2	10.9	-4.2%

\$ in millions.

Office of Library and Information Services and are paid on an installment basis, based on a community's debt service requirement, for a period of up to 20 years.

For FY2016, the Budget includes \$2.7 million for Library Construction Aid, and for FY2017, the Budget includes \$2.2 million, reflecting actual reimbursement costs.

The moratorium on the acceptance of new applications for library construction projects, enacted in 2011 by the General Assembly, ended on July 1, 2014. No new applications for library construction have been received since the moratorium ended; however, letters of intent from Barrington, Jamestown, Providence Community Library, and the Providence Public Library have been received. Applications from Barrington and Providence Public Library are expected in the next three months. For the Barrington Public Library, reimbursement is expected to begin in FY2018. For Jamestown and Providence Public Library, reimbursement is expected to begin in FY2019. There is no timeline for the Providence Community Library project to date.

Property Revaluation Reimbursement

In 1997, the General Assembly enacted legislation requiring municipalities to conduct full property revaluations every nine years and statistical updates at year 3 and year 6. Communities are responsible for appropriating funds to cover the costs of full property revaluations; however, the State reimbursed municipalities for 100.0 percent of the first statistical update. Reimbursements for subsequent updates were set at 80.0 percent (up to \$16 per parcel) for the second statistical update and 60.0 percent (up to \$12 per parcel) for the third and subsequent statistical revaluations.

The Budget includes \$559,900 for the Property Revaluation program in FY2017, a decrease of \$824,349 from the FY2016 Budget as Enacted, and is based on anticipated reimbursements. The following communities will be reimbursed for statistical updates in FY2017:

Property Revaluation Reimbursement		
Fiscal Year	State Reimbursement	% Change
2008	0.7	-66.5%
2009	1.1	61.9%
2010	1.5	35.2%
2011	0.7	-53.1%
2012	0.9	25.3%
2013	1.6	79.0%
2014	0.5	-69.0%
2015	0.6	26.6%
2016	1.4	118.6%
2017	0.6	-59.6%

\$ in millions.

Community	Amount
Charlestown	\$66,560
Cumberland	153,965
Glocester	50,846
Hopkinton	41,051
North Providence	182,851
Richmond	38,189
West Greenwich	26,438
Total	\$559,900

*Source: RI Dept. of Revenue,
Division of Municipal Finance.*

INDIRECT AID TO LOCAL GOVERNMENT

Public Service Corporation Tax

The tangible personal property of telegraph, cable, and telecommunications corporations and express corporations is exempt from local taxation, and instead is subject to taxation by the State. The State Tax Administrator applies the average assessment ratio and the average tax rate to the value of tangible personal property of each company to calculate the amount of tax due. The “average assessment ratio” is the total assessed valuation divided by the full market value of the valuation. The “average property rate” is the total statewide property levy divided by the total statewide assessed valuation.

The revenue from this tax flows through the State: it is not appropriated. The State is allowed to keep 0.75 percent of this tax for administrative fees. The remainder of the revenue is deposited into a restricted receipt account and apportioned to the cities and towns based on the ratio of each municipality’s population relative to the total population of the State.

Collections from this tax decreased from \$18.0 million in FY2003 to \$9.2 million in FY2009. The average property tax rate decline as the total assessed valuation increased dramatically due to the more frequent revaluations together with a dramatic increase in real estate values, resulting in a reduced tax rate being applied to Public Service Corporation Tax assets, which now carry a lower value. In 2009, the General Assembly passed legislation freezing the tax rate on telecommunications tangible personal property at a rate equal to or greater than the rate that applied in FY2008. For each year thereafter, the tax rate applied to telecommunications tangible property can be no less than the rate that applied in FY2008.

The FY2017 Budget provides \$13.0 million be distributed to municipalities on July 31, 2016. This is level funded with FY2016, but is subject to change based on receipt of final data in the spring.

Meals and Beverage Tax

During the 2003 session, the General Assembly enacted a 1.0 percent gross receipt tax on retail sales of meals and beverages in or from eating and/or drinking establishments. The revenue from this tax flows through the State: it is not appropriated. The taxes are collected by the Division of Taxation and distributed at least quarterly to the city or town where the meals and beverages were delivered.

For FY2016, the Office of Revenue Analysis anticipates \$25.2 million in collections, increasing to \$26.0 million in FY2017.

Hotel Tax

The State levies a 5.0 percent gross receipts tax on charges for occupancy of any space furnished in buildings or structures with a minimum of three rooms that are kept, used, maintained, advertised, or held out to the public to be a space where living quarters are supplied for pay to transient use (30 days or less). This tax is collected by the hotel and remitted to the Division of Taxation on a monthly basis.

This tax is in addition to all other taxes and fees currently imposed. The Division of Taxation collects the tax and is responsible for distribution,

Fiscal Year	Total Funding	% Change
2008	10.3	0.0%
2009	9.2	-11.1%
2010	10.2	10.9%
2011	11.4	11.8%
2012	11.8	3.5%
2013	12.7	7.6%
2014	13.2	3.9%
2015	14.3	8.3%
2016	13.0	-9.0%
2017	13.0	0.0%

\$ in millions.

Fiscal Year	Total Funding	% Change
2008	\$18.7	-0.4%
2009	18.8	0.3%
2010	19.0	0.9%
2011	19.5	2.6%
2012	21.0	7.8%
2013	21.4	1.7%
2014	22.3	4.4%
2015	23.6	6.0%
2016	25.2	6.5%
2017	26.0	3.4%

\$ in millions.

Fiscal Year	Total Funding	% Change
2008	\$5.8	1.8%
2009	5.6	-3.4%
2010	5.7	1.8%
2011	5.9	2.7%
2012	6.3	8.0%
2013	6.7	5.3%
2014	6.5	-2.2%
2015	7.4	13.5%
2016	9.7	30.6%
2017	9.9	2.3%

\$ in millions.

except for the City of Newport, which is authorized to collect and disburse taxes from all hotels physically located in the City. Twenty-five percent of the original 5.0 percent hotel tax is distributed to the city or town where the hotel which generated the tax is physically located.

The FY2016 Budget as Enacted expanded the hotel tax to include vacation home rentals, small bed and breakfasts, hotel room resellers, and unlicensed lodging rentals (such as those listed on the Airbnb.com website). The expansion is expected to increase aid to municipalities by \$1.3 million in FY2016.

An additional 1.0 percent tax, which was enacted in FY2005, is distributed entirely to the city or town where the occupancy occurred. The 1.0 percent tax will apply to the expanded tax base, and is included in the \$1.3 million generated by the expansion. Additional revenue of \$260,322 results from non-expansion growth.

Total distribution to municipalities is estimated at \$9.7 million for FY2016 and \$9.9 million for FY2017.

OTHER AID TO LOCAL GOVERNMENT

Warwick Rental Car Tax Revenue

The RI Airport Corporation levies a \$5.00 per rental vehicle, per day, customer facility charge (CFC) for all vehicle rentals from companies operating at T.F. Green Airport. Revenues from the CFC are to be used to pay for the construction, expansion, reconfiguration, operation and maintenance of the Warwick Intermodal Transit Station. The CFC is applied prior to the application of the sales tax and rental vehicle surcharge. Since 2003, per RIGL 1-2-17.1, all sales taxes (7.0 percent) and rental vehicle surcharges (6.0 percent) collected from the application of the CFC are deposited into a restricted receipt account for the City of Warwick. These payments totaled \$631,132 in FY2010 and reached \$916,700 by FY2015. The FY2016 and FY2017 budgets include \$922,013 in CFCs for the benefit of the City of Warwick.

Airport Impact Fees

Airport impact aid payments to municipalities that have airports are level funded at approximately \$1.0 million for FY2016 and FY2017. The funding is provided annually through Article 1 of the budget and flows through the Rhode Island Commerce Corporation. The aid is distributed based upon a statutory formula that provides 60.0 percent of the first \$1.0 million (\$600,000) for communities with airports serving more than 1.0 million passengers per year. T.F. Green is the only airport in the State that meets this threshold. The remaining 40.0 percent is distributed to communities based on each airport's share of total landings in a calendar year, including T.F. Green. No community that hosts an airport receives less than \$25,000.

FY2015 Actual	1.0 million passengers	Distribution on landings	All Airports and Communities to \$25,000	Total
Warwick - T.F. Green	\$600,000	\$190,578		\$790,578
Block Island		37,411		37,411
Middletown-Newport Airport ¹		49,063		49,063
North Central				
Smithfield		20,634	4,366	25,000
Lincoln		20,634	4,366	25,000
North Kingstown - Quonset		38,714		38,714
Westerly		42,967		42,967
Total	\$600,000	\$400,000	\$8,732	\$1,008,732

¹ Located in Middletown

Municipal Road and Bridge Fund

The FY2014 Budget as Enacted transferred \$7.0 million of bond premium proceeds derived from the sale of 2013 general obligation bonds from the Rhode Island Capital Plan Fund (RICAP) to capitalize a Municipal Road and Bridge Revolving Fund. The FY2014 Revised Budget increased this amount by \$3.3 million, for a total of \$10.3 million. The FY2015 Budget included an additional \$5.0 million in funding made available from the sale of Tobacco Settlement Bonds, and the Clean Water Finance Agency (now the Rhode Island Infrastructure Bank) will contribute \$3.5 million from its board designated administrative fund to capitalize this program in FY2015. The Budget does not include any additional funding for the Municipal Road and Bridge Fund in FY2017; however, the RI Infrastructure Bank indicates that it has \$6.8 million in funding available for projects in FY2017.

These funds are available for municipalities to borrow for road and bridge projects. Loans began in FY2014, and future capitalizations combined with the revolved funds allow state-sponsored financing on an ongoing basis. This fund is administered by the Rhode Island Infrastructure Bank (RIIB). Applications are submitted to the Rhode Island Department of Transportation (RIDOT), based on regulations developed by RIDOT. RIDOT developed a project priority list based on 6 criteria:

- The extent to which the project generates economic benefits.
- The extent to which the project would be able to proceed at an earlier date.
- The likelihood the project will provide mobility benefits.
- The cost effectiveness of the project.
- The likelihood that the project will increase safety.
- The readiness of the project to proceed during the next calendar year.

To date, the RIIB has approved applications from thirteen municipalities for road and bridge projects as follows:

Borrower	Program Year	Amount Requested	Amount Borrowed	Loan Outstanding	Credit Limit Remaining
East Providence	2014	\$1,215,000	\$1,215,000	\$1,103,000	\$0
Newport	2014	4,000,000	1,500,000	1,358,000	-
Warwick	2014	1,600,000	1,600,000	573,377	960,623
Burrillville	2014	680,000	680,000	90,555	589,445
New Shoreham	2014	255,000	255,000	173,469	65,531
***Westerly	2014	625,000	225,000	14,906	210,094
Pawtucket	2014	7,000,000	3,500,000	3,361,610	390
Cumberland	2014	500,000	500,000	345,899	133,101
Coventry	2014	340,000	340,000	294,109	13,891
West Warwick	2015	150,515	150,515	4,905	144,610
Bristol	2015	500,000	500,000	328,615	170,385
Hopkinton	2015	253,000	253,000	175,967	76,033
Pawtucket	2015	5,000,000	5,000,000	3,476,384	1,522,616
East Greenwich	2015	2,000,000	2,000,000	1,484,388	514,612
Coventry	2015	900,000	900,000	53,053	845,948
TOTAL		\$25,018,515	\$18,618,515	\$12,838,239	\$5,247,276

*** \$400,000 turned back from Westerly

Central Falls Retiree Payments

The FY2012 Revised Budget included a \$2.6 million Stabilization Payment to the City of Central Falls that was deposited into a restricted account to provide transition payments over five years to municipal retirees who sustained significant pension reductions as a result of a “Settlement and Release Agreement.” Parties to the agreement include the Receiver for the City of Central Falls, the Department of Revenue, and the negotiating team for the Central Falls retirees. The Agreement was reached to avoid protracted litigation in federal court.

The payments ensure that retirees receive a reduction of no greater than 25.0 percent of their pre-bankruptcy annual pension benefits, as opposed to the reduction of up to 55.0 percent implemented by the City Receiver earlier in the year. The transition payments also include annual cost of living adjustments of up to 2.0 percent annually, not compounded.

Legislation passed by the 2014 General Assembly requires the State to appropriate sufficient funds to the city of Central Falls for payment to Central Falls’ city retirees so that those retirees continue to receive 75.0 percent of their base pension benefit as of July 31, 2011, for their lifetime, and to the extent applicable, up to 67.5 percent for the lives of their beneficiaries. An actuarial study estimates that the State will need to contribute an additional \$4.8 million to the Central Falls pension fund, beginning with \$328,561 on July 1, 2016, and ending with a payment of \$4,166 on July 1, 2044.

Fire Districts in Fiscal Stability Act

Legislation passed by the General Assembly during the 2014 session includes fire districts in the Fiscal Stability Act and provides financially distressed fire districts with assistance through the state appointment of a Fiscal Overseer, Budget Commission, or Receiver. The Central Coventry Fire District, after several failed attempts to pass a budget, was ordered by the Rhode Island Superior Court to liquidate by May 16, 2014. Due to a lack of financial information available to the State, it is not known how many other fire districts are in fiscal distress. The FY2016 Revised Budget includes \$352,242 in general revenue to provide funds for the Division of Municipal Finance within the Department of Revenue to pay for legal costs associated with oversight of the Central Coventry Fire District. The Budget includes an additional \$50,000 in FY2017.

Under RIGL 45-9, the State, acting primarily through the Department of Revenue, in consultation with the Auditor General, has the power to exercise varying levels of support and control, depending on the circumstances. The Director of Revenue, in consultation with the Auditor General, is authorized to appoint a receiver in the event of a fiscal emergency.

The law does the following:

- Creates three levels of State oversight and control
 - 1) Fiscal Overseer
 - Appointed by the Director of Revenue, in consultation with the Auditor General
 - 2) Budget Review Commission
 - Appointed by the Director of Revenue, in consultation with the Auditor General
 - 5 members:
 - 3 designees of the Director of Revenue
 - Chairperson of the district’s governing body
 - Fire chief of the district
 - 3) Receivership
 - Appointed by the Director of Revenue
- Includes fire districts in the Fiscal Stability Act and provides financially distressed fire districts with assistance through the state appointment of a Fiscal Overseer, Budget Commission, or Receiver.

- Provides a mechanism for the State to work with fire districts undergoing financial distress that threatens the fiscal well-being, public safety, and welfare of these communities, others, or the State.
- Provides varying levels of support and control depending on the particular circumstances of the district.
- Sets out financial reporting requirements for fire districts that are similar to those required of cities and towns.
- Requires quarterly budget reports be submitted to the Division of Municipal Finance and the Auditor General, and requires a corrective action plan should a fire district anticipate a year-end deficit.
- Requires an annual audit of financial statements by an independent auditing firm; however, the auditor General may waive or modify the requirement based on the size of the district.
- Requires the tax roll be certified by the Division of Municipal Finance.
- Allows fire districts to contract with the tax administrator to allow the tax administrator to collect taxes for the fire districts.
- Extends the provision for 5-year contracts for fire districts that are under the jurisdiction of a budget commission or a reviewer. This is current law for cities and towns.
- Provides that this legislation applies to all pending state judicial receiverships.
- This bill does NOT make fire districts subject to the “3050” tax cap.
- Any changes to collective bargaining agreements must be negotiated.
- Tax levy changes can be made at the budget commission or receivership level.

OTHER MUNICIPAL ISSUES

Main Street RI Streetscape Improvement Program

Article 19 of the FY2016 Budget as Enacted created a statewide Main Street Rhode Island Streetscape Improvement Fund. The FY2016 budget designated \$1.0 million in general revenue to fund this initiative, and the Governor recommends \$1.0 million in general revenue in FY2017. The purpose of the program is to provide loans, matching grants, or other forms of financing to upgrade streetscapes in local business districts (lighting, street furniture, medians). The law does not delineate who or what entity may receive funding, or set individual award or community award limits, but it does include language requiring the Commerce Corporation to promulgate the rules and regulations of the program.

Tax Stabilization Incentive

Article 19 of the FY2016 Budget created the Tax Stabilization Incentive Program whereby municipalities can apply to the Rhode Island Commerce Corporation for partial reimbursement of personal and/or real estate tax revenue forgone due to the granting of a tax stabilization agreement by that community for a qualified construction or rehabilitation project. The Corporation will provide a partial reimbursement of no more than 10.0 percent of the property tax revenue that would have otherwise been collected.

Under this program a community can grant a stabilization agreement for the rehabilitation of an existing structure where the total cost of the development budget exceeds 50.0 percent of the adjusted basis in the property, or for a new construction project that begins within twelve months of the approval of the tax stabilization agreement and is completed within 36 months. The qualifying property must be used or intended to be used for offices or commercial enterprises or residential purposes. The terms of the stabilization agreements must be for a minimum of twelve years; and, reimbursements will cease upon any termination of the underlying tax stabilization agreement or upon exhaustion of funds appropriated to the reimbursement fund.

Article 17 of the FY2017 budget modifies the Tax Stabilization Agreement incentive program to allow the Commerce Corporation to reimburse municipalities up to 50.0 percent of foregone revenue for up to five projects statewide in any given year. The current reimbursement rate is 10.0 percent. The city or town council of any qualifying community must pass a resolution designating a qualifying project as the most important project to the municipality's economic development for that fiscal year. Designated "Hope Communities" may select two projects for potential qualification annually. The total amount of funding to be awarded is subject to appropriation.

FY2016 Direct Municipal Aid to Cities and Towns (Revised)

Municipality	FY2016	Payment In	Distressed	Municipal	Motor	Library	Library	Total FY2016	Change from
	Enacted	Lieu of Taxes	Communities Relief Fund	Incentive Aid ¹	Vehicle Excise Tax	Grant-in- Aid ²	Construction Aid	Revised Municipal Aid	FY2016 Enacted
Barrington	\$726,243	\$14,638	\$0	\$77,484	\$217,477	\$337,167	\$66,417	\$713,183	(\$13,060)
Bristol	1,431,232	784,360	-	107,118	94,294	168,505	275,531	1,429,808	(1,424)
Burrillville	826,712	127,468	-	76,139	200,798	144,949	276,501	825,855	(857)
Central Falls	444,816	21,411	211,123	92,170	96,208	26,046	-	446,958	2,142
Charlestown	128,198	-	-	37,183	44,097	46,654	-	127,934	(264)
Coventry	629,593	-	-	-	244,791	217,150	-	461,941	(167,652)
Cranston	7,588,074	5,645,799	-	382,573	1,005,084	553,271	-	7,586,727	(1,347)
Cumberland	885,871	119	-	160,241	247,485	266,665	211,415	885,925	54
East Greenwich	667,742	341,085	-	62,395	81,417	121,208	61,265	667,370	(372)
East Providence	2,052,600	218,245	685,142	223,919	501,297	354,339	65,332	2,048,274	(4,326)
Exeter	245,661	-	-	31,773	92,110	45,910	75,968	245,761	100
Foster	110,398	415	-	22,003	72,955	30,796	-	126,169	15,771
Glocester	220,344	-	-	46,596	102,420	70,625	-	219,641	(703)
Hopkinton	139,475	-	-	38,737	69,295	31,101	-	139,133	(342)
Jamestown	135,226	-	-	25,782	22,042	87,375	-	135,199	(27)
Johnston	677,047	-	-	0	422,637	116,751	-	539,388	(137,659)
Lincoln	493,880	-	-	100,680	198,583	195,339	-	494,602	722
Little Compton	59,925	-	-	16,592	12,896	30,355	-	59,843	(82)
Middletown	335,637	-	-	76,771	63,006	135,162	54,568	329,507	(6,130)
Narragansett	255,761	-	-	75,160	60,810	120,040	-	256,010	249
Newport	2,041,511	1,250,492	-	115,718	77,989	380,016	217,409	2,041,624	113
New Shoreham	153,269	-	-	3,975	6,714	80,325	62,405	153,419	150
North Kingstown	609,720	1,494	-	125,293	185,691	266,128	32,047	610,653	933
North Providence	2,425,051	713,714	989,710	152,777	389,770	175,272	-	2,421,243	(3,808)
North Smithfield	304,392	-	-	57,141	177,990	65,478	-	300,609	(3,783)
Pawtucket	3,406,361	508,302	1,430,131	338,325	794,500	336,605	-	3,407,863	1,501
Portsmouth	262,433	-	-	82,434	84,669	101,476	-	268,579	6,146
Providence ¹	38,560,096	28,087,312	5,332,583	846,519	1,882,415	2,151,268	273,833	38,573,930	13,834
Richmond	129,364	-	-	36,403	65,687	26,246	-	128,336	(1,028)
Scituate	213,522	-	-	0	68,633	94,694	-	163,327	(50,195)
Smithfield	1,225,720	600,901	-	101,997	255,759	269,640	-	1,228,297	2,577
South Kingstown	659,577	173,565	-	145,475	139,730	201,734	-	660,504	927
Tiverton	640,500	-	-	75,141	59,170	100,382	406,000	640,693	193
Warren	196,425	-	-	50,381	92,183	54,101	-	196,665	240
Warwick	3,648,095	1,453,550	-	391,644	964,536	673,157	164,959	3,647,847	(248)
Westerly	982,776	137,538	-	108,016	216,507	274,847	253,767	990,675	7,899
West Greenwich	117,421	-	-	29,010	54,390	29,133	-	112,533	(4,888)
West Warwick	1,359,293	-	835,708	138,039	231,779	152,016	-	1,357,542	(1,751)
Woonsocket	1,848,251	-	900,062	195,461	402,183	178,865	165,138	1,841,709	(6,542)
Total	\$76,838,212	\$40,080,408	\$10,384,458	\$4,647,065	\$10,000,000	\$8,710,791	\$2,662,555	\$76,485,277	(\$352,935)

¹ Coventry, Johnston and Scituate do not meet eligibility criteria in FY2016. Aid will be reappropriated to FY2017 based on current law.

² Providence Library Aid includes \$1.0 million for the Statewide Reference Library Resource Grant.

FY2017 Direct Municipal Aid to Cities and Towns

Municipality	FY2016 Revised	Payment In Lieu of Taxes	Distressed Communities Relief Fund	Municipal Incentive Aid ¹	Motor Vehicle Excise Tax ²	Library Grant-in-Aid ³	Library Construction Aid	Total FY2017 Municipal Aid	Change from FY2016 Revised
Barrington	\$713,183	\$15,995	\$0	\$0	\$217,477	\$335,108	\$0	\$568,580	(\$144,603)
Bristol	1,429,808	954,792	-	-	94,294	166,405	276,731	1,492,222	62,414
Burrillville	825,855	145,198	-	-	200,798	148,100	269,202	763,298	(62,557)
Central Falls	446,958	24,507	187,737	-	96,208	27,329	-	335,780	(111,178)
Charlestown	127,934	-	-	-	44,097	45,860	-	89,958	(37,976)
Coventry	461,941	-	-	166,346	244,791	218,795	-	629,932	167,991
Cranston	7,586,727	5,322,139	1,124,439	-	1,005,084	532,966	-	7,984,629	397,902
Cumberland	885,925	135	-	-	247,485	257,539	211,083	716,243	(169,682)
East Greenwich	667,370	434,980	-	-	81,417	120,238	59,252	695,887	28,517
East Providence	2,048,274	248,601	685,142	-	501,297	378,230	63,549	1,876,819	(171,455)
Exeter	245,761	-	-	-	92,110	46,635	75,968	214,713	(31,048)
Foster	126,169	-	-	-	72,955	30,855	-	103,809	(22,359)
Glocester	219,641	-	-	-	102,420	70,519	-	172,939	(46,702)
Hopkinton	139,133	-	-	-	69,295	32,498	-	101,793	(37,340)
Jamestown	135,199	-	-	-	22,042	103,012	-	125,054	(10,145)
Johnston	539,388	-	-	137,340	422,637	109,419	-	669,395	130,007
Lincoln	494,602	-	-	-	198,583	188,503	-	387,086	(107,516)
Little Compton	59,843	-	-	-	12,896	32,587	-	45,483	(14,360)
Middletown	329,507	-	-	-	63,006	132,148	53,254	248,408	(81,099)
Narragansett	256,010	-	-	-	60,810	137,056	-	197,866	(58,144)
Newport	2,041,624	1,357,719	-	-	77,989	373,835	210,435	2,019,978	(21,645)
New Shoreham	153,419	-	-	-	6,714	79,074	63,446	149,234	(4,185)
North Kingstown	610,653	1,737	-	-	185,691	262,939	30,461	480,828	(129,825)
North Providence	2,421,243	-	866,171	-	389,770	172,113	-	1,428,054	(993,189)
North Smithfield	300,609	-	-	-	177,990	70,542	-	248,533	(52,076)
Pawtucket	3,407,863	554,958	1,277,831	-	794,500	344,226	-	2,971,515	(436,348)
Portsmouth	268,579	-	-	-	84,669	104,692	-	189,361	(79,218)
Providence ³	38,573,930	30,137,743	4,699,234	-	1,882,415	2,162,063	-	38,881,456	307,526
Richmond	128,336	-	-	-	65,687	24,414	-	90,101	(38,235)
Scituate	163,327	-	-	49,249	68,633	93,578	-	211,460	48,133
Smithfield	1,228,297	710,097	-	-	255,759	267,699	-	1,233,555	5,258
South Kingstown	660,504	198,218	-	-	139,730	202,034	-	539,982	(120,522)
Tiverton	640,693	-	-	-	59,170	103,934	327,699	490,803	(149,890)
Warren	196,665	-	-	-	92,183	51,736	-	143,919	(52,746)
Warwick	3,647,847	1,712,951	-	-	964,536	662,405	163,644	3,503,536	(144,311)
Westerly	990,675	159,333	-	-	216,507	284,845	253,767	914,452	(76,223)
West Greenwich	112,533	-	-	-	54,390	28,930	-	83,320	(29,213)
West Warwick	1,357,542	-	747,878	-	231,779	145,607	-	1,125,264	(232,278)
Woonsocket	1,841,709	-	796,025	-	402,183	162,323	164,730	1,525,262	(316,448)
Total	\$76,485,277	\$41,979,103	\$10,384,458	\$352,935	\$10,000,000	\$8,710,789	\$2,223,221	\$73,650,506	(\$2,834,771)

¹ Coventry, Johnston and Scituate do not meet eligibility criteria in FY2016. Aid will be reappropriated to FY2017 based on current law.

² Estimate is based on FY2016 data and will change once 12/31/15 data is received in the spring of 2016.

³ Providence Library Aid includes \$1.0 million for the Statewide Reference Library Resource Grant.

FY2016 Indirect Local Aid to Cities and Towns (Revised)

Municipality	FY2016 Enacted Indirect Aid	Public Service Corp. Tax	Meals and Beverage Tax	Hotel Tax	FY2016 Total Indirect Aid	Change from FY2016 Enacted
Barrington	\$368,637	\$201,686	\$169,571	\$4,840	\$376,097	\$7,460
Bristol	712,571	278,819	414,142	57,754	750,715	38,144
Burrillville	402,803	198,184	208,483	1,543	408,210	5,407
Central Falls	358,071	239,912	124,660	1,029	365,601	7,530
Charlestown	328,483	96,784	154,035	90,814	341,633	13,150
Coventry	921,481	432,985	413,426	105,225	951,636	30,155
Cranston	2,701,114	995,808	1,803,082	17,187	2,816,077	114,963
Cumberland	846,739	417,096	473,373	-	890,469	43,730
East Greenwich	751,966	162,408	636,056	4,451	802,915	50,949
East Providence	1,550,467	582,845	948,454	55,426	1,586,725	36,258
Exeter	172,451	82,701	96,201	514	179,416	6,965
Foster	74,313	57,271	16,700	237	74,208	(105)
Glocester	204,273	121,286	75,671	3,768	200,725	(3,548)
Hopkinton	154,440	100,831	50,748	953	152,532	(1,908)
Jamestown	211,346	67,109	98,430	57,465	223,004	11,658
Johnston	880,958	357,486	572,813	10,986	941,285	60,327
Lincoln	1,184,275	262,063	850,190	119,020	1,231,273	46,998
Little Compton	127,681	43,188	46,683	40,619	130,490	2,809
Middletown	1,669,946	199,830	685,478	870,392	1,755,700	85,754
Narragansett	1,119,114	195,635	614,542	362,759	1,172,936	53,822
Newport	4,527,642	301,205	2,179,413	2,346,221	4,826,839	299,197
New Shoreham	694,977	10,345	333,706	369,208	713,259	18,282
North Kingstown	941,110	326,128	534,560	113,977	974,665	33,555
North Providence	738,071	397,667	343,541	1,029	742,237	4,166
North Smithfield	399,834	148,734	255,353	4,158	408,245	8,411
Pawtucket	1,703,086	880,635	795,988	61,949	1,738,572	35,486
Portsmouth	434,055	214,568	188,709	38,729	442,006	7,951
Providence	9,503,458	2,203,425	5,190,931	2,370,595	9,764,951	261,493
Richmond	229,949	94,755	145,123	4,884	244,762	14,813
Scituate	202,356	128,192	72,034	7,085	207,311	4,955
Smithfield	1,134,286	265,491	714,442	174,905	1,154,838	20,552
South Kingstown	1,357,082	378,660	803,415	226,374	1,408,449	51,367
Tiverton	420,196	195,585	222,678	9,739	428,002	7,806
Warren	406,283	131,137	284,751	6,384	422,272	15,989
Warwick	4,817,495	1,019,420	2,799,504	1,200,354	5,019,278	201,783
Westerly	1,647,526	281,158	839,303	636,069	1,756,530	109,004
West Greenwich	312,560	75,512	144,141	104,408	324,061	11,501
West Warwick	812,086	359,305	355,931	126,423	841,659	29,573
Woonsocket	1,071,556	508,769	520,869	60,387	1,090,025	18,469
Total	\$46,094,737	\$13,014,618	\$25,177,130	\$9,667,860	\$47,859,608	\$1,764,871

FY2017 Indirect Local Aid to Cities and Towns

Municipality	FY2016 Revised Indirect Aid	Public Service Corp. Tax	Meals and Beverage Tax	Hotel Tax	FY2016 Total Indirect Aid	Change from FY2016 Revised
Barrington	\$376,097	\$201,686	\$175,404	\$4,950	\$382,040	\$5,943
Bristol	750,715	278,819	428,388	59,062	766,269	15,554
Burrillville	408,210	198,184	215,655	1,578	415,417	7,207
Central Falls	365,601	239,912	128,948	1,052	369,913	4,312
Charlestown	341,633	96,784	159,334	92,870	348,988	7,355
Coventry	951,636	432,985	427,647	107,608	968,241	16,605
Cranston	2,816,077	995,808	1,865,108	17,576	2,878,492	62,415
Cumberland	890,469	417,096	489,657	-	906,753	16,284
East Greenwich	802,915	162,408	657,936	4,552	824,897	21,982
East Providence	1,586,725	582,845	981,081	56,682	1,620,608	33,883
Exeter	179,416	82,701	99,510	526	182,737	3,321
Foster	74,208	57,271	17,275	242	74,788	580
Glocester	200,725	121,286	78,274	3,853	203,413	2,688
Hopkinton	152,532	100,831	52,494	974	154,299	1,767
Jamestown	223,004	67,109	101,816	58,767	227,692	4,688
Johnston	941,285	357,486	592,518	11,234	961,238	19,953
Lincoln	1,231,273	262,063	879,436	121,715	1,263,215	31,942
Little Compton	130,490	43,188	48,288	41,539	133,016	2,526
Middletown	1,755,700	199,830	709,058	890,104	1,798,993	43,293
Narragansett	1,172,936	195,635	635,682	370,975	1,202,292	29,356
Newport	4,826,839	301,205	2,254,385	2,399,358	4,954,947	128,108
New Shoreham	713,259	10,345	345,185	377,570	733,101	19,842
North Kingstown	974,665	326,128	552,949	116,559	995,636	20,971
North Providence	742,237	397,667	355,358	1,052	754,078	11,841
North Smithfield	408,245	148,734	264,137	4,252	417,122	8,877
Pawtucket	1,738,572	880,635	823,370	63,352	1,767,357	28,785
Portsmouth	442,006	214,568	195,200	39,606	449,375	7,369
Providence	9,764,951	2,203,425	5,369,499	2,424,283	9,997,207	232,256
Richmond	244,762	94,755	150,115	4,994	249,864	5,102
Scituate	207,311	128,192	74,511	7,246	209,949	2,638
Smithfield	1,154,838	265,491	739,019	178,866	1,183,376	28,538
South Kingstown	1,408,449	378,660	831,052	231,501	1,441,212	32,763
Tiverton	428,002	195,585	230,338	9,959	435,883	7,881
Warren	422,272	131,137	294,546	6,528	432,211	9,939
Warwick	5,019,278	1,019,420	2,895,806	1,227,539	5,142,765	123,487
Westerly	1,756,530	281,158	868,175	650,475	1,799,808	43,278
West Greenwich	324,061	75,512	149,100	106,772	331,384	7,323
West Warwick	841,659	359,305	368,175	129,286	856,766	15,107
Woonsocket	1,090,025	508,769	538,787	61,755	1,109,312	19,287
Total	\$47,859,608	\$13,014,620	\$26,043,218	\$9,886,814	\$48,944,652	\$1,085,044

Education Aid

The Education Adequacy Act (2010-S-2770, Substitute A as Amended) provides a new school funding formula that creates a single methodology for distributing state aid to all public schools. The core principle behind the formula is that state funding should follow the student; therefore, the distribution of state funds changes annually based on shifts in enrollment. This formula applies to all public schools, charter schools, the Davies Career and Technical School, and the Metropolitan Career and Technical Center. The Act does not change the funding methodology for the School for the Deaf, since it is an education program that already has a state, federal and local share.

Beginning in FY2012, the formula establishes a per-pupil spending amount and allocates this funding based on student enrollment, adjusting for poverty (as measured by the number of students enrolled in the federal free or reduced price lunch program). The formula also adjusts for local revenue generating capacity and overall poverty level, as well as the concentration of children living in poverty.

The Act includes a multi-year transition plan to ease districts into the new formula, allowing time for school districts and municipal governments to adjust for gains or losses in education aid. The plan provides a transition period of ten years from the formula implementation in FY2012 for those districts projected to receive less school aid than they did in the previous year, and seven years for those districts projected to receive. FY2017 represents the sixth year of the transition period.

HOW THE FORMULA WORKS

Step 1 - Student Enrollment: Student enrollment is based on resident average daily membership (RADM), which refers to the average number of students who are residents of the community and were enrolled in the school district during the prior school year. The Governor's FY2017 recommendation is based on student enrollments as of March 2015, adjusted for projected the charter school enrollments for the 2016 to 2017 school year. However, since the statute requires the use of enrollment data from the prior school year, the Department of Education intends to update this distribution based on the March 2016 enrollments, subject to the transition period.

Step 2 - Core Instruction Amount: The core instruction amount provides a base level of funding per pupil (\$8,979 in FY2017, a 0.6 percent increase from the FY2016 Budget as Enacted). It is derived from the average of northeast regional expenditure data from Rhode Island, Massachusetts, Connecticut and New Hampshire, as published by the National Center for Education Statistics (NCES).

Step 3 - High Need Student Weight (40.0 percent): The Act includes a single factor to adjust the core instruction amount to address the effects of poverty and other factors influencing educational need. The student success factor, also referred to as the high need student weight, increases the core instruction amount by 40.0 percent, or \$3,592 based on the Governor's FY2017 core instruction amount of \$8,979 ($\$8,979 \times 0.40 = \$3,592$), for each student eligible for free or reduced lunch (FRLP).

Article 11 of the Governor's budget would change the threshold for the high need student weight to a family income at or below 185.0 percent of the federal poverty guidelines. The change is proposed in response to the United States Department of Agriculture no longer requiring districts to collect eligibility data. Since this income level is the same threshold as that used for the free or reduced lunch program, the Department of Elementary and Secondary Education (Department) does not anticipate a change in the eligibility numbers.

Step 4 - Total Foundation Budget: The total foundation budget for each school district is calculated by adding the product of the total core amount and the total student success factor weight.

$$\text{Total Foundation Budget} = (\$8,979 \times \text{RADM}) + (0.40 \times \$8,979 \times \text{FRPL})$$

Step 5 - State Share Ratio: The Education Adequacy Act creates a new share ratio by adding a wealth measure, based on the concentration of children living in poverty, to the single equalized weighted assessed valuation (EWAV) previously used to determine a district's ability to pay for the cost of education. The total foundation budget equals the student enrollment and the high-need student weight of the district multiplied by the core foundation amount. The State's share of the total foundation budget is the state share ratio calculated as follows:

$$\text{State Share Ratio (SSR)} = \sqrt{\frac{\text{EWAV}^2 + \%PK - 6\text{Free ReducedLunchPlan}^2}{2}}$$

By squaring each factor, the formula amplifies the greater of the two variables. Consequently, school districts with less capacity to raise revenue than the State as whole and a higher concentration of child poverty looks relatively poorer, while districts with a higher capacity to raise revenue and lower concentrations of poverty look relatively wealthier. Those poorer districts with the higher SSR will receive a greater portion of the calculated education costs as state aid than the wealthier districts.

The EWAV share ratio is based on each community's total assessed property value and median family income, relative to districts across the State. The total community property value includes motor vehicles, personal property and State payments in lieu of taxes. These values are brought to full market value based on market experience and then adjusted by the median family income. The higher the EWAV share ratio, the less capacity the community has relative to the rest of the state for generating locally derived revenue to support schools and the more state aid the community will receive. While similar to the share ratio used in the school construction formula to determine the state's share of debt service obligations, the Education Adequacy Act adjusts the EWAV calculation to increase the State share of total education budget.

The distribution recommended by the Governor includes an update to the median family income component of the EWAV based on the socio-economic data from the American Community Survey (ACS) provided by the United States Census Bureau. The index used to adjust for MFI is the ratio of the median family income of the municipality relative to the median family income statewide as reported in the American Community Survey (ACS) provided by the United States Census Bureau.

Step 6 - State Share of Foundation Budget: The State's share of the total foundation budget equals the state share ratio, discussed above, times the total foundation budget. Unlike many foundation formulas, the statute neither requires a minimum nor sets a maximum local spending level beyond the limits in the maintenance of effort requirements found in RIGL 16-7-23 and 16-7-23.1. Nonetheless, a municipality is responsible, to some degree, for the difference between the state share and the total foundation amount.

TABLE

The table on the following page provides a step-by-step calculation of each district's recommended formula distribution for FY2017. The actual distributions may vary when new enrollment data becomes available in March and is incorporated into the formula. The Act requires that the distribution be based on the enrollment data from the previous school year, but does not provide a specific enrollment date.

FY2017 Governor's Education Aid Calculator¹

Districts	PK-12 RADM		FRPL RADM		Core Instruction Funding		Student Success Factor Funding		EWA	PK6	EWA	Share Ratio	State Foundation Budget	State Share of Foundation	FY2016 Enacted (excludes group home and categorical)	K	J-K=L	FY2017 (Year 6) formula Change	if + is L/2; if - is L/5
	A	B	B	B	A*C=D	B*F=G	D+G=H	%FRPL											
Barrington	3,287	164	\$29,513,973	\$589,022	\$30,102,995	5.9%	24.1%	17.5%	\$5,281,424	\$5,040,087	\$241,338	\$120,669							
Burrillville	2,392	810	21,477,768	2,909,196	24,386,964	35.7%	66.8%	53.6%	13,060,955	12,982,749	78,207	39,103							
Charlestown	881	232	7,910,499	833,251	8,743,750	27.6%	0.0%	19.5%	1,706,443	1,706,421	22	11							
Coventry	4,731	1,474	42,479,649	5,294,018	47,773,667	31.6%	61.6%	49.0%	23,387,443	21,765,325	1,622,118	811,059							
Cranston	10,129	4,366	90,948,291	15,680,926	106,629,217	45.4%	60.7%	53.6%	57,151,917	50,354,983	6,796,934	3,398,467							
Cumberland	4,357	990	39,121,503	3,555,684	42,677,187	24.8%	55.5%	43.0%	18,344,465	16,552,780	1,791,685	895,843							
East Greenwich	2,408	176	21,621,432	632,122	22,253,554	8.0%	9.4%	8.7%	1,942,316	2,770,430	(828,114)	(165,623)							
East Providence	5,239	2,651	47,040,981	9,521,332	56,562,313	52.4%	65.9%	59.5%	33,673,749	30,348,208	3,325,541	1,662,771							
Foster	283	67	2,541,057	240,637	2,781,694	23.7%	52.1%	40.5%	1,125,830	1,181,172	(55,342)	(11,068)							
Glocester	523	92	4,696,017	330,427	5,026,444	17.9%	50.2%	37.7%	1,894,259	2,515,667	(621,408)	(124,282)							
Hopkinton	1,123	274	10,083,417	984,098	11,067,515	27.0%	58.4%	45.5%	5,035,148	5,470,735	(435,587)	(87,117)							
Jamestown	641	59	5,755,539	211,904	5,967,443	10.5%	0.0%	7.4%	443,060	438,478	4,582	2,291							
Johnston	3,174	1,413	28,499,346	5,074,931	33,574,277	47.7%	52.5%	50.2%	16,840,002	13,920,605	2,919,397	1,459,698							
Lincoln	2,935	819	26,353,365	2,941,520	29,294,885	31.6%	47.0%	40.0%	11,731,788	10,225,160	1,506,628	753,314							
Little Compton	371	59	3,331,209	211,904	3,543,113	17.0%	0.0%	12.0%	425,911	398,464	27,447	13,724							
Middletown	2,293	705	20,588,847	2,532,078	23,120,925	32.7%	29.5%	31.1%	7,200,117	8,369,412	(1,169,295)	(233,859)							
Narragansett	1,321	294	11,861,259	1,055,930	12,917,189	22.9%	0.0%	16.2%	2,091,648	2,134,161	(42,513)	(8,503)							
Newport	2,044	1,269	18,353,076	4,557,740	22,910,816	64.6%	0.0%	45.7%	10,465,454	10,402,340	63,114	31,557							
New Shoreham	116	21	1,041,564	75,424	1,116,988	17.9%	0.0%	12.7%	141,379	85,500	55,879	27,940							
North Kingstown	3,905	861	35,062,995	3,092,368	38,155,363	26.0%	30.0%	28.1%	10,710,721	10,662,516	48,205	24,102							
North Providence	3,470	1,594	31,157,130	5,725,010	36,882,140	47.9%	65.1%	57.2%	21,078,426	17,944,337	3,134,089	1,567,044							
North Smithfield	1,761	323	15,812,019	1,160,087	16,972,106	22.1%	48.0%	37.4%	6,341,768	5,683,082	658,686	329,343							
Pawtucket	8,723	6,842	78,323,817	24,573,727	102,897,544	79.4%	87.0%	83.3%	85,700,004	78,238,483	7,461,521	3,730,760							
Portsmouth	2,430	388	21,818,970	1,393,541	23,212,511	16.8%	11.6%	14.4%	3,350,973	4,212,562	(861,589)	(172,318)							
Providence	22,145	19,187	198,839,955	68,912,029	267,751,984	88.6%	87.1%	87.9%	235,228,690	221,212,806	14,015,884	7,007,942							
Richmond	1,150	202	10,325,850	725,503	11,051,353	20.0%	47.4%	36.4%	4,020,293	5,063,630	(1,043,336)	(208,667)							
Scituate	1,433	272	12,866,907	976,915	13,843,822	18.5%	23.6%	21.2%	2,935,429	3,909,685	(974,256)	(194,851)							
Smithfield	2,354	395	21,136,566	1,418,682	22,555,248	18.0%	32.1%	26.0%	5,869,589	5,089,386	780,203	390,101							
South Kingstown	3,283	717	29,478,057	2,575,177	32,053,234	23.0%	12.8%	18.6%	5,965,864	7,289,894	(1,324,031)	(264,806)							
Tiverton	1,842	555	16,539,318	1,993,338	18,532,656	32.4%	35.2%	33.8%	6,269,409	6,027,039	242,370	121,185							
Warwick	9,123	3,295	81,913,702	11,834,322	93,748,024	37.4%	43.4%	40.5%	37,978,480	36,354,185	1,624,295	812,148							
Westerly	3,061	1,156	27,484,719	4,151,890	31,636,609	42.7%	0.0%	30.2%	9,552,187	8,272,261	1,279,925	639,963							
West Warwick	3,393	1,757	30,465,747	6,310,441	36,776,188	54.4%	73.7%	64.8%	23,820,993	21,833,719	1,987,274	993,637							
Woonsocket	5,822	4,403	52,275,738	15,813,815	68,089,553	79.8%	90.6%	85.4%	58,128,702	53,126,130	5,002,571	2,501,286							
Bristol-Warren ³	3,327	1,224	29,873,133	4,396,118	34,269,251				12,550,492	15,310,869	(2,760,377)	(542,715)							
Exeter-West Greenwich ³	1,646	257	14,779,434	923,041	15,702,475				4,279,727	5,387,085	(1,107,358)	(221,472)							
Charlton	-	-	-	-	-	-	-	-	-	191,602	(38,320)	(130,105)							
Foster-Glocester	1,106	230	9,930,774	826,068	10,756,842	21.9%	51.0%	39.2%	4,221,708	4,872,233	(650,525)	(130,105)							
Central Falls	2,457	2,113	22,061,403	7,589,051	29,650,454	91.5%	97.2%	94.4%	27,987,963	35,841,616	(7,853,652)	(1,570,730)							
District Total	130,679	61,706	1,173,365,026	221,623,270	1,394,988,296				777,934,727	743,185,796	34,748,931	23,359,521							
Charter School Total	8,389	5,925	75,324,831	21,280,230	96,605,061				76,005,169	67,513,058	8,492,111	8,380,629							
Davies ²	875	594	7,856,625	2,133,410	9,990,035				7,924,345	11,640,152	(3,715,807)	(611,226)							
Met School	837	568	7,515,423	2,040,029	9,555,452				6,706,064	9,864,425	(3,158,361)	(631,672)							
Urban Collaborative	137	129	1,230,123	463,316	1,693,439				1,448,086	856,203	591,883	285,505							
Total	140,917	68,922	\$1,265,292,028	\$247,540,255	\$1,512,832,283				\$870,018,390	\$833,059,634	\$36,958,756	\$30,782,757							

¹ Based on March 2015 enrollment updated for projected charter school growth.

² Reflects \$131,935 adjustment for State share of teacher retirement.

³ Calculations based on component district data as required by the Superior Court decision in Town of Warren v. Bristol Warren Regional School District, et al.

Source: Rhode Island Department of Education

CHARTER SCHOOL FUNDING

Under the formula, the funding mechanism for charter and state schools changed significantly. While previously sending district tuition per-student was based on the per-pupil expenditure of the sending district, without deductions, the formula allowed sending districts to retain 5.0 percent of the per-pupil expenditure as indirect aid. The indirect aid was intended to cover residual costs from the transfer of the student from the district to the charter school. Today, the sending district tuition is calculated by dividing the local appropriation to education from property taxes, net debt service and capital projects, by the district resident average daily membership (RADM), or enrollment: there is no indirect aid retained by the sending district.

$$\text{Tuition} = (\text{local appropriation to education} - \text{debt service} - \text{capital projects}) / \text{District RADM}$$

Article 11 of the Governor's FY2017 Budget would change the above calculation to subtract the local share of education funding paid to charter and state schools in FY2014. Based on testimony provided by the Department to the Governor's Fair Funding Formula Working Group, deducting local tuitions would codify current Department practice; however, freezing the deduction at FY2014 levels will impact districts experiencing sharp increases student attendance in public schools of choice.

Article 11 of the Governor's FY2017 Budget further changes the calculation of local tuition aid by providing a \$355 per-pupil reduction in local tuition to charter and state schools. The amount of the reduction is calculated by the Department based on differences in expenses between traditional districts and charter schools. The article requires that the reduction amount be reviewed and recalculated by the Department every three years. The manner of the recalculation is determined by the Commissioner of Elementary and Secondary Education (Commissioner); however, the detail for the current \$355 reduction is provided in the table below.

Rounded Average FY2014 Costs Incurred by:			
Traditional Districts		Charter Schools	
Out-of-district special education	\$560	Debt Service	\$510
Retiree Health Benefits	250	Rental Costs	430
Services for students age 18-21	280		
Pre-School Screening	115		
Non-public obligations	30		
Career and Technical tuition	60		
Total	\$1,295		\$940
Difference between total district and charter school per-pupil costs			\$355

Source: Governor's Funding Formula Working Group Issue Brief #2.

The estimated impact of the local tuition reduction based on current FY2017 charter and state school enrollment projections is provided in the following table.

Estimated Local Savings from \$355 Per-Pupil Reduction in Charter and State School Tuitions

LEA	FY2017 Projected Enrollments ¹	Estimated Savings	LEA	FY2017 Projected Enrollments ¹	Estimated Savings
Barrington	8	\$2,840	North Providence	161	\$57,155
Burrillville	41	14,555	North Smithfield	36	12,780
Charlestown	90	31,950	Pawtucket	1,659	588,945
Coventry	60	21,300	Portsmouth	13	4,615
Cranston	328	116,440	Providence	4,356	1,546,380
Cumberland	532	188,860	Richmond	5	1,775
East Greenwich	12	4,260	Scituate	12	4,260
East Providence	104	36,920	Smithfield	26	9,230
Foster	-	-	South Kingstown	115	40,825
Glocester	-	-	Tiverton	15	5,325
Hopkinton	8	2,840	Warwick	115	40,825
Jamestown	15	5,325	Westerly	45	15,975
Johnston	53	18,815	West Warwick	43	15,265
Lincoln	309	109,695	Woonsocket	289	102,595
Little Compton	1	355	Bristol-Warren	31	11,005
Middletown	20	7,100	Exeter-West Greenwich	37	13,135
Narragansett	29	10,295	Charlho	-	-
Newport	33	11,715	Foster-Glocester	12	4,260
New Shoreham	-	-	Central Falls	1,481	525,755
North Kingstown	144	51,120			
Total				10,238	3,634,490

¹ Subject to change based on March 2016 student enrollment updates.

Source: Rhode Island Department of Education

In FY2011, the State paid the total tuition costs of students attending the Davies and Met Schools, while the local districts provided transportation. Pursuant to the new funding formula, however, the State payment to these state schools is calculated by the same method used to calculate school district and charter school payments. The formula requires local districts to pay state school tuition, but allows the districts to charge the state and charter schools for transportation costs.

The change in local tuition for both charter and state schools is scheduled to phase in over five years: FY2016 was the last year of the transition. Local payments are made to the charter or state school on a quarterly basis. Failure to make a payment could result in the withholding of state education aid to the district of residence.

In FY2011, prior to the implementation of the current funding formula, charter school funding was based on the per-pupil expenditure of the sending district; however, the State paid 5.0 percent of the per-pupil expenditure as indirect aid to the sending district, and a portion of the remaining 95.0 percent based on the share ratio of the sending district. The expenditure was based on the reference year as defined in RIGL 16-7-16(11) providing a two-year lag. Each quarter, the charter school billed the sending district for the portion of the per-pupil expenditure not paid by the State.

Please see the following examples for further clarification of the charter school formula used in FY2011.

Calculation	District A	District B
Per Pupil Expenditure:	\$8,000	\$8,000
Share Ratio:	70.0%	30.0%
Indirect Aid to Sending District:	\$400 (5.0% of \$8,000)	\$400 (5.0% of \$8,000)
State Share to Charter School:	\$5,320 (70.0% of (\$8,000 minus 5.0%))	\$2,280 (30.0% of (\$8,000 minus 5.0%))
District Share to Charter School:	\$2,280 (30.0% of (\$8,000 minus 5.0%))	\$5,320 (70.0% of (\$8,000 minus 5.0%))

WILLIAM M. DAVIES, JR. CAREER AND TECHNICAL HIGH SCHOOL AND THE METROPOLITAN REGIONAL CAREER AND TECHNICAL CENTER (MET)

In FY2011, the State paid the total tuition costs of students attending the Davies and Met Schools, while the local districts provided transportation. Pursuant to the new funding formula, the state payment to these state schools is calculated by the same method used to calculate school district and charter school payments. However, the formula requires local districts to pay tuition, but allows the district to charge the state schools for transportation costs. The local tuition costs are calculated by dividing the local appropriation to education from property taxes, net debt service and capital projects, by the district RADM (the changes in Article 11 of the Governor's FY2017 Budget will impact this calculation as well). Local payments are made to the state school on a quarterly basis. Failure to make a payment could result in the withholding of state education aid to the district of residence. The exclusion of local revenue not collected through property taxes may require municipalities to monitor which revenue streams are appropriated to education.

NON-FORMULA PROVISIONS

Group Homes: The Act maintains the current funding for group homes as a categorical grant program, and provides \$15,000 annually per bed, except for group home beds associated with Bradley Hospital Children's Residential and Family Treatment (CRAFT) Program, which receive \$22,000 per bed. The Governor's FY2017 budget includes \$4.0 million to fund group home beds. This is \$1.1 million less than the FY2016 Budget as Enacted, and represents a decrease of 35 beds (7.8 percent) system wide. This reduction also includes a decrease required pursuant to RIGL 16-7-22(1)(ii) to reduce the average daily membership of a district by the number of group home beds used in the group home aid calculation. This adjustment is best shown in the group home aid category where it will be easier to identify, rather than in the formula calculator.

LEA	Group Home Aid					Change from Enacted			FY2017 Total Aid
	FY2016 Enacted	Number of Beds FY2016	FY2017 Aid based on bed count	Number of Beds	Number of Beds	Aid change due to bed count	Aid change due to RIGL 16-7-22(1)(ii)	Total Change	
Burrillville	\$283,374	24	\$360,000	8	(16)	(\$240,000)	\$22,766	(\$217,234)	\$66,140
Coventry	95,489	8	120,000	8	-	-	(12,360)	(12,360)	83,129
Cranston	46,354	4	60,000	4	-	-	(6,652)	(6,652)	39,702
East Providence	510,748	34	510,000	34	-	-	(64,598)	(64,598)	446,150
Lincoln	113,099	9	135,000	9	-	-	(11,703)	(11,703)	101,396
Middletown	302,018	22	330,000	22	-	-	(11,628)	(11,628)	290,390
Newport	184,024	14	210,000	14	-	-	(27,207)	(27,207)	156,817
North Providence	182,432	16	240,000	16	-	-	(28,690)	(28,690)	153,742
North Smithfield	101,850	8	120,000	8	-	-	(9,713)	(9,713)	92,137
Pawtucket	491,410	50	750,000	50	-	-	(132,446)	(132,446)	358,964
Portsmouth	536,183	37	555,000	37	-	-	(9,665)	(9,665)	526,518
Providence	1,083,736	116	1,740,000	100	(16)	(240,000)	(224,052)	(464,052)	619,684
Smithfield	219,020	16	240,000	16	-	-	(15,680)	(15,680)	203,340
South Kingstown	300,911	21	315,000	16	(5)	(75,000)	(4,669)	(79,669)	221,242
Warwick	247,344	20	300,000	30	10	150,000	(50,060)	99,940	347,284
Woonsocket	54,653	6	90,000	8	2	30,000	(25,253)	4,747	59,400
Bristol-Warren	109,676	8	120,000	8	-	-	(8,314)	(8,314)	101,362
Exeter-West Greenwich ¹	252,851	18	270,000	8	(10)	(150,000)	(1,177)	(151,177)	101,674
Total	\$5,115,172	431	\$6,465,000	396	(35)	(\$525,000)	(621,100)	(\$1,146,100)	\$3,969,072

¹ The 10 bed increase in Warwick and the 2 bed increase in Woonsocket were reported in the December 31, 2015, DCYF Group Home Report; and consequently, the \$180,000 increase in Group Home Aid will be applied to the FY2016 Revised Budget as well, pursuant to RIGL 16-64-1.1(b)(2).

Full-Day Kindergarten Projected Aid: In FY2016, the Governor amended the Full-Day Kindergarten Accessibility Act to implement a requirement that all districts provide full-day kindergarten by August 2016. In Article 11 of the FY2017 Budget, the Governor recommends repealing statutory language requiring that, beginning in FY2017, districts receive the fully-transitioned value of formula aid for student FTE positions converted to full-time kindergarten in the 2014-2015 school year or after. Language in the Budget Office's Executive Summary states that repealing this language will treat all classrooms equally, consistent with the transition plan. The language recommended for repeal, however, was enacted through 2014-S-2791 Sub A, to provide state support for the traditional districts that would be adding classrooms to accommodate the full-day program and treat them as if they were charter schools experiencing growth. Since the implementation of the funding formula, charter schools that add classrooms have been given the fully-transitioned value for those students.

The Governor repeals RIGL 16-7.2-7(c) to realize \$2.5 million in state cost avoidance in FY2017. Since the funding was not in the budget base, the reduction is seen as cost avoidance instead of savings. The table shows the impact of the cost avoidance by district.

Full-Day Kindergarten Formula Funding	
Districts	Amount
Barrington	\$36,232
Coventry	240,295
Cranston	549,602
East Greenwich	14,368
Glocester	111,182
Johnston	193,957
North Kingstown	129,723
Scituate	17,230
Smithfield	37,736
Tiverton	58,523
Warwick	261,415
Woonsocket	740,483
Exeter-West Greenwich	84,487
Total	\$2,475,235

Source: Rhode Island Department of Education.

Analyst's Note: These numbers are based on March 2015 data and would be subject to change based on the March 2016 update. Since these numbers were presented as a "cost avoidance" it is not clear if the cost of not repealing the statutory language would be equivalent. Senate Fiscal Staff has requested further clarification on this issue.

Categorical Programs: The Act includes the following categorical programs that are outside the formula but subject to the transition plan. The Governor recommends two new aid categories and funds all the

current-law categoricals except the Regional Bonus since no new regional districts have been formed and the three years of funding for existing regional districts has ended.

Transportation: The Act provides funding for transporting students to out-of-district, non-public schools for districts that participate in the statewide transportation system and for 50.0 percent of the local costs associated with transporting students within regional school districts. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Governor level funds this category at \$4.4 million in FY2017.

High-Cost Special Education: The Act includes a program for high-cost special education students. The program requires the state to reimburse the district costs when they exceed five times the per-pupil combined Core Instruction and Student Success Factor funding (currently \$62,853 for FY2017). The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Governor funds this category at \$4.5 million in FY2017, an increase of \$2.0 million over the FY2016 Budget as Enacted.

Through Article 11, the Governor proposes to lower this threshold, beginning in FY2018, to four times the core foundation amount. Based on FY2017 values, the new threshold would be \$50,282. Since the distribution is subject to a prorated reduction based on the funds available, this change has no fiscal impact on the State; however, distributions to individual districts may experience a variance. The Governor's Fair Funding Formula Working Group recommended adjusting the threshold for the high-cost special education categorical to broaden district and school reimbursement eligibility.

Career and Technical Education: The Act provides a state grant program to help districts with certain start-up and maintenance expenditures for career and technical education programs. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Governor funds this category at \$3.5 million in FY2017, level funded with the FY2015 and FY2016 Budgets as Enacted.

Under current law, the Department recommends criteria for the allocation of funds appropriated to this categorical program by the General Assembly. Through Article 11, the Governor recommends empowering the Department to develop the criteria for the distribution of funds.

English Learners: Through Article 11, the Governor establishes a new categorical fund for English Learners (EL). The fund would provide a 10.0 percent weight on the per-pupil core instruction amount for each English learner identified by standards and assessments identified by the Commissioner. The article restricts the funds to provide services to EL students and requires that the funds be managed in accordance with requirements enumerated by the Commissioner; however, the article does not prevent the displacement of local EL funding. Distribution is subject to a pro-rata reduction based on the funds available. The Governor provides \$2.5 million in FY2017, approximately one-half of the estimated full funding amount.

The Governor's Fair Funding Formula Working Group recommended providing additional support for English Language Learners to improve education outcomes.

FY2017 Governor's Categorical Education Aid		
Categorical	Change from Enacted	Total Funding
Transportation	\$0.0	\$4.4
High-Cost Special Education	2.0	4.5
Career & Technical Education	-	3.5
English Learners	2.5	2.5
Density Fund - Choice Schools	2.6	2.6
Early Childhood	1.2	5.2
Central Falls Stabilization	0.9	4.6
Davies Stabilization	2.0	2.0
Met School Stabilization	0.3	0.3
Regionalization Bonus	-	-
Total	\$11.5	\$29.6

\$ in millions. Totals may vary due to rounding.

Analyst's Note: The Department indicates that eligibility for this aid would be aimed at the English Learners at the lowest fluency levels; however, no such language is included in the article.

Public School of Choice Density Aid: Through Article 11, the Governor establishes as new category of state aid for districts where 5.0 percent of more of the average daily membership enrolls in a public school of choice, such as Davies, the Met, or a charter school. Such districts would receive an additional \$300 for each student attending a public school of choice. The per-pupil amount is calculated by the Department to offset costs that must be paid by a sending district even though students are attending a different school. Examples of such costs include heating, lighting, accounting services, teachers, and building administrator. While these costs can sometimes be reduced when enrollment declines are concentrated in specific schools or classrooms, public school of choice enrollment are generally scattered across schools and grades within a district. The article requires that the Department recalculate these costs every three years, in a manner to be determined by the Commissioner. The budget includes \$2.6 million in density aid to be divided among six qualifying communities: Central Falls, Cumberland, Lincoln, Pawtucket, Providence, and Woonsocket. The Governor's Fair Funding Formula Working Group recommended providing additional support to districts with high percentages of students enrolled in public schools of choice.

Early Childhood Education: The Act includes a program for early childhood education programs. The funds will be distributed through a request for proposals process targeting communities in three tiers, with the first tier having the highest concentration of children at risk for poor educational outcomes. The Governor funds this category at \$5.2 million in FY2017, an increase of \$1.2 million over the FY2016 Budget as Enacted. The additional funds are needed as a match to the federal Pre-Kindergarten Expansion grant (\$5.7 million).

Central Falls, Davies, and the Met School Stabilization: Central Falls schools are currently 100.0 percent state funded, with the State providing both the local and state contributions. Generally, the costs outside the foundation aid formula, such as transportation, facility maintenance and retiree health benefits, are paid by the district. This categorical was created due to concerns regarding the city's capacity to meet the local share of education costs. Previously the statute required Central Falls to pay its share of the local contribution prior to receiving stabilization funds. However, the 2012 General Assembly amended the statute to provide for an annual review of the respective shares and to allow stabilization funds to be provided without the district having to pay the entire local share as determined from the education funding formula. The Governor funds this category at \$4.6 million in FY2017, an increase of \$912,961 from the enacted level.

Davies Stabilization Fund: Through Article 11, the Governor establishes a stabilization fund to provide additional support to Davies for costs associated with a stand-alone high school offering both academic and career and technical coursework. The \$2.0 million provided in FY2017 includes \$1.7 million for state retirement expenses, since the teachers at Davies are part of the state system, and \$309,059 to offset the loss in revenues caused by the proposed \$355 per-pupil reduction in local tuition rates.

Met School Stabilization Fund: Through Article 11, the Governor establishes a stabilization fund to provide additional support to the Met School for costs associated with a stand-alone high school offering both academic and career and technical coursework. The \$297,135 provided in FY2017 is to offset the loss in revenues caused by the proposed \$355 per-pupil reduction in local tuition rates.

Regionalization Bonus: The Act includes a bonus to regional districts and for those that regionalize in the future. In the first year, the bonus is 2.0 percent of the State's share of the total foundation aid. In the second year the bonus is 1.0 percent of the State's share, and in the third year the bonus phases out. The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Governor recommends no funding in FY2017, the sixth year of funding for the regionalized districts, since no new regional districts have been formed. This recommendation represents level funding from the FY2014 Budget as Enacted.

The following table shows the Governor's proposed education aid including the formula distribution, categorical aid, and group home aid.

FY2017 Governor's Education Aid¹

Districts	FY2016 Enacted (excludes group home and categoricals)	FY2017 (Year 6) formula Change	Transportation	High-cost Special Education	Group Home Aid ²	English Learners	Public School Choice Density	Stabilization Funding	FY2017 Aid
Barrington	\$5,040,087	\$120,669	\$41,085	\$123,115	\$0	\$1,339	-	-	\$5,326,295
Burrillville	12,982,749	39,103	14,053	11,802	66,140	721	-	-	13,114,568
Charlestown	1,706,421	11	-	-	-	-	-	-	1,706,432
Coventry	21,765,325	811,059	27,727	40,350	83,129	1,099	-	-	22,728,689
Cranston	50,354,984	3,398,467	479,971	497,530	39,702	59,195	-	-	54,829,850
Cumberland	16,552,780	895,843	100,221	77,357	-	2,123	159,600	-	17,787,923
East Greenwich	2,770,431	(165,623)	31,635	143,759	-	274	-	-	2,780,476
East Providence	30,348,208	1,662,771	-	263,702	446,150	25,391	-	-	32,746,223
Foster	1,181,172	(11,068)	7,542	26,519	-	-	-	-	1,204,164
Glocester	2,515,667	(124,282)	18,288	23,661	-	-	-	-	2,433,334
Hopkinton	5,470,735	(87,117)	-	-	-	613	-	-	5,384,230
Jamestown	438,478	2,291	-	34,940	-	33	-	-	475,742
Johnston	13,920,605	1,459,698	255,621	23,407	-	14,412	-	-	15,673,743
Lincoln	10,225,160	753,314	-	116,901	101,396	1,438	92,700	-	11,290,909
Little Compton	398,464	13,724	-	-	-	-	-	-	412,187
Middletown	8,369,412	(233,859)	-	143,318	290,390	9,787	-	-	8,579,048
Narragansett	2,134,161	(8,503)	-	35,732	-	218	-	-	2,161,608
Newport	10,402,340	31,557	-	16,538	156,817	16,406	-	-	10,623,658
New Shoreham	85,500	27,940	-	19,887	-	455	-	-	133,782
North Kingstown	10,662,516	24,102	-	48,838	-	2,268	-	-	10,737,725
North Providence	17,944,337	1,567,044	106,104	246,223	153,742	14,368	-	-	20,031,819
North Smithfield	5,683,082	329,343	18,175	71,106	92,137	1,007	-	-	6,194,849
Pawtucket	78,238,483	3,730,760	82,505	134,928	358,964	188,827	497,700	-	83,232,168
Portsmouth	4,212,562	(172,318)	-	166,554	526,518	389	-	-	4,733,705
Providence	221,212,806	7,007,942	290,637	833,506	619,684	1,540,593	1,306,800	-	232,811,967
Richmond	5,063,630	(208,667)	-	-	-	163	-	-	4,855,126
Scituate	3,909,685	(194,851)	45,522	35,619	-	-	-	-	3,795,975
Smithfield	5,089,386	390,101	38,390	115,493	203,340	467	-	-	5,837,178
South Kingstown	7,289,894	(264,806)	133,892	82,383	221,242	-	-	-	7,462,605
Tiverton	6,027,039	121,185	-	53,122	-	304	-	-	6,201,650
Warwick	36,354,185	812,148	4,987	432,542	347,284	6,548	-	-	37,957,693
Westerly	8,272,261	639,963	-	177,873	-	1,898	-	-	9,091,995
West Warwick	21,833,719	993,637	47,523	-	-	8,433	-	-	22,883,312
Woonsocket	53,126,130	2,501,286	36,046	41,108	59,400	122,647	86,700	-	55,973,318
Bristol-Warren ³	15,310,869	(542,715)	647,124	206,286	101,362	8,814	-	-	15,731,739
Exeter-West Greenwich ³	5,387,085	(221,472)	527,118	131,533	101,674	727	-	-	5,926,665
Chariho	191,602	(38,320)	1,104,699	49,320	-	-	-	-	1,307,301
Foster-Glocester	4,872,233	(130,105)	225,831	57,424	-	-	-	-	5,025,383
Central Falls	35,841,615	(1,570,730)	66,665	14,165	-	211,465	444,300	4,591,448	39,598,928
District Total	\$743,185,800	\$23,359,520	\$4,351,360	\$4,496,543	\$3,969,072	\$2,242,422	2,587,800	4,591,448	\$788,783,963
Charter School Total	67,513,058	8,380,629	-	3,460	-	129,264	-	-	76,026,411
Davies ⁴	11,640,152	(611,226)	-	-	-	1,566	-	1,969,874	13,000,366
Met School	9,864,425	(631,672)	-	-	-	-	-	297,135	9,529,888
Urban Collaborative	856,203	285,505	-	-	-	-	-	-	1,141,708
Total	833,059,638	\$30,782,756	\$4,351,360	\$4,500,000	\$3,969,072	\$2,373,252	\$2,587,800	\$6,858,457	\$888,482,334

¹ Based on March 2015 enrollment updated for projected charter school growth.² Based on final 12/31/2015 report from Rhode Island Department of Education.³ Calculations based on component district data as required by the Superior Court decision in Town of Warren v. Bristol Warren Regional School District, et. al.⁴ Reflects \$113,664 adjustment for State share of teacher retirement.

Source: Rhode Island Department of Education

The following table shows the difference in education aid as proposed by the Governor relative to the FY2016 Budget as Enacted.

FY2017 Enacted Education Aid - Change to FY2016 Budget as Enacted¹

Districts	FY2016 Enacted (includes group home and categorical)	FY2017 (Year 6) Formula Change	Transportation (change from FY2016)	High-cost Special Education (change from FY2016)	Group Home ² (change from FY2016)	English Learners	Public School Choice Density	Stabilization Funding	FY2017 Education Aid
Barrington	\$5,157,096	\$120,669	\$9,218	\$47,191	\$0	\$1,339	-	-	\$5,335,514
Burrillville	13,301,213	39,103	9,590	(9,235)	(217,234)	721	-	-	13,124,159
Charlestown	1,706,421	11	-	-	-	-	-	-	1,706,432
Coventry	21,919,203	811,059	(7,598)	9,688	(12,360)	1,099	-	-	22,721,091
Cranston	51,129,520	3,398,467	(70,682)	249,318	(6,652)	59,195	-	-	54,759,166
Cumberland	16,689,944	895,843	5,939	40,414	-	2,123	159,600	-	17,793,862
East Greenwich	2,911,566	(165,623)	(4,148)	34,258	-	274	-	-	2,776,327
East Providence	31,094,816	1,662,771	11,701	27,843	(64,598)	25,391	-	-	32,757,924
Foster	1,206,855	(11,068)	(1,440)	8,378	-	-	-	-	1,202,724
Glocester	2,546,606	(124,282)	(4,442)	11,010	-	-	-	-	2,428,893
Hopkinton	5,470,735	(87,117)	-	-	-	613	-	-	5,384,230
James town	456,252	2,291	-	17,166	-	33	-	-	475,742
Johnston	14,241,390	1,459,698	(26,725)	(41,755)	-	14,412	-	-	15,647,019
Lincoln	10,434,249	753,314	-	20,911	(11,703)	1,438	92,700	-	11,290,909
Little Compton	398,464	13,724	-	-	-	-	-	-	412,187
Middletown	8,723,282	(233,859)	-	91,466	(11,628)	9,787	-	-	8,579,048
Narragansett	2,154,808	(8,503)	-	15,085	-	218	-	-	2,161,608
Newport	10,597,219	31,557	-	5,683	(27,207)	16,406	-	-	10,623,658
New Shoreham	103,748	27,940	-	1,639	-	455	-	-	133,782
North Kingstown	10,693,934	24,102	-	17,420	-	2,268	-	-	10,737,725
North Providence	18,350,725	1,567,044	13,839	128,371	(28,690)	14,368	-	-	20,045,659
North Smithfield	5,824,567	329,343	7,301	49,645	(9,713)	1,007	-	-	6,202,150
Pawtucket	78,877,331	3,730,760	32,989	69,995	(132,446)	188,827	497,700	-	83,265,157
Portsmouth	4,797,771	(172,318)	-	117,528	(9,665)	389	-	-	4,733,704
Providence	223,060,894	7,007,942	(24,311)	359,791	(464,052)	1,540,593	1,306,800	-	232,787,656
Richmond	5,063,630	(208,667)	-	-	-	163	-	-	4,855,126
Scituate	3,974,845	(194,851)	(13,319)	15,982	-	-	-	-	3,782,657
Smithfield	5,348,196	390,101	12,532	114,093	(15,680)	467	-	-	5,849,710
South Kingstown	7,757,160	(264,806)	(27,275)	49,920	(79,669)	-	-	-	7,435,330
Tiverton	6,068,532	121,185	-	11,629	-	304	-	-	6,201,650
Warwick	36,764,895	812,148	20,876	274,164	99,940	6,548	-	-	37,978,571
Westerly	8,418,818	639,963	-	31,316	-	1,898	-	-	9,091,995
West Warwick	21,881,242	993,637	(8,306)	-	-	8,433	-	-	22,875,006
Woonsocket	53,233,700	2,501,286	(27,138)	24,237	4,747	122,647	86,700	-	55,946,180
Bristol-Warren ³	16,207,316	(542,715)	(3,255)	66,638	(8,314)	8,814	-	-	15,728,484
Exeter-West Greenwich ³	6,230,076	(221,472)	91,575	68,511	(151,177)	727	-	-	6,018,240
Chariho	1,322,689	(38,320)	(3,916)	22,932	-	-	-	-	1,303,385
Foster-Glocester	5,113,855	(130,105)	-	41,633	-	-	-	-	5,025,383
Central Falls	39,597,254	(1,570,730)	6,995	3,679	-	211,465	444,300	912,961	39,605,923
District Total	\$758,830,815	\$23,359,520	\$0	\$1,996,540	(\$1,146,100)	\$2,242,422	\$2,587,800	\$912,961	\$788,783,964
Charter School Total	67,513,058	8,380,629	-	3,460	-	129,264	-	-	76,026,411
Davies	11,640,152	(611,226)	-	-	-	1,566	-	1,969,874	13,000,366
Met School	9,864,425	(631,672)	-	-	-	-	-	297,135	9,529,888
Urban Collaborative	856,203	285,505	-	-	-	-	-	-	1,141,708
Total	\$848,704,653	\$30,782,756	\$0	\$2,000,000	(\$1,146,100)	\$2,373,252	\$2,587,800	\$3,179,970	\$888,482,334

¹ Subject to change based on March 2016 data updates.² Based on final 12/31/2015 report from the Department of Children, Youth and Families.³ Calculations based on component district data as required by the Superior Court decision in Town of Warren v. Bristol Warren Regional School District, et. al.

Source: Rhode Island Department of Education

School Housing Aid: In 1960, the school housing aid program was enacted by the General Assembly to guarantee adequate school facilities for all public school children in the state, and to prevent the cost of constructing and repairing facilities from interfering with the effective operation of the schools. Applications for aid to support the construction and renovation of school buildings are submitted to and evaluated by the Rhode Island Department of Elementary and Secondary Education (RIDE). State aid is provided for approved projects based on a percentage of cost. The percentage provided by the State to the school district is determined based on a share ratio designed to measure a community's need. For FY2016, the minimum state share is 35.0 percent and the maximum is 96.1 percent for Central Falls: the state share for charter schools is 30.0 percent.

The 2010 General Assembly passed legislation increasing the minimum share ratio from 30.0 percent in FY2011 to 35.0 percent in FY2012 and to 40.0 percent in FY2013. The 2012 General Assembly froze the reimbursement rate at 35.0 percent, but provided that projects completed after June 30, 2010, that received approval from the Board of Regents by June 30, 2012, receive the 40.0 percent minimum.

The 2011 General Assembly enacted legislation limiting the approval of new projects between FY2012 and FY2015, to those necessitated by immediate health and safety reasons. Any project requested during the moratorium must be reported to the chairs of the House and Senate Finance Committees. Any project approval granted prior to the adoption of the school construction regulations in 2007, which is currently inactive, and any project approval granted prior to the adoption of the school construction regulations in 2007, which did not receive voter approval or which has not been previously financed, is no longer eligible for reimbursement. Article 22 of the FY2015 Budget extended the moratorium from June 30, 2014, to May 1, 2015, limiting the approval of new projects between FY2012 and FY2015 to those necessitated by immediate health and safety conditions.

As part of the legislation, RIDE was charged with developing recommendations for further cost containment strategies in the school housing aid program. The following recommendations were submitted on March 22, 2012:

- Establish capital reserve funds on the state and local level.
- Reduce the minimum share ratio.
- Limit costs associated with bonding by establishing a mechanism to allow districts with poor bond ratings to borrow at a lower interest rate, reduce the State's reimbursement rate on interest, and provide incentives for districts to refinance bonds.

Article 13 of the FY2014 Budget as Enacted provided an incentive to communities to refinance existing school housing bonds by allowing communities to receive 80.0 percent of the total savings, instead of distributing the savings based on the state share ratio. The increased savings to the communities would only apply to refinancing done between July 1, 2013, and December 31, 2015. The table shows the estimated savings realized through the incentive.

For FY2017, the Governor recommends \$70.9 million, level funded to the FY2016 Budget as Enacted. For FY2016, the Department projects expenditures of \$66.8 million in school housing aid, a decrease of \$4.1 million from the FY2016 Budget as Enacted; however, pursuant to law the surplus must be deposited into the School Building Authority Capital Fund.

**School Bond Refinancing Incentive Estimated Savings
Summary**

Municipality	Local Savings	State Savings	Total Savings
Burrville	\$391,582	\$97,896	\$489,478
Central Falls	485,690	121,423	607,113
Cumberland	392,456	98,136	490,592
Johnston	41,684	10,421	52,105
Lincoln	1,590,165	397,541	1,987,706
New Shoreham	329,114	82,278	411,392
North Kingstown	419,141	104,785	523,926
North Providence	492,390	123,098	615,488
Pawtucket	44,094	11,023	55,117
Portsmouth	208,533	52,135	260,668
Providence	5,854,680	1,463,670	7,318,350
South Kingstown	232,603	58,151	290,754
Tiverton	753,270	188,317	941,587
West Warwick	525,572	131,393	656,965
Woonsocket	728,129	182,083	910,212
Total Savings	\$12,489,103	\$3,122,350	\$15,611,453

School Building Authority Capital Fund: Article 9 of the FY2016 Budget as Enacted designated the Department of Elementary and Secondary Education (Department) as the State's School Building Authority and charged the Department with implementing a system of state funding for school facilities, managing the school housing aid program, and developing a project priority system. The Authority oversees two distinct funding mechanisms for school facilities: the foundation program, as enumerated in RIGL 16-7-35 through 16-7-47, and the school building authority capital fund (Capital Fund), as created through the article. The FY2016 budget added 1.0 FTE position to the Department for a new construction

manager to assist in developing procedures for the proposed Capital Fund. In FY2016, the Department received a one-time, pass-through appropriation of \$20.0 million in new general revenue to capitalize the Capital Fund, which is held in trust and administered by the Rhode Island Health and Education Building Corporation (RIHEBC). For FY2017, the budget provides \$9.1 million in general revenue to capitalize the Capital Fund, a decrease of \$10.9 million from the FY2016 budget as Enacted.

Through Article 5, the Governor submits a total of \$257.5 million in ballot referenda to Rhode Island voters for their approval in November. Included in the proposed as six questions is \$40.0 million in bond proceeds to fund the School Building Authority Capital Fund. The proceeds would be used to repair, upgrade, and modernize public schools, focusing on projects that demonstrate an urgent health and safety need or an investment in science, technology, engineering, arts/design, and math (STEAM), as well as career and technical education learning spaces.

and cost of living adjustments within Public Safety departments, (\$2.7 million. These increases are partially offset by savings within the Department Of Revenue for the delay of license plate reissuance (\$3.0 million).

The remainder of this report provides an overview of the major changes proposed by the Governor to the FY2016 Budget as Enacted, organized by department.

DEPARTMENT OF ADMINISTRATION

Debt Service* **\$13.5 million*

The budget increases general revenue debt service by \$13.5 million. The FY2016 Budget as Enacted included \$64.5 million in new general revenue from the restructuring and refinancing of existing state general obligation bonds. The refinancing resulted in the savings, but a portion of the savings was attributable to Transportation debt which is funded with other funds, and some of the savings was attributable to debt with Higher Education, which is reflected in the budgets of the three institutions.

Reappropriations from FY2015* **\$6.9 million*

The Budget includes \$6.9 million in reappropriations from FY2015.

DEPARTMENT OF REVENUE

Delay License Plate Reissuance* **(\$3.0 million)*

The Governor includes general revenue savings of \$3.0 million due to the delay of license plate reissuance from July 1, 2016, to April 1, 2017.

Legal Costs* **\$321,388*

The Budget increases expenditures associated with legal costs associated with the Central Coventry Fire District and Central Falls bankruptcy by \$321,388.

DMV Extended Hours* **\$39,829*

The DMV is planning to pilot weekend (Saturday) hours at two registry branches. Woonsocket and Middletown are the locations being considered, with operating hours suggested to be 8:30-12:30. It is proposed that each branch be staffed with one supervisor, 3 customer service representatives and a capitol police officer. March 2016 is the target launch of the pilot. The Budget includes an additional \$39,829 for additional costs associated with the extended hours.

EXECUTIVE OFFICE OF COMMERCE

Shifting Funds from Anchor Tax Credit* **\$1.0 million*

The Governor shifts \$1.0 million from the Anchor Tax Credit program, and increases the Innovation Network Grant Program and the Innovation Voucher Program by \$500,000 each.

OFFICE OF HEALTH AND HUMAN SERVICES

Unified Health Infrastructure Project* **\$10.0 million*

The Unified Health Infrastructure Project (UHIP) is funded with IT Investment Funds and general revenue totaling an increase of \$10.0 million in general revenue over the Enacted Budget. Planned allotments are to: integrate the Worker Portal, improve the Citizen's Portal, and improve RI Bridges Worker Portal.

Caseload Changes**\$7.3 million**

The Governor proposes a net increase of \$7.3 million in general revenues from FY2016 Enacted associated with caseload adjustments. Caseload expenditures were \$15.3 million above November CEC consensus estimates. The Governor proposes to offset expenditures by withdrawal of \$8.0 million in general revenues (\$16.1 million all funds) related to Reinvent Medicaid Initiatives.

Graduate Medical Education**(\$2.0 million)**

The budget eliminates the \$2.0 million funding pool in support of Graduate Medical Education (GME) at Rhode Island's academic Level I trauma center hospitals.

Contracted Services**\$637,605**

The Governor includes an increase in general revenue of \$637,605 above FY2016 Enacted for contract services including; Medicaid Budget and Reform, Hospital Admissions Screening and Utilization, and Electronic Visit Verification and Monitoring.

DEPARTMENT OF HUMAN SERVICES**Caseload Changes****(\$436,458)**

General Revenue expenses decrease by \$436,458 for reductions due to revised caseload estimates. This decrease is composed of a \$347,478 reduction in the Supplemental Security Income (SSI) program, and a reduction of \$88,980 in the General Public Assistance (GPA) program. At the November 2015 Caseload Estimating Conference the SSI program was estimated to have 201 less individuals as compared to the enacted estimate. Additionally, the monthly cost per person was lowered by \$0.59, to \$45.00, for a total cost of \$18.3 million. The GPA program's revised caseload estimate included 395 individuals, 39 less than enacted, at a monthly cost of \$135.00. Total expenditures for the GPA program are estimated to be \$1.4 million.

Unified Health Infrastructure Project**Informational**

The Department is projected to spend an additional \$3.0 million on the Unified Health Infrastructure Project (UHIP) in FY2016. The additional spending on UHIP was funded via the IT Fund instead of general revenue funds. The IT Fund is found under the Department of Administration.

DEPARTMENT OF CHILDREN, YOUTH, AND FAMILIES**System of Care Networks****\$2.2 million**

The Budget includes a net increase in general revenue of \$2.2 million, primarily due to increased costs within the System of Care (residential services, foster care, and group homes) based on current caseload trends and continuation of network administrative services (\$5.5 million); a rate increase for foster subsidies from \$16.05 per day to \$18.59 per day (\$1.0 million); and, a 3.0 percent rate increase for day care providers negotiated by the Department of Human Services (\$1.2 million). General revenue increases are partially offset by utilizing \$3.4 million in federal funds for Medicaid-eligible community based services within the System of Care that had not been previously claimed, and department-wide turnover savings.

DEPARTMENT OF HEALTH**Environmental Health Services Regulation****\$458,150**

The Budget is increased by \$458,150 primarily due to the restructuring of the Department that occurred in FY2016; however, the enacted budget reflects the former organizational structure. This reorganization was done to provide enhanced customer service, particularly in the areas of professional licensing and facilities.

The Budget funds a new position for the Center of Professional Boards, operating costs in health professional licensing, temporary clerical support, and a dental board contractor.

Health Laboratories **(\$284,941)**

The Budget is reduced by \$284,941 in general revenue funds, primarily due to staff vacancies. There is a Chief Biological Scientist vacancy, and two unfilled Forensic Scientist positions.

BEHAVIORAL HEALTH, DEVELOPMENTAL DISABILITIES, AND HOSPITALS

Developmentally Disabled Programming **\$2.5 million**

The Budget includes \$2.5 million more for programming for services for the developmentally disabled (DD). The increase includes \$5.2 million more for DD service provider payments, partially offset by \$1.5 million in savings by transitioning residents from group homes to community-based placements, and \$1.1 million from the reallocation of professional supports to Medicaid managed care.

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION

Administration of Comprehensive Education System **(\$131,553)**

The Administration of the Comprehensive Education System (ACES) is reduced by \$131,553 primarily to reflect savings from eliminating funding for the Department of Justice Consent Decree Monitoring (\$125,000) resulting from the investigation of the Training Thru Placement program at the Harold H. Birch Vocational Program at Mount Pleasant High School. The costs of monitoring will be included in the BHDDH budget for FY2016 and FY2017.

Education Aid **(\$12,465)**

Education aid is reduced by \$12,465 due to non-public textbook savings of \$89,291, based on actual reimbursements and a mid-year adjustment for a charter school saving \$98,800, partially offset by an increase in group home bed costs of \$180,000 in Warwick (\$150,000 for 10 beds) and Woonsocket (\$30,000 for two beds).

PUBLIC HIGHER EDUCATION

General Obligation Debt Service **(\$14.6 million)**

General revenue is decreased by \$14.6 million due to the restructuring/refunding of general revenue financed debt service to provide additional resources to support economic development and technology improvements around the State.

Statewide Savings **(\$689,966)**

Statewide adjustments on medical premiums, telecom, and energy costs provide an additional \$689,966 in general revenue savings.

DEPARTMENT OF CORRECTIONS

Overtime **\$4.4 million**

The Budget increases overtime costs by \$4.4 million due to the opening of closed modules, increased use of double overtime, and the delay in the correctional officer training class due to the continued uncertainty regarding the litigation brought by the U.S. Department of Justice concerning the fairness of the correctional officer training process.

DEPARTMENT OF PUBLIC SAFETY***Personnel Shift to Restricted Receipts*** ***(\$2.4 million)***

The Budget includes a \$2.4 million decrease in general revenue due to a one-time shift of expenditures to the Google forfeiture funds (restricted receipts) for the cost of salaries and benefits within the State Police budget.

Operating Supplies and Expenses to Restricted Receipts ***(\$981,458)***

The Budget includes \$981,458 reduction in software maintenance contracts that have been shifted to the Google forfeiture funds for FY2016. This is a one-time shift.

DEPARTMENT OF ENVIRONMENTAL MANAGEMENT***Operating Supplies and Expenses*** ***\$804,520***

The budget increases by \$804,520 for one-time expenses for tree removal and trimming and the clearing of debris and stumps at state facilities due to damage caused by the August 4, 2015, macro-burst thunderstorms.

DEPARTMENT OF TRANSPORTATION***Winter Maintenance*** ***\$3.5 million***

The Governor adds \$3.5 million in gas tax revenue for winter maintenance, including private vendors conducting snow plowing operations; materials such as liquid deicers, sand and salt; and vehicle repairs, maintenance, and fuel costs incurred during winter storm operations. This includes \$538,250 in increased overtime costs and \$612,000 for sand and salt to reflect prior year expenditures.

RhodeWorks ***\$850,000***

Gas tax revenues totaling \$850,000 are recommended in support of public relations, engineering, and legal services surrounding the RhodeWorks proposal.

Statewide Transportation Study ***\$350,000***

The budget allocates \$350,000 in gas tax revenues to a statewide transportation study aimed at restructuring current internal procedures and managerial policies at the Department of Transportation.



ARTICLES

Article 1: Relating to Making Appropriations in Support of FY2017

Article 1 outlines the appropriation amounts from all fund sources for FY2017. In most cases, the appropriations are by fund source at the program level in each department or agency. The article includes the FTE position authorizations by department or agency. Other sections of the article outline the use of contingency funds; out-year appropriation changes Rhode Island Capital Plan Fund projects; determines expenditure limits for internal service funds; and provides for disbursements of Lottery, Temporary Disability Insurance, Employment Security, and University and College Funds.

This article also:

- Authorizes debt payments for the I-195 Redevelopment District Commission loan.
- Sets the airport impact aid formula.
- Allows all unexpended balances associated with license plate reissuance to be reappropriated to FY2018.
- Requires that internal student financial aid not be reduced below the FY2016 levels. The President of each institution is required to report to the chair of the Council of Postsecondary Education that student aid levels have been maintained, prior to the commencement of the 2016-2017 academic year. The article does *not* require that tuitions be frozen.
- Caps the amount the Judiciary may charge to five state agencies (Public Defender's Office, Office of the Attorney General, Department of Corrections, DCYF, and Department of Public Safety) for public courthouse occupancy costs at \$1.1 million.
- Requires that Rhode Island Housing continue to provide resources to support the Neighborhood Opportunities Program; an amount, however, is not designated. The Article requires a report on the number of housing units produced and funding be provided to the Director of Administration, chair of the Housing Resources Commission, State Budget Officer, and the chairs of the House and Senate Finance Committees.
- Requires the following transfers be made to the State Controller by June 30, 2017: \$1.5 million from Resource Recovery Corporation; \$8.0 million from the Rhode Island Infrastructure Bank; \$1.5 million from Narragansett Bay Commission; \$5.0 million from Rhode Island Health and Educational Building Corporation; and, \$275,000 from the Rhode Island Airport Corporation.

APPROPRIATIONS

Article 1 makes appropriations from general revenues and authorizes expenditures of federal funds, restricted receipts, and other funds for the fiscal year ending June 30, 2017.

Expenditures by Source	FY2015 Final	FY2016 Enacted	FY2017 Governor	Change to	
				Enacted	% Change
General Revenue	\$3,453.9	\$3,552.0	\$3,676.8	\$124.8	3.5%
Federal Funds	2,895.2	2,947.3	2,967.2	20.0	0.7%
Restricted Receipts	236.0	245.5	261.9	16.4	6.7%
Other Funds	1,807.4	1,920.7	2,058.9	138.2	7.2%
Total	\$8,392.5	\$8,665.4	\$8,964.8	\$299.3	3.5%

\$ in millions. Totals may vary due to rounding.

In addition, Article 1 provides for the annual appropriation of the Contingency Fund, Temporary Disability Insurance Funds (TDI); Employment Security (UI Trust Fund); University and College Funds; allows the appropriation of Lottery Division funds for award winnings during FY2016.

Article 1 establishes 12 specific, capped internal service accounts to permit reimbursement of costs for work or other services performed by certain departments or agencies for any other department or agency. Reimbursements may only be made up to the expenditure cap for each account, as outlined below.

Internal Service Account	FY2016 Enacted	FY2017 Governor
State Assessed Fringe Benefits	\$38,930,194	\$41,699,269
Administration Central Utilities	17,782,800	14,900,975
State Central Mail	6,203,680	6,190,285
State Telecommunications	4,122,558	3,017,521
State Automotive Fleet	13,830,623	12,543,165
Surplus Property	2,500	2,500
Health Insurance	251,175,719	251,723,462
Other Post-Employment Benefits	64,293,483	63,934,483
Capital Police	1,252,144	1,172,421
Corrections Central Distribution Center	6,768,097	7,094,183
Correctional Industries	7,228,052	7,304,210
Secretary of State Records Center	813,687	907,177
Total	\$412,403,537	\$410,489,651

FUND TRANSFERS

Rhode Island Resource Recovery Corporation: The article requires the Resource Recovery Corporation to transfer \$1.5 million to the State Controller by the end of FY2017. According to the Corporation, transferring these funds will increase the municipal tipping fee by \$5.00 per ton. On January 27, 2016, the Corporation's Board of Commissioners voted to authorize the Executive Director to file the revised municipal solid waste disposal fee pricing and procedure rule with the Secretary of State. The rule expected to become effect at the end of February 2016; however, pursuant to the rule, the tipping fee will not be adjusted unless the Corporation's cash balances fall below the minimum requirements, which include enough funds cover one-year worth of debt services (currently \$5.0 million). This fee increase is expected to happen in FY2018. The transfer of funds is not going to accelerate the schedule; however, tipping fee was projected to be around \$47.00 per ton, or less, the transfer of \$1.5 million would increase the tipping fee to about \$52.00.

Rhode Island Infrastructure Bank: The article requires the Rhode Island Infrastructure Bank (RIIB) to transfer \$8.0 million to the State Controller by the end of FY2017. According to RIIB, if the funds were transferred, planned and proposed projects for FY2017 would have to be reduced. The new Efficient Building fund (EBF) is a revolving fund designed to provide municipalities, schools, and state entities with low-cost financing for energy efficiency and renewable energy projects. As a new revolving fund the EBF requires seed money, and although RIIB has identified a \$25.0 million in potential resources, applications have been received totaling \$60.0 million in projects. It had been anticipated that RIIB would provide as much as \$12.0 million in additional seed money in late FY2017; however, the transfer of funds would force RIIB to slow or stop lending after the initial \$25.0 million. The Community Septic System Loan Program, which provides zero-interest loans to towns that then make loans to homeowners at 1.0 to 2.0 percent for replacement of cesspools and failed septic systems, would not be expanded to address the 400 or more loans in annual unmet demand. Other programs under development that would have to be cut or eliminated included the Residential PACE program and Brownfields Revolving Fund.

Narragansett Bay Commission: The article requires the Narragansett Bay Commission (NBC) to transfer \$1.5 million to the State Controller by the end of FY2017. The NBC estimates that the transfer will result in a rate increase of about 1.5 percent (about \$7.05 annually for the average single family home). This increase, however, would be in addition to an anticipated increase of about 3.0 percent to meet capital improvement and debt service requirements. NBC also expressed concerns about the impact of the

transfer on the Commission's bond rating and whether such a transfer would be legal given the constraints of the Trust Indenture.

Rhode Island Health and Educational Building Corporation: The article requires the Rhode Island Health and Educational Building Corporation (RIHBC) to transfer \$5.0 million to the State Controller by the end of FY2017. RIHBC has indicated that the transfer of these funds would eliminate the ability of RIHBC to continue its Financial Assistance program in any significant way. The Financial Assistance program provides fixed rate loans to institutions for equipment, facility improvements and real estate. The maximum amount of loans per institution is \$800,000 with a maximum loan term based on the useful life of the project, but in no case will the term exceed ten (10) years. The program is also used to provide other assistance such as the \$1.0 million to fund the assessment being done by the School Building Authority to document the conditions of the schools.

Rhode Island Airport Corporation: The article requires the Rhode Island Airport Corporation (RIAC) to transfer \$275,000 to the State Controller by the end of FY2017. RIAC has indicated that the transfer is payment for the remaining principal due from the RIAC to the State for airport related general obligation bonds. RIAC has confirmed that the \$275,000 equals the remaining, scheduled principal payments for 2018-2023. If this payment is made in 2017 it would reduce the amount owed from RIAC to the State to \$0 in FY 2017.

FTE POSITION CAP AND APPROVAL

Article 1 establishes the authorized number of full-time equivalent (FTE) positions for each State department and agency. Departments and agencies may not exceed in any pay period the number of authorized FTE positions shown. Statewide, the Governor recommends a net increase of 108.9 FTE positions from the FY2016 Budget as Enacted. Following are the changes included in the Governor's proposal:

FTE Position Authorization			
Function	FY2016 Enacted	FY2017 Governor	Change to Enacted
General Government	2,330.2	2,391.7	61.5
Human Services	3,747.6	3,753.6	6.0
Education	3,884.6	3,918.6	34.0
Public Safety	3,229.6	3,246.6	17.0
Natural Resources	428.0	430.0	2.0
Transportation	752.6	741.0	(11.6)
Subtotal	14,372.6	14,481.5	108.9
Higher Ed. Sponsored Research	745.8	745.8	-
Total FTE Positions	15,118.4	15,227.3	108.9

Major FTE changes include:

- **An increase of 34.6 FTE positions for Public Higher Education:** The increase reflects a total increase of 35.6 FTE positions for professorships and advisors at the University of Rhode Island (33.0 FTE positions) and Rhode Island College (2.6 FTE positions), partially offset by a decrease of 1.0 FTE audit due to the centralization of audit functions under the Office of Management and Budget.
- **An increase of 32.0 FTE positions in the Department of Administration:** The Governor proposes standardizing audit functions across executive agencies by consolidating the Bureau of Audits with similar units from the Departments of Transportation, Human Services, and from Higher Education into the Office of Internal Audit within the Office of Management and Budget. The consolidation merges 28.0 FTE positions, as well as an increase of 3.0 FTE positions for performance management functions in the Office of Management and Budget, and an increase of 1.0 FTE position to enhance cyber security protection.

- **An increase of 13.0 FTE positions for the Department of Corrections:** This reflects an increase of 13.0 FTE positions, of which 8.0 new FTE positions in discharge planning to replace contracted services and 5.0 new FTE probation officer positions and operating costs related to the Justice Reinvestment initiative. The Justice Reinvestment working group identified changes needed in the management of the pre-trial population, including diversion tools that could reduce the length of stay for certain defendants, thus reducing the awaiting trial population.
- **An increase of 13.0 FTE positions in the Department of Health:** The Governor transfers the Women, Infants and Children's program and the associated FTE positions from the Department of Human Services to the Department of Health.,
- **An increase of 6.5 FTE positions in the Department of Labor and Training:** The Governor adds FTE positions to bolster monitoring and workforce development initiatives at the Department. This includes 3.0 FTE positions for the Misclassification Task Force, 3.0 FTE positions for grant monitoring and evaluation, 1.0 FTE position for the State Workforce and Education Alignment project, and an offset of a 0.5 FTE position due to a retirement.
- **An increase of 9.0 FTE positions in the Department of Revenue:** The Governor adds 6.0 new Revenue Officer I positions in the Division of Taxation to provide analytical and operational support for the proposed nexus program, which will identify and register entities that have not paid appropriate corporate, withholding, and/or sales and use taxes, and identify and collect back taxes owed.
- **A decrease of 2.6 FTE positions in the Council on the Arts:** The reduction in FTE positions represents the elimination of the Rhode Island Film and Television Office and the transfer of responsibility for marketing the State to production companies and overseeing the film tax credit to the Commerce Corporation.
- **An increase of 2.0 FTE positions in Elementary and Secondary Education:** The Governor recommends two new FTE positions within the Department of Elementary and Secondary Education. One position would support and manage the Department's performance management system. The other position would support the Rhode Island evaluation model by developing and implementing professional training for teacher evaluators.

CAPITAL APPROPRIATIONS

Article 1 authorizes amounts from the Rhode Island Capital Plan (RICAP) Fund, not otherwise appropriated, to be expended during the fiscal years ending June 30, 2018, June 30, 2019, and June 30, 2020. These amounts supersede appropriations provided for FY2017 within the FY2016 Budget as Enacted.

Subject to final General Assembly approval, any unexpended or unencumbered funds from the RICAP Fund project appropriations in excess of \$500 may be reappropriated to the next fiscal year and made available for the same purpose. Any remaining funding less than \$500 may be reappropriated at the discretion of the State Budget Officer.

Article 2: Relating to Public Finance Management Board

This article strengthens and expands the Public Finance Management Board's oversight of debt issuance in the State, including debt issued by municipalities and quasi-public agencies. The article authorizes a new reporting requirement for State, municipalities, authorities, boards, commissions and quasi-public agencies to the Public Finance Management Board and allows the Board to charge a per diem penalty to any entity failing to file the reports.

FISCAL IMPACT

The Budget Office projects that the changes proposed in the article will increase general revenues received by the Public Finance Management Board (PFMB) by \$295,871 per year.

ANALYSIS AND BACKGROUND

There are numerous public and quasi-public entities in Rhode Island that possess the authority to issue debt with minimal oversight from the State. In 2014, State, quasi-public entities and local municipality supported general obligation and capital lease debt reached \$6,438.4 million.

The Public Finance Management Board acts as a clearing-house for information regarding various State and local bond issues, and allocates the private-activity volume cap for the issuance of private-activity tax-exempt debt. The Board also provides advice and assistance to all State departments, authorities, agencies, boards, commissions, and public and quasi-public corporations having authority to issue revenue or general obligation bonds or notes with respect to issuance of and financial planning related to all those bonds and notes. The nine-member Board was created in 1986 in response to changes in the federal tax code, which placed limitations on tax-exempt bonding authority.

The Governor strengthens the Public Finance Management Board's oversight of debt issuance in the State, including debt issued by municipalities and quasi-public agencies, by removing "upon request" from RIGL 42-10.1-2(2), thereby requiring the PFMB to provide debt management services to municipalities, authorities, boards, commissions and quasi-public agencies. RIGL 42-10.1-5 authorizes the PFMB to impose a fee for its services upon the lead underwriter or purchaser of any affected debt issue, bond, or note in an amount equal to one-fortieth of one percent (0.004 percent) of the issued principal amount. The amount of service fees collected by the PFMB will increase due to the Board's expanded oversight over State departments, authorities, agencies, boards, commissions, and public and quasi-public corporations having authority to issue revenue or general obligation bonds or notes.

Over the past five years, the revenue collected from the fee has ranged between \$203,330 in FY2011 to \$87,647 in FY2015. The Office of the General Treasurer projects fee receipts of \$132,900 for FY2017. Using an eight-year average, the projected average revenue is \$428,771, \$295,871 more than originally projected by Treasury. The additional revenue will allow the Board to use to fund the proposed Office of Debt Management within the Office of the General Treasurer.

Bond Issuer	Bond Issuance	Refunding	Taxable Bond	Article 2	Treasury	Change
	Amount	Bond Issuance	Issuance	Projected	Budget	
State and Quasi Agencies	840,938,284	419,233,591	162,603,040	\$355,694	\$132,900	\$222,794
Municipalities	233,126,414	47,025,206	12,155,503	\$73,077	\$0	73,077
Total				\$428,771	\$132,900	\$295,871

Source: Office of the General Treasurer

In addition, the article requires the State, municipalities, authorities, boards, commissions and quasi-public agencies, to provide a report on the final sale of the bonds to the PFMB within 30 days after a bond sale on forms approved by the PFMB. Any entity failing to submit the report shall be subject to a per-diem fine of \$250.

Article 3: Relating to Public Officers and Employees

This article amends several statutory provisions pertaining to the State personnel system in an attempt to modernize the system, including:

- Adds the position of Assistant Executive Officer in the Rhode Island Emergency Management Agency to the State's unclassified service.
- Adds a standard by which the Personnel Appeal Board may apply when reviewing certain actions made by appointing authority on an employee.
- Makes changes to the Merit System, including adding various employees into the State's unclassified service; extends the probationary period under the merit system from 6 months to 12 months; and, permits the Governor to delegate authority to the Director of the Department of Administration to approve changes to the pay plan for unclassified employees.
- Permits the salaries of directors of state departments to be set in the same manner as employees of the Office of the Governor.
- Eliminates the requirement that non-Medicare eligible retiree health insurance be equivalent to semi-private hospital care, surgical/medical care, and major medical.
- Permits retired employees receiving state health insurance coverage to opt to receive a cash payment in lieu of the state health insurance, providing the retiree has other non-state health insurance coverage.

FISCAL IMPACT

Most of the statutory items selected for amendment have no direct savings attached to them. Both the retiree medical and cash option payments changes will have savings, but the savings is unknown at this time because new rates will need to be established.

ANALYSIS AND BACKGROUND

Personnel/Merit System Reforms: The Article amends RIGL 30-15-5 adding the position of Assistant Executive Officer in the Rhode Island Emergency Management Agency to the State's unclassified service.

This article amends RIGL 36-3-10 regarding employee appeals to the State's Personnel Appeal Board. The Personnel Appeal Board hears appeals by any person with provisional, probationary, or permanent status in a position in the classified service aggrieved by an action of the Administrator of Adjudication for the Department of Administration on matters of personnel administration. This section requires the Board to give deference to the degree of discipline imposed on an employee by the appointing authority only if the facts of the appeal are consistent with the facts relied upon by the appointing authority and the action and discipline imposed are not found to be capricious, arbitrary, or contrary to a rule or law. According to the Department of Administration there is no direct savings anticipated with passage of this section.

Section 3 amends numerous sections of RIGL 36-4 concerning the Merit System. The Merit System refers to the statutes and rules governing the process of promoting and hiring government employees based on their ability to perform a job. According to the Department of Administration there is no direct savings anticipated with passage of this section. The Governor's amendments include:

- Permits the Governor to delegate authority to the Director of the Department of Administration to approve changes to the pay plan for unclassified employees.

- Extends the probationary period from 6 months to 12 months for new and promoted appointments to the classified service. This amendment will make it easier to dismiss a probationary employee for under performance of service. This item is contained in some of the collective bargaining agreements.
- Adds the following positions to the State's unclassified service:

Position	Department
Chief Digital Officer	Administration
Cybersecurity Officer	Administration
Chief of Staff	Business Regulation
Legislative/Policy Director	Business Regulation
Chief of Staff	Environmental Management
Chief Public affairs Officer	Environmental Management
Policy Director	Environmental Management
Deputy Director	Veteran's Affairs
Chef of Staff	Veteran's Affairs
Communications/Legislative Director	Veteran's Affairs
Policy Director	Veteran's Affairs
Chief Medical Officer (Eleanor Slater)	BHDDH
Chief Medical Officer	BHDDH
Chief of Community Relations	BHDDH
Public Information Officer	Corrections
Chief Inspector	Corrections
Public Information Officer	Children, Youth, and Families
Policy Director	Children, Youth, and Families
Medicaid Program Director	Health and Human Services
Communications Director	Health and Human Services
Legislative/Policy Director	Health and Human Services

Department Directors' Salaries: Section 4 repeals RIGL 36-4-16.4, eliminating the public hearing process and General Assembly authorization to change salaries of department directors. Presently, state law requires the Department of Administration to conduct annual public hearings in March to determine the salaries for directors of state executive departments. The public hearing provides a forum for public comment in determining these salaries. In addition, language in Section 5 amends RIGL 36-6-3 and 36-6-5 to allow the directors' salaries to be set in the same manner as salaries for employees of the Governor's Office and to receive cost of living adjustments in the same manner as employees of the executive branch who are not covered by a collective bargaining agreement.

The current range of salaries for the various state agency directors is \$118,914 for the Director of Corrections to \$205,706 for the Secretary of Commerce.

Most state employee salaries are not subject to public hearing and General Assembly authorization. Consequently, in many departments there are employees who earn more than the department director. According to the Department of Administration there is no direct savings anticipated with passage of this section.

Insurance Benefits: Section 6 eliminates the requirement that non-Medicare eligible retiree health insurance be equivalent to semi-private hospital care, surgical/medical care, and major medical with a \$175 calendar year deductible. According to the Department of Administration, the proposed changes to the retiree medical and non-union medical plan changes will have savings, but the savings are unknown at this time because new, yet to be determined, rates will need to be established for those impacted by the change.

Insurance Cash Payment Option: Section 7 permits retired employees receiving state health insurance coverage to opt to receive a cash payment in lieu of the state health insurance, provided the retiree has other non-state health insurance coverage. The Director of the Department of administration is authorized to promulgate and adopt a set of rules to administer the retiree health insurance cash option procedure.

Article 4: Relating to Government Organization

This article makes the following changes to the organization of state government:

- Establishes by statute the Office of Diversity, Equity, and Opportunity which was established by Executive Order 13-05 in 2013.
- Repeals the existing Bureau of Audits statutes, and establishes an Office of Internal Audit to standardize audit functions across executive agencies by consolidating the functions and merging personnel from the Bureau of Audits and similar units in the Departments of Transportation, Human Services, and Higher Education into the Office of Internal Audit within the Office of Management and Budget.
- Establishes the Independent Office of Veterans Affairs by elevating the Division of Veterans Affairs under the Department of Human Services to an autonomous office reporting directly to the Governor.
- Establishes by statute a centralized Division of Enterprise, Technology, Strategy, and Service (DETSS) within the Department of Administration to oversee the Office of Digital Excellence, the Division of Information Technology, and the Office of Library and Information Services.
- Establishes by statute the Division of Capital Asset Management and Maintenance (DCAMM) to centralize the management of the capital assets of the state including state property and state facilities.
- Transfers administrative responsibilities associated with the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) from the Department of Human Services to the Department of Health.

FISCAL IMPACT

The Budget Office does not have specific savings attached to the article.

- The formal establishment of the Office of Diversity, Equity, and Opportunity is not anticipated to generate any fiscal impact as the Office will continue at current FTE position levels and funding.
- The Governor saves \$165,798 by abolishing two FTE positions as part of the centralization of executive agency audit functions into a new Office of Internal Audit.
- The Director of Veterans Affairs is a new position and the salary and benefit cost is \$218,090, of which \$154,844 is general revenue.
- The formal establishment of the Division of Enterprise, Technology, Strategy, and Service (DETSS) within the Department of Administration is not anticipated to generate any fiscal impact.
- The formal establishment of the Division of Capital Asset Management and Maintenance is not anticipated to generate any fiscal impact because funding for the 5.0 FTE positions being transferred into this Office from other agencies was included in the FY2016 Budget as Enacted.
- The transfer of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) from the Department of Human Services to the Department of Health reflects only a shift of federal funds between the two agencies.

ANALYSIS AND BACKGROUND

DOA - Office of Internal Audit

This Article repeals the existing Bureau of Audits and creates a new Office of Internal Audit (OIA) under the supervision of the Office of Management and Budget (OMB). The purpose for the new office is to standardize audit functions across executive agencies by consolidating the Bureau of Audits with personnel from similar units in state government. The OIA is authorized to conduct audits on any state agency, state entity, or private entity receiving state funding or grants. The OIA may evaluate the efficiency of an agency's operations and internal controls; and prevent or detect fraud and mismanagement. Copies of audit reports shall be submitted to the chairperson's of the Senate and House Finance Committees. In addition, the OIA shall produce an annual report summarizing the activities of OIA during the fiscal year. The annual report will be presented to the Director of OMB and posted on the office's website.

As part of the reorganization, the audit functions and personnel from the Bureau of Audits (12.0 FTE positions), Department of Transportation External Audit (7.0 FTE positions), Department of Human Services Fraud Unit (9.0 FTE positions), and 2.0 FTE positions from Higher Education shall transfer into the newly established Office of Internal Audit within the Office of Management and Budget. The consolidation abolishes two vacant positions (Department of Transportation and Department of Human Services) resulting in \$165,798 savings.

Analyst's Note: The DOT External Audit Unit was transferred to the Bureau of Audits under 2016-S-2246 Sub A as Amended (Rhodeworks).

DOA - Office of Diversity, Equity, and Opportunity

This article codifies in law the Office of Diversity, Equity, and Opportunity within the Department of Administration, which was established by Executive Order 13-05 in 2013. The Office of Diversity, Equity, and Opportunity consists of the following subprograms: the State Equal Opportunity Office, Minority Business Enterprise Compliance Office, and the Outreach and Diversity Office. The mission of the Office is to create and support a diverse and inclusive state government culture that values and reflects the changing demographics of Rhode Island by advancing equitable and fair opportunities for all Rhode Island citizens to be employed by or doing business with the State of Rhode Island.

DOA - Division of Enterprise, Technology, Strategy, and Service

This article codifies in law the Division of Enterprise, Technology, Strategy, and Service (DETSS) within the Department of Administration to oversee the Office of Digital Excellence, the Division of Information Technology, and the Office of Library and Information Services. This is an internal reorganization to align technical expertise across executive branch agencies. There is no fiscal impact.

DOA - Division of Capital Asset Management and Maintenance

This article codifies in law the Division of Capital Asset Management and Maintenance (DCAMM) within the Department of Administration to centralize the management of the capital assets of the state including state property and state-owned facilities. In addition, the Governor proposes to transfer 3.0 FTE positions from the Department of Transportation (DOT) Maintenance Division into DCAMM. These three positions are involved in maintaining DOT related buildings. The new division will oversee the following areas:

- Office of Planning, Design and Construction (PDC) will manage new construction and rehabilitation projects.
- Office of Facilities Management and Maintenance (OFMM) will maintain the state facilities.
- Contractors' Registration and Licensing Board will continue to register every contractor, remodeler, and most subcontractors who are in the business of building or repairing residential

and commercial structures. Also anyone who demolishes or moves a residential/commercial structure must register so that claims filed against them can be heard and settled.

- State Building Code
- Office of Risk Management
- Fire Safety Code Board of Appeal and Review
- Office of State Fleet Operations will continue to administer the purchase, repair, and disposal of state vehicles and operates 15 state fuel depots.

Office of Veterans Affairs

This article establishes an Office of Veterans' Affairs (OVA) by elevating the Division of Veterans Affairs under the Department of Human Services to an autonomous office reporting directly to the Governor. A Director of Veterans' Affairs will be appointed and report directly to the Governor; however, OVA will remain under the Department of Human Services for administrative purposes. The Director of Veterans Affairs will be a new position and the salary and benefit cost is \$218,090, of which \$154,844 is general revenue. The new Director will have authority to promulgate and adopt rules as well as apply and administer grants from the federal government and private entities.

Analyst's Note: The section establishing the new position of Director of the Office of Veterans' Affairs does not include language requiring the new position receive the advice and consent of the Senate.

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

This article transfers the Women, Infants, and Children (WIC) Program into the Department of Health, from the Department of Human Services, to comply with federal statutes and regulations requiring that the WIC program be administered by a state agency with direct responsibility for maternal and child health, immunization, and other public health programs. The transfer of the program reflects a shift of \$25.8 million in federal funds and 13.0 FTE positions to the Department of Health.

Analyst's Note: This program, along with personnel and federal funds, was transferred to the Department of Human Services on October 1, 2010, under P.L. 2010 Chapter 23 Article 7(2).

Article 5: Relating to Capital Development Program

This article submits a total of \$257.5 million in ballot referenda to Rhode Island voters for their approval. Proposed as six questions on the November ballot, the following projects are included.

November 2016 Bond Referenda	Amount
Leveraging Higher Education to Create 21 st Century Jobs	\$45.5
<i>University of Rhode Island College of Engineering</i>	25.5
<i>Innovation Campus</i>	20.0
Port of Davisville at Quonset	70.0
Green Economy	35.0
<i>Historic State Park Development Program</i>	7.0
<i>State Land Acquisition - Open Space</i>	4.0
<i>State Bikeway Development Program</i>	10.0
<i>Brownfield Remediation and Economic Development</i>	5.0
<i>Stormwater Pollution</i>	3.0
<i>Local Recreation Development Matching Grant Program</i>	2.0
<i>Local Land Acquisition Matching Grant Program</i>	4.0
Housing Opportunities	40.0
School Construction	40.0
Veterans Home	27.0
Total	\$257.5

\$ in millions.

FISCAL IMPACT

The article permits \$257.5 million in bond referenda to be placed on the November 2016 ballot including \$45.5 million in bonds for higher education, \$70.0 million in bonds for the Port of Davisville at Quonset, \$35.0 million in bonds for the Green Economy, \$40.0 million for Housing Opportunities, \$40.0 million for School Construction, and \$27.0 million in bonds for the Veterans Home. Assuming full issuance in bond year 1, as shown in the voter pamphlets, 4.0 percent interest on issuances in FY2016, and 5.0 percent interest on issuances in FY2017 through FY2020, debt service payments begin in FY2017 at \$19.6 million.

ANALYSIS AND BACKGROUND

Leveraging Higher Education to Create 21st Century Jobs

- **University of Rhode Island College of Engineering:** The Governor recommends a \$25.5 million bond referendum to renovate and construct an addition to Bliss Hall on the Kingston Campus, as the second phase of the Engineering School project. The project will upgrade building systems, improve classroom space, modernize teaching laboratories, and provide advanced research facilities, as well as the addition to Bliss Hall. In 2014 a \$125.0 million bond referendum was approved by voters to begin a comprehensive overhaul of physical space dedicated to engineering programs at URS. The 2014 bond provided for the renovation of Kirk Hall and the demolition of Crawford Hall, Gilbreth Hall, Kelly Hall and Annex, and Wales Hall.

- **Innovation Campus:** The Governor recommends a \$20.0 million bond referendum to build one or more innovation campuses through a university-business collaboration for cutting-edge research, product, service and business development. The proposal is based on recommendations from the 2016 Brookings “Rhode Island Innovates” report. The State will conduct a competitive process to determine the location and type of campus or campuses. Minimal proposal requirements include the involvement of a Rhode Island-based university, a greater investment of private or federal funds that state funds, at least one business partner, and the creation of a substantial number of jobs at a variety of skill levels. Priority will be given to proposals that include a state university as a sponsor.

Port of Davisville at Quonset

The Governor recommends a \$70.0 million bond referendum for infrastructure modernization and repairs at the Port, including Pier 2. Pier 2 was built in 1956 and has outlived its original design lifespan of 50 years. According to the Quonset Development Corporation, the improvements will add another 50 years of design lifespan to the pier and create an additional berth capable of docking the auto carriers, allowing an additional 100,000 more units per year. The Corporation projects the auto carrier business will increase by 4.5 percent per year over the next 6 years, with import volumes growing to 295,600 units. In addition to autos, the Port handles various cargoes, including timber pilings from South America, wind turbine components, defense industry manufactured goods, and cogeneration equipment.

The total project cost is \$82.0 million for the Pier 2 Improvements, and \$8.0 million for port improvements, including work to Pier 1. The remaining \$20.0 million is provided through Article 6 which authorizes the Rhode Island Commerce Corporation to issue special obligation bonds of not more than \$20.0 million in General Assembly approved debt.

Green Economy

The Governor recommends a \$35.0 million general obligation bond authorization be placed on the November 2016 ballot for environmental and recreational purposes to be allocated as follows:

- **Historic State Park Development Program:** The referendum provides \$7.0 million for major capital improvements to state-owned properties that will leverage funding from other sources such as the National Park Services’ Land and Water Conservation Fund. Priority projects include renovation of the bathroom pavilion, a new golf course facility building, historic roof replacement and landscaping at Goddard Park; a new restroom facility and maintenance building at Fort Adams; restoration of the historic stone barn at Colt Park; barn replacement and a visitor center at Coggeshall Farm, restoration of the restroom facility and visitor center at Brenton Point; restoration of the historic barn at Snake Den; and barn improvements at Urban Edge Farm.
- **State Land Acquisition – Open Space:** The referendum adds \$4.0 million for state land acquisition. Since 1985, the State has acquired or protected more than 20,250 acres of open space through the purchase of land, development rights and conservation easements statewide. The State has adopted a goal to protect 3,000 acres annually through the land acquisition program. On average, DEM is able to leverage 75.0 percent of funding from federal and/or local sources. The November 2004 ballot included \$10.0 million, the November 2008 ballot included \$2.5 million, and the November 2012 ballot included \$2.5 million in general obligation bond funds for this program. The 2004 and 2008 bond proceeds were exhausted in FY2014, and the 2012 bond proceeds are expected to be exhausted in FY2016.
- **State Bikeway Development Program:** The referendum provides \$10.0 million to design and construct bikeways, including the completion of the Blackstone River Bikeway, and the South County Bikeway.
- **Brownfield Remediation and Economic Development:** The referendum provides \$5.0 million to provide up to 80.0 percent in matching grants to public, private or non-profit entities for brownfield

remediation projects. According to the Department of Environmental Management (DEM), brownfields comprise between 100,000 and 120,000 acres of land across the State, much of it in prime commercial or industrial locations within urban areas. The clean-up and re-purposing of these sites will remove hazards, attract jobs, and protect the urban environment. The federal Environmental Protection Agency estimates that brownfield clean-up increases adjacent property values by 2.0 to 3.0 percent. As part of the \$53.0 million bond referendum for Clean Water, Open Space, and Healthy Communities initiative on the November 2014 ballot, the voters approved the initial \$5.0 million in general obligation bond for brownfield remediation projects. DEM recently awarded \$3.8 million of these grant funds to support 14 projects across the State. Another round of awards will be held in the spring of 2016 to award the remaining \$1.3 million. The 2016 bond funds will be used to grow this program.

- **Stormwater Pollution:** The referendum provides \$3.0 million to provide up to 75.0 percent in matching grants to public, private or non-profit entity projects that reduce stormwater pollution. Pollution caused by the contaminants carried by storm water cause closures of beaches and shell fishing beds, as well as other degraded conditions that impair the use of rivers, lakes and coastal waters. Much of the State's developed landscape lacks proper storm water controls. The State's water quality restoration plans will provide the technical basis for prioritizing stormwater controls.
- **Local Recreation Grants:** The referendum provides \$2.0 million to municipalities to match grants of up to 80.0 percent of project costs to acquire, develop, or rehabilitate local recreational facilities such as sports fields, tennis courts, and playgrounds. The grant applications will be evaluated and ranked by the State Recreation Resources Review Committee, which is comprised of state and local government officials and representatives of non-profit agencies. DEM is scheduled to exhaust the remaining \$4.0 million in 2014 bond funds for grant awards in 2016. The new bond would be used to continue the program in FY2017.
- **Local Land Acquisition:** The referendum provides \$4.0 million for grants to municipalities, local land trusts, and non-profit organizations to acquire fee-simple titles, development rights, or conservation easements of open spaces throughout the state. Through this program, DEM will provide up to 50.0 percent of project costs, and applications are reviewed by the Governor's Natural Heritage Preservation Commission. Over 160 conservation projects preserving over 10,000 acres of land have been acquired including Sunset Farms in Narragansett, Weetamoe Woods in Tiverton, Glacier Park in Westerly, and Mount Hope Farm in Bristol. For the first time in the 30 year history of this program, DEM has depleted all the available funds.

Housing Opportunities

The Governor recommends \$40.0 million in bond proceeds to promote affordable housing programs through redevelopment of existing structures, new construction, and/or foreclosure assistance. The funding will be allocated through Building Homes Rhode Island for the development of apartments, for-sale homes and supportive housing. The bond is expected to finance the development of 800 homes for low-income Rhode Islanders with special needs, working families and provide home ownership opportunities.

Affordable housing bond referenda were approved in the amount of \$25.0 million in FY2012 and \$50.0 million in FY2006. These previous bond issuances have financed the development of 1,944 homes in 30 communities.

School Construction

The Governor recommends \$40.0 million in bond proceeds to fund the School Building Authority Capital Fund. The proceeds would be used to repair, upgrade, and modernize public schools, focusing on projects that demonstrate an urgent health and safety need or an investment in science, technology, engineering, arts/design, and math (STEAM), as well as career and technical education learning spaces.

Veterans Home

The Governor recommends \$27.0 million in bond proceeds for the construction of a new Veterans Home and renovation of existing facilities in Bristol. This authorization is in addition to the ballot approved in 2012 providing \$94.0 million; however, due to an increased federal reimbursement, the cost to the State will decrease by \$12.4 million.

The original design was estimated to cost approximately \$94.0 million; consequently, the 2012 bond referendum was written to allow the full use of the \$94.0 million, net federal reimbursement, in case federal funds were not awarded. After voter approval of the 2012 referendum, the federal Veterans Administration approved a different design with a community living center and clusters of private rooms arrayed around the common areas, instead of the semi-private rooms included in the original design. This new design is consistent with modern VA nursing home standards, and is estimated to cost \$120.5 million, including \$59.9 million in state funds and \$60.6 million in federal reimbursements. The language of the 2012 bond referendum, however, only allows the State to issue \$33.4 million (\$94.0 million minus the \$60.6 million federal reimbursement) leaving a shortfall of \$25.5 million. The new bond referendum will address this shortfall to fully fund the new Veterans Home at a reduced cost to the State.

Veterans Home Project

	Original Estimate	Revised Estimate	Difference
State Funds	\$72.3	\$59.9	(\$12.4)
Federal Funds	21.2	60.6	39.4
Total	\$93.5	\$120.5	\$27.0

\$ in millions.

Article 6: Relating to Debt Management Act Joint Resolution

This article serves as a joint resolution for the issuance of up to \$20.0 million in debt required pursuant to RIGL 35-18-1, commonly known as the Kushner Act. The proposed project includes pier and port improvements to Pier 2 at the Quonset Davisville Port in the Town of North Kingstown.

FISCAL IMPACT

Total debt service on the bonds, including principal and interest, is not expected to exceed \$1.5 million annually, at a 4.5 percent borrowing rate over a 20-year repayment period.

ANALYSIS AND BACKGROUND

This article serves as a joint resolution required pursuant to RIGL 35-18-1 for the issuance of debt for the Quonset Harbor, Pier, and Port Improvements Project at the Quonset Development Corporation (QDC) business park in the Town of North Kingstown. The article authorizes the Rhode Island Commerce Corporation to issue special obligation bonds of not more than \$20.0 million in General Assembly approved debt. The article authorizes the repayment of these bonds through a loan repayment agreement using revenues from port and business park rents and fees.

This article coincides with the Governor's Article 5 Bond Referenda proposal for voter approval of a \$70.0 million bond for the Pier 2 and port improvement project. Pier 2 was built in 1956 and has outlived its original design lifespan of 50 years. According to the QDC, the improvements will add another 50 years of design lifespan to the pier and it will create an additional berth capable of docking the auto carriers which will provide an additional 100,000 more units per year. The Corporation projects the auto carrier business will increase by 4.5 percent per year over the next 6 years, with import volumes growing to 295,600 units. In addition to autos, the Port handles various cargoes, including timber pilings from South America, wind turbine components, defense industry manufactured goods, and cogeneration equipment.

The total project cost is \$82.0 million for the Pier 2 Improvements, and \$8.0 million for port improvements, including work to Pier 1. The projected cost of the Pier and Port Improvements are as follows:

Description	Cost Estimate
New Anchored HZ-M Bulkhead from Seafreeze Ltd. to Southeast Corner of Pier 2	\$37.8
New Anchored HZ-M Bulkhead from Southeast Corner to Northeast Corner of Pier 2	20.3
Pier 2 Extension	16.1
Pier 1 Improvements	8.0
Design and Permitting of Pier 2 Related Work	4.0
Pier 2 Improvements Dredging	3.8
Total	\$90.0

\$ in millions

Source: Quonset Development Corporation

The Quonset Business Park has almost 200 companies with approximately 11,000 workers and has one of the top 10 automobile importers of North America. In 2014, the Port of Davisville accounted for about \$333.0 million in business output for the State, with approximately 1,500 jobs and \$20.7 million in household earnings.

Article 7: Relating to Medicaid Reform Act of 2008 Resolution

This article is a joint resolution authorizing the Executive Office of Health and Human Services to undertake various reforms within the Medical Assistance (Medicaid) program. Included in the resolution are measures requiring changes to the Medicaid State Plan, Category II or III changes under the terms and conditions of Rhode Island's Section 1115 Waiver, and/or changes to state rules and regulations.

The annual appropriation bill passed by the General Assembly typically includes an article that provides legal authority for Medicaid initiatives that have budgetary savings associated with them. In recent budgets, this article has also included a series of resolutions that describe changes to the Medicaid program that underlie the budget's appropriation but that do not require statutory action, rather regulatory changes. This article grants OHHS the authority to undertake all actions required to realize the funding levels included in Article 1. Article 9 includes language for the statutory changes needed to implement several of the associated initiatives.

FISCAL IMPACT

The Governor's budget includes \$8.8 million (\$22.7 million all funds) in savings and recommends expenditure of \$2.0 million in general revenues and (\$4.1 million all funds) for a net savings of \$6.8 million (\$18.6 million all funds) in FY2017.

Article 7 Proposals	General	
	Revenues	All Funds
Nursing Facility Rates Freeze	(\$2.0)	(\$4.1)
Beneficiary Cost Share	(1.5)	(3.1)
MCO Administrative Rate Reduction	(3.3)	(8.8)
Re-procurement of MCO contract	(2.0)	(6.7)
Direct Care Wage Increase	2.0	4.1
Total	(\$6.8)	(\$18.6)

\$ in millions

ANALYSIS AND BACKGROUND

Nursing Facility Payment Rates: This resolution eliminates the inflation-based rate increase to nursing facilities, taking effect in October, 2016, maintaining current rates for nursing facilities.

This initiative is tied to the FY2013 Budget as Enacted which included a policy adjuster to nursing homes rates to ease the transition from cost-based payment methodology to a price based methodology over 4 years. These adjuster rates are tied to the national nursing home inflation index and will constitute a two year rate freeze. The Governor's proposal for FY2017 generates \$2.0 million in general revenue (\$4.1 million all funds) savings.

Beneficiary Liability Collection Enhancements: EOHHS seeks authority to implement improved methods for collecting beneficiary liabilities in the Medicaid Fee-For-Service (FFS) system and the Rhody Health Options (RHO) programs. Federal law requires beneficiaries who receive long-term service and support (LTSS) to pay a certain financial contribution toward their cost of care, known as a cost share. Currently, the state does not have an effective method of collecting or reporting payments needed to comply with federal reporting requirements. This initiative gives EOHHS authority to enhance methods for collection of cost share in a timely manner. The funds collected are used for the sole purpose of offsetting the EOHHS financial contribution toward LTSS expenditures, yielding a savings of \$1.5 million in general revenue (\$3.1 million all funds) in FY2017.

Administrative Rate Setting for Managed Care Organizations: The article alters the manner in which Managed Care Organizations (MCO) administrative rates are set from a variable to a fixed approach. These administrative rates are based on the MCOs operating expenses and include, among other responsibilities, claims processing, patient-centered care management, member services, financial and operational oversight, provider networking, and a risk margin. Currently, the state pays a per member per month (PMPM) administrative rate to MCO's ranging from 14.5 percent for beneficiaries in substitute DCYF care to 8.6 percent for Rhody Health Options, dual eligible and long-term care beneficiaries. In FY2016 EOHHS paid \$148.0 million to the MCO's for administrative rates and EOHHS expects to pay \$150.0 million in FY2017.

The fixed approach will incorporate an approximate 5.0 percent decline in the MCO administrative rate compared to EOHHS' baseline estimate, however total payments will still reflect a slight increase in the net administrative dollars paid to the MCOs. Details of the fixed rate remain under development; however, EOHHS has generated the savings based on a preliminary analysis of year-over-year increases in administrative costs paid to its managed care partners. It is unclear what impact this will have on MCO's when coupled with additional savings expectations proposed in the Governor's budget. This proposal yields \$3.3 million in general revenue (\$8.8 million all funds) savings in FY2017.

Analyst Note: In 2015 Neighborhood Health Plan of Rhode Island (NHP) managed 65.0 percent of the overall Medicaid enrollees and exclusively manages some of the most complex and costly medical beneficiaries, Rhody Health Option Dually eligible, and children in substitute DCYF care. Declining revenues could impact NHP's ability to maintain sufficient cash reserves.

Re-procurement of the Managed Care Organization Contract: The article includes language to support the re-procurement of the State's \$1.0 billion Medicaid Managed Care Organization (MCO) contract expected to take effect on September 1, 2016. EOHHS indicates savings will be achieved through creating performance-based incentive contracts.

The MCO contract includes the RItE Care plans for children and families, Rhody Health Partners plan for low-income elders and persons with disabilities, and adult Medicaid expansion under the Affordable Care Act of 2010. The re-procurement may require amendments to the state waiver and will include the need to conduct an actuarial analysis and may require amendments to agency rules and regulations to reconfigure in-plan and out-of-plan benefits. Re-procurement is estimated to generate \$2.0 million in general revenue savings (\$6.7 million all funds) in FY2017.

Managed Care Organization Reductions in FY2016 and FY2017

MCO Reductions	FY2016	FY2017	FY2017 All Funds
	General Revenue	General Revenue	
Administrative Rate Reduction	(\$1.0)	(\$3.3)	(\$8.8)
Reduced Contracts	(\$4.6)	(\$2.0)	(\$6.8)
Total	(\$5.6)	(\$5.3)	(\$15.6)

\$ in millions

Long-Term Care Provider Wage Increase: The article gives EOHHS authority to establish the wage pass through program to increase wages for direct care workers providing care to long-term care beneficiaries living in the community. Through the Reinventing Medicaid public process, held in 2015, stakeholders, community providers and direct care workers expressed the need to increase wages in order to strengthen the direct care workforce in support of the effort to increase community options for individuals receiving LTSS.

The article proposes development of a wage-pass through program for personal care attendants and home health aides that support individuals living in the community. This article will require amendments to the

Medicaid State Plan and/or the 1115 Demonstration Waiver to determine payment methodologies and regulations establishing the wage-pass through program. Additionally, EOHHS intends to create a “claw back” provision to ensure the increase is flowing directly to increase wages of front-line staff. The Governor’s proposal includes a 6.0-7.0 percent (approximately \$0.45 hourly) increase to direct care worker pay and is expected to increase general revenue expenditures by \$2.0 million (\$4.1 million all funds) in FY2017.

Mandatory Enrollment for Integrated Care Initiative (ICI): This article allows EOHHS to mandate beneficiaries of long-term services and supports and individuals who are dually eligible for Medicaid and Medicare, to enroll in the Integrated Care Initiative (ICI). Approximately 21,000 are currently enrolled and 31,700 are eligible for enrollment for various programs within ICI.

The Integrated Care Initiative (ICI) is designed to better align the care and financing of Medicare and Medicaid, promote home and community based care, and provide cost-effective care for adults with disabilities and the elderly. The program has been developed in two phases over three years, beginning in November 2013, to better align the financing of Medicare and Medicaid and integrate primary, acute, behavioral health, and LTSS for Medicare-Medicaid enrollees. Mandatory enrollment is revenue neutral and will require CMS approval for amendments to the 1115 demonstration waiver.

Alternative Payment Arrangements: This article grants EOHHS authority to leverage available resources by repurposing funds produced through alternative payment methodologies and obtaining federal financial participation for cost not otherwise matchable. This effort is intended to maximize the value and cost-effectiveness as well as tie payments to health outcomes and quality to payments and further the Reinventing Medicaid initiative.

Payment reform strategies proposed in Article 9 primarily focus on payment reform initiatives with Nursing Facilities and Hospitals. This effort to re-purpose is moving the health care delivery system from a “fee for service” model toward a “value-based”. The following table demonstrates the alternative payment initiatives within the Governors FY2017 budget proposal.

Hospital and Nursing home, DSRIP and DSH Initiatives 2017

Initiative	General Revenue	Federal Funds
Hospital Performance Based	\$13.0	\$13.5
Nursing Home Performance Based	8.3	8.6
Repurpose UPL Payment	(13.9)	(14.4)
Reduce Hospital DSH Payment	(7.4)	(7.7)
Total Change	\$0.0	\$0.0

Source: Office of Management and Budget

Implementation of Approved Authorities: The article allows EOHHS, in conjunction with the Department of Human Services, the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals, and the Department of Children, Youth, and Families, to amend the Section 1115 Waiver. The amendment would expand dementia care services for individuals up to 250 percent of the Federal Poverty Level (FPL), expedite LTSS eligibility process, promote “health home” management model, peer services and home stabilization, and promote home and community based programming to align with the overall efforts of the Reinventing Medicaid initiative.

Analyst Note: It is unclear if expansion of the dementia care services program expansion is fully funded in the Governor’s Budget.

This article revises and adds to the statutes governing the Medical Assistance (Medicaid) program, implementing certain initiatives set forth in the Governor’s FY2017 Budget and aligning the General

Laws with the stated goals of the Reinventing Medicaid process ensuring access to high quality, efficient health care delivery system which delivers better health outcomes for Rhode Islanders

Federal Financing Opportunities: This article grants EOHHS to pursue any changes to the Rhode Island Medicaid program that improves, quality, access and cost-effective delivery, so long as the changes do not have an adverse impact on beneficiaries or increases expenditures beyond appropriations for state fiscal year 2017.

Analyst Note: Clarification is needed when defining "adverse" impact on beneficiary.

Article 8: Relating to Licensing of Hospital Facilities

This article reinstates the annually-enacted Hospital License Fee at the rate of 5.862 percent and a discounted rate of 3.693 for hospitals located in Washington County. Licensing fees are generated upon net patient services revenue of hospitals for the hospital's first fiscal year ending on or after January 1, 2014. Through a pending waiver submitted to the Centers for Medicare and Medicaid Services, Washington County hospitals' license fee is discounted by 37.0 percent. These license fees are payable by July 10, 2017, but are accrued as FY2017 revenues by the State Controller.

FISCAL IMPACT

The fee is estimated to raise \$169.1 million in revenue, consistent with FY2016 Budget as Enacted.

ANALYSIS AND BACKGROUND

The hospital license fee is a provider tax that the State levies to collect revenue from hospitals. This fee is federally capped at 6.0 percent. In past fiscal years, it has been used as a mechanism to generate state funds that are then matched with additional federal Medicaid funds and returned to hospitals as partial reimbursement for their care of the uninsured and indigent through the Disproportionate Share Hospital (DSH) program.

Though the State's largest hospitals are non-profit and do not pay corporate income taxes or property taxes, the hospital license fee has become a considerable source of revenue for the State since its substantial increase in FY2009.

Fiscal Year	Rate	Revenue
2007	3.560%	\$66.8
2008	3.480%	73.9
2009	5.473%	121.5
2010	5.314%	124.9
2011	5.465%	135.8
2012	5.430%	138.0
2013	5.313%	138.5
2014	5.246%	141.3
2015	5.745%	157.2
2016	5.862%	169.1
2017*	5.862%	169.1

**Proposed*

\$ in millions

Article 9: Relating to Medical Assistance and Uncompensated Care

This article revises and adds to the statutes governing the Medical Assistance (Medicaid) program, implementing certain initiatives set forth in the Governor's FY2017 Budget and aligning the General Laws with the stated goals of the Reinventing Medicaid process; ensuring access to high quality, efficient health care delivery system which delivers better health outcomes for Rhode Islanders.

FISCAL IMPACT

This article would increase general revenues by \$4.0 million in FY2017. These adjustments are attributed to an increase general revenue expenditures of \$2.0 million (\$4.1million all funds) for a direct care worker wage increase, a \$4.0 million increase in general revenue collections due to an assessment rate increase on commercial insurers to fund the Children's Health Account, and a reduction in general revenue expenditures of \$2.0 million for elimination of funding for the Medical Graduate Program. All other initiatives are revenue neutral and/or savings will be repurposed for ongoing Reinventing Medicaid initiatives.

ANALYSIS AND BACKGROUND

Restoration of Early Intervention Reimbursement Rates: This article restores statutory language guaranteeing that providers of Early Intervention (EI) services receive reimbursements equal to the integrated Medicaid rate. During the 2015 legislative session, reimbursement language establishing reimbursement rates for EI providers was inadvertently repealed. This leaves EI providers unable to receive appropriate reimbursements from insurers.

EI provides services to children ages birth to age three who have been identified as needing supportive services due to developmental delays in one or more areas of development. Services are tailored to meet the needs of the child and may include speech therapy, physical therapy, occupational therapy, social programming, and assistive technology support. During the 2015 legislative session, the \$5,000 annual cap for private insurance coverage for EI services was removed, thus requiring private insurers to fully fund EI services for covered beneficiaries. This shifted a larger portion of EI provider reimbursements from private health insurance plans, underscoring the need for reimbursement rates equal to the Medicaid rate.

Repurposing Savings Toward Alternative Care Models

EOHHS has been working to improve the delivery system for Medicaid funded services and coordinate state-wide health care reform activities. Many of the initiatives outlined within this article will be supplemented with overall state-wide policy initiatives to ensure Rhode Islanders have access to high quality, efficient health care delivery system aimed at delivering better health outcomes. Many of the policy initiatives are based on moving from "fee for service" payment models toward value-based purchasing.

- **Hospital and Nursing Home Payments:** The article caps payment rates on annual increases in fee-for-service outpatient hospital rates to no greater than the CMS Outpatient Prospective Payment System (OPPS) Hospital Price Index and sets the base year for future rate adjustments. OPPS establishes annual reimbursement rates for covered services and payment methodology for Out Patient Hospitals and Ambulatory clinics for Medicare. This initiative is expected to be revenue neutral and assist EOHHS in their efforts to move toward value-based contracting with providers.

- **Nursing Home Incentive-Based Payments:** This article eliminates the FY2017 nursing facility rate increase (or “COLA”), scheduled for October 1, 2016, generating savings of \$2.0 million (\$4.1 million all funds) in FY2017. The savings would be repurposed to finance an alternative incentive-based payment strategy that was established in the Reinventing Medicaid Act of 2015. This initiative is expected to be revenue neutral.
- **Disproportionate Share Payments:** Rhode Island’s community hospitals receive payments from EOHHS and the federal government for uncompensated care hospitals provide to uninsured and indigent patients. These payments are commonly known as Disproportionate Share Hospital (DSH) payments. The article amends “Uncompensated Care” language, changing the definition of a base year entirely and strikes the provision establishing the disproportionate share hospital payment set to increase in FY2017. The new language reduces the state statutory ceiling, from \$138.2 million to \$125.0 million, producing \$7.5 million in general revenue (\$15.2 million all funds) savings in FY2017. The associated savings would be redirected to performance-based incentive programs for hospitals and nursing homes.
- **Upper Payment Limits:** This article repeals section 40-8.3-10 of the Uncompensated Care statute. This will eliminate both the inpatient and outpatient Upper Payment Limit (UPL) payments to community hospitals, yielding \$13.7 million in general revenue (\$28.2 million all funds) savings in FY2017. UPL are payments made by the state to hospitals, matched by the federal government, to bring its total Medicaid expenditures up to Medicare upper payment limits. The savings from this initiative will be repurposed to performance-based incentive programs with hospitals and nursing homes.

Hospital and Nursing Home, DSRIP and DSH Initiatives 2017

Initiative	General Revenue	Federal Funds
Hospital Performance Based	\$13.0	\$13.5
Nursing Home Performance Based	8.3	8.6
Repurpose UPL Payment	(13.9)	(14.4)
Reduce Hospital DSH Payment	(7.4)	(7.7)
Total Change	\$0.0	\$0.0

\$ in millions

Source: Office of Management and Budget

RItE Share Premium Assistance: This article modifies the RItE Share Premium Assistance program definition and expands Medicaid covered groups to include adults nineteen (19) and older as either low-income disabled or as part of the Affordable Care Act (ACA) Medicaid expansion. For qualified Medicaid beneficiaries, EOHHS will create a process to assess the most cost effective method to insure the individual, either full coverage through Rhode Island’s MCO plans or through the RItE Share premium assistance program.

The RItE Share program is a health insurance premium assistance program that pays for all or part of the employee’s employer sponsored insurance (ESI). The amended language sets forth the Modified Adjusted Gross Income (MAGI) based income levels determining the rules under which RItE Share participation occurs. Additionally, the article establishes a “buy-in” provision, not to exceed 5.0 percent of the individual’s annual income, for beneficiaries with family income above 150.0 percent of the Federal Poverty Limit (FPL).

In instances when the ESI plan is found to be more cost effective, the eligible Medicaid members will be required to enroll in their offered ESI plan and participate in the RItE Share program. EOHHS will ensure that the average cost of subsidizing the ESI coverage and wrap around Medicaid benefits, is less than

enrolling the beneficiary in the state Medicaid managed care plan. The efficiencies produced by this initiative are expected to save \$200,000 in general revenues in FY2017.

Community Health Teams: Under this article, EOHHS expands the definition of Medicaid managed care benefits to include community health teams (CHT), and clarifies language regarding mandatory managed care enrollment. The State is authorized to implement a mandatory managed system of care, which is supported by the “medical home” model, placing emphasis on primary care. This article would include CHT as part of the primary care case management model.

The State Innovation Model identifies the expansion of community health teams as component of health care delivery reform. Rhode Island has begun developing the CHT model through initiatives spearheaded by the Care Transformation Collaborative (CTC), health centers and medical insurers. The CHT model is intended to support primary practices attempts to address individuals with complex medical needs within the community through a coordinated multidisciplinary team approach.

Wage Pass Through Program: The article establishes a wage pass through program to increase wages for direct care workers providing care to long-term care beneficiaries living in the community. Through the Reinventing Medicaid public process, held in 2015, stakeholders, community providers and direct care workers expressed the need to increase wages in order to strengthen the direct care workforce in support of the effort to increase community options for individuals receiving LTSS.

In response to the expressed need, this article proposes a wage-pass through program for personal care attendants and home health aides that support individuals living in the community. This article will require amendments to the Medicaid State Plan and/or the 1115 Demonstration Waiver to determine payment methodologies and regulations establishing the wage-pass through program. Additionally, EOHHS intends to create a “claw back” provision to ensure the increase is flowing directly to increase wages of front-line staff. The Governor’s proposal includes a 7.0 percent (\$0.45 hourly) increase to direct care worker pay and is expected to increase general revenue expenditures by \$2.0 million (\$4.1 million all funds) in FY2017.

Person Centered Planning: The article ensures beneficiaries enrolling in managed care long-term care arrangement are provided with options counseling to assist them in making informed choices in the delivery of their care. This amendment requires the agency to meet new federal requirement on person centered planning and options counseling that is to be in the best interest of the beneficiary-rather than the interest of the payer or provider.

This initiative will support the ongoing Integrated Care Initiative (ICI), ensuring enrollees are made fully aware of all options and benefits of various state offered programs. There are no recognized savings with this initiative.

Duties of the Secretary: This article grants the Secretary of Health and Human Services authority to institute fiscal controls within the overall budget of the Executive Office in order to achieve the full amount of FY2016 savings attributable to the Reinventing Medicaid initiative.

Analyst Note: It is unclear what scope of authority the Secretary of Health and Human Services will have beyond existing statutory authority to modify or change programs and benefits. Additionally, it is not clear if the authority pertains specifically to the Executive Office of Health and Human Services exclusively, or includes the budgets of agencies under the EOHHS umbrella.

Children’s Health Account: This article will increase an assessment on private and self-funded insurers to fund the Children’s Health Account (CHA). The assessment will increase from \$7,500 per child per service per year to \$12,500. Assessments are determined annually based on the insurance carrier number

of lives covered. During the 2015 legislative session, legislation was passed to expand the assessment collection to self-insured products, broadening the base of assessment.

The CHA fund provides commercially insured children with special health care needs access to Medicaid benefits and habilitative services, not otherwise covered by commercial plans. The increased assessment will generate an additional \$4.0 million in general revenues in FY2017.

Graduate Medical Education: This article repeals the statute governing appropriations for the Graduate Medical Education program. This program is currently available to Rhode Island's academic Level I trauma center hospitals, with a minimum of 25,000 discharges per year and provides at least 250 interns and residents per year. Currently, Lifespan is the only hospital that qualifies for this funding. During the 2015 legislative session, the Governor recommended elimination of the funding for this program however the funding was reinstated in the enacted FY2016 budget. This initiative will save \$2.0 million in general revenues for both FY2016 and FY2017, as the funding is also removed from the FY2016 supplemental budget.

Article 10: Relating to Making Revised Appropriations in Support of FY2016

This article makes revised appropriations for general revenues, and includes revisions to authorized expenditures from federal, restricted and other funds as well as authorized FTE levels for each agency and department for FY2016. The Governor's budget includes \$24.5 million in additional general revenue spending compared to the FY2016 Budget as Enacted.

Article 10 permits the General Treasurer to pay up to the maximum debt service due for the I-195 Redevelopment District Commission loan from the state appropriation for debt service, consistent with current law. The Governor adds language specifying that \$900,000 in federal funding will be expended on the Municipal Substance Abuse Task Forces and \$128,000 on the National Alliance for Mental Illness (NAMI) of RI.

APPROPRIATIONS

The article increases the total FY2016 appropriations by \$309.7 million, the bulk of which is attributable to an increase in federal fund expenditures of \$166.0 million. General revenue expenditures increase by \$24.5 million. The article outlines funding changes at the program level by fund for each department.

Expenditures by Source	FY2015 Final	FY2016 Enacted	FY2016 Governor	Change to	
				Enacted	% Change
General Revenue	\$3,453.9	\$3,552.0	\$3,576.5	\$24.5	0.7%
Federal Funds	2,895.2	2,947.3	3,114.2	166.9	5.7%
Restricted Receipts	236.0	245.5	288.8	43.3	17.6%
Other Funds	1,807.4	1,920.7	1,995.7	75.0	3.9%
Total	\$8,392.5	\$8,665.4	\$8,975.1	\$309.7	3.6%

\$ in millions. Totals may vary due to rounding.

INTERNAL SERVICE ACCOUNTS

Article 10 authorizes the State Controller to establish 12 specific internal service accounts to reimburse costs for work or other services performed by certain departments or agencies for any other department or agency. Reimbursements may only be made up to an expenditure cap, as set in this article. The changes in these accounts are intended to bring the budgeted expenditures more closely in line with actual costs.

Internal Service Account	FY2016 Enacted	FY2016 Governor	Change
State Assessed Fringe Benefits	\$38,930,194	\$40,775,745	\$1,845,551
Administration Central Utilities	17,782,800	14,693,275	(3,089,525)
State Central Mail	6,203,680	5,998,304	(205,376)
State Telecommunications	4,122,558	2,999,962	(1,122,596)
State Automotive Fleet	13,830,623	12,472,922	(1,357,701)
Surplus Property	2,500	2,500	-
Health Insurance	251,175,719	251,611,747	436,028
Other Post-Employment Benefits	64,293,483	63,934,483	(359,000)
Capital Police	1,252,144	1,139,497	(112,647)
Corrections Central Distribution Center	6,768,097	6,940,835	172,738
Correctional Industries	7,228,052	7,345,391	117,339
Secretary of State Records Center	813,687	896,250	82,563
Total	\$412,403,537	\$408,810,911	(\$3,592,626)

FTE POSITION CAP AND APPROVAL

The article establishes the authorized number of full-time equivalent (FTE) positions for each State department and agency for FY2016. Departments and agencies may not exceed the number of authorized FTE positions shown, in any pay period. Statewide, the Governor recommends a net increase of 20.9 FTE positions over the FY2016 Budget as Enacted. The following changes are included in the Governor's proposal:

Function	FTE Position Authorization		
	FY2016 Enacted	FY2016 Governor	Change to Enacted
General Government	2,330.2	2,351.7	21.5
Human Services	3,747.6	3,745.6	(2.0)
Education	3,884.6	3,886.6	2.0
Public Safety	3,229.6	3,229.6	-
Natural Resources	428.0	428.0	-
Transportation	752.6	752.0	(0.6)
Subtotal	14,372.6	14,393.5	20.9
Higher Ed. Sponsored Research	745.8	745.8	-
Total FTE Positions	15,118.4	15,139.3	20.9

Major FTE changes include:

- **An increase of 12.0 FTE positions in the Department of Administration:** The Governor adds 12.0 FTE positions which includes the transfer of 5.0 FTE positions from other agencies for the centralization of capital projects in the Department, 4.0 new FTE positions within the Capital Asset Maintenance and Management program, and 3.0 new FTE positions within the Office of Management and Budget increased performance management functions.
- **An increase of 6.5 FTE positions in the Department of Labor and Training:** The Governor adds FTE positions to bolster monitoring and workforce development initiatives at the Department. This includes 3.0 FTE positions for the Misclassification Task Force, 3.0 FTE positions for grant monitoring and evaluation, 1.0 FTE position for the State Workforce and Education Alignment project, and an offset of a 0.5 FTE position due to a retirement.

Article 11: Strengthening Neighborhood Schools

This article creates a “performance dashboard” for greater local and state school budget transparency, and amends local maintenance of effort requirements for funding schools. The article also repeals statutory language requiring that districts receive the fully-transitioned value of formula aid for student FTE positions transitioned to full-time kindergarten in the 2014-2015 school year, or after. The education funding formula statute is amended to provide a five-year review period for the funding formula, and to change the definition of poverty status of students for the purpose of calculating education aid. New aid categories are established for English Learners as well as communities that send large numbers of students to public schools of choice, and traditional district tuition rates for charter and state schools are reduced on a per-pupil basis. The article reduces the threshold to qualify for High-Cost Special Education in FY2018 from five times the core and student success amount to four times. In addition, this article creates stabilization categorical funds for Davies and the Met School and eliminates obsolete language regarding the funding of charter schools.

Analyst’s Note: Through an amendment dated March 30, 2016, the Governor restored language requiring districts receive the full-transitioned value of formula for student FTE positions transitioned to full-time kindergarten and added the School and Family Empowerment Act.

FISCAL IMPACT

The article repeals the statutory language requiring that districts receive the fully-transitioned value of formula aid for student FTE positions transitioned to full-time kindergarten in the 2014-2015 school year, or after. The Governor realizes \$2.5 million in cost avoidance; however, since FY2017 was to be the first year of implementation for the repealed language the reduction is not a savings from the FY2016 Budget as Enacted.

Technically, the new English Learners and Public School of Choice Density Aid categoricals do not have a fiscal impact on the state because the amount of aid distributed is subject to appropriation; however, the budget does include \$2.5 million and \$2.6 million respectively for the new categoricals. There is also \$2.0 million in stabilization aid for Davies and \$297,135 for the Met; however, these funds are also subject to appropriation and not required by the article language.

The Governor does not include additional FTE positions tied to the implementation of this article, so any cost associated with managing the implementation of this article will be absorbed by the Department of Elementary and Secondary Education (Department).

The local tuition reduction is projected to save sending districts \$3.6 million in tuition costs in FY2017.

ANALYSIS AND BACKGROUND

This article requires the Department of Elementary and Secondary Education (Department) to review the funding formula to ensure the predictability, equity, and accuracy of the distribution of education aid every five years, or less.

The Governor recommends the following changes to district management and education aid:

Performance Dashboard

The article calls for changes to the Uniform Chart of Accounts (UCOA) to facilitate comparisons among schools and districts. Beginning in July 2017, districts would submit a budget file to the Department for publication on the Department’s website. The Department would then provide the General Assembly with a performance dashboard of per-pupil expenditures for each public school and district broken down by revenue source and expenditure category. This dashboard would also provide student performance indicators.

Commencing in FY2018, districts would be required to post on their websites in a free, downloadable format the annual district budget with information at the program and school levels, and a link to the Department's website where the district budgets and UCOA information for all the public districts is published. Districts would also be required to update the posted information within 60 days of making changes to the district budget, including any changes to an individual program or school budget.

Analyst's Note: RIGL 16-7.2-5 currently requires the Department to provide the General Assembly with performance dashboard indicating per-pupil expenditures of each district broken down by revenue sources and expenditure categories. This article appears to simply move the language.

On line 15, of page 165, there is a reference to paragraph (l) which does not exist within the section. It appears the reference should be to paragraph (1).

Maintenance of Effort

Beginning in FY2018, each community would be required to contribute to its school committee the greater of the following two options: the amount contributed in the previous fiscal year increased by the CPI-U from the most recent state fiscal year, or the amount contributed on a per-pupil basis if the district has experienced student growth of 1.0 percent or more for two consecutive years. If a district experiences an enrollment decline, it may calculate its MOE on a per-pupil basis, instead of on the aggregate; however, after deducting for the enrollment decline, the net contribution must be adjusted by the CPI-U. This article does not change the special maintenance of effort (MOE) provisions for districts with high local contributions or high per-pupil expenditures. The Governor's Fair Funding Formula Working Group recommended that maintenance of effort language be strengthened to account for inflation and enrollment increases.

Local Tuition to Charter and State Schools

The article provides a \$355 per-pupil reduction in local tuition to charter and state schools. The amount of the reduction is calculated by the Department based on differences in expenses between traditional districts and charter schools. The article requires that the reduction amount be reviewed and recalculated by the Department every three years. The manner of the recalculation is determined by the Commissioner of Elementary and Secondary Education (Commissioner); however, the detail for the current \$355 reduction is provided in the table below.

Calculation of Local Per-Pupil tuition Reduction

Rounded Average FY2014 Costs Incurred by:			
Traditional Districts		Charter Schools	
Out-of-district special education	\$560	Debt Service	\$510
Retiree Health Benefits	250	Rental Costs	430
Services for students age 18-21	280		
Pre-School Screening	115		
Non-public obligations	30		
Career and Technical tuition	60		
Total	\$1,295		\$940
Difference between total district and charter school per-pupil costs			\$355

Source: Governor's Funding Formula Working Group Issue Brief #2.

The estimated impact of the local tuition reduction based on current FY2017 charter and state school enrollment projections is provided in the table below.

Estimated Local Savings from \$355 Per-Pupil Reduction in Charter and State School Tuitions

LEA	FY2017 Projected Enrollments ¹	Estimated Savings	LEA	FY2017 Projected Enrollments ¹	Estimated Savings
Barrington	8	\$2,840	North Providence	161	\$57,155
Burrillville	41	14,555	North Smithfield	36	12,780
Charlestown	90	31,950	Pawtucket	1,659	588,945
Coventry	60	21,300	Portsmouth	13	4,615
Cranston	328	116,440	Providence	4,356	1,546,380
Cumberland	532	188,860	Richmond	5	1,775
East Greenwich	12	4,260	Scituate	12	4,260
East Providence	104	36,920	Smithfield	26	9,230
Foster	-	-	South Kingstown	115	40,825
Glocester	-	-	Tiverton	15	5,325
Hopkinton	8	2,840	Warwick	115	40,825
Jamesstown	15	5,325	Westerly	45	15,975
Johnston	53	18,815	West Warwick	43	15,265
Lincoln	309	109,695	Woonsocket	289	102,595
Little Compton	1	355	Bristol-Warren	31	11,005
Middletown	20	7,100	Exeter-West Greenwich	37	13,135
Narragansett	29	10,295	Chariho	-	-
Newport	33	11,715	Foster-Glocester	12	4,260
New Shoreham	-	-	Central Falls	1,481	525,755
North Kingstown	144	51,120			
Total				10,238	3,634,490

¹ Subject to change based on March 2016 student enrollment updates.

Source: Rhode Island Department of Education

The Governor's Fair Funding Formula Working Group recommended that an approach for quantifying fixed and/or marginal costs of traditional districts facing school choice-related enrollment decline be explored.

Under current law, the local per-pupil tuition to charter and state schools is calculated by dividing the local appropriation to education, net debt service and capital projects, by the average daily membership, or enrollment. The article modifies the calculation by adding charter and state school tuitions paid in FY2014 to the items subtracted from the local education funding appropriation.

Analyst's Note: The amendment to subtract the charter and state school tuitions is intended to codify current practice by the Department; however, it is unclear why the article stipulates reference year 2014.

In line 25 on page 171, the article appears to repeal language requiring General Assembly approval of the calculation method for the local share of education funding.

Public School of Choice Density Aid

The article establishes as new category of state aid for districts where 5.0 percent of more of the average daily membership enrolls in a public school of choice, such as Davies, the Met, or a charter school. Such districts would receive an additional \$300 for each student attending a public school of choice. The per-pupil amount is calculated by the Department to offset costs that must be paid by a sending district even though students are attending a different school. Examples of such costs include heating, lighting, accounting services, teachers, and building administrator. While these costs can sometimes be reduced when enrollment declines are concentrated in specific schools or classrooms, public school of choice

enrollment are generally scattered across schools and grades within a district. The article requires that the Department recalculate these costs every three years, in a manner to be determined by the Commissioner. The budget includes \$2.6 million in density aid to be divided among six qualifying communities: Central Falls, Cumberland, Lincoln, Pawtucket, Providence, and Woonsocket. The Governor's Fair Funding Formula Working Group recommended providing additional support to districts with high percentages of students enrolled in public schools of choice.

Public School Choice Density Aid	
Districts	Aid
Cumberland	\$159,600
Lincoln	92,700
Pawtucket	497,700
Providence	1,306,800
Woonsocket	86,700
Central Falls	444,300
District Total	\$2,587,800

High-Cost Special Education

The education funding formula provides categorical aid for districts with extraordinary costs associated with special education students. Currently, districts are reimbursed, on a prorated basis dependent on the amount appropriated, for costs exceeding five times the core foundation amount, which equals the core instruction amount plus the student success factor (\$62,853 in FY2017). This article would lower this threshold, beginning in FY2018, to four times the core foundation amount. Based on FY2017 values, the new threshold would be \$50,282. Since the distribution is subject to a prorated reduction based on the funds available, this change has no fiscal impact on the State; however, distributions to individual districts may experience a variance.

The Governor's Fair Funding Formula Working Group recommended adjusting the threshold for the high-cost special education categorical to broaden district and school reimbursement eligibility.

Career and Technical Education

The education funding formula provides a state grant program to help districts with certain start-up and maintenance expenditures for career and technical education programs. Under current law, the Department recommends criteria for the allocation of funds appropriated to this categorical program. This article would empower the Department to develop the criteria for the distribution of funds.

Central Falls, Davies, and the Met School Stabilization Fund

Current law provides for a stabilization fund to address concerns regarding the City of Central Falls' ability to meet the local share of education costs. This article expands the stabilization fund to include Davies and Met School to provide additional support for costs associated with a stand-alone high school offering both academic and career and technical coursework. The Department would recommend criteria for the distribution of stabilization funds.

For FY2017, the Governor includes \$2.0 million for Davies, \$297,135 for the Met School, and a total of \$4.6 million for Central Falls (an increase of \$912,961 over the FY2016 Budget as Enacted).

English Learners

This article establishes a categorical fund for English Learners (EL). The fund would provide a 10.0 percent weight on the per-pupil core instruction amount for each English learner identified by standards and assessments identified by the Commissioner. The article restricts the funds to provide services to EL students and requires that the funds be managed in accordance with requirements enumerated by the Commissioner; however, the article does not prevent the displacement of local EL funding. Distribution is subject to a pro-rata reduction based on the funds available. The Governor provides \$2.5 million in FY2017, approximately one-half of the estimated full funding amount.

The Governor's Fair Funding Formula Working Group recommended providing additional support for English Language Learners to improve education outcomes.

Analyst's Note: The Department indicates that eligibility for this aid would be aimed at the English Learners at the lowest fluency levels; however, no such language is included in the article.

Full-Day Kindergarten

The Governor recommends repealing statutory language requiring that districts receive the fully-transitioned value of formula aid for student FTE positions converted to full-time kindergarten in the 2014-2015 school year or after. Language in the Executive Summary states that repealing this language will treat all classrooms equally, consistent with the transition plan. The language recommended for repeal, however, was enacted through 2014-S-2791 Sub A, to provide state support for the traditional districts that would be adding classrooms to accommodate the full-day program and treat them as if they were charter schools experiencing growth. Since the implementation of the funding formula, charter schools that add classrooms have been given the fully-transitioned value for those students.

The Governor repeals RIGL 16-7.2-7(c) to realize \$2.5 million in state cost avoidance in FY2017. Since the funding was not in the budget base, the reduction is seen as cost avoidance instead of savings. The following table shows the impact of the

Full-Day Kindergarten Formula Funding	
Districts	Amount
Barrington	\$36,232
Coventry	240,295
Cranston	549,602
East Greenwich	14,368
Glocester	111,182
Johnston	193,957
North Kingstown	129,723
Scituate	17,230
Smithfield	37,736
Tiverton	58,523
Warwick	261,415
Woonsocket	740,483
Exeter-West Greenwich	84,487
Total	\$2,475,235

Source: Rhode Island Department of Education.

cost avoidance by district.

Analyst's Note: These numbers are based on March 2015 data and would be subject to change based on the March 2016 update. Since these numbers were presented as a "cost avoidance" it is not clear if the cost of not repealing the statutory language would be equivalent. Senate Fiscal Staff has requested further clarification on this issue.

Through an amendment dated March 30, 2016, the Governor restored language requiring districts receive the full-transitioned value of formula for student FTE positions transitioned to full-time kindergarten. The amendment did include funding for full-day kindergarten formula aid; however, an amendment is expected that will identify the necessary funding.

Charter Schools

The article repeals charter school funding language that is in conflict with the current education funding formula. This includes language defining the local tuition rates and language that allows career and technical charter schools enrolling special education students from outside the district with an individual education program (IEP) to receive the average per-pupil special education cost of the sending district in addition to the local tuition calculated through the funding formula.

Free or Reduced Lunch Eligibility Measure

Since the United States Department of Agriculture (USDA) no longer requires school districts to collect eligibility data, an alternate way to identify student in poverty for the purpose of the student success factor and share ratio calculation was needed. Federal guidance suggests removing free and reduced lunch as a poverty indicator in state funding schemes. Consequently, instead of using children eligible for free or reduced lunch, the statute identifies students whose family income is below 185.0 percent of the federal poverty guidelines. This income level is the same threshold that was used for the free and reduced lunch program. This change is not expected to change eligibility numbers in the funding formula. According to the Department, a small number of RI schools are using the Community Eligibility Provision for free and reduced lunch; however, they currently continue to collect income data forms.

School and Family Empowerment Act (Governor's Amendment dated March 30, 2016)

The proposed amendment, entitled Family and School Empowerment, would insert language into Article 11 establishing statutory requirements for Empowerment Schools. An empowerment school is a public school with increased flexibility and independence that is managed collaboratively by the school-based principal and faculty team. Such schools will have autonomy over their budget, flexibility in school-based instructional policies and professional practices, and the option to become a public school of choice.

The Commissioner will develop a process for a public school, with the approval of its superintendent and school committee, to be designated as an empowerment school and to be converted back to a traditional school. The following entities may become an empowerment school:

- A school in a public school district
- A school within a school in a public school district
- A career and technical education program within a public school district, or
- A state school

Empowerment Schools may choose to become an open enrollment school and accept students from other parts of the district or from other school districts. Regulations for open enrollment schools will be promulgated by the Commissioner and certain criteria established by the school; however, priority will be given to resident students. An out-of-district student would not be charged tuition but state and local funds would follow the students as currently occurs with charter school students.

Empowerment schools would be funded like charter schools, with the state share and local tuition following the student, unless an agreement is in place to fund district students through an alternative method. An empowerment school is eligible to receive other aid, grants, Medicaid revenue, and other revenue according to Rhode Island law as if it were as school district. A school may negotiate and contract directly with third parties for goods and services.

Services provided to the school by district, such as financial services, transportation, and food services, are subject to negotiation between the district and the empowerment school, and are paid for by the empowerment school.

Professional staff at an empowerment school will maintain their status in the bargaining unit and as employees of the district without any interruption of service as it relates to seniority and retirement. The management team may amend the district bargaining agreement with approval from the superintendent, district union, and school committee, who can only withhold approval if changes would have a negative impact on other schools or the district as a whole.

Teachers must hold at least one teacher certification, which may differ from that associated with their assignment, unless a teacher is assigned to a shortage area. A teacher assigned to a shortage area will be provided school-based support and work toward certification within five years of the date of assignment.

Article 12: Relating to Revenue (Cigarette Taxes)

This article increases the excise tax levied per pack of cigarettes by \$0.25, which raises the tax from \$3.75 to \$4.00 per pack of twenty, or to the equivalent of \$0.20 per cigarette. According to Budget Office documents, the total retail price will increase by \$0.29, from \$9.46 to \$9.78 per individual pack. This amount is \$0.40 less than the total retail price in Massachusetts and \$0.05 less than Connecticut. The additional excise tax would generate an additional \$7.1 million in revenue above the projections from the November 2015 Revenue Estimating Conference.

FISCAL IMPACT

The Governor includes a general revenue increase of \$7.1 million in FY2017 from additional cigarette excise, sales, and floor stock taxes.

Source	Amount
Cigarette Excise	\$5,685,325
Cigarette Floor Stock	803,384
Sales Tax	633,248
Total Revenue	\$7,121,957

ANALYSIS AND BACKGROUND

The Governor recommends an excise tax increase of \$0.25 per pack of cigarettes, which raises the tax from \$3.75 to \$4.00 per pack of twenty, or the equivalent of \$0.20 per cigarette. The average retail price will increase by \$0.29, from \$9.17 to \$9.46 per individual pack. The additional excise tax and associated sales taxes would generate an additional \$7.1 million in revenue above the projections from the November 2015 Revenue Estimating Conference. After accounting for other pricing requirements, cigarettes purchased in Rhode Island would be priced similarly to those in Connecticut, and remain approximately \$0.40 cheaper than those sold in Massachusetts.

Numerous states, including Rhode Island, include some minimum pricing provisions related to the sale of cigarettes. These minimums can impact the end price as much or more than tobacco taxes. Thus, when comparing cigarette taxes between states, the average total price per pack should also be accounted for to capture the impacts of tobacco tax rates, minimum pricing and markup provisions, and applicable sales taxes. The table below compares the current end price of a pack of cigarettes to the Governor's proposed excise increase, and outlines Rhode Island's markups compared to neighboring states.

	Impact of Cigarette Excise Increase and Regional State Comparison							
	Rhode Island				Massachusetts		Connecticut	
	Current		Proposed					
Base Price per Pack in \$	\$4.39		\$4.39		\$3.95		\$4.39	
Excise Tax in \$	3.75		4.00		3.51		3.65	
<i>Subtotal base price + Excise</i>	8.14		8.39		7.46		8.04	
Wholesale Markup	2.0%	0.16	0.17	2.0%	0.15	6.5%	0.52	
Wholesale Cartage	0.75%	0.06	0.06	0.75%	0.06	0.0%	0.00	
Retail Markup	6.0%	0.50	0.52	25.0%	1.92	8.0%	0.69	
<i>Total Base Cost</i>	8.87		9.14		9.58		9.25	
Sales Tax	7.0%	0.62	0.64	6.25%	0.60	6.4%	0.59	
Total Price per Pack	\$9.49		\$9.78		\$10.18		\$9.83	

Note: The Office of Revenue Analysis calculated base price per pack using available data on states' websites. No base price for CT was available, so it was assumed that CT would have the same base price as RI. CT is scheduled to increase excise taxes on cigarettes to \$3.90 per pack on July 1, 2016. Total retail price would increase to \$10.14 per pack.

Article 13: Making Work Pay

This article increases the minimum wage from \$9.60 per hour to \$10.10 per hour, effective January 1, 2017. Additionally, the article increases the amount of refundable earned income tax credit from 12.5 percent in tax year (TY) 2016 to 15.0 percent in TY2017.

FISCAL IMPACT

The Governor decreases general revenues by \$2.7 million for modifications to the calculation of the earned income tax credit (EITC).

Analyst's Note: The Governor does not provide an expenditure or revenue impact resulting from the proposed increase in minimum wage. For example, the FY2016 Budget as Enacted provides \$359,597 in general revenue for seasonal positions in the Department of Environmental Management due to scheduled wage increases; no funding for DEM seasonal employee increases has been included for FY2017.

ANALYSIS AND BACKGROUND

Minimum Wage

This article increases the minimum wage from \$9.60 per hour to \$10.10 per hour, effective January 1, 2017. If enacted, this will be the fifth consecutive year of minimum wage increases in Rhode Island. January 1, 2016, marked the most recent increase from \$9.00 per hour to \$9.60 per hour.

Similarly, Connecticut has had three consecutive minimum wage increases since 2014, increasing from \$8.70 per hour to \$9.60 per hour. Another increase to \$10.10 is scheduled for January 1, 2017. Massachusetts recently raised minimum wage to \$10.00 per hour effective January 1, 2016. Another minimum wage increase to \$11.00 per hour is scheduled for January 1, 2017.

Earned Income Tax Credit

This article modifies the calculation of the earned income tax credit (EITC), authorizing eligible taxpayers to claim 15.0 percent in TY2017 of the allowable federal credit EITC amount, an increase of 2.5 percentage points over the TY2016 rate of 12.5 percent. The change is expected to reduce revenues by \$2.7 million in FY2017.

The EITC is a refundable tax credit for low and moderate income working individuals whereby the credit may reduce an individual's tax liability to below zero, producing a credit that is greater than the amount of tax owed, thus representing a cash payment to the filer. The following table demonstrates the financial impact on a single filer with one qualifying child.

Changes to Earned Income Tax Credit

	TY2015 (Current)	TY2016 (Current)	TY2017 (Proposed)
Income*	\$39,131	\$39,296	\$39,296
Maximum EITC (\$)	3,359	3,359	3,359
Allowable Federal Credit Amount	10.0%	12.5%	15.0%
Deduction Allowable from RI Tax Owed (\$)	336	420	504
Refundable Amount	100%	100%	100%
Total Refunded to Taxpayer	\$336	\$420	\$504

*Single filer, one qualifying child.

Note: TY2017 income amount reflects TY2016 limit as this income level is set annually by the IRS.

New England Minimum Wage Rates

	Current	January 1, 2017
Massachusetts	\$10.00	\$11.00
Connecticut	9.60	10.10
Rhode Island	9.60	*10.10
Vermont	9.60	10.00
Maine	7.50	7.50
New Hampshire	7.25	7.25

Amounts in dollars per hour.

*Governor's proposed increase.

Recent RI Minimum Wage Increases

Calendar Year	Amount	Change
2007	\$7.40	
2013	7.75	4.7%
2014	8.00	3.2%
2015	9.00	12.5%
2016	9.60	6.7%
2017*	10.10	5.2%

*Governor's FY2017 Proposal

Article 14: Relating to Caregivers/Compassion Centers (Medical Marijuana)

This article proposes a number of changes to the regulation of medical marijuana. A tagging system is established which will require every medical marijuana plant in the state to be tagged and tag holders will be charged an annual fee per tag. The Governor's proposal establishes the Department of Business Regulation (DBR) as the licensing agency of compassion centers, compassion center staff, cultivators, and caregivers. The DBR will also sell plant tags and maintain a tag database. The Department of Health (DOH) will continue to have licensing authority over patients and authorized purchasers.

This article also decreases the monthly surcharge on net patient revenue levied on compassion centers from 4.0 percent to 3.0 percent, and centers will not be charged for plant tags. Additionally, changes are made to shift funding from general revenue to restricted receipt accounts in both DBR and DOH to fund administrative costs of licensing.

FISCAL IMPACT

The Governor includes a net general revenue increase of \$9.7 million from new plant tag fees, patient registration fees, and compassion center surcharges.

Medical Marijuana Regulatory Fees and Changes		
Governor's Recommended Changes	Rate	Revenue
<i>Plant Tag Fees</i>		<i>\$10,735,630</i>
Patients Who Self-Grow Marijuana	\$150	1,440,000
Caregivers Who Grow for Non-Medicaid Patients	350	8,253,228
Caregivers Who Grow Medical Marijuana for Medicaid Patients	150	611,902
Co-op Growers	350	399,000
Growers with Cultivator Licenses	350	31,500
<i>Other Changes</i>		<i>(983,737)</i>
Transfer Patient and Caregiver Registration Fees to Restricted Receipts		(901,647)
Decrease Compassion Center Surcharge from 4.0 to 3.0 Percent		(172,405)
Indirect Cost Recovery Fees		90,315
Total		\$9,751,893

The Governor estimates \$2.1 million in operating expenses for the proposal, including \$926,200 for personnel and training costs and \$1.2 million for one-time software costs to develop the tagging system. The net impact on general revenue totals \$7.6 million for FY2017.

ANALYSIS AND BACKGROUND

Limits on Possession and Cultivation

This article reduces the limit on possession of medical marijuana plants from 12 plants to 6 plants for all patients and caregivers. Except for licensed compassion centers, cooperative cultivations, and cultivators, no more than 24 plants may be grown at any one location. Licensed cultivators may not exceed limits imposed by the Department of Business Regulation (DBR) which will be set through regulation. All plants must be accompanied by a valid medical marijuana tag issued by the DBR. As of December 31, 2016, patients and caregivers must sell or destroy any plants in excess of the new limitations.

Plant Growing Limitations

Entity	Plant Limit
Caregiver	6
Patient	6
Licensed Cultivator	24
Cooperative Cultivator (Residential)	36
Cooperative Cultivator (Non-Residential)	72
Compassion Center	No Limit

Oversight and Regulation

While the Department of Health (DOH) continues to regulate the issuance of registry cards for qualifying patients, the DBR will have oversight of licensing caregivers, cooperative cultivations, and compassion centers. The article creates a new cultivator license for growers to sell marijuana to compassion centers. The license will be regulated by the DBR, which is authorized to regulate and inspect cultivators. The article also creates another classification of caregiver, designated an “authorized purchaser,” who will be allowed to purchase medical marijuana from compassion centers on behalf of registered patients. Authorized purchasers will obtain registry cards from the DOH.

By January 1, 2017, the DBR is required to issue a report to include an analysis on the current number of compassion centers, evaluate how those centers are serving overall patient needs throughout the state, and make recommendations about any changes in the number of compassion centers. Additionally, a new license is established for cultivators to sell to compassion centers. The license will have an annual fee of \$500.

Medical Marijuana Plant Tags

This article creates a tagging system and annual fee for each medical marijuana plant to monitor grower inventory and ensure compliance with growing limits. Although fees will be set through regulation by the DBR, the Governor’s budget provides an assumed set of fees based on current prices within the caregiver and compassion center markets.

The Governor’s proposal makes a number of assumptions, including current prices on the caregiver and compassion center markets, to calculate revenue from tag fees. Amounts for the restricted receipt estimates are based on the Office of Management and Budget (OMB) estimate for FY2017.

Revenue Projections for Changes to Medical Marijuana Program

Patient Tag Revenue	Assumptions
Percent of patients choosing to grow themselves*	25.0%
Number of patients choosing to grow themselves*	3,200
Number of patient self-growing tags*	9,600
Cost of patient tag	\$150
<i>Subtotal</i>	<i>\$1,440,000</i>
Caregiver Tag Revenue	
Medicaid patients*	4,079
Full-price caregiver tags*	23,581
Cost of Medicaid caregiver tags	\$150
Cost of caregiver tag	\$350
<i>Subtotal</i>	<i>\$8,865,130</i>
Co-op Tag Revenue	
Total number of co-op licenses	38
Max number of tags per co-op*	60
Fraction of max tags that are actually purchased*	50.0%
Number of tags purchased per co-op*	30
Total tags purchased	1,140
Price per tag	\$350
<i>Subtotal</i>	<i>\$399,000</i>
Cultivator Tag Revenue	
Total number of cultivation licenses*	3
Assumed plant growth per cultivator*	60
Fraction of max tags that are actually purchased*	50.0%
Number of tags purchased per cultivator*	30
Price per tag	\$350
<i>Subtotal</i>	<i>\$31,500</i>
Compassion Center Surcharge Revenue	
FY2017 surcharge (OMB estimate)	\$689,618
Surcharge lowered from 4% to 3%	517,214
<i>Subtotal</i>	<i>(\$172,405)</i>
Total Tag and Surcharge Revenue	\$10,563,226
Indirect Cost Recovery	90,015
FY2017 Total Patient Registration Fees (Shift to RR)	(901,647)
General Revenue Total (Net)	\$9,751,593

*The amount indicated is an assumed or estimated value.

The Office of Management and Budget estimates 38,400 plant tags will be sold.

FY2017 total patient registration fees include \$1,500 for 3 cultivator licenses. Registration fees are shifted to restricted receipts.

Source: Office of Management and Budget

Licensing fees collected by the DOH and DBR will be deposited in restricted receipt accounts under each respective agency to support the administrative costs of the medical marijuana licensing program. Any fees collected from the sale of medical marijuana plant tags will be deposited as general revenue.

Compassion Center Surcharge

The article reduces the surcharge levied on net patient revenue received each month by every compassion center from 4.0 percent to 3.0 percent, effective July 1, 2016. For FY2017, this would reduce collections by an estimated \$172,000, or 25.0 percent, less than the OMB estimated amount of \$689,784. The Governor modifies collections to \$517,214 to account for this change.

**Compassion Center Surcharge
Collections History**

Fiscal Year	Revenue
2013	\$16,656
2014	269,156
2015	385,724
2016	608,000
2017 Nov. REC Est.	689,784
2017 Proposed*	517,214

**Total collections at 3.0% rate based on estimates provided by the Office of Management and Budget.*

Article 15: Relating to Municipalities

This article requires electronic exchange of municipal financial information, streamlines financial reporting by municipalities, requires distressed communities to participate in a debt recovery program, and modifies the current property valuation schedule.

Specifically, this article:

- Establishes a transparency portal which will require municipalities to post required financial data to the Division of Municipal Finance website. The initiative is intended to streamline preparation and submission of required financial data and make this information available in a searchable, electronic format.
- Modifies the program description of the Division of Municipal Finance, requiring the program to encourage the exchange of information using web based tools, including posting of municipal contracts. This change is intended to promote the use of shared services.
- Requires distressed communities to participate in the Income Tax Refund Offset program, which authorizes the Division of Taxation to collect debts owed to other government agencies and entities in the state, including cities and towns.
- Amends the current property revaluation schedule, which requires municipalities to update their property values every third and sixth year, and to complete a full physical revaluation every ninth year (a 3–6–9 schedule) to a fifth, tenth, and fifteenth (5–10–15) year schedule.

FISCAL IMPACT

The Governor includes a \$120,000 increase in general revenue in the Department of Revenue, Division of Municipal Finance, to fund software development for the Municipal Transparency Portal.

The Governor projects \$1.1 million in savings for municipalities for FY2017 (\$18.7 million in total from FY2017 through FY2039).

ANALYSIS AND BACKGROUND

Transparency Portal

This article establishes a “Transparency Portal,” a software program which will be implemented through and maintained and monitored by the Division of Municipal Finance (DMF). Municipalities will be required to submit “budget-to-actual financial information” three times per year (on or before the twenty-fifth day succeeding the last day of the sixth, ninth, and twelfth month of each fiscal year), replacing the currently required quarterly reports. Information must include a data report for the municipality’s general fund. Additionally, each municipal budget survey and five-year forecast will be posted on the Transparency Portal.

Budget-to-actual financial information reports will be submitted by the chief financial officer (CFO) of each municipality and unlike the current quarterly reports, will not require the signatures of the chief executive officer (CEO), superintendent or CFO of the school district, the municipal council president, or the school committee chair, in order to be submitted to the DMF; however, the DMF will create a finalized report from all information submitted through the Transparency Portal which will require the aforementioned signatures. Municipalities must submit copies of this report to the commissioner of education, office of the auditor general, municipal council president, and school committee chair. Finalized reports will be posted to the Transparency Portal.

Description of Duties

The article amends the duties of the DMF from a general responsibility “to maintain a data center of information of use to municipalities” to a responsibility of encouraging the exchange of electronic information.

Mandatory Collection of Debts

This article requires distressed communities, within three months of a distressed determination, to contract with the state tax administrator to participate in the tax refund offset program. This program allows the tax administrator to collect outstanding liabilities owed to a governmental entity. The DMF will determine which liabilities will be subject to collection by the tax administrator. Nine municipalities have participated, collecting more than \$1.5 million in delinquent liabilities.

Established in 1990, the Distressed Communities Relief program provides state assistance to Rhode Island communities with the highest property tax burdens relative to the wealth of the taxpayers. Four indices are used to determine eligibility: percent of tax levy to full value of property; per capita income; percent of personal income to full value of property; and, per capita full value of property.

Property Revaluation Cycle

This article amends the current property revaluation schedule, which requires municipalities to update their property values every third and sixth year, and to complete a full physical revaluation every ninth year (a 3–6–9 schedule) to a fifth, tenth, and fifteenth (5–10–15) year schedule. The article also requires the Department of Revenue to annually publish a fifteen year schedule outlining the required updates and revaluations required of each municipality in order to assist municipalities in complying with these changes. Savings to municipalities is estimated at \$18.7 million over the next 23 years.

In 1997, the General Assembly enacted legislation requiring municipalities to conduct full property revaluations every nine years and statistical updates at year 3 and year 6. Communities are responsible for appropriating funds to cover the costs of full property revaluations; however, the State reimbursed municipalities for 100.0 percent of the first statistical update. Reimbursements for subsequent updates were set at 80.0 percent (up to \$16 per parcel) for the second statistical update and 60.0 percent (up to \$12 per parcel) for the third and subsequent statistical revaluations.

Article 16: Making It Easier to do Business in RI

This article outlines various tax and benefit proposals to the Unemployment Insurance (UI) and Temporary Disability Insurance (TDI) programs to provide employers with tax relief earlier than what would occur under current law. The proposed legislation would change the reserve ratios used in calculating the UI tax rate on employers for the following calendar year.

Other proposed changes include:

- Establishing a TDI Fraud and Program Integrity Task Force to educate the State's workforce about TDI and to reduce fraud.
- Reducing the time allowable for an employee to file a TDI claim from 1 year to 90 days.

FISCAL IMPACT

The changes proposed in the article are projected to reduce the UI cost on employers by \$30.0 million a year beginning in calendar year 2017. The savings are projected to increase to \$40.0 million a year starting in calendar year 2019. Projections indicate that employers could see cumulative UI tax reductions of some \$169.0 million through 2025 when compared to the current system's reserve requirements.

ANALYSIS AND BACKGROUND

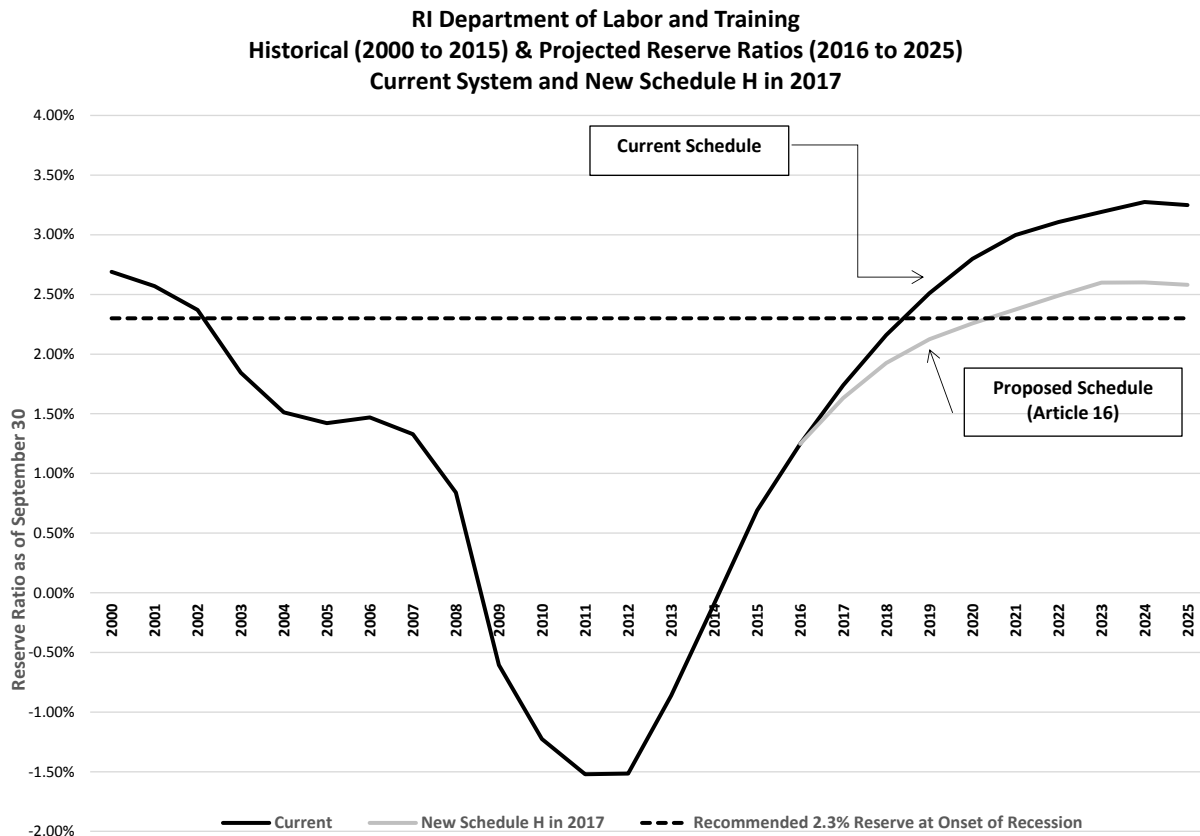
Rhode Island currently has an Unemployment Insurance Tax Rate system consisting of nine tax schedules (A thru I), each of which contains twenty-five tax rate groups. The tax schedule in effect each year depends on the reserve ratio of the fund as of September 30th of the prior year. The reserve ratio is determined by dividing the UI trust fund balance on September 30th by total wages paid to Rhode Island workers during the year. The State has been on the tax Schedule I (the highest) since 1992. Individual employer tax rates are determined by each employer's own level of reserves which indicates which tax rate in the applicable tax schedule applies to them.

Based on the State's experience over the last 20 years, the U.S. Department of Labor recommends that Rhode Island's UI system's financing goal should be a minimum reserve ratio of 3.0 percent prior to the beginning of the next recession. This represents approximately one year's worth of benefits at the average benefit payout over the highest three years out of the last 20. However, according to the Department of Labor and Training, because the State enacted significant benefit cuts in 2011 that have reduced benefit costs by approximately 23.0 percent per year, the Department believes it is appropriate to adjust the minimum recommended reserve ratio by this same factor which would result in a new minimum reserve ratio goal of 2.3 percent prior to the beginning of the next recession.

Under the current reserve ratios, the Department projects that the State will remain on tax Schedule I through 2020, dropping to tax Schedule H in 2021, and to tax Schedule G in 2022. Each drop in a tax Schedule reduces employer taxes by approximately \$20.0 million per year. The State would accumulate significant reserves (a projected \$821.0 million by 2025) with a reserve ratio of 3.25 percent which is safely above the minimum 2.3 percent recommended reserve ratio.

This article reduces the current reserve ratios for the tax schedules in order to facilitate the movement to the next lower tax Schedule (H) in 2017, four years earlier than projected under our current system. These changes should result in the State going to tax Schedule G in 2019 and Tax Schedule F in 2024.

The Department of Labor and Training created the following graph illustrating the projected reserve ratios under the current system and with the proposed new schedule (Article 16) and the recommended reserve ratio of 2.3 percent through 2025.



Source: RI Department of Labor and Training

This article also expands the current tax ranges to provide for lower minimum rates for employers who seldom have layoffs and who are subsidizing higher-use employers. With the exception of Tax Schedule H, these tax rate changes are designed to be revenue neutral by offsetting the new lower rates with higher rates in other rate groups. Rhode Island currently has 25 tax rate groups in each tax Schedule. This article expands the number of tax rate groups to 28, by adding three new groups to the lower end.

Article 17: Relating to Commerce

This article makes several changes to existing tax credits managed by the Commerce Corporation. Specifically, the article:

- Automatically awards a tax credit to all Stay Invested in RI Wavemaker Fellowship applicants provided eligibility requirements are met. Businesses may also apply to reserve tax credits for new employees based on the nature of the position.
- Modifies the Tax Stabilization Agreement (TSA) incentive program to allow the Commerce Corporation to reimburse municipalities up to 50.0 percent of foregone revenue for up to five projects in any given year.
- Eliminates the \$7,500 tax credit cap for each full time job created under the Qualified Jobs Incentive Act.
- Allows amounts deposited in the Rebuild Rhode Island Tax Credit fund to be used to reimburse municipalities participating in the tax stabilization agreement program.
- Allows the Executive Office of Commerce to authorize the Commerce Corporation to transfer amounts deposited in the Anchor Institution Tax Credit fund to the Rebuild Rhode Island Tax Credit fund.
- Creates the Refundable Research and Development tax credit to incentivize businesses to make multi-year commitments to conduct research and development activities in the state and invest in plant, equipment, or personnel in order to accomplish these research activities.

FISCAL IMPACT

The Governor includes \$30.6 million in additional funding FY2017 for the following tax credit programs:

- \$20.6 million for the Rebuild Rhode Island Tax Credit program, an increase of \$13.5 million over the expected expenditure level of \$7.1 million in FY2017 as planned the Governor's FY2016 Budget.
- \$5.0 million for the refundable Research and Development tax credit.
- \$5.0 million to fund the Stay Invested in RI Wavemaker program.

ANALYSIS AND BACKGROUND

Wavemaker Fellowship

This article automatically awards a tax credit to all Stay Invested in RI Wavemaker Fellowship applicants provided eligibility requirements are met. Eligibility requirements include:

- A "B+" average in one of the following fields: life, natural, or earth sciences; computer, information, or software technology; advanced mathematics or finance; engineering; or industrial design or commercially related design field.
- Application for the credit within one year of completion of a higher education degree, or within three months of applying for the credit, received an offer of employment in the aforementioned fields.
- Has received a bachelor's or graduate degree from a Rhode Island institution of higher education, or has graduated from a Rhode Island high school, within one year of applying for the credit.

Maximum credit amounts previously allowed according to level of college degree (\$1,000 for an associate's degree, \$4,000 for a bachelor's degree, and \$6,000 for a graduate or post graduate degree holder) have been removed, capping new credit amounts at a maximum of 100.0 percent of the total loan repayment expenses. The maximum amount of credits Commerce may award is subject to the

appropriated amounts; there is no cap on the amount of awards eligible for a single year provided the amount is within the appropriated level.

Additionally, businesses may apply to reserve Wavemaker tax credits for employees of that business. Commerce Corporation may reserve tax credits for the business providing the positions are new to the state and with regard to the nature of the positions. Businesses for which tax credits are reserved may nominate applicants (only new full-time employees or employees who were nominated the previous year) for tax credits on an annual basis. Commerce Corporation may allocate up to 15.0 percent of available Wavemaker credits per business.

The FY2016 Budget as Enacted created the Wavemaker tax credit program to provide a financial incentive for graduates of Rhode Island higher education institutions to stay in Rhode Island by defraying student loan payments for up to four years for graduates pursuing careers or starting businesses in technology, engineering, design and other key sectors. To date, no fellowship credits have been awarded; however, \$58,121 has been expended from the FY2016 appropriation (\$1.8 million) to fund the creation of the online application portal and a portion of the FTE costs associated with the program. The Governor requests an additional \$5.0 million in FY2017.

Analyst's Note: Although the Executive Office of Commerce has indicated that the fellowship awards would be tied to monthly student loan payments, it appears that rules and regulations published on February 23, 2016, by the Division of Taxation would not prohibit a student from claiming more of the fellowship award for prepayments made over the monthly requirement.

Tax Stabilization Agreements

This article modifies the Tax Stabilization Agreement (TSA) incentive program to allow the Commerce Corporation to reimburse municipalities up to 50.0 percent of the community's foregone tax revenue for up to five projects in any given year. The current reimbursement rate is 10.0 percent. The city or town council of any qualifying community must pass a resolution designating the qualifying project as the most important project to the municipality's economic development for that fiscal year. In addition, the legislation adds hope community as a qualifying community. Qualifying projects in a hope community must be one of the two most important project's to the municipality's economic development in the case of a hope community. The total amount of funding to be awarded is subject to appropriation.

Analyst's Note: Section 5 of this article authorizes TSA reimbursements to be paid to municipalities out of the Rebuild RI tax credit fund. The Governor requests \$20.6 million in the Rebuild RI fund for FY2017.

Qualified Jobs Incentive Act

This article eliminates the \$7,500 tax credit cap for each full time job created under the Qualified Jobs Incentive Act. Requirements that a business create at least 10 new full-time jobs in the state or increase 10.0 percent of the businesses existing number of full-time employees, depending on the size of the business, are scaled down to 5 new employees or 5.0 percent of the current full time staff.

Rebuild Rhode Island Tax Credit – Funding Shifts

This article allows amounts deposited in the Rebuild Rhode Island tax credit fund to be used to reimburse municipalities participating in the tax stabilization agreement program. Additionally, the Executive Office of Commerce may authorize the Commerce Corporation to transfer amounts deposited in the Anchor Institution tax credit fund to the Rebuild Rhode Island tax credit fund.

Refundable Research and Development Tax Credit

This article creates the Refundable Research and Development Tax Credit to incentivize businesses to make multi-year commitments to conduct research and development activities in the state and invest in plant, equipment, or personnel in order to accomplish these research activities. The Commerce Corporation may award a refundable tax credit up to \$200,000 for an eligibility period of no longer than 5

years; up to 5.0 percent for the first \$25,000 worth of credit or 16.9 percent for the amount of credit above \$25,000. The amount of credit received may not exceed the amount of municipal property taxes incurred by the business. The article also allows this tax credit to be used against business corporations, insurance, and personal income tax liabilities.

Analyst's Note: In June 2010, legislation was enacted that reformed the State's Personal Income Tax beginning in tax year 2011. This revised structure was made in favor of a more streamlined tax system. Prior to the FY2016 Budget as Enacted, which added three new credits against personal income taxes, only nine credits were allowable.

This article also establishes a refundable research and development tax credit fund as a restricted receipt account within the Commerce Corporation to pay for the refund of tax credits or reimbursement to the state for tax credits applied against a tax payer's liability. Funding is subject to annual appropriation. The Governor requests \$5.0 million from debt refinancing proceeds for the program in FY2017.

By September 1, 2017, and each year thereafter, the Commerce Corporation is required to report to the Division of Taxation the name and address of each business entering into an incentive agreement during the previous fiscal year. The Commerce Corporation will also make this information publicly available on its website.

Earned Income Tax Credit

Analyst's Note: This section also appears as part of Article 13.

This article modifies the calculation of the earned income tax credit (EITC), authorizing eligible taxpayers to claim 15.0 percent in TY2017 of the allowable federal credit EITC amount, an increase of 2.5 percentage points over the TY2016 rate of 12.5 percent. The change is expected to reduce revenues by \$2.7 million in FY2017.

The EITC is a refundable tax credit for low and moderate income working individuals whereby the credit may reduce an individual's tax liability to below zero, producing a credit that is greater than the amount of tax owed, thus representing a cash payment to the filer. The following table demonstrates the financial impact on a single filer with one qualifying child.

Changes to Earned Income Tax Credit			
	TY2015 (Current)	TY2016 (Current)	TY2017 (Proposed)
Income*	\$39,131	\$39,296	\$39,296
Maximum EITC (\$)	3,359	3,359	3,359
Allowable Federal Credit Amount	10.0%	12.5%	15.0%
Deduction Allowable from RI Tax Owed (\$)	336	420	504
Refundable Amount	100%	100%	100%
Total Refunded to Taxpayer	\$336	\$420	\$504

**Single filer, one qualifying child.*

Note: TY2017 income amount reflects TY2016 limit as this income level is set annually by the IRS.

Article 18: Relating to Renewable Energy Programs

This article extends the Renewable Energy Fund and updates the state's net metering program to enable third-party financing and additional net metering arrangements for homeowners, businesses, and public and private institutions. The article also exempts renewable energy resources and associated equipment installed after December 31, 2015, from property taxes, and allows city or town councils to pass ordinances taxing renewable energy resources after consulting with the Office of Energy Resources and the Division of Taxation.

FISCAL IMPACT

This article has no fiscal impact on the State. There is no fiscal impact on municipal revenues for renewable energy projects that are installed by December 31, 2015. The fiscal impact of projects installed after this date is indeterminable due to the inconsistent renewable energy tax policies among the cities and towns.

Approximately \$2.5 million is collected annually from rate payers for the Renewable Energy Fund (REF). Between FY2013 and FY2015, \$9.0 million in REF proceeds was awarded to projects developing renewable energy resources and leveraged \$22.0 million in private investment.

ANALYSIS AND BACKGROUND

Extension of the Renewable Energy Fund

This article would extend the Renewable Energy Fund (REF) program for an additional 5 years from December 31, 2017 to December 31, 2022. The REF program provides grants and loan opportunities for eligible renewable energy technologies for preliminary feasibility studies as well as direct residential, commercial, and municipal installations. Funding is also offered for new renewable energy business ventures and innovative development. The fund is supported by a surcharge on electric customers' bills and collects about \$2.5 million annually. The REF program is currently administered by the Rhode Island Commerce Corporation with the Office of Energy Resources providing assistance in development of the rules and regulations and evaluation of submitted REF applications. The new REF rules and regulations were approved by the Corporation Board in January 2014.

Changes to Net Metering

This article would allow homeowners and businesses to use third party financing for renewables such as solar or wind resources and still qualify for net metering. Net metering is a service to an electric consumer under which electric energy generated by that electric consumer from an on-site generating facility can be delivered to the local distribution facilities and used to offset electric energy provided by the electric utility to the electric consumer. Under current law, a homeowner or business has to own the renewable energy resource in order to take advantage of net metering.

The article also expands virtual/remote net metering to include, residential and commercial owners as well as and private and public institutions. Current law allows virtual/net metering only by state and municipal consumers. Consequently, a business owner who has a location in Smithfield and Providence could install a solar system in Smithfield and apply the generated power to electricity bills for both locations.

For the purposes of the net metering statute, the article defines a "third-party financing arrangement" as a financial arrangement that enables the financing of a renewable energy system through a lease arrangement or power purchase agreement. A "third-party company" is defined as a company owning or operating a renewable energy system that is used by a public or private entity to engage in net metering.

Property Taxes on Renewable Energy Installations

This article would exempt renewable energy resources and associated equipment from municipal property taxes if they are placed in service for the first time after December 31, 2015; have a final inspection performed by the city or town where the resource is located; and participate in net-metering. However, a city or town council may tax renewable energy resources and associated equipment if the council consults with the Office of Energy Resources and the Division of Taxation, and enacts the necessary ordinance, unless the resource is exempt from taxation pursuant to another provision of law. The consultation is intended to enable the state agencies to provide assistance on the taxing of renewable energy systems, and to make the Office Energy Resources (OER) aware of what municipalities are taxing renewable energy resources. The OER will then use this information when designing renewable energy programs.

Article 19: Relating to Division of Motor Vehicles

This article delays license plate reissuance from July 1, 2016, until April 1, 2017. Under RIGL 31-3-33, the Division of Motor Vehicles (DMV) is required to issue new reflective license plates for all registered vehicles beginning September 1, 2013, and every 10 years thereafter. The requirement has been delayed three times previously, most recently within the FY2016 Budget as Enacted, which delayed the reissuance from September 2015 to the current July 2016 date.

FISCAL IMPACT

The FY2016 Budget as Enacted included a provision that all unexpended balances in FY2016 would shift to FY2017, thus the \$3.0 million originally intended to fund the FY2016 reissuance is reappropriated to FY2017. The Governor's FY2016 Supplemental budget is reduced by \$3.0 million.

Under current law, registrants are charged \$6.00 for each set of license plates above the regular registration fee. The delay in implementing the issuance results in a loss of \$2.0 million in general revenue from the delay in customer purchases.

ANALYSIS AND BACKGROUND

The Governor proposes delaying license plate reissuance from July 1, 2016, until April 1, 2017. The coordination and effort required by the DMV to complete the re-issuance project will affect personnel who are working on the implementation of the Rhode Island Motor Vehicle System (RIMS) information technology (IT) project (a database designed to provide a real-time and customer-centric computer system to replace the DMV's current legacy system). The personnel assigned to RIMS would need to be pulled off and reassigned to the re-issuance project to ensure it is successfully coordinated, potentially delaying the planned implementation date in September 2016.

Under RIGL 31-3-33, the DMV is required to issue new reflective license plates for all registered vehicles beginning September 1, 2013, and every 10 years thereafter. The law was revised in 1995 to require plate reissuances every 10 years, and in 2009 the General Assembly required a full reissuance in 2011. This requirement has been delayed three times previously: In the FY2012 Budget as Enacted, the General Assembly changed the first full reissuance requirement from 2011 to 2013; the FY2014 Budget as Enacted changed the reissuance until September 2015; and the FY2016 Budget as Enacted delayed the reissuance to July 1, 2016. Current law requires the Division to reissue license plates by July 1, 2016.

Article 20: Relating to Local Agriculture and Seafood Act (LASA) Grants

This article requires that fees collected for the lease of submerged tidal lands for renewable projects exceeding \$5.0 million in costs be deposited into the Rhode Island Local Agriculture and Seafood Grant program. The fee is estimated to generate \$150,000 annually. The article also updates legislative findings and intent for the Rhode Island Local Agriculture and Seafood Act, and establishes grant funding up to \$50,000 for the fishing community.

FISCAL IMPACT

The Budget Office projects that the fee increase will generate \$150,000 per year. The program has historically been funded at \$100,000 in state support since its inception in FY2014; however, up to \$50,000 of the receipts may be used to facilitate the fishing community's participation in the development of fisheries management policies and regulations. The account is exempt from the indirect cost recovery fee through Article 24.

This article will reduce general revenue receipts by \$150,000 annually; however, the reduction is partially offset by a general revenue expenditure reduction of \$100,000, resulting in a net general revenue reduction of \$50,000 annually.

ANALYSIS AND BACKGROUND

The Local Agriculture and Seafood Grant program was established to support the growth, development, and marketing of local food and seafood within Rhode Island. The program was launched in FY2014 and is co-administered by the Division of Agriculture, within the Rhode Island Department of Environmental Management (DEM), and the Rhode Island Food Policy Council. Grants are awarded through a competitive process open to farmers, fishermen/women, non-profits, and producer groups based in Rhode Island. The grants are awarded based on the following priorities:

1. Projects that support the growth and sustainability of small or beginning agriculture producers (including aquaculture) and fishermen/women.
2. Projects that foster new collaborations or share new information among Rhode Island food businesses, organizations, or enterprises.
3. Projects that support new products or new sales channels with clearly defined markets.

In FY2015, 73 applicants totaling \$1.0 million in requests competed for \$210,000 in available funding, including \$100,000 in general revenues and \$110,000 from the van Beuren Charitable Foundation, the Henry P. Kendall Foundation, and the Rhode Island Foundation. 15 grants were awarded to farmers and fishermen/women across the State in amounts ranging from \$6,973 to build a professional drying room at Sky Blue Farms to \$20,000 for Wild Harmony Farm to purchase an insulated trailer with a freezer compressor and generator to enable the transportation of frozen meat from certified butchers. DEM and RI Seafood Marketing Collaboration were awarded \$20,000, as was done in FY2014, for a statewide seafood branding and marketing campaign. In FY2014, 92 applicants totaling \$1.5 million in requests competed for \$210,000 in available funding. The grant awards for FY2016 will be announced in late April or early May.

The article also provides that up to \$50,000 in grant funding may be used to facilitate the fishing community's participation in the development of fisheries management policies and regulations.

Analyst's Note: The intent was to make the \$50,000 an annual cap, not an absolute cap; however, the language is not clear and clarification may be necessary.

Article 21: Relating to Behavioral Healthcare, Developmental Disabilities and Hospitals

This article creates a single state authority for purposes of calculating the maintenance of effort (MOE) for the Substance Abuse Block Grant awarded by Substance Abuse and Mental Health Services Administration (SAMHSA). The MOE is a federal requirement placed upon the Substance Abuse Block Grant program which requires that the State demonstrate certain levels of funding for substance abuse programs from year to year.

Currently, funding flows through the Executive Office of Health and Human Services (EOHHS) to fund substance abuse programs administered by the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH); however, funding from EOHHS to BHDDH, is no longer considered part of the MOE. The change will co-designate EOHHS and BHDDH as a “single state entity” to meet the SAMHSA block grant MOE requirements by allowing both agencies to accurately reflect spending for required programs.

FISCAL IMPACT

According to BHDDH, if Rhode Island does not create a “single state authority for mental health and substance abuse” the State will not meet the current SAMHSA \$7.4 million MOE requirement for the FY2016 Substance Abuse Block grant, and puts future grant funding from SAMHSA at risk.

Summary of SAMHSA Grant Awards

Fiscal Year	Federal Funds
2012	\$8.7
2013	9.0
2014	7.2
2015	11.2
2016	15.8
Total	\$51.9

\$ in millions

ANALYSIS AND BACKGROUND

Block grants require the State to demonstrate a MOE to be considered and awarded federal funds. The MOE for the SAMHSA block grant is the aggregate of all state expenditures for substance abuse activities at a level that is greater than or equal to the average level of state expenditures over the two-year period preceding the year the state applies for the grant. This article would allow the State to meet the MOE requirement by reporting Medicaid expenditures toward MOE. Currently, EOHHS provides the primary funding source for BHDDH substance abuse services through Medicaid Managed Care Organizations (MCO). In order to attribute these expenditures toward MOE, SAMHSA requires the state to create statutory and interdepartmental agreement between EOHHS and BHDDH. This article co-designates the two agencies as the “single state authority for mental health and substance abuse” therefore allowing Medicaid expenditures to fulfill the SAMHSA MOE requirements.

BHDDH is charged with the direction and coordination of the mental health and substance abuse prevention, treatment, recovery supports and administration of the community-based system of care. The Division of Behavioral Healthcare operating budget has historically been augmented by discretionary grants received by SAMHSA. In FY2016, BHDDH is operating 7 SAMHSA-funded initiatives: Projects for Assistance in Transition for Homelessness and Substance Abuse Prevention and Treatment and Community Mental Health Services Block Grant, PATH Grant, Partnership for Success, Healthy Transitions, Rhode Island CABHI Youth Treatment Transitions.

Article 22: Relating to State Budget

This article makes a number of changes to the state budget and revenue and caseload estimating processes, including:

- Extends the Governor’s budget submission dates to the second Thursday in February, and the second Thursday in March for a newly-inaugurated Governor
- Moves the November Revenue and Caseload Estimating Conferences from the first ten days in November to within the last ten days in January
- Removes cash or public assistance caseloads from the caseload estimating process. The conference would be restricted to medical assistance expenditures
- Allows caseload conference staff to meet with OHHS (privately) prior to adoption of estimates, and then reach and present (publicly) a provisional consensus estimate to conference principals

FISCAL IMPACT

The article has no fiscal impact.

ANALYSIS AND BACKGROUND

The article makes a number of changes to the state budget process:

Budget Submission Requirements

The Governor proposes to amend the date when the budget is required to be submitted to the General Assembly. Current law requires that the Governor submit the Budget on or before the third Thursday in January, except in cases of a newly inaugurated Governor, when the date is the first Thursday in February.

The proposal moves the requirement to the second Thursday in February, except in cases of a newly inaugurated Governor, when the date is the second Thursday in March. Of note, budget submission deadlines have been statutorily extended six times since 2005. The article removes language related to past budget submission deadline extensions.

Revenue and Caseload Estimating Conference Processes

The proposal makes a number of changes to the Revenue and Caseload Estimating Conferences processes, including moving the November conference to January. The Revenue Estimating Conference (REC) and Caseload Estimating Conference (CEC) provide the Governor and the General Assembly with adopted consensus estimates of general revenue collections and Medicaid and cash assistance costs. The general revenue budget must balance based on the most recent REC estimates, plus any legislative adjustments included in the Budget. The CEC estimates caseloads and funding for entitlement programs for which funding is mandated by statute rather than at the discretion of state lawmakers. The Governor’s proposals must incorporate November conference changes, while the budgets adopted by the General Assembly must balance based on May conference results. Principals of the Conferences include the State Budget Officer, the House Fiscal Advisor, and the Senate Fiscal Advisor. Two conferences are currently required by law (November and May), however, any principal may convene a conference at any time.

Revenue Estimating Conference

This article makes the following changes to the semi-annual Revenue Estimating Conference:

- The Governor’s budget proposal moves the November conference to within the last 10 days in January.

Analyst Note: Under the current REC process, Rhode Island is one of 13 states that meet 5 out of 5 criteria for “best revenue forecasting practices”.¹ In a study of median revenue estimating error rates between 1987 and 2009, Rhode Island ranked 8th best nationally under current practices.²

Caseload Estimating Conference

This article makes the following changes to the semi-annual Caseload Estimating Conference:

- The Governor’s budget proposal moves the November conference to within the last 10 days in January.
- The article removes the estimating of cash assistance expenditures from the Caseload Estimating Conference (CEC). The CEC currently estimates expenditures for the following cash programs: Temporary Assistance for Needy Families (TANF); Child Care Subsidies; State Supplemental Security Income (SSI); and General Public Assistance.

The Governor maintains that, given the decreased appropriation of general revenue to cash assistance programs, these programs are more appropriately budgeted through the standard budget process rather than through the CEC.

- The article also changes the process for reaching consensus estimates for the Medical Assistance program (Medicaid). Currently, the Executive Office of Health and Human Services (OHHS) begins the CEC with testimony regarding current and anticipated program costs. The CEC concludes in a second public meeting with the principals offering proposed estimates for each program, discussing each proposed estimate and reaching consensus based upon that discussion.

This article changes the current process. Under the article, the CEC begins as customary with Department’s public testimony, followed by the formulation of “provisional” consensus estimates by analysts from the Senate Fiscal Office, House Fiscal Staff, and State Budget Office in consultation with OHHS. The CEC concludes with a second public meeting in which the principals adopt final estimates after considering the provisional estimates and taking into account any objections to these estimates presented by OHHS.

The new process, therefore, will allow for discussion and provisional consensus outside of public meetings. It will also allow OHHS a voice in the continued development of consensus estimates, rather than providing testimony at the commencement of the CEC.

- The article eliminates the ability of principals to call an interim CEC Impact Meeting; however, the ability to call an interim REC remains unchanged.

¹ “Improving State Revenue Forecasting: Best Practices for a More Trusted and Reliable Revenue Estimate.” Elizabeth C. McNichol. Center on Budget and Policy Priorities. August 7, 2014.

² “States’ Revenue Estimating: Cracks in the Crystal Ball.” Pew Center on States / The Nelson A. Rockefeller Institute of Government. March 2011.

Article 23: Relating to Safe Harbor for Sexually Exploited Children

This article creates a Safe Harbor for Sexually Exploited Children by treating children under age 17, who are victims of sex trafficking, as victims rather than criminals by shielding the minor from prosecution. Minors would be referred to the appropriate state services for proper assessment of their needs, and the article adds sex trafficking of a minor to the list of offenses for which victims may receive compensation from the Crime Victims Compensation Fund.

FISCAL IMPACT

There is no direct fiscal impact on the Crime Victims Compensation Program (CVCP) with passage of this Article. According to the Office of the General Treasurer, the CVCP already compensates victims of sex trafficking and sexual exploitation regardless of whose custody or care they are in, therefore, the impact of the legislation is minimal and absorbable within the CVCP budget.

ANALYSIS AND BACKGROUND

This article creates the Rhode Island Safe Harbor for Sexually Exploited Children under Title 14 for Delinquent and Dependent Children by treating children under age 17, who are victims of sex trafficking, as victims rather than criminals by shielding the minor from prosecution. Specifically, the article adds language that provides minors (under age 17) immunity from prosecution for prostitution or loitering for prostitution. The article however, stipulates that a person age 16 or older can still be charged and adjudicated for the crime of prostitution if the person engaged in the activity with consent, for a fee, and without a third party beneficiary.

The article requires that minors be redirected from the criminal or juvenile justice systems to the appropriate state services for proper assessment of their needs.

The article amends RIGL 12-25-20 by adding sex trafficking of a minor to the list of offenses for which victims may receive compensation from the Crime Victims Compensation Fund. The Crime Victims Compensation program compensates innocent victims of violent crimes for certain expenses that are attributable to the crime. Compensation may be used to cover funeral, medical, and counseling expenses incurred by victims or their family members. The maximum award for each criminal incident is capped at \$25,000.

Article 24: Relating to Restricted Receipt Accounts

This article creates three new restricted receipt accounts, the “Local Agriculture & Seafood Fund” in the Department of Environmental Management, the “DMV Modernization Project” in the Rhode Island Department of Motor Vehicles, and the “RISCON Infrastructure Repairs/Equipment Replacement (Google)” in the Rhode Island Emergency Management Agency. These accounts are exempted from the 10.0 percent indirect cost recovery provision.

FISCAL IMPACT

This article exempts \$1.0 million in FY2016 and \$2.7 million in FY2017 from the indirect cost recovery provisions, thereby reducing general revenue receipts by approximately \$100,000 in FY2016 and \$215,000 in FY2017.

ANALYSIS AND BACKGROUND

Local Agriculture & Seafood Fund: This new account is created pursuant to Article 20 to receive fees collected from the lease of submerged tidal lands for renewable energy projects exceeding \$5.0 million in costs. The fees, estimated at \$150,000 annually, will fund the Rhode Island Local Agriculture and Seafood Grant program. Passage of this article would forgo general revenue collections by approximately \$15,000 annually.

DMV Modernization Project: The DMV Modernization Restricted Receipt account is a new account that was created to receive receipts from the settlement agreement between DMV and Hewlett Packard Enterprise Services. The settlement was approved to complete the Rhode Island Motor Vehicle System (RIMS) implementation. The terms are very specific, all funds must be utilized to complete the project, and as such the Department of Revenue requests that this account be exempt from indirect cost recovery. The State received \$1.0 million to date. Two payments of \$1.0 million each are due in July and December, 2016. Passage of this article would forgo general revenue collections by approximately \$100,000 in FY2016 and \$200,000 in FY2017.

RISCON Infrastructure Repairs/Equipment Replacement (Google): This is a new account established in the Rhode Island Emergency Management Agency (RIEMA). RIEMA anticipates receiving approximately \$585,735 from the Google Settlement Award to the State Police to fund the capital project costs on the Rhode Island Statewide Communications System Network (RISCON). RISCON is an 800MHz interoperable radio system that is the main communications platform used for the daily operations of all public safety agencies in the State. RIEMA continues to sustain, enhance, and develop RISCON to be used in the event of a man-made or natural disaster for interoperability among local, state, and federal government entities. Since these funds are currently in an exempt account in the Department of Public Safety, passage of this article would not forgo any general revenue collections.

Article 25: Relating to Effective Date

This article provides that the Act will take effect on July 1, 2016, except as otherwise provided herein.



APPENDIX

Summary Tables

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ALL FUNDS EXPENDITURES

All Funds Expenditures

General Government	FY2015 Final	FY2016 Enacted	FY2016 Governor	Change from Enacted	FY2017 Governor	Change from Enacted
Administration	\$415,448,655	\$368,031,640	\$396,014,187	\$27,982,547	\$397,694,673	\$29,663,033
Business Regulation	12,676,052	14,620,512	14,393,095	(227,417)	17,005,533	2,385,021
Executive Office of Commerce	203,145	74,924,345	76,378,826	1,454,481	83,622,348	8,698,003
Labor and Training	429,213,620	443,730,008	449,441,053	5,711,045	422,079,133	(21,650,875)
Revenue	449,017,632	423,207,249	478,228,453	55,021,204	502,599,539	79,392,290
Legislature	36,190,422	41,154,944	44,105,835	2,950,891	43,049,302	1,894,358
Lieutenant Governor	971,873	1,192,621	1,043,068	(149,553)	1,109,576	(83,045)
Secretary of State	7,691,503	7,986,884	7,764,433	(222,451)	10,749,205	2,762,321
General Treasurer	41,532,194	39,094,693	39,892,444	797,751	36,771,155	(2,323,538)
Board of Elections	4,656,136	1,818,305	1,797,868	(20,437)	1,982,707	164,402
Ethics Commission	1,579,038	1,644,876	1,611,119	(33,757)	1,653,383	8,507
Office of the Governor	4,401,893	4,903,467	5,139,589	236,122	5,091,069	187,602
Commission for Human Rights	1,556,738	1,548,010	1,554,766	6,756	1,581,423	33,413
Public Utilities Commission	6,762,365	8,684,685	8,672,349	(12,336)	8,926,973	242,288
Total	\$1,411,901,266	\$1,432,542,239	\$1,526,037,085	\$93,494,846	\$1,533,916,019	\$101,373,780
Human Services						
Office of Health and Human Services	\$2,334,650,460	\$2,387,903,953	\$2,463,562,045	\$75,658,092	\$2,409,316,489	\$21,412,536
Children, Youth, and Families	221,570,379	216,592,410	222,764,039	6,171,629	216,110,079	(482,331)
Health	111,422,584	121,401,905	131,108,001	9,706,096	163,332,529	41,930,624
Human Services	621,643,199	622,403,505	654,079,623	31,676,118	597,518,025	(24,885,480)
BHDDH	375,214,014	370,945,694	379,842,987	8,897,293	375,005,876	4,060,182
Governor's Commission on Disabilities	1,215,102	428,524	435,961	7,437	440,570	12,046
Governor's Commission on the Deaf	430,792	491,883	539,040	47,157	587,746	95,863
Office of the Child Advocate	660,641	717,273	714,417	(2,856)	695,582	(21,691)
Office of the Mental Health Advocate	504,149	508,251	549,419	41,168	542,009	33,758
Total	\$3,667,311,320	\$3,721,393,398	\$3,853,595,532	\$132,202,134	\$3,763,548,905	\$42,155,507
Education						
Elementary and Secondary Education	\$1,232,188,487	\$1,308,490,695	\$1,317,358,312	\$8,867,617	\$1,350,379,573	\$41,888,878
Public Higher Education	1,047,360,269	1,090,159,436	1,123,009,185	32,849,749	1,163,417,439	73,258,003
Council on the Arts	2,387,241	4,036,698	3,539,374	(497,324)	2,618,274	(1,418,424)
Atomic Energy Commission	1,187,852	1,337,169	1,604,090	266,921	1,350,935	13,766
Higher Education Assistance Authority	15,190,541	-	-	-	-	-
Historical Preservation & Heritage Comm.	5,446,730	3,956,703	4,064,257	107,554	2,974,999	(981,704)
Total	\$2,303,761,120	\$2,407,980,701	\$2,449,575,218	\$41,594,517	\$2,520,741,220	\$112,760,519
Public Safety						
Attorney General	\$30,936,848	\$34,035,317	\$35,724,802	\$1,689,485	\$34,882,783	\$847,466
Corrections	201,390,140	211,025,689	217,726,101	6,700,412	226,119,650	15,093,961
Judiciary	109,785,453	116,299,126	115,972,127	(326,999)	116,664,962	365,836
Military Staff	15,544,752	19,408,098	19,623,374	215,276	24,677,316	5,269,218
Emergency Management Agency	14,535,853	18,537,918	28,530,116	9,992,198	23,994,138	5,456,220
Public Safety	117,204,896	123,725,416	123,876,829	151,413	121,809,215	(1,916,201)
Public Defender	10,902,222	11,700,347	11,616,528	(83,819)	11,897,202	196,855
Total	\$500,300,164	\$534,731,911	\$553,069,877	\$18,337,966	\$560,045,266	\$25,313,355
Natural Resources						
Environmental Management	\$88,968,734	\$99,304,621	\$102,794,367	\$3,489,746	\$99,851,715	\$547,094
Coastal Resources Management Council	4,669,180	5,669,383	7,215,410	1,546,027	7,211,407	1,542,024
Total	\$93,637,914	\$104,974,004	\$110,009,777	\$5,035,773	\$107,063,122	\$2,089,118
Transportation						
Transportation	\$415,640,470	\$463,816,478	\$482,858,909	\$19,042,431	\$479,457,845	\$15,641,367
Grand Total	\$8,392,552,254	\$8,665,438,731	\$8,975,146,398	\$309,707,667	\$8,964,772,377	\$299,333,646

GENERAL REVENUE EXPENDITURES

General Government	FY2015 Final	FY2016 Enacted	FY2016 Governor	Change from Enacted	FY2017 Governor	Change from Enacted
Administration	\$244,775,881	\$197,494,291	\$216,525,887	\$19,031,596	\$243,008,631	\$45,514,340
Business Regulation	8,556,174	9,236,495	9,135,640	(100,855)	12,750,654	3,514,159
Executive Office of Commerce	203,145	60,840,542	61,014,948	174,406	63,281,421	2,440,879
Labor and Training	8,553,272	8,324,769	8,472,717	147,948	10,322,779	1,998,010
Revenue	106,969,845	113,198,446	110,571,771	(2,626,675)	111,231,248	(1,967,198)
Legislature	34,865,422	39,474,071	42,490,012	3,015,941	41,352,730	1,878,659
Lieutenant Governor	959,864	1,127,621	1,043,068	(84,553)	1,109,576	(18,045)
Secretary of State	7,164,977	6,951,530	6,747,368	(204,162)	10,092,686	3,141,156
General Treasurer	2,400,368	2,420,250	2,407,642	(12,608)	2,856,231	435,981
Board of Elections	4,656,136	1,818,305	1,797,868	(20,437)	1,982,707	164,402
Ethics Commission	1,579,038	1,644,876	1,611,119	(33,757)	1,653,383	8,507
Office of the Governor	4,401,947	4,903,467	5,139,589	236,122	5,091,069	187,602
Commission for Human Rights	1,225,335	1,252,174	1,243,892	(8,282)	1,258,128	5,954
Total	\$426,311,404	\$448,686,837	\$468,201,521	\$19,514,684	\$505,991,243	\$57,304,406
Human Services						
Office of Health and Human Services	\$915,652,909	\$909,934,065	\$926,021,780	\$16,087,715	\$914,720,115	\$4,786,050
Children, Youth, and Families	158,285,858	152,587,731	154,782,322	2,194,591	151,984,020	(603,711)
Health	22,821,939	25,835,956	25,719,200	(116,756)	26,501,994	666,038
Human Services	94,560,297	98,271,683	97,728,070	(543,613)	103,282,109	5,010,426
BHDDH	173,264,827	172,488,711	174,461,291	1,972,580	168,143,778	(4,344,933)
Governor's Commission on Disabilities	355,439	383,056	381,890	(1,166)	386,147	3,091
Governor's Commission on the Deaf	387,625	411,883	409,040	(2,843)	477,746	65,863
Office of the Child Advocate	613,552	672,273	669,417	(2,856)	650,582	(21,691)
Office of the Mental Health Advocate	504,149	508,251	549,419	41,168	542,009	33,758
Total	\$1,366,446,595	\$1,361,093,609	\$1,380,722,429	\$19,628,820	\$1,366,688,500	\$5,594,891
Education						
Elementary and Secondary Education	\$1,002,464,660	\$1,067,719,085	\$1,067,544,042	(\$175,043)	\$1,109,259,026	\$41,539,941
Public Higher Education	188,223,129	196,304,956	180,983,077	(15,321,879)	199,498,689	3,193,733
Council on the Arts	1,490,966	1,863,052	1,859,778	(3,274)	1,539,620	(323,432)
Atomic Energy Commission	872,139	957,170	936,450	(20,720)	981,100	23,930
Higher Education Assistance Authority	147,000	-	-	-	-	-
Historical Preservation & Heritage Comm.	1,138,182	1,380,972	1,430,963	49,991	1,373,860	(7,112)
Total	\$1,194,336,076	\$1,268,225,235	\$1,252,754,310	(\$15,470,925)	\$1,312,652,295	\$44,427,060
Public Safety						
Attorney General	\$23,949,930	\$25,193,210	\$25,122,410	(\$70,800)	\$25,595,982	\$402,772
Corrections	196,162,110	200,225,250	204,394,923	4,169,673	212,679,501	12,454,251
Judiciary	94,371,203	96,031,046	95,581,117	(449,929)	96,341,410	310,364
Military Staff	2,144,129	2,065,434	2,363,408	297,974	2,659,719	594,285
Emergency Management Agency	1,796,019	1,766,002	1,762,453	(3,549)	1,848,876	82,874
Public Safety	99,121,734	97,060,493	93,257,274	(3,803,219)	99,825,776	2,765,283
Public Defender	10,829,860	11,621,977	11,503,708	(118,269)	11,784,382	162,405
Total	\$428,374,985	\$433,963,412	\$433,985,293	\$21,881	\$450,735,646	\$16,772,234
Natural Resources						
Environmental Management	\$36,110,396	\$37,586,385	\$38,425,074	\$838,689	\$38,240,878	\$654,493
Coastal Resources Management Council	2,313,282	2,433,260	2,421,855	(11,405)	2,452,438	19,178
Total	\$38,423,678	\$40,019,645	\$40,846,929	\$827,284	\$40,693,316	\$673,671
Grand Total	\$3,453,892,738	\$3,551,988,738	\$3,576,510,482	\$24,521,744	\$3,676,761,000	\$124,772,262

FTE POSITIONS

	FY2015	FY2016	FY2016	Change	FY2017	Change
	Actual	Enacted	Governor	from	Governor	from
				Enacted		Enacted
General Government						
Administration	710.7	711.7	723.7	12.0	743.7	32.0
Business Regulation	98.0	98.0	98.0	-	104.0	6.0
Executive Office of Commerce	5.0	16.0	16.0	-	16.0	-
Labor and Training	410.0	410.0	416.5	6.5	416.5	6.5
Revenue	505.0	514.5	514.5	-	523.5	9.0
Legislature	298.5	298.5	298.5	-	298.5	-
Lieutenant Governor	8.0	8.0	8.0	-	8.0	-
Secretary of State	57.0	57.0	57.0	-	59.0	2.0
General Treasurer	83.0	84.0	87.0	3.0	88.0	4.0
Board of Elections	11.0	11.0	11.0	-	12.0	1.0
Ethics Commission	12.0	12.0	12.0	-	12.0	-
Office of the Governor	45.0	45.0	45.0	-	45.0	-
Commission for Human Rights	14.5	14.5	14.5	-	14.5	-
Public Utilities Commission	50.0	50.0	50.0	-	51.0	1.0
Total	2,307.7	2,330.2	2,351.7	21.5	2,391.7	61.5
Human Services						
Office of Health and Human Services	184.0	187.0	187.0	-	187.0	-
Children, Youth, and Families	672.5	672.5	672.5	-	672.5	-
Health	491.3	490.6	490.6	-	503.6	13.0
Human Services	959.1	959.1	959.1	-	955.1	(4.0)
BHDDH	1,420.4	1,421.4	1,419.4	(2.0)	1,417.4	(4.0)
Office of the Child Advocate	6.0	6.0	6.0	-	6.0	-
Governor's Commission on the Deaf	3.0	3.0	3.0	-	4.0	1.0
Governor's Commission on Disabilities	4.0	4.0	4.0	-	4.0	-
Office of the Mental Health Advocate	3.7	4.0	4.0	-	4.0	-
Total	3,744.0	3,747.6	3,745.6	(2.0)	3,753.6	6.0
Education						
Elementary and Secondary Education	344.4	337.4	339.4	2.0	339.4	2.0
Public Higher Education	3,498.4	3,513.4	3,513.4	-	3,548.0	34.6
Council on the Arts	6.0	8.6	8.6	-	6.0	(2.6)
Atomic Energy Commission	8.6	8.6	8.6	-	8.6	-
Higher Education Assistance Authority	22.0	-	-	-	-	-
Historical Preservation and Heritage Commission	16.6	16.6	16.6	-	16.6	-
Total	3,896.0	3,884.6	3,886.6	2.0	3,918.6	34.0
Public Safety						
Attorney General	236.1	236.1	236.1	-	236.1	-
Corrections	1,419.0	1,419.0	1,419.0	-	1,432.0	13.0
Judiciary	723.3	724.3	724.3	-	724.3	-
Military Staff	85.0	92.0	92.0	-	96.0	4.0
Emergency Management	32.0	32.0	32.0	-	32.0	-
Public Safety	633.2	633.2	633.2	-	633.2	-
Public Defender	93.0	93.0	93.0	-	93.0	-
Total	3,221.6	3,229.6	3,229.6	-	3,246.6	17.0
Natural Resources						
Environmental Management	399.0	399.0	399.0	-	401.0	2.0
Coastal Resources Management Council	29.0	29.0	29.0	-	29.0	-
Total	428.0	428.0	428.0	-	430.0	2.0
Transportation						
Transportation	752.6	752.6	752.0	(0.6)	741.0	(11.6)
Higher Education Sponsored Research						
Office of Higher Education	1.0	1.0	1.0	-	1.0	-
CCRI	94.0	89.0	89.0	-	89.0	-
RIC	82.0	82.0	82.0	-	82.0	-
URI	573.8	573.8	573.8	-	573.8	-
Total	750.8	745.8	745.8	-	745.8	-
Grand Total	15,100.7	15,118.4	15,139.3	20.9	15,227.3	108.9

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