



SENATE FISCAL OFFICE  
REPORT

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**GOVERNOR'S BUDGET  
FY2018 AND FY2017 SUPPLEMENTAL**

**2017-H-5175**

**BUDGET ANALYSIS**

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MARCH 22, 2017

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## EXECUTIVE SUMMARY

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## Executive Summary

The Governor's FY2018 Budget recommendation totals \$3,792.7 million in general revenue; \$109.0 million greater than the FY2017 Budget as Enacted. The recommendation includes \$9,248.1 million in all funds; an increase of \$309.3 million above the FY2017 Budget as Enacted.

<b>Expenditures by Source</b>	<b>FY2016 Final</b>	<b>FY2017 Enacted</b>	<b>FY2017 Governor</b>	<b>Change to Enacted</b>	<b>FY2018 Governor</b>	<b>Change to Enacted</b>
General Revenue	\$3,547.9	\$3,683.7	\$3,700.4	\$16.7	\$3,792.7	\$109.0
Federal Funds	2,877.4	2,957.1	3,098.1	141.0	3,081.8	124.8
Restricted Receipts	245.7	257.0	306.8	49.8	273.8	16.8
Other Funds	1,834.2	2,040.9	2,095.3	54.3	2,099.7	58.8
<b>Total</b>	<b>\$8,505.2</b>	<b>\$8,938.7</b>	<b>\$9,200.5</b>	<b>\$261.8</b>	<b>\$9,248.1</b>	<b>\$309.3</b>

<b>Expenditures by Function</b>	<b>FY2016 Final</b>	<b>FY2017 Enacted</b>	<b>FY2017 Governor</b>	<b>Change to Enacted</b>	<b>FY2018 Governor</b>	<b>Change to Enacted</b>
General Government	\$1,432.7	\$1,503.8	\$1,561.6	\$57.8	\$1,536.1	\$32.3
Human Services	3,700.1	3,767.9	3,901.7	133.8	3,897.2	129.3
Education	2,378.9	2,522.4	2,503.9	(18.6)	2,593.4	71.0
Public Safety	515.2	556.0	587.1	31.0	592.3	36.3
Natural Resources	83.2	110.1	111.9	1.8	118.5	8.4
Transportation	395.1	478.5	534.5	56.0	510.5	32.0
<b>Total</b>	<b>\$8,505.2</b>	<b>\$8,938.7</b>	<b>\$9,200.5</b>	<b>\$261.8</b>	<b>\$9,248.1</b>	<b>\$309.3</b>

**FTE Authorization**                      **15,116.3**                      **14,952.6**                      **15,035.9**                      **83.3**                      **15,067.4**                      **114.8**  
*\$ in millions. Totals may vary due to rounding.*

The Governor's FY2018 Budget closes the anticipated \$66.2 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.

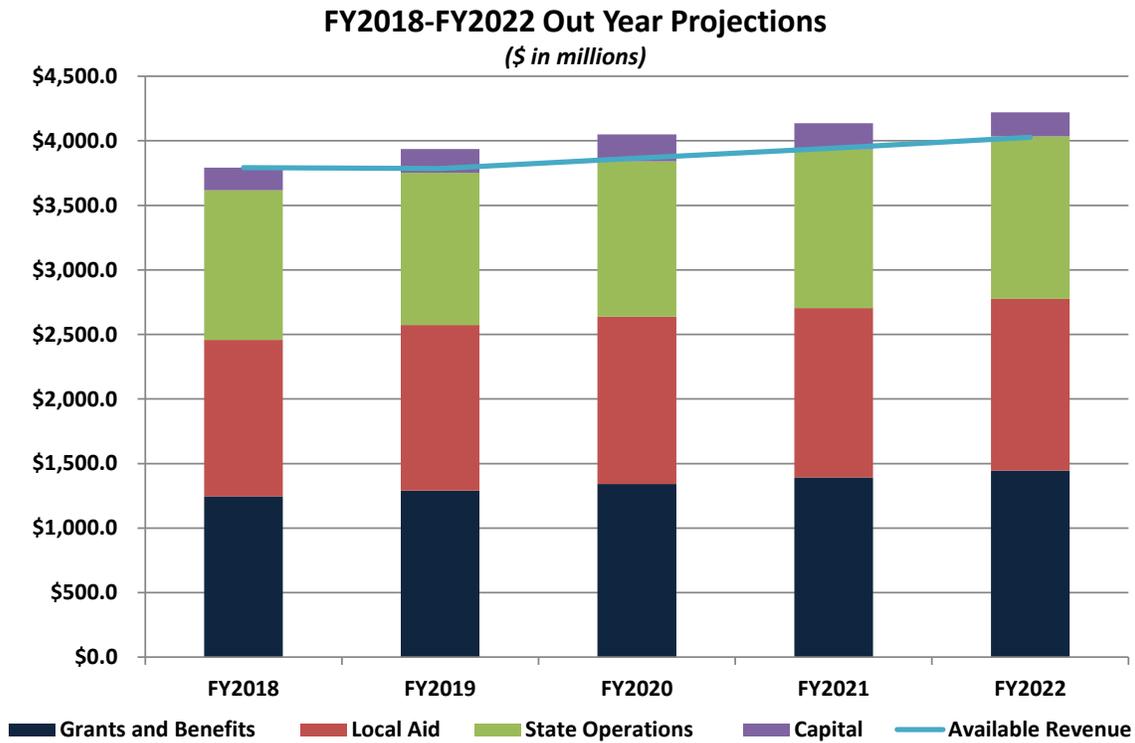
<b>FY2018 Deficit Solution</b>	
Projected deficit (July)	(\$184.8)
Nov REC/CEC	40.6
FY2017 Carry Forward	78.0
Rainy Day Fund	(3.6)
<b>Projected Deficit (January)</b>	<b>(\$69.8)</b>

<b>Budget Initiatives</b>	
Expenditure Reductions	(19.9)
Transfers and Other Operational Changes	14.5
Tax and Fee Changes	35.8
<b>Projected Ending Balance</b>	<b>\$0.6</b>

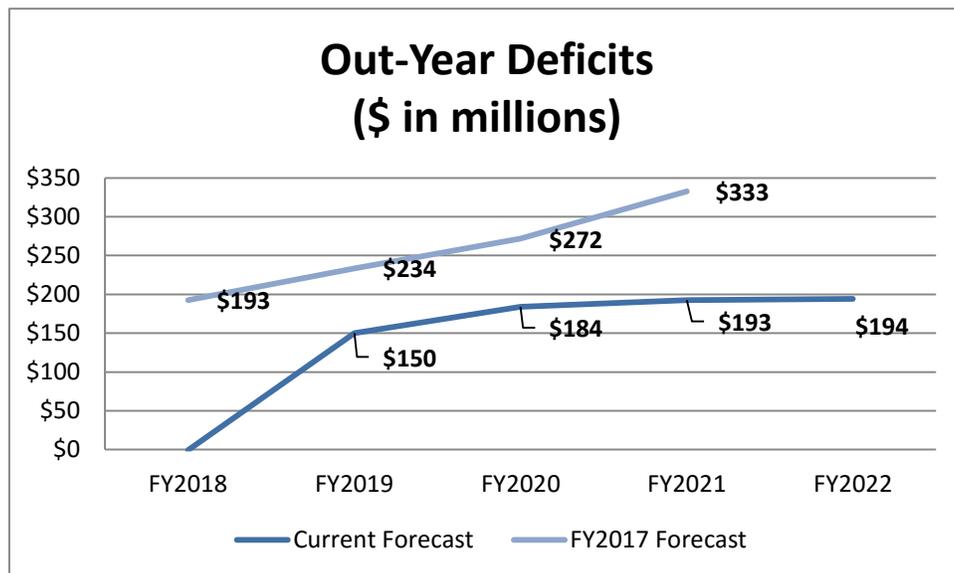
*\$ in millions. Totals may vary due to rounding.*

### FIVE-YEAR FORECAST

The Budget projects out-year deficits increasing from \$150.6 million in FY2019 (3.8 percent of spending) to \$194.1 million in FY2022 (4.6 percent of spending). Projected average annual revenue growth of 1.5 percent, coupled with a projected average annual increase in expenditures of 2.7 percent, contributes to the State's projected deficit. Specific drivers include the expansion of Massachusetts gaming facilities and increased motor vehicle excise tax reimbursements to cities and towns in FY2019. Increased sales tax revenues from expanded online sales collections partially mitigate other expenditure increases.



Out-year deficit projections are lower than what was forecast one year ago. Increasing base revenue collections and assumed implementation of FY2018 expenditure reductions combine to reduce the FY2021 projected deficit by \$140.0 million.



## Revenue Changes

The Governor's FY2018 Budget proposal increases general revenue collections by an estimated \$52.0 million (1.4 percent) above the November 2016 revenue estimate, excluding the annually-enacted hospital license fee. The Governor includes \$169.0 million for the fee. New revenue initiatives include an enhanced sales and use tax collection initiative aimed at remote internet sellers, shifting reserve funds from quasi-public agencies to general revenue, an increase in the cigarette tax, new fee and penalty adjustments, and enhanced tax compliance programs.

<b>Governor's Recommended Revenue Changes</b>	<b>FY2018</b>
Remote Sellers Sales Tax Collections	\$34.7
Transfers from Quasi-Public Agencies	13.3
Increase Excise Tax on Cigarettes	8.7
Manufacturing Investment Tax Credit	(3.5)
New Revenue Officer FTEs	2.0
Manufacturing Job Training Tax Credit	(2.0)
OHHS Initiatives	(1.6)
Delay License Plate Reissuance	(1.1)
Medical Marijuana Restricted Receipt Surplus	0.7
Department of Labor and Training Fee and Penalty Changes	0.6
Rent Increase - Public Utilities Commission	0.2
Eisenhower House Revenue	(0.2)
<b>Total</b>	<b>\$52.0</b>

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

### **Remote Sellers Sales Tax Collections** **\$34.7 million**

The Governor includes \$34.7 million in additional revenue based on a proposal to capture sales and use taxes by encouraging remote sellers to register, collect, and remit the sales and use tax. It is based on a similar Colorado initiative that has withstood U.S. Supreme Court review. The initiative specifically requires remote sellers and other online marketplace actors to do one of the following: register, collect, and remit sales/use tax for each transaction; post a notice on its website informing Rhode Island purchasers that sales or use tax is due on certain purchases; notify RI purchasers at the time of sale that sales or use tax is due on the product or service purchased; email RI purchasers that sales or use tax is due; or send RI purchasers an annual notice detailing their cumulative annual taxable purchases from the seller. A minimum penalty of \$20,000 is established for failing to comply with the above requirements.

### **Transfers from Quasi-Public Agencies** **\$13.3 million**

The Governor transfers approximately \$13.3 million in reserves from five quasi-public agencies to support the General Fund.

<b>Agency</b>	<b>Amount</b>
Resource Recovery Corporation	\$6.0
Bridge and Turnpike Authority	2.6
Narragansett Bay Commission	2.5
Health and Educational Building Corporation	1.2
Infrastructure Bank	1.0
<b>Total</b>	<b>\$13.3</b>

*\$ in millions*

***Increase Excise Tax on Cigarettes******\$8.7 million***

The Governor proposes an increase of \$0.50 on the excise tax levied per pack of cigarettes, which raises the tax from \$3.75 to \$4.25 per pack of twenty, or to the equivalent of \$0.21 per cigarette. According to the Budget documents, the total retail price will increase by \$0.58, from \$9.49 to \$10.07 per individual pack. This amount is \$0.22 less than the total retail price in Massachusetts, and \$0.07 per pack below Connecticut. The additional excise tax would generate an additional \$8.7 million (combined excise and sales taxes) in revenue above the projections from the November 2016 Revenue Estimating Conference.

***Manufacturing Investment Tax Credit******(\$3.5 million)***

The Governor reduces general revenues by \$3.5 million to accommodate the creation of a Manufacturers Refundable Investment Tax Credit. The credit is designed to incentivize Rhode Island manufacturers to invest in and expand their businesses, and thereby contribute to the overall growth and expansion of the State's manufacturing sector. The Commerce Corporation may award a refundable tax credit up to \$200,000 to use against costs associated with financing manufacturing capital assets such as plant and equipment. Under the program, a manufacturer is only able to redeem the credit if its value exceeded the tax liability in the year the credit is available. Manufacturers have to apply on an annual basis to the Commerce Corporation, who makes awards based on competitive factors set forth in the application.

***New Revenue Officer FTEs******\$2.0 million***

The Governor includes \$2.0 million for enhanced collection of owed taxes, fines, and penalties. The proposal allows the Division of Taxation to hire 2.0 new Revenue Officer I positions, which assist in collecting taxes on delinquent accounts and the securing of delinquent tax returns, and 1.0 Data Analyst position who is responsible for conducting full analysis of taxation databases and providing this to revenue agents and officers to identify areas to audit.

***Manufacturing Job Training Tax Credit******(\$2.0 million)***

The Governor reduces general revenues by \$2.0 million to accommodate the creation of a specific Manufacturers Job Training Tax Credit. The credit is designed to provide incentive to manufacturers to invest in their workforce and create more jobs through increased workforce development training. The credit is available to offset a manufacturer's expenses associated with the training and/or retraining of employees. Similar to the investment tax credit described above, manufacturers may be awarded up to \$200,000 per year, and in order to redeem the credit it must exceed their tax liability in the year the tax credit is available.

***OHHS Initiatives******(\$1.6 million)***

The Governor reduces revenue by \$1.6 million due to proposed reductions in payment rates related to Medicaid. Payment rates are reduced for institutional long-term care facilities providing nursing and/or hospice care to Medicaid beneficiaries through both the traditional "per diem" reimbursement system and the new managed long-term care program. It is anticipated that this initiative will generate an all-funds expenditure savings of \$11.8 million. However, reduced payments equate to reduced taxable revenue subject to the health care provider tax. The result is a loss of \$630,273 in revenue. Similarly, the Governor is proposing lower payments to hospitals and other adjustments that also reduce Medicaid payments and thereby lower the available taxable revenue base subjected to the insurance premium tax. These changes are estimated to lower collections under the insurance premiums tax by \$980,954.

***Delay License Plate Reissuance******(\$1.1 million)***

The Governor delays a required license plate reissuance until April 1, 2018. 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 \$1.1 million in general revenue in FY2018.

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, 2017.

**Medical Marijuana Restricted Receipt Surplus** **\$670,641**

The Governor includes \$670,641 more in general revenue by authorizing the transfer of end of fiscal year surpluses within the medical marijuana restricted receipt accounts within the Departments of Health and Business Regulation. These accounts were established to finance the administration of the medical marijuana program within each department. Collections from patient, cardholder, cultivator, and compassion center fees are estimated to exceed estimated departmental expenditures through the end of FY2018.

**Department of Labor and Training Fee and Penalty Changes** **\$605,000**

The Governor includes a \$605,000 in net additional departmental revenue associated with a series of proposed fee and penalty changes. In order to advance the use of apprenticeship for workforce development training, the Governor eliminates the \$120/year fee for apprentice sponsors and the \$20-\$24/year fee for registered apprentices depending on the trade. This change is estimated to reduce revenue by \$45,000. Several penalties are increased within the programs of the Workforce Regulation and Safety Division including: violations of wage and hour law (from 15.0 to 25.0 percent of back wages; 25.0 to 50.0 percent for subsequent violations); the misclassification of employees (from \$500 to \$1,000 for each employee misclassified); violation of payroll records law (from \$10 to \$25 for late filings, max fine for report from \$100 to \$200); and electrical trade license violations (from \$500 to \$1,500 for first, \$950 to \$2,000 for subsequent). The increases fines are estimated to yield \$650,000 in new revenue.

**Rent Increase – Public Utilities Commission** **\$160,380**

The Governor includes an additional \$160,380 in revenue from increased rent from the Public Utilities Commission and the Division of Public Utilities and Carriers for their office space at 89 Jefferson Boulevard, Warwick. According to the Warwick Tax Assessor's Office, the current rental rate of \$13.81 per square foot is below the market rent for similar space. Based on this input the Division of Capital Asset Management is recommending an increase to \$19.75 per square foot.

**Eisenhower House Revenue** **(\$153,500)**

The Governor reduces general revenue by \$153,500 by establishing a restricted receipt account into which proceeds from the rental of the Eisenhower House for private events are deposited. These funds will now be used by the Department of Environmental Management to improve and maintain the historic property within Fort Adams, Newport.

**FY2017 SUPPLEMENTAL CHANGES - REVENUE*****Delay License Plate Reissuance*** ***(\$935,975)***

The Governor delays a statutorily-required license plate reissuance until April 1, 2018. 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 \$935,975 in general revenue in FY2017.

***Attorney General Restricted Receipt*** ***\$401,323***

The Governor recommends the transfer for \$401,323 from the Attorney General's Settlement restricted receipt account to general revenue in FY2017. Current law requires that proceeds from all multi-state settlements, to which Rhode Island is a party, be deposited into a restricted receipt account within the Office of the Attorney General (AG). The AG is permitted to retain 10.0 percent of each settlement, up to a cap of \$65,000, to cover costs associated with membership in the multi-state initiatives. Over several of the past years this cap has not been adhered to and funds above it have been allowed to accumulate. The cumulative total of excess funds is \$401,323.

***Medical Marijuana Restricted Receipt Surplus*** ***\$264,370***

The Governor includes \$264,370 more in general revenue by authorizing the transfer of end of fiscal year surpluses within the medical marijuana restricted receipt accounts within the Departments of Health and Business Regulation. These accounts were established to finance the administration of the medical marijuana program within each department. Collections from patient, cardholder, cultivator, and compassion center fees are estimated to exceed estimated departmental expenditures through the end of FY2017.

***Refunding Bond Cost of Issuance Excess*** ***\$67,400***

The Governor includes \$67,400 in additional revenue in FY2017 attributable to the transfer of the surplus balance in the escrow account that is used for recording cost of debt issuance expenses related to the refunding of bond issuances. According to the State Controller all cost of issuance expenses for prior debt have been paid, rendering the \$67,400 in remaining balance surplus funds.

## Expenditure Changes by Agency

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Unless otherwise specified, dollar amounts refer to general revenue.

**Administration:** The Governor delays the issuance of new General Obligation Bonds during FY2017, resulting in a general revenue debt service savings of \$6.6 million in FY2017 and \$3.1 million in FY2018.

The Budget does not include funding for the 38 Studios Capital Reserve Fund in FY2018 as the Fund possesses sufficient revenue from settlements to cover the required \$12.5 million debt service for FY2018.

Personnel changes include an increase of 4.0 FTE positions in the Human Resources program, and an increase of 1.0 FTE position to the Information Technology program, reflecting the transfer of personnel from the Department of Public Safety to the consolidated programs in Administration.

**Business Regulation:** The Budget includes funding for 2.0 Health Economic Specialist FTEs to shift from the Department of Health to the Office of the Health Insurance Commissioner (OHIC) to handle the anticipated workload associated with oversight of the Health Care Accessibility and Quality Assurance Act and the Utilization Review Act, which is being transferred to OHIC from the Department of Health. There are 13.0 total OHIC FTEs funded in FY2018.

**Executive Office of Commerce:** The Governor includes \$51.8 million in general revenue to support new and existing initiatives designed to spur economic development. This includes \$7.5 million for operational support for the RI Commerce Corporation, and \$37.2 million in the Economic Development Initiative Fund and Commerce Programs, including:

- \$20.0 million to assist economic development projects through the Rebuild RI program.
- \$10.1 million to replenish the I-195 Redevelopment Fund.
- \$1.6 million to help retain talented graduates through the Wavemaker Fellowship program.
- \$1.3 million to enhance local economic activity through the Main Street RI Streetscapes program.
- \$1.2 million to sustain P-Tech, the information technology workforce development initiative.
- \$500,000 to develop new air service at T. F. Green Airport.

The Governor proposes \$300,000 of additional general revenue for the Polaris Manufacturing Technical Assistance Program (Polaris), an intermediary and training provider that seeks to enhance the competitiveness of RI manufacturers.

The Budget funds the State's National Security Infrastructure Support Fund (NSISF) with \$200,000 to support economic development within RI's defense sector. The NSISF was originally established by the General Assembly in 2005 to increase the State's competitiveness during the federal Base Realignment and Closure process.

**Labor and Training:** The Governor recommends an increase of 23.7 FTE positions in the Department relative to the FY2017 Budget as Enacted. The following new FTE positions are included in both FY2017 and FY2018: 1.5 FTE positions in the Central Management program; 6.0 FTE positions associated with the Real Jobs Rhode Island initiative within the Workforce Development Services program; 1.5 FTE positions in the Workforce Regulation and Safety program, to manage workplace fraud caseloads; and, 14.2 FTE positions in the Income Support Program, to manage the claims processing workload.

In the Workforce Regulation and Safety (WRS) program there is an increase of \$642,987 in general revenue to cover personnel costs. These general revenue funds are replacing Tardy and Interest restricted receipt account funding that has historically been used to offset WRS program costs. The Department will utilize this Tardy and Interest funding to support the Unemployment Insurance (UI) program.

**Revenue:** The FY2018 Budget includes 16.0 additional FTE positions, including: 8.0 FTE positions associated with the implementation and operation of the new integrated tax system, and 8.0 FTE positions to reduce wait times at the registry of motor vehicles. The Governor delays the statutorily mandated reissuance of license plates by one year, to April 2018. The Payment in Lieu of Taxes (PILOT) program is fully funded at 27.0 percent of assessed property taxes on eligible tax exempt properties, with an increase of \$3.2 million in FY2018.

**General Treasurer:** The Budget adds an \$8.0 million other fund expenditure reflecting the transfer of the CollegeBoundSaver investment earnings to the Division of Higher Education Assistance (DHEA). The State Auditor General recently concluded that Government Accounting Standard Board (GASB) requires the revenue transferred to the DHEA be matched by an expenditure statement.

**Executive Office of Health and Human Services:** The Governor proposes \$938.6 million in general revenue expenditures (\$2,466.0 million all funds) to fund the Executive Office of Health and Human Services (EOHHS) in FY2018, increasing general revenue expenditures by \$1.6 million (\$68.0 million all funds) over the FY2017 Budget as Enacted. The November 2016 Caseload Estimating Conference (CEC) adopted total financing of \$952.3 million in general revenue for the Medical Assistance program in FY2018. The Governor proposes the following to reduce general revenue expenditures below November CEC adopted levels in the following areas:

#### **Hospitals**

- Reduces general revenue expenditures by \$4.3 million (\$12.5 million all funds) by freezing current Medicaid reimbursement rates to hospitals.
- Saves \$4.0 million in general revenue (\$9.8 million all funds) by reducing the Upper Payment Limit (UPL) funding pool by approximately 50.0 percent.
- 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 hospital.
- Includes a 1.0 percent rate cut to hospitals beginning on January 1, 2018, saving \$1.0 million in general revenue (\$2.6 million all funds).

#### **Medicaid Managed Care Organizations (MCOs)**

- Maximizes federal funds by altering the Performance Goal Program in MCOs, thereby saving \$1.5 million in general revenue expenditures.
- Saves \$827,155 (\$2.2 million all funds) by freezing administration rates to MCOs.

#### **Long Term Services and Supports**

- Proposes \$12.3 million in general revenue (\$25.2 million all funds) savings by eliminating administrative rates provided to MCOs for long-term nursing home residents enrolled in the Integrated Care Initiative (ICI). The Governor recommends shifting long-term nursing home residents that are currently enrolled in the ICI back to the Medicaid fee-for-service program. \$6.5 million of the savings will be repurposed to develop enhanced community based programs.
- Saves \$5.6 million in general revenue (\$11.2 million all funds) by freezing the current Medicaid reimbursement rates to nursing homes.
- Includes a 7.0 percent increase to the wage payments of personal care attendants and home health aides, requiring an additional \$2.5 million in general revenue (\$4.1 million all funds).
- Generates \$1.2 million in general revenue (\$2.5 million all funds) savings by improving patient share collections for Medicaid members who are eligible for long-term services and supports.

**Other Services and Adjustments**

- Reduces general revenue expenditures for the Unified Health Infrastructure Project (UHIP) by \$6.2 million (\$36.6 million all funds). Adjustments in the scope of work for the project has been modified thereby reducing anticipated expenditures in FY2018.
- 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 \$3.6 million which will save an equivalent amount of general revenue.

*Analyst Note: The Children’s Health Account (a restricted receipt) recognizes revenues from a special assessment on commercial insurers designed to recoup state expenditures for Children with Special Healthcare Needs (CSHCN) who are commercially covered and receive supplemental Medicaid-financed services that the commercial insurer does not pay for. The cost of services Medicaid pays for services provided to commercially insured CSHCN are off-set by the collection of this assessment. Planned expenditures of Children’s Health Account receipts are exclusively used to offset general revenue appropriations in the Medical Assistance (Medicaid) program.*

- Saves \$1.2 million in general revenues (\$3.0 million all funds) by establishing a consistent rate methodology for all Federally Qualified Health Center (FQHC) payments. Currently, payments to FQHC vary based on previously negotiated reimbursement rates.
- Reduces general revenues by \$907,669 (\$2.5 million all funds) through reduced inpatient utilization for behavioral health related conditions.
- Increases general revenue collections by \$250,000 by improving estate recovery collections against Medicaid members.

**Department of Children, Youth, and Families:** The Budget reduces general revenue expenditures by \$1.9 million (\$7.4 million all funds) below the FY2017 Enacted level. The Governor reduces general revenue expenditures by \$2.1 million for personnel costs associated with the reorganization of the educational programming and reduced staffing requirements at the Juvenile Correction facilities. Savings are offset by a slight increase in expenditures within other divisions across the Department.

**Health:** The Governor adds \$50,000 in general revenue to fund a tobacco prevention and cessation program. This will be achieved through an anti-smoking media campaign, and policy/advocacy efforts.

Under Article 22 the Governor transfers \$590,618 in restricted receipts from the Housing Resources Commission to the Department of Health (DOH) and consolidates authority for lead-related issues at DOH. The Department will be responsible for all aspects of the lead poisoning prevention program and adds 3.0 (2.0 state lead inspectors and 1.0 data manager) FTEs to fulfill these responsibilities.

A Health Equity Institute subprogram is created in FY2018, and \$662,588 in general revenue shifts from the Community Health and Equity program to the Central Management program.

There is a net decrease of 2.0 FTEs from the FY2017 Budget as Enacted, which includes: the consolidation of the Chief of the Center of Professional Boards and Commissions and the Chief of Professional Licensing into one position; 7.0 financial staff positions moving to the Executive Office of Human Services; 2.0 Health Economist Specialists transferred to the Office of the Health Insurance Commissioner; 3.0 FTE positions added to the lead prevention program; 1.0 Health Program Administrator added to the Center of Legislative and Regulatory Affairs, to address the backlog of incomplete regulation; 1.0 Nurse Care Evaluator to inspect health care facilities; 1.0 Public Health Promotion Specialist to investigate complaints made against health care professionals.

**Human Services:** There is a change in the Department of Human Services’ (DHS) cost allocation plan that shifts approximately \$2.3 million in general revenue from various DHS programs to the Individual and Family Support (IFS) program. This shift is to centralize eligibility determination services within IFS. There is a \$2.6 million general revenue savings within in the program due to workforce changes related to UHIP

and an additional \$1.1 million in savings related to the design, development, and implementation of the project.

The November Caseload Estimating Conference (CEC) adopted \$1.3 million less than the FY2017 enacted level. The majority of this reduction is attributed to an estimate of 9,386 child care subsidies, which is 217 less childcare subsidies than in the enacted budget. The State will implement the new federal rules under the reauthorization of the Child Development Block Grant in FY2018. These rules include: 12 months of continuous eligibility; at least 3 months of continuous eligibility for families who lose their jobs; a graduated phase out; infant-toddler prioritization; and expanded outreach to homeless families

The Governor adds \$1.0 million for a performance-based quality payment program for Child Care Assistance Program providers who serve infants and toddlers. Additionally, the Budget includes \$390,000 in general revenue to increase support for the Head Start early education program.

Across the Department, there is a reduction of 60.0 FTE positions due to the implementation of the new UHIP system and an additional 39.0 FTE finance positions shift to the Executive Office of Health and Human Services.

The Division of Elderly Affairs adds \$300,000 in general revenue to fund free and discounted bus fares to high-need elderly individuals at risk of institutionalization, disabled individuals, and elderly or disabled veterans. Previously, the State of Rhode Island had required the Rhode Island Public Transit Authority (RIPTA) to provide free, unlimited transportation to low-income persons who are either senior citizens or persons with disabilities. This program is due to sunset on February 1, 2017.

**Behavioral Healthcare, Developmental Disabilities, and Hospitals:** The Governor increases general revenue expenditures by \$6.5 million (\$8.7 million all funds) over the FY2017 enacted level. The increases expenditures are primarily associated with services provided by the Behavioral Health (BH) division and the Developmental Disabilities (DD) division. Increased spending is offset by reduced expenditures in the division of Hospitals and Community Rehabilitation Services (HCRS). The following initiatives are included in the Governor's proposed budget:

- Includes \$3.5 million in general revenue related to authorizations and services for individuals with developmental and intellectual disabilities.
- Includes \$3.0 million in general revenue for increasing wages for Direct Service Professionals (DSP) providing services to individuals with developmental and intellectual disabilities.
- Increases general revenue by \$2.7 million for unachieved savings in the FY2017 enacted budget related to Shared Living Arrangements, the Cost Allocation Plan, and home health aide transfers.
- Reduces general revenue expenditures by \$2.1 million by increasing community-based residential options for persons with developmental and intellectual disabilities, while also reducing placements for high cost group home residential options.
- Transfers \$2.0 million in general revenue from the Department of Corrections to the division of BH for opioid addiction services and treatment.
- Saves \$1.4 million in general revenue related to the reorganization of state-run hospitals. The reorganization intends to shift patients residing at the state-owned psychiatric hospital to other state-owned facilities and consolidates services and staffing.

**Office of the Child Advocate:** The Governor adds 1.0 FTE position over the FY2017 Budget as Enacted authorization of 6.0 FTEs. The additional FTE position will be a Case Management Coordinator funded through a federal grant; however, an increase of general revenue of \$19,126 will be needed to fund employee related benefits.

**Elementary and Secondary Education:** The Governor increases funding in the Department by \$45.8 million in general revenue (\$44.9 million all funds). The major general revenue changes include the following:

- **Education Aid:** The Governor fully funds the seventh year of the education funding formula with an increase of \$40.0 million in general revenue. Funding for the Early Childhood categorical is increased by \$1.1 million. All of the other categorical funds are supported at the FY2017 level, except for Public School of Choice Density Aid which is reduced by \$553,325. The Governor recommends making the English Learners categorical permanent and level funds the support at \$2.5 million. The stabilization funds are all increased to moderate the impact of reduced funding due to the phase-in of the funding formula. Group Home Aid decreases by \$688,863 pursuant statute requiring 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 also maintains funding for the Recovery High School at \$500,000, consistent with the FY2017 Budget as Enacted.
- **Agency Wide Reduction:** The Budget includes a decrease of \$603,040 in general revenue to reflect a 3.0 percent reduction in non-statutory, non-contractual portions of the Administration of the Comprehensive Strategy (ACES) program budget.
- **Kindergarten Entry Profile (KEP):** The Governor includes \$250,000 in general revenue for the Kindergarten Entry Profile (KEP). The KEP will assess the status of incoming kindergarten students and 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. As Rhode Island works to expand early education programs across the state, the data collected from the KEP will be used to guide policy priorities and future initiatives. In addition, Local Education Associations (LEAs) will have access to data to guide their educational interventions and support efforts to achieve proficiency benchmarks in the third grade.
- **2.0 new FTE positions:** The Governor recommends 2.0 new FTE positions. One position is for an English Learner/World Language Leadership position to support school district personnel in the implementation of proposed EL regulations and the growth of world language and dual language offerings. The other position would support the early learning initiative as the third FTE dedicated to the program.
- **Advanced Coursework Network:** The Budget adds \$250,000 in general revenue to expand the Advanced Coursework Network, bringing the all funds total to \$550,000 in FY2018. The Advanced Coursework Network is an initiative offering 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.
- **Davies Advanced Manufacturing:** The Budget includes \$3.7 million in Rhode Island Capital Plan (RICAP) funds to provide updated technology and infrastructure to train students in advanced manufacturing. Davies is located in Lincoln, Rhode Island, and serves 8,575 students from around the State.
- **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, consistent with the FY2017 Budget as Enacted.

**Higher Education:** The Governor increases funding over the FY2017 Budget as Enacted by \$29.4 million in general revenue for Public Higher Education and accepts the 7.0 percent tuition increase proposed by the Board of Education. Changes in general revenue funding include the following:

- **Rhode Island Promise Scholarship:** The Governor proposes a scholarship program to provide two years of free tuition and mandatory fees to qualifying, Rhode Island high school graduates or GED recipients attending any of Rhode Island's three public postsecondary education institutions. The first

year of the program is funded at \$10.0 million, including \$3.0 million in scholarship costs, \$6.0 million in preparedness grants to the institutions, and \$1.0 million to support associated communications, outreach, and a Free Application for Federal Student Aid (FAFSA) completion initiative. The preparedness grants will ensure that appropriate capacity building and adjunct program activities are funded and can commence as quickly as possible. The program will begin with the high school graduating class of 2017.

- **Nursing Education Center:** The Governor provides funding for the Nursing Education Center to begin course offerings in FY2018 and 10.0 new FTE positions for administrative staff. Article 17 of the Budget authorizes the Council on Postsecondary Education and the State Properties Committee to enter into a lease agreement for parking spaces for the Nursing Education Center (NEC) at an estimated cost of \$500,000 annually. The provider has not yet been determined; however, the parking facility would have to provide space for a minimum of 400 automobiles.
- **Westerly Higher Education and Industry Center:** The Budget funds the new Westerly Higher Education and Industry Center. Electric Boat began using the facility to train employees in January 2017; however, the entire facility is scheduled for completion in February 2017. The facility will provide classroom and laboratory space for existing students in the area, as well as space for collaborative programs with local industries. The new job skill center is managed through the Office of the Postsecondary Commissioner.
- **Prepare RI Dual Enrollment Fund:** The Governor recommends an additional \$500,000 in general revenue due to higher than anticipated participation in the dual/concurrent enrolment program. The increase will provide total resources of \$1.8 million in all funds.
- **Polaris Manufacturing Extension Program:** The \$250,000 community service objective that is used to provide training, share expertise, and promote manufacturing statewide is moved from the Higher Education budget to the Executive Office of Commerce.

**Historical Preservation and Heritage Commission:** The Governor recommends the transfer of the operation of the Eisenhower House, a state-owned historic mansion used as a rental facility for meetings, events, and weddings to the Department of Environmental Management. This transfer saves \$176,037 on operational costs which are offset by additional expenditures in personnel, for a net general revenue savings of \$33,853.

**Corrections:** The FY2018 Budget includes \$6.7 million in general revenue for wage base adjustments for the Rhode Island Brotherhood of Correctional Officers (RIBCO) for the contract years FY2013 through FY2015, and a successor agreement for FY2016 and FY2017. The reserved amount is based on raises negotiated with other state employee unions, which totaled 6.0 percent. The RIBCO award includes wage increases of 2.0 percent per year from FY2013 through FY2016 and an increase of 2.25 percent beginning January 1, 2017, totaling a compounded 10.68 percent increase over five years.

The Governor includes an additional \$645,172 in general revenue to fund 3.0 FTE positions (2.0 clinical social workers and 1.0 administrative assistant) and contract services for discharge planning. This funding is proposed to bolster mental health services due to the growing number of mentally ill inmates.

There is an anticipated savings of \$1.4 million related to the Justice Reinvestment Initiative due to the proposed closure of a 72-bed module at the Intake Service Center.

The Department closed the Bernadette Guay Facility in the beginning of FY2017. This facility housed a small number of female inmates who have been reassigned to the Gloria McDonald facility. The Governor recommends the continued closure of this facility in FY2018, producing \$1.1 million in savings.

**Public Safety:** The Governor recommends an additional \$1.4 million in general revenue to support reconfiguration of the Central Management program to include a new Department of Public Safety Commissioner. The Department will be headed up by a civilian Commissioner, replacing the previous Director post held by the Superintendent of the State Police. The Department's general revenue budget

includes \$301,213 for policy staff and other support to the new Commissioner; and \$778,455 to finance the staff and operations of a new Office of the Cybersecurity Director that will be transferred to DPS from the Department of Administration.

\$18.5 million from all funds are added to DPS reflecting the Governor's recommendation that the Rhode Island Emergency Management Agency (EMA) be consolidated within the DPS, and that its Director report to the Governor and the Commissioner.

**Environmental Management:** The Budget increases general revenue by \$3.8 million (\$10.5 million all funds). The major changes include the following:

- **Outdoor Recreation Investments:** The Governor recommends \$2.5 million to fund the strategic plan to grow and promote outdoor recreation that was developed by the Outdoor Recreation Council, created pursuant in January 2016 through Executive Order. The funds will be directed to local recreation matching grants, state and local recreation programming (including environmental education and event programming), and recreation-related acquisition and maintenance.
- **Volvo Ocean Race:** The Budget provides \$775,000 in general revenue for security, waste disposal, and program supply costs for the Volvo Race in May 2018.
- **Eisenhower House:** The Governor transfers management of the Eisenhower House from the Historical Preservation and Heritage Commission to the Department of Environmental Management (DEM). The Eisenhower House is a historic property at Fort Adams that is used to host weddings and other functions.
- **Minimum Wage Increase:** The Budget includes \$122,017 to fund the impact of the proposed minimum wage increase on the Department's seasonal recreational program.
- **Local Agriculture and Seafood grants fund:** An additional \$100,000 in general revenue is included in the Budget to provide additional grants through the Local Agriculture and Seafood Grant program. The program awards grants through a competitive process to support the growth, development, and marketing of local food and seafood within Rhode Island.
- **Conservation Districts:** The Budget provides \$50,000 for Conservation District grants. The Districts are quasi-public subdivisions of state government, administered by volunteers from the community.
- **Beach Parking Fees:** The Governor maintains the beach parking fees permanently at the lower level, instead of terminating the reduction after 2017 as provided in the FY2017 Budget as Enacted.

**Transportation:** The Governor recommends \$384.0 million in total funding for the Department of Transportation's (DOT) Infrastructure and Engineering program. This includes \$268.6 million in federal funds, \$76.2 million from state gas tax revenues, and \$33.3 million from the Rhode Island Capital Plan fund (RICAP). Of the funds, \$32.5 million will go to the Highway Improvement Program (HIP), supporting transportation projects that can be started in FY2018.

The Governor provides \$6.3 million more for road and bridge maintenance than in the FY2017, for a total of \$64.3 million. This is funded by revenues from the final phase in the remaining Department of Motor Vehicles fee transfer from the General Fund to the Highway Maintenance Account.

## State Aid and Education Aid

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### STATE AID TO CITIES AND TOWNS

**Distressed Community Relief Fund:** The Distressed Community Relief Fund is maintained at the FY2017 enacted level of \$12.4 million in FY2018. The Town of Johnston is newly qualified as a distressed community and will receive a 50.0 percent appropriation of \$601,333. 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 Johnston's appropriation will be divided among the remaining 7 distressed communities. Although Cranston will exit the program in FY2018, it will receive a one-time payment of \$1.3 million, pursuant to current law.

**Payment in Lieu of Taxes (PILOT):** PILOT is funded at \$45.2 million, a \$3.2 million increase above the FY2017 enacted 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 FY2018 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.

Article 11 reduces the maximum taxable motor vehicle value from 100.0 percent of average retail price, to 70.0 percent of clean retail value, as reported in defined automobile guides. The valuation changes would take effect in July 2018, resulting in a loss of approximately \$58.0 million to municipalities in FY2019. The Governor indicates an intent to provide state funding to municipalities to account for this loss in the FY2019 budget.

**Library Grant-in-Aid:** The Governor increases State Aid to Libraries from the FY2017 enacted amount of \$8.6 million to \$9.4 million in both FY2017 and FY2018.

**Library Construction Aid:** The Governor recommends \$2.3 million in FY2018 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 FY2018 Budget provides \$13.6 million to be distributed to municipalities on July 31, 2017. This estimate is subject to change upon the receipt of final (December 2016) data in the spring of 2017.

**Meals & Beverage Tax:** The 1.0 percent tax on gross receipts from the sale of food and beverages is estimated to generate \$27.2 million in FY2017 and \$28.9 million in FY2018 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 \$10.5 million in FY2017 and \$10.7 million in FY2018 for distribution to cities and towns.

**Airport Impact Aid:** Airport impact aid payments to municipalities that have airports are level funded at approximately \$1.0 million for FY2018. 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 \$937,288 to reimburse municipalities for a portion of the cost of conducting statistical property revaluations.

### Other Municipal Aid

**Main Street RI Fund:** The Governor includes \$1.3 million in FY2018 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

### Formula and Categorical Aid

When the education funding formula was passed, categorical funds were identified that would not be distributed through the formula, but according to other methodology. The Governor includes an additional \$43.8 million in education aid, including an increase of \$40.0 million to fully fund the seventh year of the funding formula.

**Seventh Year of Funding Formula:** The Budget includes an increase of \$40.0 million to fully fund the education aid formula in the seventh year of the phase in. This increase brings total formula aid funding to \$909.7 million.

**Central Falls Stabilization:** Central Falls schools are currently 100.0 percent state funded. The State provides both the local and state contributions, as determined by the education funding formula. For FY2018, Central Falls' Stabilization funding is estimated to increase by \$2.0 million. The budget provides a total of \$6.8 million to fund this category.

**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 \$6.4 million in FY2018.

**Early Childhood Education:** This category provides funding for early childhood education programs. The Governor funds this category at \$6.2 million in FY2018, an increase of \$1.1 million over the FY2017 Budget as Enacted.

**High-Cost Special Education:** The aid category provides funding to districts for high-cost special education students. The Governor level funds this category at \$4.5 million.

**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 \$4.5 million.

**Group Homes:** The Governor's FY2018 Budget includes \$4.1 million to fund group home beds, \$756,863 less than the FY2017 Budget as Enacted. This decrease is recommended pursuant to the statute requiring that the average daily membership of a district be decreased by the number of group home beds used in the group home calculation.

**Davies Stabilization:** Article 11 of the FY2017 Budget as Enacted established a stabilization fund to provide additional support to Davies for costs associated with a stand-alone high school offering both

Categorical	FY2018 Governor's Education Aid	
	Change from Enacted	Total Funding
Seventh Year of Formula	\$40.0	\$909.7
Central Falls Stabilization	2.0	6.8
Transportation	-	6.4
Early Childhood	1.1	6.2
High-Cost Special Education	-	4.5
Career & Tech. Schools	-	4.5
Group Home Aid	(0.8)	4.1
Davies Stabilization	1.5	3.0
English Learners	-	2.5
Public School Choice Density	(0.6)	0.9
Met School Stabilization	0.6	0.8
Regionalization Bonus	-	-
<b>Total</b>	<b>\$43.8</b>	<b>\$949.4</b>

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

academic and career and technical coursework. The Budget provides an additional \$1.5 million (\$3.0 million total) in FY2018.

**English Learners:** Article 11 of the FY2017 Budget as Enacted established a category of aid that provides a 10.0 percentage point increase in the per-pupil core instruction amount for English learners. The Governor level funds this category at \$2.5 million.

**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 \$100 per public school of choice student. Pursuant to current law, this represents reduction of \$75 per student from the FY2017 Budget. Total funding is \$938,000.

**Met Stabilization:** Article 11 of the FY2017 Budget as Enacted established 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 \$625,068 is recommended to provide a zero net impact on funding relative to FY2018.

**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 FY2018, as no new regional districts have been formed.

***Other Aid to Local Education Agencies (LEAs)***

In addition to the funding formula and categorical aid, the Budget includes the following aid to Local Education Agencies (LEAs).

**Telecommunications Education Access Fund (E-Rate):** The Governor recommends \$400,000 in general revenue for the Telecommunication Education Access Fund (E-Rate), consistent with the FY2017 Budget as Enacted. 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 FY2017 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, consistent with the FY2017 Budget as Enacted.

**Teacher Retirement:** The Governor recommends \$100.7 million for the State's share of teacher retirement, an increase of \$1.6 million over the FY2017 Budget as Enacted.

## Consolidations, Transfers, and Other Statewide Issues

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Unless otherwise specified, dollar amounts refer to general revenue.

**Administration:** The Governor transfers the 1.0 Director for Cybersecurity and \$500,000 in general revenue from Administration to the Department of Public Safety, for salary and contracted services in both FY2017 and in FY2018.

The Governor proposes savings of \$1.3 million in general revenue by contracting with a private firm to administer Workers' Compensation to better manage claims, provide more safety programs, and to enable more injured employees to return to work. The Personnel and Operating savings program contains the projected statewide savings to be distributed amongst state agencies as part of the FY2018 Supplemental Budget.

**Business Regulation:** The Governor shifts oversight of the Health Care Accessibility and Quality Assurance Act and the Utilization Review Act from the Department of Health (DOH) to the Office of the Health Insurance Commissioner (OHIC) within the Department of Business Regulation. The reorganization is recommended to ensure proper compliance with the federal statutes. To facilitate this oversight, 2.0 Health Economic Specialist FTEs are reassigned from the DOH to OHIC.

**Health:** The Governor consolidates lead poisoning prevention efforts under the Department of Health (DOH) and eliminates the Interagency Coordinating Council on Environmental Lead. Authority over the lead mitigation of rental properties is transferred from the Housing Resource Commission (HRC) to DOH. Additionally, \$0.05 of the HRC's \$0.30 portion of the Real Estate Conveyance Tax collection is transferred to the Department of Health's lead screening restricted receipt account.

The Health Equity Institute subprogram is created in FY2018 and \$662,588 in general revenue shifts from the Community Health and Equity program to Central Management to support this subprogram.

**Emergency Management:** The Governor transfers the Rhode Island Emergency Management Agency into a reorganized Department of Public Safety, further consolidating state public safety agencies into a single entity.

**Public Safety:** The Governor recommends reorganizing the Department of Public Safety (DPS), to be headed by a civilian Commissioner, replacing the previous Director post held by the Superintendent of the State Police. The State Police remains a Division within the Department. The Governor further recommends that the Rhode Island Emergency Management Agency (EMA) be consolidated within the DPS and that its Director report to the new civilian Commissioner and the Governor. Finally, the State's Director of Cybersecurity will be transferred from the Department of Administration to the new DPS, and shifted from the unclassified service to the classified service within the State Merit System.

## FY2017 Supplemental

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FY2017 opened with \$44.5 million in additional surplus funds above the budgeted surplus of approximately \$123.3 million. The November 2016 Revenue Estimating Conference identified \$44.8 million in additional anticipated general revenue collections for FY2017. Increases in revenue were offset by an additional \$4.7 million in projected human services costs from the Caseload Estimating Conference.

The Governor's budget recommends a \$16.7 million increase in general revenue expenditures compared to the FY2017 Budget as Enacted.

Following are items of note in the Supplemental proposal:

- **Administration:** The Governor recommends an additional \$6.3 million in Information Technology Investment Fund (ITIF) restricted receipts to finance adjusted current year phasing on several major State information technology projects, including the Time, Leave and Attendance System; the Statewide ePermitting Platform; the Integrated Budget Development System; the DLT Imaging System; and the Unified Health Infrastructure Project (UHIP).

The Governor recommends \$8.4 million less in general revenue financing for State debt service than the enacted level. The reduction includes a refunding of prior general obligation bonds based on actual savings; shifts of Higher Education debt from the Department of Administration to public higher education institutions; and, the delay of a new bond issuance originally slated for FY2016 that will now take place in the Spring of 2017.

- **Business Regulation:** The Governor recommends \$910,686 in additional federal funds based on the receipt of two new awards secured by the Office of the Health Insurance Commissioner: the Market Reform grant and an Innovation Model Initiative grant. These grants will support staff and operations previously funded by a series of expiring federal Rate Review grants.
- **Commerce:** The Governor shifts \$1.5 million in general revenue from the Stay Invested in RI Wavemaker Fellowship to the First Wave Closing Fund, bringing the latter's balance to \$12.0 million. The budget includes \$28,525 in general revenue for operations of the Executive Office of Commerce to facilitate the move from its temporary offices inside the State House to leased space closer to the Commerce Corporation in Providence.
- **Labor and Training:** The Governor recommends an increase of 26.7 FTE positions in the Department relative to the FY2017 Budget as Enacted. This increase includes 1.5 FTE positions in the Central Management program; 6.0 FTE positions associated with the Real Jobs Rhode Island initiative within the Workforce Development Services program; 1.5 FTE positions in the Workforce Regulation and Safety program, to manage workplace fraud caseloads; and, 14.2 FTE positions in the Income Support Program, to manage the claims processing workload.
- **Revenue:** The Governor delays the mandated reissuance of license plates by one year, to April 2018, saving \$3.0 million in general revenue.
- **General Treasury:** The Governor recommends revised appropriations of \$2.1 million from the Unclaimed Properties restricted receipt fund based on adjusted estimates of property payments from the November 2016 Revenue Estimating Conference.
- **Executive Office of Health and Human Services:** The Governor increases general revenue by \$8.0 million over the FY2017 Enacted Budget due to increased expenditures in hospital, pharmacy, and medical service that were adopted in the November 2016 Caseload Estimating Conference. Increased expenditures are offset by reductions in spending in home and community-based services, nursing facilities, and Rhody Health populations.

- **Children, Youth, and Families:** The Governor includes a net increase in general revenue of \$4.5 million, primarily due to increased expenditures within the Child Welfare (CW) and Behavioral Healthcare (BH) divisions. Increased expenditures are related to contracted provider services for residential and community-based placements and personnel costs. Expenditures are offset by reduced spending in Central Management and Juvenile Corrections. The Juvenile Corrections division reduces spending by \$1.8 million in FY2017 related to the reorganization of the educational program at correctional facilities.
- **Human Services:** There is a change in the Department of Human Services' (DHS) cost allocation plan that shifts approximately \$4.0 million in general revenue from various DHS programs to the Individual and Family Support (IFS) program. This shift is to centralize eligibility determination services within IFS. The Governor recommends adding \$290,116 in general revenue to fund salaries and IT system support associated with correcting UHIP system errors.

The Budget is reduced by \$4.9 million as adopted in the November Caseload Estimating Conference (CEC) due to the Department requesting a 12-month waiver for new federal rules under the reauthorization of the Child Development Block Grant. The November CEC adopted an estimate of 9,023 childcare subsidies, which is 580 less than enacted.

- **Behavioral Health, Developmental Disabilities, and Hospitals:** The Budget includes an \$8.5 million increase for services and programs for individuals with intellectual and developmental disabilities, unachieved overtime savings at state-run hospitals, and increased personnel expenditures.
- **Corrections:** In FY2017 the Budget adds \$3.9 million in general revenue to fund the arbitration award for the Rhode Island Brotherhood of Correctional Officers (RIBCO), which includes 989 correctional officers and nurses. This increase is above what the State had saved in reserve funds, which was based on a 6.0 percent raise that had been negotiated with other state employee unions. The award totals a cumulative wage increase of 10.68 percent.

The Governor includes \$220,220 to fund legal services for the lawsuit filed against the State by the U.S. Department of Justice. This lawsuit alleges that the Department of Corrections engages in recruiting practices that adversely affect minority candidates. Currently, the suit is in the discovery phase.

- **Public Safety:** The Governor includes \$1.0 million for the State Police to finance a salary increases retroactive to May 2016 resulting from a negotiated settlement agreement.
- **Environmental Management:** The Budget shifts the \$2.0 million in general revenue for the Clean Diesel Program from FY2017 into FY2018 to reflect the timing of the expenditures. The rules and regulations for the new program are expected to be finalized in the spring of 2017; however, grants will not be dispersed before FY2018. The Governor maintains the beach parking fees permanently at the lower level and provides an additional \$62,500 for the host community share to reflect actual parking revenues.
- **Transportation:** The Governor adds \$26.2 million in Highway Maintenance Account funds for the purchase and maintenance of new vehicles and equipment required for the increase in maintenance staff as part of the RhodeWorks program. \$43.8 million is being added in FY2017 to support various transportation capital projects, including \$6.3 million in emergency-type bridge and pavement projects.





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## DEPARTMENTAL SUMMARIES

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## Department of Administration

<b>Expenditures By Program</b>	<b>FY2016 Actual</b>	<b>FY2017 Enacted</b>	<b>FY2017 Governor</b>	<b>Change from Enacted</b>		<b>FY2018 Governor</b>	<b>Change from Enacted</b>	
Accounts and Control	\$3.9	\$4.1	\$4.1	-	-	\$4.4	\$0.3	7.3%
Auditing	1.4	-	-	-	-	-	-	-
Budget/Office of Management and Budget	4.6	10.3	10.9	0.6	5.8%	10.1	(0.2)	-1.9%
Capital Asset Management and Maintenance	-	40.9	39.8	(1.1)	-	40.7	(0.2)	100.0%
Construction Permitting, Approvals and Licensing	2.6	3.3	3.5	0.2	6.1%	3.6	0.3	9.1%
Capital Projects and Property Management	1.6	-	-	-	-	-	-	-
Central Management	3.1	2.7	2.8	0.1	3.7%	2.5	(0.2)	-7.4%
Debt Service Payments	162.8	179.0	170.7	(8.3)	-4.6%	185.7	6.7	3.7%
Energy Resources	16.6	12.9	16.7	3.8	29.5%	12.5	(0.4)	-3.1%
Facilities Management	35.9	-	-	-	-	-	-	-
General	37.1	61.8	63.1	1.3	2.1%	58.0	(3.8)	-6.1%
Human Resources	9.7	10.5	11.2	0.7	6.7%	11.9	1.4	13.3%
Information Technology	35.5	41.3	47.6	6.3	15.3%	42.3	1.0	2.4%
Legal Services	2.1	2.2	2.1	(0.1)	-4.5%	2.3	0.1	4.5%
Library and Information Services	2.3	2.5	2.6	0.1	4.0%	2.6	0.1	4.0%
Personnel Appeal Board	0.1	0.1	0.1	-	-	0.1	-	-
Personnel and Operational Reforms	-	(2.0)	(1.0)	1.0	-50.0%	(5.4)	(3.4)	170.0%
Planning	3.5	5.4	5.2	(0.2)	-3.7%	5.5	0.1	1.9%
Purchasing	2.8	3.1	3.3	0.2	6.5%	3.3	0.2	6.5%
Rhode Island Health Benefits Exchange (HealthSource RI)	23.0	12.4	16.6	4.2	33.9%	9.6	(2.8)	-22.6%
The Office of Diversity, Equity and Opportunity	0.9	1.4	1.4	-	-	1.5	0.1	7.1%
<b>Total</b>	<b>\$349.6</b>	<b>\$392.0</b>	<b>\$400.7</b>	<b>\$8.7</b>	<b>2.2%</b>	<b>\$391.2</b>	<b>(\$0.8)</b>	<b>-0.2%</b>
<b>Expenditures By Source</b>								
General Revenue	\$212.9	\$237.1	\$229.7	(\$7.4)	-3.1%	\$248.1	\$11.0	4.6%
Federal Funds	31.4	14.9	21.4	6.5	43.6%	13.2	(1.7)	-11.4%
Restricted Receipts	30.0	34.3	42.3	8.0	23.3%	33.1	(1.2)	-3.5%
Other Funds	75.3	105.7	107.3	1.6	1.5%	96.8	(8.9)	-8.4%
<b>Total</b>	<b>\$349.6</b>	<b>\$392.0</b>	<b>\$400.7</b>	<b>\$8.7</b>	<b>2.2%</b>	<b>\$391.2</b>	<b>(\$0.8)</b>	<b>-0.2%</b>
Authorized FTE Levels	712.7	708.7	708.7	-	-	713.7	5.0	0.7%

\$ 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. The FY2017 Budget as Enacted consolidated and reorganized programs within the Department of Administration, thereby reducing the number of programs from 20 to 18 sub-programs with specific functions.

### MAJOR ISSUES AND TRENDS FOR FY2018

The Budget includes an all fund appropriation of \$391.2 million in FY2018, reflecting a net decrease of \$793,997 from the FY2017 Budget as Enacted. General revenues total \$248.1 million and comprise 63.4 percent of the Department's total appropriation. For FY2018, general revenue increases \$11.0 million from the previous fiscal year primarily due to increased debt service expenses.

The Governor transfers the 1.0 Director for Cybersecurity position and information technology funding from the Department of Administration to the Department of Public Safety. The transfer includes \$167,252 in general revenue for the Director and contracted services in Central Management, as well as \$500,000 for additional operating and contracted services for cybersecurity from the Division of Information Technology to the Department of Public Safety. The transfer of the cybersecurity project to Public Safety better aligns the position to work with the State's cybersecurity needs with the State Police, National Guard, and various federal entities.

**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 Budget includes 37.0 FTE positions in FY2017 and FY2018, consistent with the enacted level.

<b>Accounts and Control</b>	<b>General Revenue</b>
FY2017 Enacted	\$4,147,433
<i>Target and Other Adjustments</i>	<i>(16,637)</i>
<b>FY2018 Governor</b>	<b>\$4,130,796</b>

<b>Accounts and Control</b>	<b>Other Fund Changes</b>
OPEB Administrative Expenses	\$225,000
<b><i>OPEB Administrative Expenses (restricted receipts)</i></b>	<b><i>\$225,000</i></b>

The Budget adds \$225,000 in restricted receipts for personnel and contract service costs associated with the administration of the Other Post Employment Benefit (OPEB) Trust Fund. This includes \$75,000 for salary and benefit expenses, \$50,000 for legal expenses, and \$100,000 for actuarial expenses. RIGL 36-12.1-15 authorizes the disbursement of funds from the OPEB Trust Fund into a restricted receipt account for the sole purpose of maintaining the trust fund.

**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, participates in the Revenue and Caseload Estimating Conferences, and prepares presentations to bond rating agencies.
- **Director:** 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:** Conducts 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 Budget includes 67.6 positions in FY2017 and in FY2018, reflecting a net increase of 2.6 FTE positions from the enacted budget. This includes adding 3.0 positions in Performance Management, less 0.4 for the Associate Director Financial Management position charged to Division Motor Vehicles.

<b>Office of Management and Budget</b>	<b>General Revenue</b>
FY2017 Enacted	\$8,535,107
<i>Target and Other Adjustments</i>	
	31,179
Fraud and Waste Data Tool	(1,500,000)
Personnel	449,246
Pay-for-Success Pilot Project	400,000
Special Legal Counsel - Regulatory Reform	170,704
LEAN Initiative	Informational
<b>FY2018 Governor</b>	<b>\$8,086,236</b>

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

The Budget does not include general revenue funding for the Fraud and Waste Data Tool as part of the FY2018 Budget, resulting in a \$1.5 million general revenue reduction compared to the FY2017 Budget as Enacted. The appropriation in FY2017 was to implement a new fraud and waste detection system combining data across State agencies including the Department of Revenue, Department of Labor and Training, and the various human services agencies. However, the Department recently cancelled the initial request for proposal (RFP) for the fraud data warehouse and system after discovering that much of the data required to deploy an enterprise wide fraud system currently exists in the Division of Taxation's new data warehouse. In an effort to be fiscally prudent, the Department will leverage the existing data and case management software. A new RFP is under development for data modeling, mining, and algorithm creation that will be used to explore fraud, waste, and abuse of state and federal program funds.

***Personnel******\$449,246***

The FY2017 Budget as Enacted eliminated 3.0 new FTE positions in the Performance Management section and reversed increases in the Revenue Analysis section. The new employees were already hired prior to passage of the FY2017 Budget as Enacted and the increases in Revenue Analysis were implemented in the fall of 2015. The Department opted to not lay off staff and could not reverse the changes in Revenue Analysis. This item restores funding that was eliminated in the FY2017 Budget as Enacted.

***Pay-for-Success Pilot Project******\$400,000***

The Budget includes \$400,000 in general revenue to fund the Pay-for-Success project in the Department of Corrections (DOC). According to the Department, DOC 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.

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.

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 is 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.

**Special Legal Counsel – Regulatory Reform****\$170,704**

The Budget includes \$170,704 in general revenue funding reflecting the transfer of funds from the Office of the Secretary of State to support legal service assistance to state agencies working to revise and update rules and regulations as part of the regulatory reform initiative.

**LEAN Initiative****Informational**

The Governor includes \$100,000 in general revenues for the FY2017 Revised Budget for contracted professional services in the Office of Management and Budget (OMB). This reflects continued funding of the statewide LEAN process improvement program administered by OMB. The LEAN process improvement program allows State agencies to submit an application to OMB to use the LEAN process improvement program and to conduct the review. However, funding for the Initiative is not included in the FY2018 Budget. It is anticipated that funding for this issue may be available through the Rhode Island Foundation.

**CAPITAL ASSET MANAGEMENT AND MAINTENANCE**

The Division of Capital Asset Management and Maintenance (DCAMM) centralizes capital assets, capital projects, and state facilities maintenance functions. The division was established under the FY2017 Budget as Enacted. The 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, and has oversight of the following areas:

- Office of Planning, Design and Construction (PDC) manages new construction and rehabilitation projects.
- Office of Facilities Management and Maintenance (OFMM) maintains the state facilities.
- Office of Risk Management
- Office of State Fleet Operations administers the purchase, repair, and disposal of state vehicles and operates 15 state fuel depots.

The Budget recommends 136.5 FTE positions in FY2017 and in FY2018, including 3.0 FTE positions hired during FY2017; however, funding for the three positions was not included in the enacted budget.

<b>Capital Asset Management and Maintenance</b>	<b>General Revenue</b>
FY2017 Enacted	\$34,693,189
<i>Target and Other Adjustments</i>	<i>3,581</i>
Capital Center Utilities	(1,523,582)
Personnel	1,062,285
Contracted Services	294,840
<b>FY2018 Governor</b>	<b>\$34,530,313</b>

**Capital Center Utilities****(\$1.5 million)**

The Budget appropriates \$13.9 million to pay the Capital Center utility expenses, reflecting a decrease of \$1.5 million from the FY2017 Budget as Enacted. The Budget is based on forecasted commodity and utility expenditures.

<b>Capital Center Utility Expenses</b>	<b>FY2017</b>	<b>FY2018</b>	<b>Change</b>
	<b>Enacted</b>	<b>Governor</b>	
Fuel: Natural Gas	\$8,590,000	\$7,336,565	(\$1,253,435)
CUF: Overhead	2,809,247	2,573,000	(236,247)
Fuel: Oil #2 - Home Heating Oil	85,400	290,500	205,100
Sewer Use	1,833,000	1,682,000	(151,000)
Fuel: Wood Chips	350,000	252,000	(98,000)
Telecomm: Overhead	58,400	68,400	10,000
Electricity	309,000	309,000	-
Telecomm: Telephone Charges	25,000	25,000	-
Telephone and Telegraph	9,080	9,080	-
Water	1,392,000	1,392,000	-
<b>Total</b>	<b>\$15,461,127</b>	<b>\$13,937,545</b>	<b>(\$1,523,582)</b>

**Personnel****\$1.1 million**

The Budget adds \$1.1 million in general revenue for personnel expenses for the Division of Capital Asset Management and Maintenance. This includes salary and benefits for 3.0 FTE positions that were hired during FY2017. However, funding for the three positions was not included in the FY2017 Budget as Enacted. The request adds funds for salary and benefits in the FY2017 Revised Budget and in the FY2018 Budget. The three positions are: 1.0 Chief Engineer; 1.0 Chief of Integrated Facilities Management; and, 1.0 Chief of Strategic Planning, Monitoring, and Evaluation. In addition, funds are added to reflect unachieved turnover savings projected in the enacted budget.

**Contracted Services****\$294,840**

The Budget includes \$3.2 million in general revenue funding for contracted professional services within the Division. This reflects an increase of \$294,840. The largest contracted service is the management of the Pastore Power Plant by NORESCO, comprising 73.0 percent of the Division's contracted service costs. This is followed by janitorial services (18.0 percent) and grounds keeping services (4.0 percent). The Budget adds \$235,000 to cover a 3.0 percent contract increase with NORESCO and adds \$133,250 for increased janitorial service costs. The increases are offset set by other contract service adjustments totaling \$73,410.

**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 Budget recommends 29.0 FTE positions in FY2017 and in FY2018, reflecting an increase of 3.0 FTE positions. This includes 1.0 FTE Chief State Building Code Official (Plumbing and Mechanical) position in the State Building Code Commission, 1.0 Principal State Building Code Official (Building), and 1.0 Principal State Building Code Official (Electrical).

- 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.

<b>Construction Permitting, Approvals, and Licensing</b>	<b>General Revenue</b>
FY2017 Enacted	\$1,823,455
<i>Target and Other Adjustments</i>	
Personnel New Positions	417,248
Operating Adjustments	(85,000)
<b>FY2018 Governor</b>	<b>\$2,155,703</b>

**Personnel New Positions** **\$417,248**

The Budget adds \$417,248 in general revenue reflecting the full-year cost of three new positions within the State Building Code Commission (\$352,701) as well as statewide adjustments to benefits. The new positions include 1.0 Chief State Building Code Official (Plumbing and Mechanical), 1.0 Principal State Building Code Official (Building), and 1.0 Principal State Building Code Official (Electrical). The request for the new positions is predicated on increased activity at the Quonset Business Park and with Higher Education facilities.

**Operating Adjustments** **(\$85,000)**

The Budget includes a net decrease of \$85,000 in general revenue for operating expenses reflecting a reduction of \$115,000 for the printing of new building code books, which are now revised on a 3-year schedule. This is offset by an increase of \$30,000 reflecting the first year software maintenance costs for the State's E-permitting system.

### CENTRAL MANAGEMENT

Central Management is comprised of three major functions: the Director's Office, the Central Business Office, 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 Budget includes 24.0 FTE positions in FY2017 and in FY2018.

<b>Central Management</b>	<b>General Revenue</b>
FY2017 Enacted	\$2,660,785
<i>Target and Other Adjustments</i>	
Cybersecurity Director Transfer	(167,252)
<b>FY2018 Governor</b>	<b>\$2,520,212</b>

**Cybersecurity Director Transfer** **(\$167,252)**

The Governor transfers the Director for Cybersecurity position amounting to \$167,252 in general revenue from Administration to the Department of Public Safety. The transfer reflects only the funding for salary and contracted services. The actual authorized FTE position remains with the Department of Administration. The Cybersecurity Director position was included in the FY2017 Budget as Enacted to enhance cybersecurity within the State. The transfer of the position to Public Safety better aligns the position to work with the State's cybersecurity needs with the State Police, National Guard, and various federal entities.

**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. The Debt Service program has no FTE positions.

<b>Debt Service Payments</b>	<b>General Revenue</b>
FY2017 Enacted	\$130,523,966
<i>Target and Other Adjustments</i>	
General Obligation Bond Changes	21,952,675
Certificates of Participation (COPs)	(4,975,643)
Other Debt Service Changes	(2,523,261)
Other Debt Service Changes	(620,602)
<b>FY2018 Governor</b>	<b>\$144,357,135</b>

**General Obligation Bond Changes** **\$22.0 million**

The Budget includes \$56.9 million in general revenue to fund the costs of the State's general obligation debt service in FY2018, or \$22.0 million more than FY2017.

<b>General Obligation and Other Debt</b>	<b>FY2017 Enacted</b>	<b>FY2018 Governor</b>	<b>Change</b>
DEM Debt Service - Recreation	\$0.0	\$10.6	\$10.6
DOA - Affordable Housing GO Bonds	-	7.3	7.3
G.O. Bond New Bond Issue Projected Cr	6.6	3.5	(3.1)
All Other G.O. and Other Debt Adjustme	28.4	35.5	7.1
<b>Total</b>	<b>\$35.0</b>	<b>\$56.9</b>	<b>\$22.0</b>

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

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. 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. 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 Budget projects a spring 2017 issuance of \$92.0 million for previously authorized but unissued G. O. Bonds. The issuance requires debt service of \$7.0 million in FY2018. However, the Budget also includes a refunding of certain general obligation debt and certificates of participation that generates a new savings of \$3.5 million for FY2018. The Budget assigns this savings to the general obligation debt service category that will later be reallocated to the actual debt service categories. This reduces the FY2018 debt service requirement on the new issuance to \$3.5 million, which is \$3.1 million less than the amount funded in the FY2017 Budget as Enacted.

Many of the adjustments contained under the All Other General Obligation bond adjustments reflect the debt restructuring occurring in FY2016.

**Certificates of Participation (COPs)****(\$5.0 million)**

The Budget includes \$27.2 million in general revenue to cover the debt service on eleven projects financed through certificates of participation (COPs). This reflects a decrease of \$5.0 million from the FY2017 Budget as Enacted. The largest adjustment, related to the Shepherd Building Lease Payment, reflects the ending of the lease payments in FY2017.

<b>Certificates of Participation</b>	<b>FY2017 Enacted</b>	<b>FY2018 Governor</b>	<b>Change</b>
COPS - BHDDH Power Plant	\$2.3	\$2.2	(\$0.1)
COPS - Attorney General - Debt Service	-	-	-
COPS - DCYF Training School	4.2	4.2	-
COPS - Energy Conservation	6.9	6.9	-
COPS - Kent County Courthouse	4.6	4.6	-
COPS - School for the Deaf	2.5	2.5	-
COPS - Technology	6.6	5.0	(1.6)
COPS - Traffic Tribunal - Debt Service	1.7	1.7	-
COPS - Shepherd Building Lease Payment	3.0	-	(3.0)
COPS - Center General Bldg. - Tenant	0.2	-	(0.2)
COPS - Center General Building	0.1	-	(0.1)
<b>Total</b>	<b>\$32.1</b>	<b>\$27.1</b>	<b>(\$5.0)</b>

\$ in millions

Totals may vary due to rounding.

**38 Studios Debt Service****(\$2.5 million)**

The Budget excludes funding for the 38 Studios Debt service, resulting in a decrease of \$2.5 million in general revenue from the FY2017 Budget as Enacted. The FY2017 Budget as Enacted included \$2.5 million for debt service on the 38 Studios Bonds. The amount reflected the State receiving various individual settlements that reduced the appropriation needed to make the scheduled debt service payment. For FY2018, due to the individual settlements received over FY2017, the State has sufficient funds in the debt service reserve to cover the entire \$12.4 million payment in the upcoming year, thus eliminating the need for an appropriation in FY2018.

As of March 6, 2017, the Rhode Island Commerce Corporation lawsuit as settled with all of the named defendants resulting in a net collection of \$50.6 million. The net collections are used to offset the annual debt service requirements and at the present the State will only need to appropriate a small sum of funds in FY2020 and one last debt service payment of \$12.3 million in FY2021.

The total debt service cost to the State less settlement collections is projected at \$38.7 million.

**Rhode Island Commerce Corporation (formerly RIEDC) Job Creation Guaranty Program**

<b>FY</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>	<b>Capitalized Interest</b>	<b>State Appropriation</b>	<b>Settlements and Other Sources<sup>1</sup></b>	<b>Cummulative Paid Debt Service</b>	<b>Outstanding Debt Service</b>
2011	-	\$2,639,958	2,639,958	\$2,639,958	-	-	2,639,958	109,947,131
2012	-	5,309,412	5,309,412	5,309,412	-	-	7,949,370	104,637,719
2013	-	5,309,412	5,309,412	5,309,412	-	-	13,258,782	99,328,307
2014	7,440,000	5,086,212	12,526,212	10,094,707	2,500,000	-	25,784,994	86,802,095
2015	7,885,000	4,626,462	12,511,462	-	8,635,000	4,091,061	38,296,456	74,290,633
2016	8,360,000	4,139,112	12,499,112	-	12,499,113	9,931,835	50,795,568	61,791,521
2017	8,860,000	3,589,287	12,449,287	-	2,523,261	36,538,448	63,244,855	49,342,234
2018	9,455,000	2,923,881	12,378,881	-	-	-	75,623,736	36,963,353
2019	10,190,000	2,162,639	12,352,639	-	-	-	87,976,375	24,610,714
2020	10,980,000	1,342,301	12,322,301	-	226,469	-	100,298,676	12,288,413
2021	11,830,000	458,413	12,288,413	-	12,288,413	-	112,587,089	-
<b>Total</b>	<b>\$75,000,000</b>	<b>\$37,587,089</b>	<b>\$112,587,089</b>	<b>\$23,353,489</b>	<b>\$38,672,256</b>	<b>\$50,561,344</b>		

Source: State Budget Office

<sup>1</sup> Reflects the State Budget Office projected net settlement amount for FY2017.

**Other Debt Service Changes****(\$620,602)**

The Budget includes \$60.4 million in general revenue for debt service expenses on five items, reflecting a decrease of \$620,602 from various adjustments from the FY2017 Budget as Enacted. The adjustments include lower projected debt service for the Rhode Island Convention Center debt, an increase of \$120,496 for the Historic Structures Tax Credit debt, and an increase of \$150,000 for the I-195 Land Acquisition interest only debt service.

<b>Other Debt Service</b>	<b>FY2017 Enacted</b>	<b>FY2018 Governor</b>	<b>Change</b>
Convention Center Authority	22.5	21.6	(0.9)
EDC - Fidelity Job Rent Credits	3.4	3.4	-
EDC - Providence Place Mall Sales Tax	3.6	3.6	-
Historic Structures Tax Credit	31.0	31.1	0.1
I-195 Land Acquisition	0.5	0.7	0.2
<b>Total</b>	<b>\$63.5</b>	<b>\$60.4</b>	<b>(\$0.6)</b>

\$ in millions.

**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. The Budget includes 13.0 FTE positions in FY2017 and in FY2018.

<b>Energy Resources</b>	<b>General Revenue</b>
FY2017 Enacted	\$0
<i>Target and Other Adjustments</i>	-
Electric Vehicle Rebate Program	\$250,000
<b>FY2018 Governor</b>	<b>\$250,000</b>

<b>Energy Resources</b>	<b>Other Fund Changes</b>
Regional Greenhouse Gas Initiative	(\$1,347,028)
2016 Energy Metrics Grant	295,000
Reconciliation Funding	190,000

**Electric Vehicle Rebate Program****\$250,000**

Article 19 establishes a State-funded Electric Vehicle Rebate Program, administered by the Office of Energy Resources, for the purpose of providing rebates to eligible applicants in connection with the purchase or lease of an electric vehicle purchased or leased within the State. The program will be effective from July 1, 2017, to June 30, 2022.

To implement the program, the Budget includes \$250,000 in general revenue for the first year funding of the program. The Office of Energy Resources is authorized to promulgate rules and regulations to implement this program. The Article stipulates the following:

- The vehicle must be purchased or leased in State.
- The rebate will be made available to licensed drivers of the State, or to those who can demonstrate their residency in the State.
- Rebate payments cannot exceed the amount appropriated in the Budget.
- At minimum, the application for the rebate shall contain the following information:

- Proof of purchase or lease;
- Vehicle cost;
- Make and model of the vehicle;
- Auto dealership identification for the dealership that sold or leased the electric vehicle;
- Applicant information including name, address, valid driver's license; and,
- Other relevant information as required by the program rules and regulations.

**Regional Greenhouse Gas Initiative (restricted receipts)****(\$1.3 million)**

The Budget includes \$10.2 million in restricted receipts for grant awards as part of the Regional Greenhouse Gas Initiative (RGGI). This reflects a decrease of \$1.3 million from the FY2017 Budget as Enacted. The Regional Greenhouse Gas Initiative (RGGI) is a cooperative effort by Northeastern and Mid-Atlantic states that requires member states to reduce carbon dioxide (CO<sub>2</sub>) 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.

**2016 Energy Metrics Grant (federal)****\$295,000**

This item reflects a new appropriation of federal funds received through a Department of Energy (DOE) grant to address two key barriers that are impeding the adoption of residential energy ratings and labels. The project will facilitate collaboration between states, DOE, and Residential Energy Services Network (RESNET) aimed at defining common elements of a market-facing label that can be populated by data flowing from either Home Energy Rating System (HERS) or Home Energy Score (HEScore). It will build on the activities in Missouri and Oregon, as well as the work of the New York State Energy Research and Development Authority (NYSERDA) National Labeling Group, which is seeking to harmonize scores for multifamily and commercial buildings. By coordinating efforts, states can develop common standards that reduce market confusion and streamline information-sharing with the real estate system, while still allowing states to incorporate unique elements that are important in their region. The federal grant started in January 2017. The Governor includes \$150,000 in the FY2017 Supplemental Budget.

**Reconciliation Funding (restricted receipts)****\$190,000**

This is a new account in the Department of Administration used to support specific studies requested by the Distributed Generation Board, per their authority under the Renewable Energy Growth law. The reconciliation funding is approved by the Public Utility Commission under separate docket proceedings.

**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.

<b>General</b>	<b>General Revenue</b>
FY2017 Enacted	\$15,256,349
<i>Target and Other Adjustments</i>	
Rhode Island Public Transit Authority	(900,000)
Library Construction Aid	97,069
<b>FY2018 Governor</b>	<b>\$14,453,418</b>

**Rhode Island Public Transit Authority****(\$900,000)**

The Budget eliminates funding to the Rhode Island Public Transit Authority (RIPTA) for operational and fare-subsidy support, resulting in a decrease of \$900,000 in general revenue from the FY2017 Budget as Enacted. This was a one-time grant for operational and fare-subsidy support to the entity.

*Analyst Note: The FY2016 Budget as Enacted had authorized RIPTA to charge low-income seniors and disabled individuals to ride the bus. Revenue generated from these half-fare rides was estimated to be \$1.7 million. The Budget did not remove RIPTA's authorization; however, the appropriation delayed the half-fare implementation until at least January 1, 2017, offering additional time to explore other financing options for the Authority.*

### **Library Construction Aid**

**\$97,069**

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 FY2018, the Budget includes \$2.3 million, an increase of \$97,069 from the FY2017 Budget as Enacted.

## **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 Budget includes 99.8 FTE positions in FY2017 and in FY2018, reflecting an increase of 4.0 FTE positions from the FY2017 Budget as Enacted.

<b>Human Resources</b>	<b>General Revenue</b>
FY2017 Enacted	\$7,783,906
<i>Target and Other Adjustments</i>	
Personnel - 4.0 New FTE Positions	300,872
Staff Training	487,500
	30,295
<b>FY2018 Governor</b>	<b>\$8,602,573</b>

### **Personnel**

**\$487,500**

The Budget increases personnel costs by \$487,500 in general revenue to fund four new FTE positions, including a 1.0 Executive Director/Personnel Administrator, 1.0 Administrative Staff, 1.0 Chief of Strategic Planning (Innovation Cohort), and a 1.0 Human Resource Analyst. According to the Department personnel salary and wage report, total salary and benefit costs for the Executive Director/Personnel Administrator is \$227,262 in FY2018.

### **Staff Training**

**\$30,295**

The Budget increases funding by \$30,295 in general revenue for training equipment and operating expenses, primarily for the Office of Innovation.

## **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.

The FY2017 Budget as Enacted established 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 Budget includes 193.0 FTE positions in FY2017 and 194.0 FTE positions in FY2018, reflecting an adjustment of costs allocation for three positions from the Executive Office of Health and Human Services to DoIT, and the transfer of a 1.0 Data Processing Systems Manager position from the Department of Public Safety.

<b>Information Technology</b>	<b>General Revenue</b>
FY2017 Enacted	\$21,840,562
<i>Target and Other Adjustments</i>	
Personnel	759,956
Cybersecurity Transfer	(500,000)
Operating	150,685
Contract Services	(104,559)
<b>FY2018 Governor</b>	<b>\$22,146,644</b>

<b>Information Technology</b>	<b>Other Fund Changes</b>
Information Technology Investment Fund	\$629,838

**Personnel** **\$759,956**

The Budget adds \$759,956 in general revenue, which includes \$709,956 to restore unachieved personnel turnover that was included in the FY2017 Budget as Enacted, and \$50,000 reflecting the transfer of 1.0 Data Processing Systems Manager from the Department of Public Safety.

**Cybersecurity Transfer** **(\$500,000)**

The Governor transfers \$500,000 in general revenue for personnel, operating, and contracted services for cybersecurity from the Division of Information Technology to the Department of Public Safety. The appropriation for cybersecurity was included in the FY2017 Budget as Enacted to enhance cybersecurity within the State. The transfer to Public Safety better aligns the State's cybersecurity needs with the State Police, National Guard, and various federal entities.

**Operating** **\$150,685**

The Budget adds \$150,685 in general revenue reflecting net adjustments for operating expenses under the Information Technology program, including an increase of \$171,123 for internet service fees, a reduction of \$271,797 for telephone services, an increase of \$223,186 for software maintenance agreements, and an increase of \$39,344 for computer maintenance expenses. The computer software was originally purchased using Information Technology Investment Fund (ITIF), but the expenses of the software licensing and maintenance renewals will be allocated from operating expenses.

<b>Operating Expenses</b>	<b>FY2017 Enacted</b>	<b>FY2018 Governor</b>	<b>Change</b>
Telephone and Telegraph	\$601,481	\$329,684	(\$271,797)
Software Maintenance Agreements	1,729,611	1,952,797	223,186
Internet Services	494,769	665,892	171,123
Maintenance/Repairs Computer Equipment	609,810	649,154	39,344
Maintenance/Repairs Other Equipment	57,929	74,910	16,981
Records Storage and Retrieval	40,832	25,440	(15,392)
Out-of-State: Transportation	18,949	6,189	(12,760)
All Other Operating Expenses	321,346	321,346	-
<b>Total</b>	<b>\$3,874,727</b>	<b>\$4,025,412</b>	<b>\$150,685</b>

**Contract Services** **(\$104,559)**

The Budget includes \$790,117 in general revenue reflecting a net decrease of \$104,559 for contract services. This includes a reduction of \$171,267 general revenue decrease for contracted desktop support

as part of the Department's plan to centralize state resources and negate the use of contractors. This is offset by an increase of \$66,708 for disaster recovery costs.

**Information Technology Investment Fund (restricted receipts) \$629,838**

The Budget includes \$9.6 million in restricted receipts for the Information Technology Investment Fund (ITIF), reflecting an increase of \$629,838 in restricted receipts from the FY2017 Budget as Enacted, but a decrease of \$5.4 million from the Governor's FY2017 Revised Budget recommendation. 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.

Each year the Department establishes a list of proposed and approved projects. For FY2017, this list consists of \$16.3 million in approved projects and \$6.4 million in proposed but not yet approved projects. All projects listed by the Department are subject to availability of funds in the ITIF. The ITIF available cash balance is \$27.5 million excluding obligations, approved projects, and projected revenues.

The following table illustrates the proposed and approved ITIF projects funding balance and IT project proposed cost. The Department provides this information as a method to demonstrate the entirety of the Department's IT project requests. The information provided by the Department in the capital request signals more work is necessary to find additional revenue sources to fund these initiatives in timely matter.

<b>Information Technology Fund</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>
Total Approved Projects	(\$16,308,496)	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)
Total Proposed Projects	(6,437,470)	(7,660,000)	(3,305,000)	(2,085,000)	(2,045,000)
Projected FY Beginning Balance	27,477,162	6,256,196	116,196	(1,668,804)	(2,233,804)
Estimated Sale of Property	125,000	125,000	125,000	125,000	125,000
E-911 Fees	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000
<b>Projected FY Ending Balance</b>	<b>\$6,256,196</b>	<b>\$116,196</b>	<b>(\$1,668,804)</b>	<b>(\$2,233,804)</b>	<b>(\$2,758,804)</b>

Source: Department of Administration

## 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 Budget includes 16.6 FTE positions in FY2017 and FY2018, consistent with the enacted level.

<b>Legal Services</b>	<b>General Revenue</b>
FY2017 Enacted	\$2,185,988
<i>Target and Other Adjustments</i>	<i>(15,032)</i>
Legal and Clerical Contract Services	130,000
<b>FY2018 Governor</b>	<b>\$2,300,956</b>

**Legal and Clerical Contract Services \$130,000**

The Budget includes \$230,200 in general revenue for contracted professional services reflecting an increase of \$130,000 over the FY2017 Budget as Enacted. In FY2017, contracts will expire for several of the State's collective bargaining units. The Budget includes an additional \$100,000 for outside attorneys

to handle the contract negotiations with these units. In addition, the Budget includes \$30,000 for temporary clerical services to fill the absence of an administrative aide. Upon the return of the aide from leave, the contract service will be terminated.

### 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 Budget includes 13.0 FTE positions in FY2017 and FY2018, consistent with the enacted level.

The FY2017 Budget as Enacted codified 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 was no fiscal impact.

<b>Library and Information Services</b>	<b>General Revenue</b>
FY2017 Enacted	\$1,342,819
<i>Target and Other Adjustments</i>	<i>57,551</i>
Interlibrary Delivery System	79,105
<b>FY2018 Governor</b>	<b>\$1,479,475</b>
<b><i>Interlibrary Delivery System</i></b>	<b><i>\$79,105</i></b>

The Budget adds \$79,105 in general revenue to reflect a 3.0 percent rate increase in the Interlibrary Delivery System vendor contract price. RIGL 29-6-9 requires that the Office of Library and Information Services fund the Interlibrary Delivery System in its entirety.

### 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 specifically assigned to the program, but does have personnel expenses equating to 0.5 FTE position for administrative support.

<b>Personnel Appeal Board</b>	<b>General Revenue</b>
FY2017 Enacted	\$133,419
<i>Target and Other Adjustments</i>	<i>11,711</i>
<b>FY2018 Governor</b>	<b>\$145,130</b>

### 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.

<b>Personnel and Operational Reforms</b>	<b>General Revenue</b>
FY2017 Enacted	(\$1,966,421)

Personnel and Operating Savings	(3,463,703)
<b>FY2018 Governor</b>	<b>(\$5,430,124)</b>

**Personnel and Operating Savings** **(\$3.5 million)**

The FY2017 Budget as Enacted included \$2.0 million in statewide general revenue savings to be identified in the current fiscal year. The Budget includes savings of \$5.4 million in general revenue, reflecting increased statewide savings of \$3.5 million in FY2018. The savings are stated under the Department of Administration to be distributed to State agencies as part of the revised budget.

<b>Personnel and Operating Reforms</b>	<b>FY2018 Projected Savings</b>
Waste and Fraud Detection System	(\$3,500,000)
Workers' Compensation Privatization	(1,250,000)
Establish an e-Procurement System	(350,000)
Telecom CENTREX to PBX Conversion	(330,124)
<b>Total</b>	<b>(\$5,430,124)</b>

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

The Budget includes 26.0 FTE positions in FY2017 and in FY2018, consistent with the enacted budget.

<b>Planning</b>	<b>General Revenue</b>
FY2017 Enacted	\$1,341,758

Target and Other Adjustments	(6,130)
Personnel and Contract Services Adjustment	(64,145)
<b>FY2018 Governor</b>	<b>\$1,271,483</b>

**Personnel and Contract Services Adjustment** **(\$64,145)**

The Budget reflects a shift in the allocation percentages received by Statewide Planning for the section's administrative and operating expenses. The allocation percentages are based on the Federal Highway Administration (FHWA) work plan that provides other funds to a state general revenue portion. For FY2017, the FHWA allocation was 36.0 percent general revenue, 13.0 percent FTA, and 51.0 percent FHWA, which changed to 32.0 percent general revenue, 13.0 percent FTA, and 55.0 percent FHWA allocation for FY2018. The result is a decrease of \$64,145 in general revenue from FY2017, comprising \$62,945 for personnel and \$1,200 for contracted surveyor service expenses.

**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 Budget includes 31.0 FTE positions in FY2017 and in FY2018, reflecting the addition of a 1.0 Implementation Aide.

<b>Purchasing</b>	<b>General Revenue</b>
FY2017 Enacted	\$2,860,722
<i>Target and Other Adjustments</i>	-
Personnel and Operating Adjustments	212,067
<b>FY2018 Governor</b>	<b>\$3,072,789</b>

**Personnel and Operating Adjustment** **\$212,067**

The Budget adds \$212,067 in general revenue, reflecting the addition of \$219,402 in personnel costs for a new 1.0 Implementation Aide position, as well as funds unachieved turnover savings that did not materialize in the enacted budget. This increase is offset by a net adjustment of \$7,335 in operating expenses.

**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 health insurance coverage and gain access to tax credits, reduced cost sharing and public programs such as Medicaid. The Budget includes 16.0 FTE positions in FY2017 and in FY2018, consistent with the enacted budget.

<b>Rhode Island Health Benefits Exchange (HealthSource RI)</b>	<b>General Revenue</b>
FY2017 Enacted	\$2,625,841
<i>Target and Other Adjustments</i>	-
<b>FY2018 Governor</b>	<b>\$2,625,841</b>

<b>Rhode Island Health Benefits Exchange (HealthSource RI)</b>	<b>Other Fund Changes</b>
Rhode Island Health Benefits Exchange - restricted receipts	(\$1,772,902)
Rhode Island Health Benefits Exchange - federal funds	(1,041,903)

**Rhode Island Health Benefits Exchange (restricted receipts)** **(\$1.8 million)**

The Budget includes \$6.8 million in restricted receipts from the Health Reform Assessment authorized under the FY2016 Budget as Enacted. This reflects a decrease of \$1.8 million from the FY2017 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 decrease in restricted receipts reflects a lower number of insured enrollees than previously projected. This is partly due to problems with the

Unified Health Infrastructure Project (UHIP) as well as from the withdrawal of United Healthcare from the HealthSource RI marketplace.

*Analyst Note: According to the Budget Office a budget amendment may be submitted lowering the restricted receipt appropriation to \$6.7 million to match the initial budget request made by the Department. This will revise the decrease to \$1.9 million from the FY2017 Budget as Enacted.*

**Rhode Island Health Benefits Exchange (federal funds)**

**(\$1.0 million)**

The Budget includes \$135,136 in federal funds for Rhode Island Health Benefits Exchange for FY2018, reflecting a decrease of \$1.0 million. The use of federal funds for the Exchange declined after FY2015. In FY2016 and FY2017, federal funds were primarily used for contract services and personnel. This reflected the shift from federal funding that was provided for the establishment of an ACA-compliant health benefits exchange, over to a state operated system. The federal funds provided for FY2018 will fund only personnel costs for one FTE position. To date, the design, development, and implementation of HealthSource RI has been funded with \$138.8 million in federal grants.

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	
HealthSource RI	Actual	Actual	Actual	Actual	Enacted	Request	Total
Federal Funds	\$21.8	\$47.3	\$50.8	\$17.6	\$1.2	\$0.1	<b>\$138.8</b>
Restricted Receipts	-	-	-	2.8	8.6	6.8	<b>18.2</b>
<b>Total</b>	<b>\$21.8</b>	<b>\$47.3</b>	<b>\$50.8</b>	<b>\$20.4</b>	<b>\$9.8</b>	<b>\$6.9</b>	<b>\$157.0</b>

*\$ 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 an 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 Budget includes 9.0 FTE positions in FY2017 and in FY2018, consistent with the enacted budget.

<b>The Office of Diversity, Equity, and Opportunity</b>	<b>General Revenue</b>
FY2017 Enacted	\$1,294,640
<hr/>	
<i>Target and Other Adjustments</i>	<i>(12,390)</i>
Disparity Study	100,000
<b>FY2018 Governor</b>	<b>\$1,382,250</b>

**Disparity Study****\$100,000**

The Governor includes \$100,000 to fund a disparity study for the Office of Diversity, Equity, and Opportunity. The purpose of the study is to provide the State with reliable and accurate data that will assist the State in determining to what extent the State's procurement of construction, and construction related services, and the procurement of goods/supplies and services should be subject to a race and/or gender conscious remedial program supported by Rhode Island law.

**CAPITAL PROJECTS**

The Governor includes \$42.8 million in RICAP funds, \$8.0 million in Certificates of Participation, \$7.7 million in IT Investment Funds, and \$1.0 million in issued general obligation bonds to fund various capital projects in FY2018. Significant projects include:

- \$14.1 million in RICAP funds for various projects at the Pastore Center in Cranston, including \$5.2 million to renovate the Virks building, \$3.9 million in RICAP funds to renovate various structures at the Center, \$2.0 million for electrical upgrades, \$600,000 to continue a master plan, and \$1.3 million for continuing parking improvements.
- \$3.1 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.
- \$1.5 million in FY2017 and \$850,000 in FY2018 for the Cranston Street Armory stabilization project.
- \$6.1 million in RICAP funds for the Chapin Health Laboratory. The structure requires renovations and updates to the HVAC and electrical systems, a new boiler, installation of efficiency lighting, new ventilation for the decomposition room, and retrofitting the laboratory exhaust.

## Department of Business Regulation

Expenditures By Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$1.4	\$1.3	\$1.4	\$0.1	5.3%	\$1.4	\$0.1	5.3%
Banking Regulation	1.5	1.9	1.8	(0.1)	-3.0%	1.9	0.0	1.3%
Securities Regulation	0.9	1.1	1.0	(0.1)	-9.5%	1.0	(0.1)	-9.6%
Insurance Regulation	4.4	5.8	5.6	(0.2)	-3.1%	5.9	0.1	1.1%
Board of Accountancy	0.0	0.0	0.0	0.0	0.0%	0.0	0.0	0.0%
Commercial Licensing and Gaming and Athletics Licensing	1.2	2.9	3.2	0.3	10.0%	2.7	(0.3)	-9.3%
Boards for Design Professionals	0.3	0.3	0.4	0.1	30.5%	0.4	0.1	32.7%
Office of Health Insurance Commissioner	3.6	2.6	3.5	0.9	35.5%	2.7	0.2	6.8%
<b>Total</b>	<b>\$13.2</b>	<b>\$15.9</b>	<b>\$16.9</b>	<b>\$1.0</b>	<b>6.4%</b>	<b>\$15.9</b>	<b>\$0.0</b>	<b>0.3%</b>
<b>Expenditures By Source</b>								
General Revenue	\$8.2	\$10.6	\$10.6	\$0.0	0.4%	\$11.1	\$0.5	5.0%
Federal Funds	3.1	1.1	2.0	0.9	82.7%	0.9	(0.2)	-18.9%
Restricted Receipts	2.0	4.2	4.2	0.1	1.6%	3.9	(0.3)	-6.6%
<b>Total</b>	<b>\$13.2</b>	<b>\$15.9</b>	<b>\$16.9</b>	<b>\$1.0</b>	<b>6.4%</b>	<b>\$15.9</b>	<b>\$0.0</b>	<b>0.3%</b>
Authorized FTE Levels	98.0	97.0	106.0	9.0	9.3%	106.0	9.0	9.3%

\$ 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 (OHIC) 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 FY2018

DBR is primarily a regulatory agency, with the bulk of funding (93.0 percent) going towards personnel expenses. Of the total budget, 79.0 percent is for salaries and wages, and another 13.9 percent is for contracted professional services.

There is a 5.0 percent increase to the general revenue budget (\$531,641) over the FY2017 Budget as Enacted. This increase is in part to meet additional staffing needs across several of the divisions, including the hiring of an Associate Director and a Pari-Mutual Operations Specialist within the Division of Commercial Licensing, Racing and Athletics, and an Administrative Support Specialist for the Boards of Design Professionals. The Governor recommends a total of 106.0 FTE positions for DBR in both FY2017 and FY2018, 9.0 FTE positions above the FY2017 enacted budget.

The Governor provides \$890,657 in restricted receipt funds for the administration of the Medical Marijuana program. This decrease of \$612,737 from the FY2017 enacted budget reflects the initial outlays for the medical marijuana database and tracking IT system (\$1.2 million) and ongoing system maintenance costs (\$375,000).

Federal funding for Office of the Health Insurance Commissioner's (OHIC) market rate review efforts receives an overall reduction of \$208,497, reflecting both the expiration of three Rate Review grants and the award of a new \$1.1 million Health Insurance Enforcement and Consumer Protection grant. The Governor also transfers funding (\$217,268 restricted receipts) and staff (2.0 Health Economic Specialists) associated with the health insurance utilization review responsibilities, from the Department of Health to OHIC.

**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 9.5 FTE positions in FY2017 and FY2018 for the program, 1.0 FTE more than the FY2017 Budget as Enacted.

<b>Central Management</b>	<b>General Revenue</b>
FY2017 Enacted	\$1,325,909
<i>Target and Other Adjustments</i>	<i>43,205</i>
Security Services	27,306
<b>FY2018 Governor</b>	<b>\$1,396,420</b>
<b>Security Services</b>	<b>\$27,306</b>

The Governor includes \$27,306 in general revenue to provide for security services at the Department's Pontiac Avenue offices. The entrance to DBR is configured in a manner in which customers are received by staff in a small vestibule removed from the main suites on the building's second floor. The entrance is otherwise unmanned. Department employees have had multiple encounters with irate customers, in which they have feared for their well-being. This funding would pay for the services of contracted security guard.

**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 16.0 FTE positions in FY2017 and FY2018 for the program, an increase of 3.0 FTE position over the FY2017 Budget as Enacted level.

<b>Banking Regulation</b>	<b>General Revenue</b>
FY2017 Enacted	\$1,818,673
<i>Target and Other Adjustments</i>	<i>24,389</i>
<b>FY2018 Governor</b>	<b>\$1,843,062</b>

**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 8.8 FTE positions in FY2017 and FY2018, consistent with the FY2017 Budget as Enacted.

<b>Securities Regulation</b>	<b>General Revenue</b>
FY2017 Enacted	\$1,079,028
<i>Target and Other Adjustments</i>	<i>9,727</i>
Personnel	(114,391)
<b>FY2018 Governor</b>	<b>\$974,364</b>

**Personnel****(\$114,391)**

The Budget decreases general revenue by \$114,391 reflecting a shift in the way the Department provides for software and database programming within the Securities Division. This function had been carried out by long-time DBR Systems Analyst (1.0 FTE) who originally helped design the legacy securities database. This individual left the Department in FY2017. Subsequently, DBR has determined the function is more properly the responsibility of the Department of Administration's (DOA) Division of Information Technology and recommends that the associated funding be transferred to DOA.

**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 36.0 FTE positions in FY2017 and FY2018 for the program, an additional 5.0 FTEs over the FY2017 Budget as Enacted. Although funding for these additional FTE positions was included in the FY2017 Budget as Enacted, the authorization for them was not.

<b>Insurance Regulation</b>	<b>General Revenue</b>
FY2017 Enacted	\$3,993,494
<i>Target and Other Adjustments</i>	-
Personnel	31,942
<b>FY2018 Governor</b>	<b>\$4,025,436</b>

**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.

<b>Board of Accountancy</b>	<b>General Revenue</b>
FY2017 Enacted	\$6,000
<i>Target and Other Adjustments</i>	-
<b>FY2018 Governor</b>	<b>\$6,000</b>

**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 19.8 FTE positions in FY2017 and in FY2018, consistent with the FY2017 Budget as Enacted.

<b>Commercial Licensing, Racing &amp; Athletics</b>	<b>General Revenue</b>
FY2017 Enacted	\$638,207
<i>Target and Other Adjustments</i>	<i>14,475</i>
Personnel	240,356
<b>FY2018 Governor</b>	<b>\$893,038</b>

<b>Commercial Licensing, Racing &amp; Athletics</b>	<b>Other Funds Changes</b>
Medical Marijuana Licensing	(\$612,737)

**Personnel** **\$240,356**

The Governor provides \$240,356 in additional general revenue to help fully fund the 19.8 FTEs within the Division. Most of the increase is associated with the hiring of 2.0 previously authorized but unfunded FTEs in FY2017. An Associate Director was brought on to assist the Deputy Director of Commercial Licensing; Racing and Athletics with management and program improvement. The Department also hired an additional Pari-Mutual Operations Specialist at a cost of \$70,393 in salaries and benefits.

**Medical Marijuana Licensing (restricted receipts)** **(\$612,737)**

The Governor reduces medical marijuana licensing restricted receipt funds by \$612,737 in FY2018, reflecting the evolving costs associated with the program. Under Article 2 of the Budget, the Governor also recommends transferring any surplus funding that exists in the medical marijuana restricted receipt account at the end of each fiscal year to the general fund. The FY2017 Budget as Enacted created a new tagging system for plants grown by patients, caregivers, and holders of a new cultivator license. The tags became available January 1, 2017, and all legally grown medical marijuana plants must be accompanied by a tag as of April 1, 2017. The Budget Office estimates that in FY2018, the Department will collect \$1.2 million from tag purchases and \$15,000 from the state's three compassion centers for their annual license renewals. All tag and license revenue is deposited as restricted receipts designated to fund the operations of the program, including the purchase, installation, and maintenance of a software system necessary to make and track the tags. In the FY2017 Budget as Enacted, the General Assembly provided \$1.2 million of restricted receipt funding to procure, setup, and launch the medical marijuana database and tracking system and train staff to use it. The Governor considers these to be one-time start up expenditures and therefore reduces the Budget by \$1.2 million. The recommendation includes \$375,000 in restricted receipt funds to meet the anticipated ongoing software maintenance fees.

**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 3.0 FTE positions in FY2017 and FY2018 for the program, consistent with the FY2017 Budget as Enacted level.

<b>Boards for Design Professionals</b>	<b>General Revenue</b>
FY2017 Enacted	\$273,080

<i>Target and Other Adjustments</i>	5,740
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Personnel	83,635
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<b>FY2018 Governor</b>	<b>\$362,455</b>
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**Personnel** **\$83,635**

The Budget includes an increase of \$83,635 in general revenue to fund a previously vacant 1.0 Administrative Support Specialist Assistant FTE position. This position will support the work of the existing staff to reduce workload and wait times for licenses.

### 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 FY2017 and FY2018 for the Office, consistent with the FY2017 Budget as Enacted.

<b>Office of Health Insurance Commissioner</b>	<b>General Revenue</b>
FY2017 Enacted	\$1,449,061

<i>Target and Other Adjustments</i>	10,000
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Personnel	155,257
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<b>FY2018 Governor</b>	<b>\$1,614,318</b>
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<b>Office of Health Insurance Commissioner</b>	<b>Other Funds Changes</b>
Transfer of Utilization Review Responsibilities from DOH	\$217,268
Market Reform and Enforcement Grants	(208,497)

**Personnel** **\$155,257**

The Governor recommends fully funding 13.0 FTE positions within OHIC in FY2018. An additional \$155,257 in general revenue is provided to fund 6.0 existing FT E positions, including: 1.0 Health Insurance Commissioner, 1.0 Administrative Officer, 1.0 Deputy Executive Assistant/Communications, 1.0 Executive Director, and 2.0 Principal Policy Associate. The remaining staff is funded with a combination of federal funds (\$739,749) and restricted receipts (\$217,268).

**Transfer of Utilization Review Responsibilities from DOH (restricted receipts)** **\$217,268**

The Governor recommends that the regulatory and oversight responsibilities for several of the State's key health care insurance related programs be transferred from the Department of Health (DOH) to OHIC. Article 5 of the Budget repeals the Health Care Services – Utilization Review Act, the Health Care Accessibility and Quality Assurance Act, and the Health Plan Modification Act and replaces them with new legislation charging OHIC with the oversight responsibilities for health plan reviews, utilization reviews, and other regulatory functions mandated by the federal Affordable Care Act. To assist the

Office in meeting these new responsibilities the Governor shifts 2.0 Health Economic Specialist FTE positions from DOH to OHIC, along with the accompanying \$217,268 in restricted receipts.

***Market Reform and Enforcement Grants (federal funds) (\$208,497)***

The Governor reduces federal funds for OHIC in FY2018 by \$208,497. This recommendation acknowledges the expiration of three federal grants that represented an initial investment in the State's capacity to effectively conduct market review of health insurance. In November 2016, OHIC was awarded a \$1.1 million federal Market Reform and Enforcement grant to support its consumer protection and rate review work. These funds will partially be used in FY2017 and FY2018 to pay for the 5.0 FTE positions that focus on OHIC's core work of developing and implementing legislation, regulations, and procedures to ensure effective rate review, consumer benefit and access to coverage analysis, consumer protection services, and market conduct.

## Department of Labor and Training

Expenditures By Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$2.9	\$2.6	\$2.5	(\$0.0)	-1.4%	\$2.0	(\$0.6)	-23.6%
Income Support	375.2	368.3	374.6	6.3	1.7%	379.1	10.8	2.9%
Injured Workers Services	7.6	8.6	8.6	0.0	0.3%	8.7	0.1	1.7%
Labor Relations Board	0.4	0.4	0.4	0.0	0.5%	0.4	0.0	-1.3%
Workforce Development Services	36.2	36.9	55.6	18.8	50.9%	34.8	(2.1)	-5.7%
Workforce Regulation and Safety	3.0	2.8	2.8	(0.0)	-0.4%	3.5	0.6	22.8%
<b>Total</b>	<b>\$425.3</b>	<b>\$419.5</b>	<b>\$444.6</b>	<b>\$25.1</b>	<b>6.0%</b>	<b>\$428.4</b>	<b>\$8.9</b>	<b>2.1%</b>
<b>Expenditures By Source</b>								
General Revenue	\$8.4	\$8.2	\$8.1	(\$0.1)	-0.9%	\$8.8	\$0.5	6.6%
Federal Funds	39.1	38.5	49.2	10.7	27.9%	35.5	(3.0)	-7.8%
Restricted Receipts	31.6	23.6	29.7	6.1	26.0%	24.1	0.5	2.1%
Other Funds	346.2	349.3	357.5	8.3	-17.1%	360.1	10.8	-37.3%
<b>Total</b>	<b>\$425.3</b>	<b>\$419.5</b>	<b>\$444.6</b>	<b>\$25.1</b>	<b>6.0%</b>	<b>\$428.4</b>	<b>\$8.9</b>	<b>2.1%</b>
Authorized FTE Levels	409.5	409.5	436.2	26.7	6.5%	433.7	24.2	5.9%

\$ 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 AND FY2018

The Governor proposes Article 21, which eliminates annual fees for both apprentice sponsors and for registered apprentices to advance the use of apprenticeship programs for workforce development training. The article also increases various penalties related to labor law violations. The changes proposed in the article are projected to produce a net increase in state revenue of \$305,000 and an increase of \$125,000 in restricted receipt funds.

The Governor's Budget increases general revenue spending within the Workforce Regulation and Safety program (WRS) by \$642,987 as compared to the FY2017 Enacted Budget. Historically, the Department has utilized the Tardy and Interest restricted receipt account, which is appropriated to the Income Support program, to supplement general revenue funds in WRS. This year, the Department has stated that all Tardy and Interest funds are needed to exclusively support the Income Support Program; therefore, additional general revenue funds are needed to support WRS in FY2018. The Tardy and Interest account is funded via penalties and interest on employers' taxes (i.e. Unemployment Insurance, Temporary Disability Insurance, and Job Development Fund) when paid late.

The Governor recommends an increase of 26.7 FTE positions in FY2017 and a net increase of 24.2 positions in FY2018. The increase in FTE positions in FY2017 and FY2018 include: 14.2 FTE positions within the Income Support Program associated with claims processing services; 6.0 positions within Workforce Development Services, which includes 1.0 FTE position associated with the Real Jobs Rhode Island workload, 1.0 Investigative Auditor and 1.0 Senior Monitoring and Evaluation Specialist to work in the Compliance and Integrity Unit, 1.0 Principal Research Technician to meet the demands of the State Workforce and Education Alignment Project (SWEAP), 1.0 Assistant Coordinator of Employment and Training Programs to work on Linking to Employment Activities Pre-release (LEAP), and 1.0 Assistant Chief of Planning to work for the Governor's Workforce Board; 4.0 positions within the Workforce Regulation and Safety Program associated with workplace fraud caseloads; 1.5 FTE positions within Central Management, which includes 1.0 Administrative Officer and 0.5 Legal Counsel; and 1.0 Chief

Information and Public Relations position to work on marketing and communications. Additionally, the Governor proposed in FY2018, a decrease of 2.5 FTEs within the Board of Review, which includes the elimination of 2.0 Referees and 0.5 Lawyer.

### 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 Budget includes 6.1 FTE positions in FY2017 and FY2018, an increase of 1.5 FTE positions.

<b>Central Management</b>	<b>General Revenue</b>
FY2017 Enacted	\$120,134
<i>Target and Other Adjustments</i>	<i>14,181</i>
<b>FY2018 Governor</b>	<b>\$134,315</b>

<b>Central Management</b>	<b>Other Fund Changes</b>
Personnel	\$128,077
<b>Personnel (restricted receipts)</b>	<b>\$128,077</b>

There is a net increase of \$128,077 in restricted receipts to support personnel within Central Management. The Governor adds 1.5 FTE positions in FY2017 and FY2018, which the Department plans to utilize to staff a new hearing unit. This new unit will provide due process to all parties through Administrative Procedures Act hearings pertaining to workplace fraud violations including wage and hour cases, employee misclassification cases, and prevailing wage matters. The unit will employ 0.5 Legal Counsel and 1.0 Administrative Officer.

### 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 Budget includes 232.6 FTE positions in FY2017 and 230.1 FTE positions in FY2018. This change reflects the Governor's recommendation to eliminate 2.0 Referees and 0.5 Legal Counsel at the Board of Review.

<b>Income Support</b>	<b>General Revenue</b>
FY2017 Enacted	\$4,160,083
<i>Target and Other Adjustments</i>	<i>0</i>
Police and Firefighters' Relief Fund	(113,335)
<b>FY2018 Governor</b>	<b>\$4,046,748</b>

<b>Income Support</b>	<b>Other Fund Changes</b>
Personnel	\$698,742
Tardy and Interest Funding	(374,980)
Making it Easier to do Business in Rhode Island	Informational
Unemployment Insurance Benefit Statistics	Informational

### **Police and Firefighters' Relief Fund** **(\$113,335)**

The Budget decreases general revenue by \$113,335 for Police and Firefighters' annuity and tuition benefits, reflecting a decline in the need of services. This reflects a decrease of \$21,386 in tuition benefits paid to the families of deceased or injured police officers and firefighters, and a decrease of \$84,920 in annuity benefit payments.

	FY2017	FY2018	
<b>Police Officers' Relief Fund</b>	<b>Enacted</b>	<b>Governor</b>	<b>Change</b>
Police Officer Annuities	\$823,833	\$805,980	(\$17,853)
Tuition Benefits	198,347	197,669	(678)
Supplemental Pension	-	-	-
<b>Total</b>	<b>\$1,022,180</b>	<b>\$1,003,649</b>	<b>(\$18,531)</b>
<b>Firefighters' Relief Fund</b>			
Firefighter Annuities	\$2,576,070	\$2,509,003	(\$67,067)
Tuition Benefits	449,344	428,636	(20,708)
Supplemental Pension	-	-	-
<b>Total</b>	<b>\$3,025,414</b>	<b>\$2,937,639</b>	<b>(\$87,775)</b>
<b>Grand Total</b>	<b>\$4,047,594</b>	<b>\$3,941,288</b>	<b>(\$106,306)</b>

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 widow or widower for 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.

**Personnel (federal funds)**

**\$698,742**

The Budget includes a net increase of \$698,742 in federal funds in FY2018. This is primarily due to the Governor adding 14.2 FTEs to the Unemployment Insurance program. These FTE positions are added to support the Department's plan to handle their peak season in December. According to the Department, it is difficult to utilize seasonal positions in the UI program; this is due to the time it takes to learn and master the complexities of the program.

The increase in FTE positions includes: adding 4.4 Senior Employment and Training Interviewer FTE positions by making 11 current part-time individuals full time; adding 4.8 FTE Senior Employment and Training Interviewer part-time positions by hiring 9 part-time individuals; and adding 1.0 Employment and Training Interviewer fluent in Portuguese and 3.0 Employment and Training Interviewers fluent in Spanish. Senior Employment and Training Interviewer positions within the UI program are typically part-time to provide flexibility, for both scheduling and budgetary purposes. Due to the workflow, individuals often work full-time; however, since the positions are designated as part-time positions, the Department has the ability to reduce hours when the workflow indicates that is possible.

**Tardy and Interest Funding (restricted receipts)**

**(\$374,980)**

The Governor proposes that the Department utilize the majority of Tardy and Interest funding to support the Unemployment Insurance (UI) program. The Tardy and Interest restricted receipt funds are appropriated to the Income Support Program; however, the Department historically has used a portion of Tardy and Interest funds to supplement the Workforce Regulations and Safety (WRS) program (see below for more details). The Tardy and Interest account is funded via penalties and interest on employers' taxes (i.e. Unemployment Insurance, Temporary Disability Insurance, and Job Development Fund) when paid late. The Tardy and Interest account includes \$2.1 million in FY2018, which is \$374,980 less than the FY2017 Enacted Budget.

**Making it Easier to do Business in Rhode Island****Informational**

Rhode Island currently has an Unemployment Insurance Tax Rate system consisting of nine tax schedules (A thru I), each of which contains twenty-eight 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 had been on the tax Schedule I (the highest) since 1992, but dropped to tax Schedule H in 2017 due to the changes enacted by the General Assembly. 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.

The drop to tax Schedule H for 2017 is expected to save employers \$30.0 million in UI taxes over the year. Under the new reserve ratios, the Department projects that the State will further drop to tax Schedule G in 2018, saving employers an additional \$10.0 million in UI taxes. Additionally, the Department expects a possible drop to tax Schedule F in 2020, saving employers \$20.0 million per year. The State would accumulate significant reserves (a projected \$675.0 million by 2025) with a reserve ratio of 2.74 percent, which is 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 2016  
Average UI Benefits Paid

State	Amount	New England	National
Massachusetts	\$8,230	1	1
Connecticut	5,900	2	12
<b>Rhode Island</b>	<b>4,951</b>	<b>3</b>	<b>22</b>
Vermont	4,006	4	35
Maine	3,896	5	36
New Hampshire	3,813	6	37

Source: US Dept. of Labor/UI Data Summary

12 Months Ending 3rd Quarter 2016  
Average Weekly UI Benefits Paid

State	Amount	New England	National
Massachusetts	\$479.65	1	2
Connecticut	369.34	2	16
<b>Rhode Island</b>	<b>341.04</b>	<b>3</b>	<b>23</b>
Vermont	337.64	4	21
New Hampshire	311.01	5	30
Maine	309.77	6	29

Source: US Dept. of Labor/UI Data Summary

As of January 1, 2017  
Maximum Weekly UI Benefit

State	Amount	New England	National
Massachusetts	\$742	1	1
Connecticut	616	2	5
<b>Rhode Island</b>	<b>566</b>	<b>3</b>	<b>8</b>
Vermont	458	4	18
New Hampshire	427	5	26
Maine	410	6	34

Source: US Dept. of Labor

As of January 1, 2017  
Maximum Weekly UI Benefit with Dependents Allowance

State	Rate	New England	National
Massachusetts	\$1,103	1	1
<b>Rhode Island</b>	<b>707</b>	<b>2</b>	<b>2</b>
Connecticut	691	3	3
Maine	615	4	8
Vermont*	458	5	24
New Hampshire*	427	6	29

\* 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. This program has no general revenue funding. The Budget includes 44.5 FTE positions in FY2017 and FY2018.

**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 Budget includes 2.0 FTE positions in FY2017 and FY2018, consistent with the FY2017 Enacted Budget. The two positions provide staff support to the Board.

<b>Labor Relations Board</b>	<b>General Revenue</b>
FY2017 Enacted	\$402,491
<i>Target and Other Adjustments</i>	<i>(5,156)</i>
<b>FY2018 Governor</b>	<b>\$397,335</b>

**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 Budget includes 116.7 FTE positions in FY2017 and FY2018.

<b>Workforce Development Services</b>	<b>General Revenue</b>
FY2017 Enacted	\$704,517
<i>Target and Other Adjustments</i>	-
<b>FY2018 Governor</b>	<b>\$704,517</b>

<b>Workforce Development Services</b>	<b>Other Fund Changes</b>
Governor's Workforce Board	\$572,934
Real Jobs Rhode Island	Informational

**Governor's Workforce Board (restricted receipts) \$572,934**

The Governor recommends \$11.0 million in restricted receipts to fund the Governor's Workforce Board in FY2018, which is a \$572,934 increase above the FY2017 Enacted Budget. The majority of this additional funding, \$368,182, supports personnel. 1.0 Assistant Chief of Planning is a new position created to meet the demands within the Governor's Workforce Board. Approximately \$200,000 of this additional funding supports assistance and grants including Real Jobs Rhode Island partnerships. 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.

**Real Jobs Rhode Island****Informational**

The Governor funds the third year of the Real Jobs Rhode Island workforce training initiative. Real Jobs Rhode Island receives funding from multiple sources, which include the state's Jobs Development Fund, federal workforce development funds, and other federal grants. 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 to position these employer-led groups as the drivers of workforce training.

Although general revenue is not directly appropriated in FY2018 to the Real Jobs RI program, the Governor recommends \$550,000 in general revenue to fund the Polaris Manufacturing Technical Assistance Program (Polaris). This money is a “pass-through” from the Executive Office of Commerce. Polaris is an officially designated Real Jobs Partnership by the Governor’s Workforce Board, a role that allows the organization to leverage multiple funding streams to address the workforce needs of manufacturers. Polaris is charged with convening the sector and leveraging funding to support training. This program supports Rhode Island manufacturers by expanding the technical assistance capacity of Polaris, the State’s official Manufacturing Extension Program. Polaris provides group and individual trainings in manufacturing and promotes manufacturing state-wide.

### **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 Budget includes 34.5 FTE positions in FY2017 and FY2018.

<b>Workforce Regulation and Safety</b>	<b>General Revenue</b>
FY2017 Enacted	\$2,825,411
<i>Target and Other Adjustments</i>	
Replacing Tardy and Interest Funding	642,987
Apprenticeship Fees	Informational
Labor Law Violation Penalties	Informational
<b>FY2018 Governor</b>	<b>\$3,468,398</b>

#### ***Replacing Tardy and Interest Funding*** **\$642,987**

The Governor adds \$642,987 in general revenue to the Workforce Regulation and Safety (WRS) program. This funding supports personnel costs within the program. The Governor adds 4.0 FTE positions associated with workplace fraud caseloads to the program. According to the Administration, this general revenue increase is in lieu Tardy and Interest restricted receipt funds. Historically, the Department has used Tardy and Interest funds, appropriated to the Income Support Program, to offset costs within the Workforce Regulation and Safety Program. The Department has indicated that the entirety of the Tardy and Interest account funds are needed to support the Unemployment Insurance (UI) program.

The Tardy and Interest restricted receipt account is funded via penalties and interest on employers’ taxes (i.e. Unemployment Insurance, Temporary Disability Insurance, and Job Development Fund) when paid late. According to the Office of Management and Budget, if Tardy and Interest funding is not replaced within the WRS program, approximately 25.0 percent of the program staff would be laid off.

#### ***Apprenticeship Fees*** **Informational**

Article 21 eliminates the annual fees associated with the following apprenticeships: \$20 for electricians, oil burner persons, fire alarm installers, electrical sign installers, lighting protection installers, plumbers, irrigators, and water-filtration/treatment system installers; and \$24 for pipefitters, refrigeration/air conditioning technicians, sprinkler technicians, sheet metal masters, and all other apprentices not specifically mentioned. Additionally, the \$120 apprenticeship sponsor annual fee is eliminated. These changes will decrease revenue to the general fund by an estimated \$45,000.

#### ***Labor Law Violation Penalties*** **Informational**

Article 21 changes or adds the following penalties, which increases revenue to the state general fund by an estimated \$350,000 and restricted receipts by an estimated \$125,000:

- Unlicensed electrician first violation penalties increase from \$500 to \$1,500 and subsequent violations increase from \$950 to \$2,000. The Budget Office anticipates that this penalty increase will generate an additional \$100,000 in general revenue.
- Administrative penalties on employers who violate wage payment labor laws are added. The penalty is a percentage of the back wages ordered to be paid. The first violation penalty is 15.0 percent to 25.0 percent within a three-year period. Subsequent violations, within the same three-year period, are 25.0 percent to 50.0 percent. It is estimated that there will be an increase of \$150,000 in general revenue due to this new penalty.
- The minimum civil penalty relating to the misclassification of a worker as an independent contractor, when the worker should be considered a paid employee, increases from \$500 to \$1,500. The maximum penalty remains the same at \$3,000. This penalty increase is estimated to add \$100,000 in general revenue.
- Penalties for employers who fail to file employer tax and withholding record reports are raised, which will increase the employment security tardy account fund \$125,000.

### **CAPITAL PROJECTS**

The Budget includes a total of \$6.9 million in Rhode Island Capital Plan Fund (RICAP) projects between FY2017 and FY2022. The projects include:

- \$156,620 in RICAP funds and \$825,725 in other funds in FY2017 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.
- \$1.4 million in FY2017 and \$1.1 million in FY2018 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 Budget includes a “lump sum” appropriation for each year, allowing DLT in conjunction with the Division of Capital Asset Management and Maintenance (DCAMM) to prioritize the capital expenditures without designating funds to a specific project.



## Department of Revenue

Expenditures By Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Director of Revenue	\$0.9	\$1.1	\$1.2	\$0.1	6.6%	\$1.2	\$0.1	8.5%
Lottery Division	341.7	362.4	370.2	7.8	2.2%	375.0	12.7	3.5%
Municipal Finance	2.2	3.1	3.1	-	1.4%	2.5	(0.5)	-17.8%
Office of Revenue Analysis	0.5	0.8	0.8	-	0.1%	0.8	-	-2.3%
Registry of Motor Vehicles	22.8	28.6	25.2	(3.3)	-11.6%	26.3	(2.2)	-7.8%
State Aid	67.7	65.8	66.0	0.1	0.2%	69.4	3.6	5.5%
Taxation	23.0	23.7	25.2	1.5	6.1%	25.8	2.0	8.6%
<b>Total</b>	<b>\$458.8</b>	<b>\$485.5</b>	<b>\$491.8</b>	<b>\$6.2</b>	<b>1.3%</b>	<b>\$501.1</b>	<b>\$15.6</b>	<b>3.2%</b>
<b>Expenditures By Source</b>								
General Revenue	\$109.7	\$113.9	\$110.9	(\$3.0)	-2.6%	\$119.4	\$5.5	4.8%
Federal Funds	2.7	2.1	4.4	2.2	103.9%	1.6	(0.6)	-26.9%
Restricted Receipts	3.6	5.9	5.0	(0.9)	-15.4%	4.0	(2.0)	-33.4%
Other Funds	342.7	363.5	371.5	7.9	2.1%	376.2	12.7	3.5%
<b>Total</b>	<b>\$458.8</b>	<b>\$485.5</b>	<b>\$491.8</b>	<b>\$6.2</b>	<b>1.3%</b>	<b>\$501.1</b>	<b>\$15.6</b>	<b>3.2%</b>
Authorized FTE Levels	514.5	523.5	523.5	0.0	0.0%	539.5	16.0	3.1%

\$ 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 AND FY2018

The Governor proposes Article 11, which makes significant changes to the motor vehicle excise tax. The tax applies to all motor vehicles and trailers, including leased vehicles; however, there are material differences in tax rates, ratios of assessment, and exemption levels among communities. The article reduces the maximum taxable motor vehicle value from 100.0 percent of clean retail value, to 70.0 percent of clean retail value, as reported in defined automobile guides. It also prevents municipalities from decreasing motor vehicle exemptions below current levels. The valuation changes proposed in the article take effect in July 2018, resulting in a loss of approximately \$58.0 million to municipalities in FY2019. The Governor indicates an intent to provide state funding to municipalities to account for this loss in the FY2019 Budget. In FY2018, state funding for the motor vehicle excise tax payments to cities and towns is level-funded at \$10.0 million in general revenue, where it has been since FY2011.

In 2007, the Department began working on the Rhode Island Modernization System (RIMS), a database designed to provide a real-time and customer-centric computer system to replace the DMV's current legacy system. The project has been funded by certificates of participation (COPs), restricted receipts, federal funds, and general revenue. Restricted receipts are generated through a \$1.50 surcharge on all DMV customer service transactions which pays for the COPs debt service. The DMV surcharge has a sunset date of June 1, 2017; however, the Governor proposes, under Article 4, that the surcharge fee be extended until June 30, 2022. The fee would continue to be deposited into a DMV restricted receipt account to fund costs related to RIMS. Additionally, Article 4 delays license plate reissuance from April 1, 2017, to April 1, 2018. The Governor cites the release of RIMS as the reason for the delay because the DMV's legacy system would need to be reprogrammed to accommodate the plate reissuance on April 1, 2017, which could be time consuming and costly. According to the Department, RIMS is scheduled to be online by July 2017.

Since 2013, the Division of Taxation has been phasing-in 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 project consists of three phases, two of which are complete. The Division reports that remaining tax types (withholding, sales, and corporate tax) went live in November 2016. The online taxpayer portal is scheduled to go live in May 2017, followed by revenue accounting in June 2017, which will complete Phase III of the project.

### 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 11.0 FTE positions in FY2017 and FY2018, consistent with the FY2017 Budget as Enacted.

<b>Director of Revenue</b>	<b>General Revenue</b>
FY2017 Enacted	\$1,147,047
<i>Target and Other Adjustments</i>	
Personnel	(500)
<b>FY2018 Governor</b>	<b>\$1,244,266</b>

**Personnel** **\$97,719**

The Budget includes an increase of \$97,719 related to personnel and benefit expenses for 11.0 FTE positions within the Office.

### 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 FY2017 and FY2018, consistent with the FY2017 Budget as Enacted.

<b>Lottery Division</b>	<b>Other Fund Changes</b>
FY2017 Enacted	\$362,367,224
<i>Target and Other Adjustments</i>	
Lottery Payments	(219,788)
<b>FY2018 Governor</b>	<b>12,892,000</b>
	<b>\$375,039,436</b>

**Commissions and Prize Payments (other funds)** **\$12.9 million**

The net increase of \$12.9 million in Commissions and Prize Payments is based on the November 2016 Revenue Estimating Conference (REC) estimates of video lottery terminal (VLT) net terminal income. Net terminal income from VLT are estimated to total \$484.0 million and net table game revenue (NTGR) is estimated to total \$146.5 million. 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 after the deduction of casino operating expenses.

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

## DIVISION OF MUNICIPAL FINANCE

The Division of Municipal Finance assists municipalities by providing data analysis, technical assistance, 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. 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 FY2018 for East Providence and throughout FY2020 for Woonsocket. An Administration and Finance Officer is in place in Central Falls throughout FY2018.

The Budget includes 17.0 FTE positions in FY2017 and FY2018, consistent with the enacted level.

<b>Division of Municipal Finance</b>	<b>General Revenue</b>
FY2017 Enacted	\$3,053,887
<i>Target and Other Adjustments</i>	7,823
Central Falls Support	(550,685)
<b>FY2018 Governor</b>	<b>\$2,511,025</b>
<b>Central Falls Support</b>	<b>(\$550,685)</b>

The Budget decreases by \$600,000 in general revenue due to a one-time appropriation included in the FY2017 Budget as Enacted that was mistakenly not taken out of the FY2018 base budget. This FY2017 one-time budget initiative funded a grant to assist the City of Central Falls with operating and personnel costs as part of the State's on-going financial partnership with the city following its emergence from bankruptcy in 2012. The Governor adds an additional \$49,315 in general revenue to supplement the Central Falls pension system, resulting in a net general revenue decrease of \$550,685.

## 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 6.0 FTE positions in FY2017 and FY2018 for the program, consistent with the enacted level.

<b>Office of Revenue Analysis</b>	<b>General Revenue</b>
FY2017 Enacted	\$806,836
<i>Target and Other Adjustments</i>	(18,827)
<b>FY2018 Governor</b>	<b>\$788,009</b>

## 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 173.5 FTE positions in FY2017 and 181.5 in FY2018, adding 8.0 FTE positions, to staff the Rhode Island Modernization System (RIMS) project.

<b>Division of Motor Vehicles</b>	<b>General Revenue</b>
FY2017 Enacted	\$23,668,390
<i>Target and Other Adjustments</i>	
Rhode Island Motor Vehicle System (RIMS) Staffing	(199,902)
Operating Expenses	321,610
License Plate Reissuance	255,000
Highway Maintenance Fund	Informational
<b>FY2018 Governor</b>	<b>\$24,045,098</b>

**Rhode Island Modernization System (RIMS) Staffing** **\$321,610**

The Budget includes \$321,610 for 8.0 new FTE positions to be assigned to the DMV Rhode Island Modernization System (RIMS) project for testing of and training on the new system. Currently, there are 7.0 FTE positions assigned to the RIMS project. The Department expects the system to go live within the fiscal year, with the testing and training component to last nine months or more. Without the additional FTE positions, current staff would be taken away from daily responsibilities for 10 weeks of training which will have a significant impact on transactional services. In addition, the DMV is required by the vendor contract to establish a RIMS help desk prior to system implementation. The help desk will be staffed by a minimum of 6.0 DMV FTE personnel to triage user issues, continue system development, and assist with roll-out of the system.

RIMS is 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. According to the Department, RIMS is scheduled to be online by July 2017.

The project has been funded by certificates of participation (COPs), restricted receipts, federal funds, and general revenue. Restricted receipts are generated through a \$1.50 surcharge on all DMV customer service transactions which pays for the COPs debt service. The DMV surcharge has a sunset date of June 1, 2017; however, the Governor proposes, under Article 4, that the surcharge fee be extended until June 30, 2022. The fee would continue to be deposited into a DMV restricted receipt account to fund costs related to the Division's computer system. The Budget includes \$2.1 million in restricted receipt expenses for FY2018.

*Analyst Note: In October 2016, the State filed a lawsuit against Hewlett Packard Enterprise (HPE), the contractor for the RIMS project. HPE had signed a contract to complete the project by September 28, 2016. The State alleges that despite the contract, HP requested approximately an additional \$12.0 million to finish the project. As of March 2017, the Department lost an argument that would have kept HPE staff working at the DMV through the trial, which is set to begin May 15, 2017. HPE is permitted to remove staff from the DMV as early as March 17, 2017.*

**Operating Expenses** **\$255,000**

In FY2018, there is a net increase of \$255,000 in operating expenses within the Division of Motor Vehicles. The Budget adds \$415,000, including: \$300,000 in computer maintenance, \$170,000 in postage costs, \$90,000 for printing from outside vendors, and \$55,000 for driver license imaging. The increase is offset by a \$160,000 reduction in computer equipment and a \$200,000 decrease for signage costs. These changes are based on historical spending trends within the Department.

**Highway Maintenance Fund** **Informational**

Under Article 4, the Budget transfers \$471,785 in revenue from the Highway Maintenance Fund to the Division of Motor Vehicles (DMV) to partially offset salaries and benefits for DMV Customer Service Representatives and Branch Supervisors.

The Transportation Investment and Debt Reduction Act of 2011 created the Rhode Island Highway Maintenance Account within the Intermodal Surface Transportation Fund (ISTF). The account is funded via surcharge funds related to registration, licenses, titles, and inspection fees, which the DMV collects and transfers to the Department of Transportation (DOT). In FY2016, DMV collections totaled \$94.4 million and 25.0 percent was transferred to DOT, 75.0 percent will be transferred to DOT in FY2017, and 100.0 is due to be transferred in FY2018. Under current law, RIGL 39-18.1-5, funds from the Rhode Island Highway Maintenance Account are authorized for projects that appear in the state's transportation improvement program. Article 4 transfers 0.5 percent of the annual Rhode Island Highway Maintenance Account proceeds to the DMV for operating expenses.

### **License Plate Reissuance**

**Informational**

Article 4 delays the license plate reissuance from April 1, 2017, to April 1, 2018. The Governor cites the release of the Rhode Island Modernization System (RIMS) as the reason for the delay. RIMS is a database designed to provide a real-time and customer-centric computer system to replace the DMV's current legacy system. RIMS is estimated to be implemented in July 2017. The DMV's legacy system would need to be reprogrammed to accommodate the plate reissuance on April 1, 2017, which could be time consuming and costly.

Under RIGL 31-3-33, the DMV is required to issue new reflective license plates for all registered vehicles every 10 years. 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 four 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; the FY2016 Budget as Enacted delayed the reissuance to July 1, 2016; and the FY2017 Budget as Enacted delayed the reissuance to April 1, 2017. Funding for the initiative shifts from FY2017 to FY2018.

### **STATE AID**

The budget for the Department of Revenue funds a number of State Aid payments. State aid is administered by staff in the Division of Municipal Finance.

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

<b>State Aid</b>	<b>General Revenue</b>
FY2017 Enacted	\$64,923,462
<i>Target and Other Adjustments</i>	-
PILOT	3,226,503
Property Revaluation Program	377,327
Distressed Communities Aid	Informational
Fiscal Stability Act	Informational
Motor Vehicle Excise Tax	Informational
<b>FY2018 Governor</b>	<b>\$68,527,292</b>

### **PILOT**

**\$3.2 million**

The Payment in Lieu of Taxes (PILOT) program increases \$3.2 million, to \$45.2 million, in FY2018. 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 taxes that otherwise would have been collected. The Budget represents the full reimbursement rate of 27.0 percent.

### **Property Revaluation Program**

**\$377,327**

The Budget includes \$937,228 for the Property Revaluation program in FY2018, an increase of \$377,327 from the FY2017 enacted level, based on anticipated reimbursements, which are required by law. The

following communities will be reimbursed for statistical updates in FY2018: Barrington, Cranston, East Greenwich, Exeter, Narragansett, Newport, and Tiverton.

***Distressed Communities Aid***

***Informational***

The Distressed Community Relief program is level funded in FY2018 as compared to FY2017 Budget as Enacted. Total aid from this program goes to cities and towns that have relatively high property taxes as compared to their citizens' ability to pay. Funding for the program in FY2018 will be \$12.4 million.

**Distressed Community Relief Fund Distribution**

<b>Municipality</b>	<b>FY2017 Enacted</b>	<b>FY2018 Budget</b>	<b>Change</b>
Central Falls	\$223,894	\$225,398	\$1,504
Cranston	1,341,001	1,341,001	-
Johnston	817,097	601,333	(215,764)
North Providence	1,032,992	1,030,137	(2,855)
Pawtucket	1,523,936	1,539,903	15,967
Providence	5,604,286	5,797,634	193,348
West Warwick	891,916	924,370	32,454
Woonsocket	949,336	924,681	(24,655)
<b>Total</b>	<b>\$12,384,458</b>	<b>\$12,384,457</b>	<b>\$0</b>

***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. RIGL 45-9-10.1 requires the State to 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.

***Motor Vehicle Excise Tax***

***Informational***

Under Article 11 the Governor proposes to make significant changes to the Motor Vehicle Excise Tax, which include:

- Reducing the maximum taxable motor vehicle value from 100.0 percent of clean retail value, to 70.0 percent of clean retail value, as reported in defined automobile guides
- Preventing municipalities from decreasing motor vehicle exemptions below current levels
- Allowing municipalities to increase ratios of assessment so long as they do not exceed 100.00 percent

The motor vehicle excise tax impacts corporations and private individuals, as well as homeowners and renters alike. The tax applies to all motor vehicles and trailers, including leased vehicles. There are material differences in tax rates, ratios of assessment, and exemption levels among communities.

According to the Budget Office, the motor vehicle excise tax totaled \$220.6 million (based on 12/31/15 certifications), or about 9.0 percent of total local tax revenues, in FY2017. The valuation changes proposed in the article take effect in July 2018, resulting in a loss of approximately \$58.0 million to

municipalities in FY2019. The Governor indicates an intent to provide state funding to municipalities to account for this loss in the FY2019 Budget.

In FY2018, state funding for the motor vehicle excise tax payments to cities and towns is level-funded at \$10.0 million in general revenue, where it has been since FY2011. This funding is used to reimburse municipalities for the minimum \$500 exemption required under current state law, ratably reduced. Article 11 prevents municipalities from lowering these exemptions from FY2018 onward. Municipalities are permitted to increase motor vehicle exemptions under this article; however, as is consistent with current law, any additional exemption, or any exemption above \$500, is not subject to reimbursement.

## 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 collections, audits and liens. The Budget includes funding for 232.0 FTE positions in FY2017, and increases by 8.0 FTE positions to 240.0 FTE positions in FY2018.

<b>Division of Taxation</b>	<b>General Revenue</b>
FY2017 Enacted	\$20,294,329
<i>Target and Other Adjustments</i>	<i>18,767</i>
State Tax Administration and Revenue System (STAARS) Support	1,000,000
Personnel	962,891
<b>FY2018 Governor</b>	<b>\$22,275,987</b>

### **State Tax Administration and Revenue System (STAARS) Support** **\$1.0 million**

The Governor adds \$1.0 million in general revenue to fund implementation and maintenance support for the State Tax Administration and Revenue System (STAARS). Additionally, under Article 16, the Governor recommends issuing \$2.0 million (excluding interest) in certificates of participation (COPs) to fund this project. See additional information on personnel related to STAARS below.

Since 2013, the Division of Taxation has been phasing-in 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 58 different taxes and fees amounting to nearly \$3.0 billion annually. The Division retired its legacy mainframe system in November 2016 when it integrated the last of its major tax types (Corporate, Sales, Withholding) into its new system. The Division of Taxation previously operated a number of software systems, with the most critical of these systems, its legacy mainframe system, being 40 years old. According to the Department, this antiquated system was expensive to maintain and the Division of Information Technology (DoIT) was not able to support staff training on this technology. Also, the old system required staff to 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 was completed in three phases, which includes purchasing hardware, designing software infrastructure, and transferring taxpayer collections data to the new system. The project is primarily funded through COPs, which are authorized up to \$25.0 million, all of which have been issued. Phase I of the project went live in 2014 and Phase II went live in September 2015. The Division reports that remaining tax types (withholding, sales, and corporate tax) went live in November 2016. The online taxpayer portal is scheduled to go live in May 2017, followed by revenue accounting in June 2017, which will complete Phase III of the project.

**Personnel****\$962,891**

The Governor includes a net increase of \$962,891 in general revenue to support personnel needs within the Division of Taxation. The Division adds 8.0 FTE positions related to the implementation of STAARS, including: 1.0 Revenue Agent in the Forms/Tax Credits Section to preform form configuration and approval. The Department cites the need for this FTE position due to five additional tax credit/incentive programs added in 2015 that has caused an increase in workloads; 2.0 Revenue Agents and 1.0 Clerk in the Revenue Accounting Section to preform review, reconciliation, and revenue reporting functions; 1.0 Supervisor position in the Tax Processing Section to supervise seasonal employees. The Department indicates a need for this position based on an increase in workload during the previous income tax season; 1.0 Revenue Agent and 2.0 Taxpayer Service Specialists to review filings and enhance customer service in the Personal Income Tax Section. According to the Department, there was an increase in customer inquiries during the 2016 tax season.

## Legislature

Expenditures By Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Auditor General	\$4.8	\$5.6	\$5.4	(\$0.3)	-4.9%	\$5.7	\$0.1	1.8%
Fiscal Advisory Staff	1.4	1.9	1.9	0.1	2.8%	1.8	(0.1)	-2.6%
General Assembly	5.4	5.7	8.0	2.2	39.3%	6.1	0.4	6.2%
Joint Comm. on Legislative Services	22.3	24.1	27.0	2.9	12.1%	25.1	1.0	4.2%
Legislative Council	3.7	5.4	5.2	(0.1)	-2.5%	5.4	0.1	1.5%
Special Legislative Commissions	0.0	0.0	0.0	0.0	0.0%	0.0	0.0	0.0%
<b>Grand Total</b>	<b>\$37.7</b>	<b>\$42.7</b>	<b>\$47.5</b>	<b>\$4.8</b>	<b>11.2%</b>	<b>\$44.3</b>	<b>\$1.5</b>	<b>3.5%</b>
<b>Expenditures By Source</b>								
General Revenue	\$36.2	\$41.1	\$45.9	\$4.9	11.9%	\$42.5	\$1.5	3.6%
Restricted Receipts	1.4	1.7	1.6	(0.1)	-5.0%	1.7	0.0	2.0%
<b>Total</b>	<b>\$37.7</b>	<b>\$42.7</b>	<b>\$47.5</b>	<b>\$4.8</b>	<b>11.2%</b>	<b>\$44.3</b>	<b>\$1.5</b>	<b>3.5%</b>
Authorized FTE Levels	298.5	298.5	298.5	0.0	0.0%	298.5	0.0	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 FY2018

The Budget includes \$44.3 million for the Legislature in FY2018, including \$42.5 million in general revenue. 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 is 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 Governor increases the general revenue appropriation for FY2017 in the revised budget by \$4.9 million. This includes a FY2016 reappropriation of \$6.3 million, less other reductions.

The Budget provides for 298.5 FTE positions for FY2017 and FY2018, consistent with the FY2017 Budget as Enacted.



## Lieutenant Governor

<b>Expenditures By Program</b>	<b>FY2016 Actual</b>	<b>FY2017 Enacted</b>	<b>FY2017 Governor</b>	<b>Change from Enacted</b>		<b>FY2018 Enacted</b>	<b>Change from Enacted</b>	
Lieutenant Governor	\$1.0	\$1.1	\$1.1	(0.03)	-2.4%	\$1.1	0.01	0.5%
<b>Expenditures By Source</b>								
General Revenue	\$1.0	\$1.1	\$1.1	(0.03)	-2.4%	\$1.1	0.01	0.5%
Authorized FTE Levels	8.0	8.0	8.0	-	-	8.0	-	-

*\$ 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 FY2017 and FY2018, consistent with the enacted budget.

### MAJOR ISSUES AND TRENDS FOR FY2018

The Lieutenant Governor's budget is entirely financed with \$1.1 million in general revenue for FY2018, less than a 1.0 percent increase from the FY2017 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 FY2018 Budget is comprised almost entirely of personnel costs. The Budget fully funds the Office's 8.0 FTE positions.

<b>Lieutenant Governor</b>	<b>General Revenue</b>
FY2017 Enacted	\$1,079,576
<i>Target and Other Adjustments</i>	<i>4,639</i>
<b>FY2018 Governor</b>	<b>\$1,084,215</b>



## Office of the Secretary of State

Expenditures By Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Administration	\$2.5	\$3.5	\$3.3	(\$0.2)	-5.7%	\$3.4	(\$0.1)	-2.9%
Corporations	2.1	2.2	2.1	(0.1)	-4.5%	2.2	-	0.0%
State Archives	0.5	0.8	0.7	(0.1)	-12.5%	0.5	(0.3)	-37.5%
Elections and Civics	1.3	3.4	3.3	(0.1)	-2.9%	1.9	(1.5)	-44.1%
State Library	0.6	0.6	0.6	-	0.0%	0.7	0.1	16.7%
Office of Public Information	0.5	0.5	0.5	-	0.0%	0.6	0.1	20.0%
<b>Total</b>	<b>\$7.5</b>	<b>\$11.0</b>	<b>\$10.5</b>	<b>(\$0.5)</b>	<b>-4.4%</b>	<b>\$9.3</b>	<b>(\$1.7)</b>	<b>-15.5%</b>
<b>Expenditures By Source</b>								
General Revenue	\$6.7	\$10.3	\$9.9	(\$0.4)	-3.9%	\$8.9	(\$1.4)	-13.6%
Federal Funds	0.01	-	0.02	0.02	-	-	-	-
Restricted Receipts	0.4	0.6	0.5	(0.1)	-16.5%	0.4	(0.2)	-33.2%
Operating Transfers from Other Funds	0.4	0.1	0.1	-	-	-	(0.1)	-100.0%
<b>Grand Total</b>	<b>\$7.5</b>	<b>\$11.0</b>	<b>\$10.5</b>	<b>(\$0.5)</b>	<b>-4.4%</b>	<b>\$9.3</b>	<b>(\$1.7)</b>	<b>-15.5%</b>
Authorized FTE Levels	57.0	59.0	59.0	-	-	59.0	-	-

\$ 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 AND FY2018

The Budget includes 59.0 FTE positions in FY2017 and in FY2018. The Budget shifts 1.0 Administrative Assistant position from State Archives to the Office of Public Information. The Budget decreases general revenue by \$1.4 million for election expenses as compared to the FY2017 Budget as Enacted, because FY2018 is an "off-year" in the general election cycle. These expenses decrease in even-numbered fiscal years when there is no statewide general election; however, there still may be costs incurred for local or special elections. The Budget includes \$25,000 for maintenance and IT support of the electronic poll book (e-Poll book) program.

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 showing final rules only and cannot illustrate changes made in the rule making process. The Office anticipates a December 2017 implementation date for the project. The Budget includes \$223,713 to fund personnel and IT costs to develop, implement, and maintain an online Code of State Regulations.

The FY2017 Revised Budget adds \$50,000 to the enacted appropriation to provide a total of \$150,000 in Rhode Island Capital Plan (RICAP) funds to complete 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 20.0 FTE positions in FY2017 and FY2018.

<b>Administration</b>	<b>General Revenue</b>
FY2017 Enacted	\$3,539,219
<i>Target and Other Adjustments</i>	
	85,639
Contracted Services	(151,594)
Operating Expenses	(90,639)
<b>FY2018 Governor</b>	<b>\$3,382,625</b>
<b>Contracted Services</b>	<b>(\$151,594)</b>

The Governor includes \$173,713 in general revenue for contracted services in the Administration program. This reflects a decrease of \$151,594 from the FY2017 Budget as Enacted and a decrease of \$170,704 from the Agency's budget request.

The appropriation will hire two contract Junior Developer positions to support the redesign of several applications currently in use, including: the Lobby Tracker, a searchable database of registered lobbyists and firms in Rhode Island; the Open Meetings site, which houses agendas, meeting minutes, and calendars for State and local public meetings; and, the Boards and Commissions database, which provides information on public board member appointments. The Office also intends to restructure the internal Business Services database and the Rhode Island Government Owner's Manual. In addition to the contracted services appropriation, the Governor includes \$50,000 in general revenue operating funds for this program to purchase IT software and hardware, providing a total appropriation of \$223,713 for the eGovernment IT upgrades.

*Analyst Note: The Governor's Budget lists an appropriation of \$312,080 in general revenue for the eGovernment IT upgrade, reflecting the Agency's request for \$262,080 in contract services and \$50,000 in operating expenses. However, the Governor reduced the Agency's request by \$170,704 for contracted services and appropriated that amount within the Department of Administration to pay for contracted legal services as part of the ongoing regulatory review process.*

**Operating Expenses** **(\$90,639)**

The Budget includes \$524,058 in general revenue for operating expenses reflecting a net decrease of \$90,639 from the FY2017 Budget as Enacted. The decrease in computer equipment maintenance and repair expenses reflect reduced costs associated in administering the 2016 primary and general election, as well as reduced costs associated with the eGovernment initiatives. Offsetting this decrease are increased costs for internet services, reflecting an increased use of cloud storage required to meet the Secretary of State's eGovernment initiatives, and a net increase of \$31,542 in all other operating adjustments.

	<b>FY2017</b>	<b>FY2018</b>	
<b>Operating Expenses</b>	<b>Enacted</b>	<b>Governor</b>	<b>Change</b>
Computer Equipment Maintenance	\$448,332	\$122,770	(\$325,562)
Internet Services	10,597	213,978	203,381
All Other Operating Adjustments	155,768	187,310	31,542
<b>Total</b>	<b>\$614,697</b>	<b>\$524,058</b>	<b>(\$90,639)</b>

## 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 20.0 FTE positions in both FY2017 and in FY2018.

<b>Corporations</b>	<b>General Revenue</b>
FY2017 Enacted	\$2,192,627
<i>Target and Other Adjustments</i>	<i>(18,500)</i>
Business Records Scanning Project	50,000
<b>FY2018 Governor</b>	<b>\$2,224,127</b>

***Business Records Scanning Project*** ***\$50,000***

The Budget includes \$50,000 to hire a vendor to scan over 38,000 active corporation filings, containing between 2 and 1,000 pages. The Office is required by law to house all records for business corporations. This project would enable all files to be viewable online.

### 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 with the Historical Records Trust restricted receipt account. The Budget includes a staffing level of 4.2 FTE positions in FY2017 and in FY2018 consistent with the enacted budget.

<b>State Archives</b>	<b>General Revenue</b>
FY2017 Enacted	\$133,721
<i>Target and Other Adjustments</i>	<i>2,734</i>
Personnel	(49,305)
<b>FY2018 Governor</b>	<b>\$87,150</b>

<b>State Archives</b>	<b>Other Fund Changes</b>
Personnel, Operating, and Capital	(\$102,041)
RICAP - State Archive Facility	(100,000)
Historical Records Trust	<i>Informational</i>

***Personnel*** ***(\$49,305)***

The Governor includes a \$49,305 general revenue decrease reflecting the shift of a 1.0 Administrative Assistant position to the Office of Public Information program as part of an ongoing consolidation of programs within the Office of the Secretary of State.

***Personnel, Operating, and Capital (restricted receipts)*** ***(\$102,041)***

The Governor includes a \$102,041 general revenue decrease reflecting the shift of functions from the State Archives program to the Office of Public Information program as part of an ongoing consolidation of programs within the Office of the Secretary of State.

***RICAP – State Archives Facility (other funds)*** ***(\$100,000)***

The Budget includes a decrease of \$100,000 in RICAP funds in FY2018. The FY2017 Budget as Enacted included \$100,000 in one-time funding for a feasibility study to identify and recommend options for a permanent facility for the Rhode Island State Archives. The study is complete and no further funding for the study is required at this time.

*Analyst Note: The Governor increases the RICAP funding by \$50,000 in the FY2017 Revised Budget to complete the study. This increases the total appropriation for that year to \$150,000.*

**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. 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.

	FY2015	FY2016	FY2017	FY2018
Collections	\$466,886	\$379,423	\$415,273	\$414,478
Expenditures	470,308	378,549	415,273	414,478

Source: Office of the Secretary of State

Collections for FY2017 and FY2018 are agency estimates.

**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 FY2017 and FY2018, consistent with the enacted level.

<b>Elections and Civics</b>	<b>General Revenue</b>
FY2017 Enacted	\$3,377,103
<i>Target and Other Adjustments</i>	-
Election Costs	(1,470,633)
<b>FY2018 Governor</b>	<b>\$1,906,470</b>

**Election Costs****(\$1.5 million)**

The Budget decreases general revenue by \$1.5 million for election expenses as compared to the FY2017 Budget as Enacted, because FY2018 is an "off-year" in the general election cycle. These expenses decrease in even-numbered fiscal years when there is no statewide general election; however, there still may be costs incurred for local or special elections. The Budget includes \$25,000 for maintenance and IT support of the electronic poll book (e-Poll book) program.

**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 5.0 FTE positions in both FY2017 and FY2018, consistent with the enacted level.

<b>State Library</b>	<b>General Revenue</b>
FY2017 Enacted	\$554,149
<i>Target and Other Adjustments</i>	(19,195)
Personnel	188,431
<b>FY2018 Governor</b>	<b>\$723,385</b>

**Personnel****\$188,431**

The Governor adds \$188,431 in general revenue primarily reflects filling the vacant 1.0 State Librarian position and the hiring of a 1.0 Director of State Archives and Library.

**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 FY2017 and 4.0 FTE positions in FY2018, reflecting the shift of 1.0 Administrative Assistant from State Archives to the Office of Public Information.

<b>Office of Public Information</b>	<b>General Revenue</b>
FY2017 Enacted	\$484,232
<hr/>	
<i>Target and Other Adjustments</i>	<i>(4,392)</i>
Personnel	114,422
Printing	(16,700)
State House Tour Program	10,000
<b>FY2018 Governor</b>	<b>\$587,562</b>

**Personnel** **\$114,422**

The Governor adds \$114,422 in general revenue reflecting the shift of a 1.0 Administrative Assistant position from the State Archives program to the Office of Public Information program. This move is part of an ongoing consolidation of programs within the Office of the Secretary of State, as well as other personnel target adjustments.

**Printing** **(\$16,700)**

The Budget decreases general revenue by \$16,700 for printing expenses as compared to the FY2017 Budget as Enacted, because FY2018 is an “off-year” in the general election cycle.

**State House Tour Program** **\$10,000**

The Budget includes \$10,000 to expand the State House tour program. Currently, tours are free and offered hourly daily. The additional funds will expand the program and lower the group ratio per guide from 50 people to 25 people per guide. The Office has a Memorandum of Understanding with the Community College of Rhode Island (CCRI) which provides student professionals to run the tour program. These students maintain the tour schedule for groups, conduct tours, recruit, educate, and train CCRI student volunteers.

Guided state house tours are offered free to the public, hourly, Monday through Friday, and include visits to the Rhode Island Charter Museum, the State Room, the Senate and House Chambers, and the State Library, where visitors can also view exhibits from the State Archives.

**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 4.2 FTE positions in both FY2017 and FY2018.

**CAPITAL PROJECTS**

This project funds a feasibility study to identify and recommend options for a permanent facility for the Rhode Island State Archives. Millions of historically significant documents, images, and past records dating back to 1638 are currently housed in leased office space that is susceptible to severe flooding. The

aim of this study is to provide information (type of structure to be built, location, and costs) to seek voter approval of general obligation bond funds in 2018 to construct a new, permanent facility. Architectural and engineering costs of a new facility are also included in this project. The FY2017 Revised Budget includes Rhode Island Capital Plan (RICAP) funding of \$150,000 in FY2017 for the architectural and engineering (A&E) study, reflecting an increase of \$50,000 from the FY2017 Budget as Enacted. The Budget does not include RICAP funding for FY2018.

*Analyst Note: Based upon a study by the Rhode Island Foundation, which included partner organizations (Department of State, the Judiciary, and the City of Providence), the archival facility would require 114,287 in square footage. The Department estimates a \$62.3 million project cost, including \$43.0 million for construction, \$5.0 million for land acquisition, \$3.0 million for site development, and \$11.5 million for additional construction and site development costs. Some cost share may occur with partner organizations but those details have not yet been finalized.*

## Office of the General Treasurer

Expenditures By Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
General Treasurer	\$10.9	\$3.4	\$11.4	\$8.0	235.3%	\$11.3	\$7.9	232.4%
Employees' Retirement System	9.1	9.8	11.3	1.5	15.3%	10.9	1.1	11.2%
Unclaimed Property	27.6	22.3	24.4	2.1	9.4%	23.9	1.6	7.2%
Crime Victim Compensation Program	1.6	2.0	2.0	-	-	2.0	-	0.0%
<b>Total</b>	<b>\$49.2</b>	<b>\$37.5</b>	<b>\$49.1</b>	<b>\$11.6</b>	<b>30.9%</b>	<b>\$48.1</b>	<b>\$10.6</b>	<b>28.3%</b>
<b>Expenditures By Source</b>								
General Revenue	\$2.3	\$2.7	\$2.7	-	-	\$2.7	-	-
Federal Funds	0.7	0.9	0.9	-	-	0.9	-	-
Restricted Receipts	37.7	33.3	36.9	3.6	10.8%	35.9	2.6	7.8%
Other Funds	8.5	0.6	8.6	8.0	1333.3%	8.6	8.0	1333.3%
<b>Grand Total</b>	<b>\$49.2</b>	<b>\$37.5</b>	<b>\$49.1</b>	<b>\$11.6</b>	<b>30.9%</b>	<b>\$48.1</b>	<b>\$10.6</b>	<b>28.3%</b>
Authorized FTE Levels	84.0	88.0	87.0	(1.0)	-1.1%	87.0	(1.0)	-1.1%

*\$ 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 AND FY2018

The Budget includes \$49.1 million in FY2017, of which \$2.7 million is general revenue. This reflects an all fund increase of \$11.6 million from the FY2017 Budget as Enacted. The increase includes \$3.6 million in restricted receipts, \$8.0 million in other funds offset by a decrease of \$47,073 in federal funds. The \$8.0 million increase in other funds reflects the transfer of annual investment earnings from Ascensus, the plan administrator of the State's 529 Plan known as the CollegeBoundSaver program, to the Division of Higher Education Assistance (DHEA).

The Budget for FY2018 includes \$48.1 million, of which \$2.7 million is general revenue. This reflects an all funds increase of \$10.6 million from the FY2017 Budget as Enacted. The increase includes \$2.6 million in restricted receipts, \$8.0 million in other funds, a decrease of \$62,544 in federal funds, and a decrease of \$37,892 in general revenue. The Budget provides 87.0 FTE positions in FY2017 and in FY2018, a decrease of 1.0 FTE position reflecting the elimination of the 1.0 Director of Member Services position for the CollegeBoundSaver Program, which was not funded in the enacted budget.

### GENERAL TREASURY

The General Treasury program provides administrative support to the entire agency to ensure operational efficiency and fiscal integrity. The Budget includes 23.2 FTE positions in FY2017 and in FY2018.

<b>General Treasurer</b>	<b>General Revenue</b>
FY2017 Enacted	\$2,507,779
<i>Target and Other Adjustments</i>	
Operating Adjustments	8,238
Legal Services	(50,000)
Eliminate Director of Member Services	(10,000)
	Informational
<b>FY2018 Governor</b>	<b>\$2,456,017</b>

<b>General Treasurer</b>	<b>Other Fund Changes</b>
CollegeBoundSaver Investment Earnings Transfer	\$8,000,000

**Operating Adjustments** **(\$50,000)**

The Budget includes \$492,954 in general revenue for operating expenses, a reduction of \$50,000 from the FY2017 Budget as Enacted. The reduction includes \$30,000 in bank analysis charges reflecting the State's improved cash position and enhanced cash management. In addition, there is a \$20,000 reduction in projected computer supplies, software, and equipment.

**Legal Services** **(\$10,000)**

The Budget includes \$16,000 in general revenue for legal expenses associated with the transition of the CollegeBoundSaver program to the Division of Higher Education Assistance. This is a reduction of \$10,000 from the FY2017 Budget as Enacted.

**Eliminate Director of Member Services** **Informational**

The FY2017 Budget as Enacted authorized the hiring of a 1.0 Director of Member Services position for the CollegeBoundSaver program to monitor the investments of the fund and manage the program, but did not include funding in the enacted budget for this position. Because funding was not included, the Budget assumes that it was also legislative intent to remove the FTE, in this budget and in the revised budget.

**CollegeBoundSaver Investment Earnings Transfer (other funds)** **\$8.0 million**

This item reflects the transfer of annual investment earnings from Acensus, the plan administrator of the State's 529 Plan known as the CollegeBoundSaver program, to the Division of Higher Education Assistance (DHEA).

In 2016, State administration of the CollegeBoundSaver program was transferred to Treasury upon the abolishment of the Higher Education Assistance Authority (HEAA). In the first year, Treasury transferred the investment earnings to DHEA as a "contra-revenue", i.e. a subtraction from the revenue receipt account from Ascensus. The State Auditor General issued a finding that standards under the Governmental Accounting Standards Board (GASB) requires the transfer to be matched by an equal expenditure. For the FY2018 Budget, a new operating transfer account is established under Treasury, where, for the first time, the transfer shows on the State budget.

## **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. Personnel and operating expenses of ERSRI are funded through a restricted receipt account pursuant to RIGL 36-8-10.1 for administrative and operating expenses of the retirement system. The Budget includes 48.0 FTE positions in FY2017 and in FY2018.

<b>Employees' Retirement System</b>	<b>Other Fund Changes</b>
FY2017 Enacted	\$9,841,650
<i>Target and Other Adjustments</i>	<i>3,000</i>
New Computer System	850,000
Personnel	349,306
Contract Services	(153,900)
Operating and Computer Expenses	(39,700)
<b>FY2018 Governor</b>	<b>\$10,850,356</b>

***New Computer System (restricted receipts)*** **\$850,000**

The Budget increases \$850,000 for information technology consultant services for planned enhancements to the new computer system developed by Morneau Shepell, Ltd. The project involves data conversion from the old system that could not occur until the new system became operational. Also included is an enhanced web portal to assist retirement system members to better manage their accounts by allowing members to view their defined benefit plan, the defined contribution plan, and other retirement plans on one web portal.

***Personnel (restricted receipts)*** **\$349,306**

The Budget increases personnel expenses by \$349,306 within the State Retirement System. The increase is attributable to salary and benefits related to the filling of a 1.0 Customer Experience Manager and a 1.0 Junior Accountant position that were not adjusted into the budget target calculations and reflect other statewide medical adjustments.

*Analyst's Note: At present the Customer Experience Manager position is filled, but the Junior Accountant position remains vacant. According to Treasury, the Junior Accountant position will be changed to an Accounting Manager position and interviews are underway to fill the position.*

***Contract Services (restricted receipts)*** **(\$153,900)**

The Budget includes \$3.2 million in restricted receipt expenditures for various contracted professional services, of which the largest expenditure is \$1.9 million for IT systems support for the new computer system. Other contracted services include actuarial services, auditing services related to municipal payroll or any other audits, legal counsel, stenographic services, grounds maintenance, and security services. This is a \$153,900 decrease from the FY2017 Budget as Enacted, reflecting lower than anticipated costs for these services.

	<b>FY2017</b>	<b>FY2018</b>	
<b>Contract Services</b>	<b>Enacted</b>	<b>Governor</b>	<b>Change</b>
Actuary	\$410,000	\$353,200	(\$56,800)
Financial Services	50,000	-	(50,000)
Other Professional Services	98,600	50,000	(48,600)
Legal Services	325,000	295,000	(30,000)
All Other Contract Services	2,493,200	2,524,700	31,500
<b>Total</b>	<b>\$3,376,800</b>	<b>\$3,222,900</b>	<b>(\$153,900)</b>

***Operating and Computer Expenses (restricted receipts)*** **(\$39,700)**

The Budget includes \$3.2 million for operating and computer equipment expenses in FY2018, a reduction of \$39,700 from the FY2017 Budget as Enacted, reflecting lower projected costs for professional insurance, computer supplies, and software agreements. The reduction is offset by increased costs for computer equipment including, electronic board books to enhance confidential and medical records, postage, and other various adjustments.

<b>Operating and Computer Expenses</b>	<b>FY2017 Enacted</b>	<b>FY2018 Governor</b>	<b>Change</b>
Insurance: Professional & Occupational	\$153,000	\$93,000	(\$60,000)
Computer Supplies/Software and Equipment	52,000	14,000	(38,000)
Computer Equipment	31,500	64,000	32,500
Postage and Postal Services	203,200	222,000	18,800
Software Maintenance Agreements	16,500	-	(16,500)
All Other Operating Expenses	310,100	333,600	23,500
<b>Total</b>	<b>\$766,300</b>	<b>\$726,600</b>	<b>(\$39,700)</b>

### 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 Budget includes 11.3 FTE positions in FY2017 and in FY2018.

<b>Unclaimed Property</b>	<b>Other Fund Changes</b>
FY2017 Enacted	\$22,348,728
<i>Target and Other Adjustments</i>	5,264
Revenue Collections and Expenditures	1,314,508
Contract Services and Operating	235,000
<b>FY2018 Governor</b>	<b>\$23,903,500</b>

### **Revenue Collections and Expenditures (restricted receipts) \$1.3 million**

The Budget adjusts 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 Treasury's projections, the transfer to the General Fund increases \$355,255, there is no change in the projected claim payouts, 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 \$959,253, resulting in a net increase of \$1.3 million. [ $\$0 + \$959,253 + \$355,255 = \$1,314,508$ ].

### **Contract Services and Operating (restricted receipts) \$235,000**

The Budget includes \$593,000 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 \$225,000 increase from the FY2017 Budget as Enacted. This includes \$125,000 for IT System Support for a new computer system within the program. The current system is an obsolete system that runs legacy technologies that are difficult to secure and maintain. The current system will continue in use as a redundant system for a year. In addition, the Governor adds \$100,000 for auditing services based on the previous year's activity. Audit services are used to identify accumulated unclaimed property at various businesses and financial institutions.

Also the Budget adds \$10,000 in restricted receipts for operating costs reflecting additional advertising costs for the Unclaimed Property program.

### CRIME VICTIM COMPENSATION PROGRAM

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 Budget provides 4.5 FTE positions in FY2017 and in FY2018, consistent with the enacted budget.

<b>Crime Victim Compensation Program</b>	<b>General Revenue</b>
FY2017 Enacted	\$228,452
<i>Target and Other Adjustments</i>	<i>14,223</i>
<b>FY2018 Governor</b>	<b>\$242,675</b>



## Board of Elections

<b>Expenditures By Program</b>	<b>FY2017 Actual</b>	<b>FY2017 Enacted</b>	<b>FY2017 Governor</b>	<b>Change from Enacted</b>		<b>FY2018 Governor</b>	<b>Change from Enacted</b>	
Board of Elections	\$1.7	\$2.0	\$2.1	\$0.1	5.0%	\$1.5	(\$0.5)	-25.0%
<b>Expenditures By Source</b>								
General Revenue	\$1.7	\$2.0	\$2.1	\$0.1	5.0%	\$1.5	(\$0.5)	-25.0%
Authorized FTE Levels	11.0	12.0	12.0	-	-	12.0	-	-

*\$ 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 FY2017 AND FY2018

The Budget includes \$2.1 million in FY2017, which is \$85,000 more than appropriated in the FY2017 Budget as Enacted. The Budget adds \$125,050 in operating costs reflecting additional supplies, telecommunication items, and software associated with the new voting equipment purchased by the Secretary of State. Other major personnel adjustments include increased turnover savings (\$93,855), medical, and retirement reductions (\$96,026), and increased costs for temporary employees \$65,000.

For FY2018, the Budget includes \$1.5 million for FY2018, which is \$433,972 less than the FY2017 Budget as Enacted. The increase is almost entirely attributable to temporary employees, voting equipment transportation, printing, and postage expenses not required in a non-General Election year. The Budget includes 12.0 FTE positions in FY2017 and in FY2018.

<b>Central Management</b>	<b>General Revenue</b>
FY2017 Enacted	\$1,982,707
<i>Target and Other Adjustments</i>	<i>(11,745)</i>
General Election Adjustments	(445,000)
Personnel Adjustments	22,773
<b>FY2018 Governor</b>	<b>\$1,548,735</b>
<b>General Election Adjustments</b>	<b>(\$445,000)</b>

The Budget decreases general revenue expenditures by \$445,000 to reflect personnel, purchased services, and operating expenditures for voter operating supplies and expenses not required in a non-General Election year. The decrease includes \$210,000 for seasonal employees who performed election work. The General Election adjustment also includes decreases of \$135,000 to transport the election equipment to and from polling stations, \$70,000 to print election and voter registration-related material, and \$30,000 for postage.

### **Personnel** **\$22,773**

The Budget increases general revenue expenditures by \$22,773 to fill all vacant positions in FY2018. Currently, the Board has three full-time positions vacant, 1.0 Executive Director, 1.0 Administrative Assistant, and 1.0 Planning and Program Development Specialist, offset by the elimination of overtime pay in FY2018. Historically, the Board does not incur overtime in non-statewide election years.



## Ethics Commission

<b>Expenditures By Program</b>	<b>FY2016 Actual</b>	<b>FY2017 Enacted</b>	<b>FY2017 Governor</b>	<b>Change from Enacted</b>		<b>FY2018 Enacted</b>	<b>Change from Enacted</b>	
RI Ethics Commission	\$1.5	\$1.7	\$1.6	(0.1)	-3.2%	\$1.7	0.1	0.7%
<b>Expenditures By Source</b>								
General Revenue	\$1.5	\$1.7	\$1.6	(0.1)	-3.2%	\$1.7	0.1	0.7%
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 FY2018

The Governor recommends \$1.7 million for FY2018, which provides an increase of \$12,490 (0.7 percent) over the FY2017 Budget as Enacted. This includes a net increase of \$4,363 for personnel costs reflecting various salary and statewide benefit adjustments. The Budget also includes an increase of \$4,726 (\$15,000 to \$19,726) for contracted legal services, and an increase of \$3,126 in operating costs, of which \$1,026 reflects an increase in rent cost.

The Budget includes 12.0 FTE positions in FY2017 and FY2018, 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 \$102,500.

<b>RI Ethics Commission</b>	<b>General Revenue</b>
FY2017 Enacted	\$1,653,383
<i>Target and Other Adjustments</i>	<i>12,490</i>
<b>FY2018 Governor</b>	<b>\$1,665,873</b>



## Office of the Governor

Expenditures By Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Governor	Enacted		Enacted	Enacted	
Governor	\$4.8	\$5.1	\$5.4	0.28	5.6%	\$5.4	0.31	6.0%
<b>Expenditures By Source</b>								
General Revenue	\$4.8	\$5.1	\$5.4	0.28	5.6%	\$5.4	0.31	6.0%
Authorized FTE Levels	45.0	45.0	45.0	-	-	45.0	-	-

\$ 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.

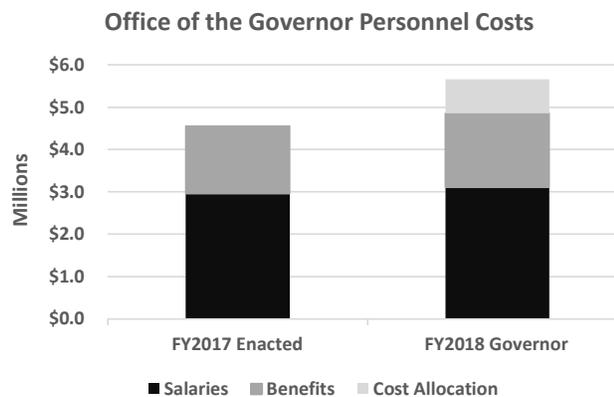
### MAJOR ISSUES AND TRENDS FOR FY2018

In FY2018, the budget for the Office of the Governor is \$5.4 million in general revenue. The majority of this funding (90.1 percent) supports personnel costs. The Budget includes 45.0 FTE positions in both FY2017 and FY2018, consistent with the enacted budget.

Governor	General Revenue
FY2017 Enacted	\$5,091,069
<i>Target and Other Adjustments</i>	<i>(4,202)</i>
Personnel	1,105,252
Interdepartmental Cost Allocations	(794,565)
Contingency Fund	Informational
<b>FY2018 Governor</b>	<b>\$5,397,554</b>
<b>Personnel</b>	<b>\$1.1 million</b>

The Governor adds \$1.1 million in general revenue to cover personnel expenses for 45.0 FTE positions within the Office of the Governor. This reflects the addition of \$310,688 to cover the salary and benefit costs for 3.0 FTE positions transferred into the Office of the Governor from other State agencies, and to replace a \$4,203 net reduction incurred through various statewide benefit adjustments. The positions are: 1.0 Health Program Administrator from the Executive Office of Health and Human Services; 1.0 Interdepartmental Project Manager from the Department of Children, Youth, and Families; and, 1.0 Executive Counsel transferred from the Executive Office of Commerce. The three positions are filling existing vacancies. As of February 4, 2017, the Office of the Governor has 5.0 FTE positions vacant.

Salaries for the 45.0 FTE positions in Governor's Office for FY2018 totals \$3.9 million, but the Budget only includes an appropriation of \$3.1 million. The Governor includes a proposal to allocate a portion of costs for 11.0 FTE positions to other state agencies in FY2018.



**Interdepartmental Cost Allocation****(\$794,565)**

The Governor allocates \$794,564 of personnel costs to be charged against nine state agencies. These cost allocations reflect Governor's Office staff support to assist the state agencies on various policy and program initiatives such as Real Jobs RI, RhodeWorks, Reinventing Medicaid, Justice Reinvestment Initiative, etc., effectively reducing the need to appropriate funds within the Governor's Office to cover these salary expenses. By including the \$794,564 cost allocation, the Governor maintains a year-over-year budget increase of 6.0 percent. However, if the Governor were to add the \$794,564 as a direct appropriation to the Governor's Office budget, the year-over-year increase would be 21.8 percent.

The following table illustrates the FTE cost allocation to the affected state agencies.

<b>Position</b>	<b>Cost</b>		<b>FY2017 Cost</b>	<b>FY2018 Cost</b>
	<b>Allocation</b>	<b>Agency</b>		
Policy Analyst	100%	Transportation	\$82,572	\$91,923
Policy Analyst	50%	Public Safety	41,796	46,508
Policy Analyst	100%	Labor and Training	71,384	-
Deputy Chief of Staff	50%	Administration	114,779	118,083
Deputy Chief of Staff	50%	EOHHS	115,015	118,176
Deputy Chief of Staff	50%	Education	108,383	110,613
Education Policy Analyst	50%	Post Secondary Education	53,472	55,003
Special Assistant	50%	Administration	35,457	36,502
Policy Director	50%	EOHHS	67,913	69,831
Special Counsel	50%	Commerce	54,950	98,617
Special Counsel	25%	Public Safety	27,475	49,309
<b>Total</b>			<b>\$773,196</b>	<b>\$794,565</b>

**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 \$410,800, which included a reappropriation of \$160,800 from unspent funds in FY2015. At the close of FY2016, the Governor's Office had expended only \$65,966, leaving a balance of \$344,834. From the FY2016 closing balance, \$292,000 was reappropriated into FY2017, providing a total of \$542,000 in the revised FY2017 Budget. The Budget includes \$250,000 in the contingency fund in FY2018.

## Rhode Island Commission for Human Rights

<b>Expenditures By Program</b>	<b>FY2016 Actual</b>	<b>FY2017 Enacted</b>	<b>FY2017 Governor</b>	<b>Change from Enacted</b>		<b>FY2018 Governor</b>	<b>Change from Enacted</b>	
Commission for Human Rights	\$1,521,437	\$1,581,423	\$1,646,008	\$64,585	4.1%	\$1,690,102	\$108,679	6.9%
<b>Expenditures By Source</b>								
General Revenue	\$1,242,374	\$1,258,128	\$1,247,603	(\$10,525)	-0.8%	\$1,258,074	(\$54)	0.0%
Federal Funds	279,063	323,295	398,405	75,110	23.2%	432,028	108,733	33.6%
<b>Total</b>	<b>\$1,521,437</b>	<b>\$1,581,423</b>	<b>\$1,646,008</b>	<b>\$64,585</b>	<b>4.1%</b>	<b>\$1,690,102</b>	<b>\$108,679</b>	<b>6.9%</b>
Authorized FTE Levels	14.5	14.5	14.5	-	-	14.5	-	-

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.

### MAJOR ISSUES AND TRENDS FOR FY2018

The Budget includes 14.5 FTE positions in FY2017 and in FY2018, consistent with the enacted level. In addition, general revenue personnel costs as a net increase of \$7,855, reflecting unanticipated personnel costs related to agency-wide pay grade increases awarded in June 2016, offset by projected turnover of \$22,986.

During FY2016, it took the Commission an average of 331 days to process a case to final disposition, 31 days longer than those processed during FY2015 and 23 days longer than those processed during FY2014.

<b>Commission for Human Rights</b>	<b>General Revenue</b>
FY2017 Enacted	\$1,258,128
<i>Target and Other Adjustments</i>	<i>(54)</i>
<b>FY2018 Governor</b>	<b>\$1,258,074</b>



## Public Utilities Commission

Expenditures By Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Public Utilities Commission	\$7.3	\$8.9	\$9.2	\$0.3	3.4%	\$9.7	\$0.8	9.0%
<b>Expenditures By Source</b>								
Federal Funds	\$0.1	\$0.1	\$0.1	-	-	\$0.1	-	-
Restricted Receipts	7.2	8.8	9.1	0.3	3.4%	9.6	0.8	9.0%
<b>Grand Total</b>	<b>\$7.3</b>	<b>\$8.9</b>	<b>\$9.2</b>	<b>\$0.3</b>	<b>3.4%</b>	<b>\$9.7</b>	<b>\$0.8</b>	<b>9.0%</b>
Authorized FTE Levels	50.0	51.0	54.0	3.0	5.9%	57.0	6.0	11.8%

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

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 AND FY2018

The FY2017 Revised Budget provides a total operating budget of \$9.2 million, including \$9.1 million in restricted receipts, and \$128,000 in federal funds. The recommendation represents an increase of \$250,828 (3.4 percent) over the FY2017 Budget as Enacted. The single largest increase is \$209,325 in restricted receipts reflecting increased financial service expenses related to two Energy Facilities Siting Board activities (the Ivenergy project in Burrillville and the Aquidneck Island Reliability project). As the agency does not receive any general revenue funding, the costs are a pass-through expenditure and are paid by the applicants (utility developer) of the proposed utility pursuant to RIGL 42-98-17.

The FY2018 Budget provides a total operating budget of \$9.7 million, including \$9.6 million in restricted receipts and \$129,225 in federal funds. The recommendation represents an all fund increase of \$806,404 (9.0 percent) over the FY2017 Budget as Enacted, and reflects an increase of \$781,848 in restricted receipts and \$24,556 in federal funds. The Budget provides a staffing level of 54.0 FTE positions in FY2017 and 57.0 FTE positions in FY2018 for the Commission, an increase of 6.0 FTE positions from the enacted budget.

Article 1, Section 18 requires the Public Utilities Commission to pay an annual rent of \$333,420 for the office building at 89 Jefferson Boulevard in the City of Warwick, reflecting an increase of \$160,380 to the annual rent. The Commission will cover the increased rent via the annual utility assessments. The Commission has paid an annual rent of \$173,040 since moving into the structure.

#### **Personnel – New FTE Positions (restricted receipts)**

**\$597,034**

The Governor adds 2.0 Administrative Assistants, one for the Division and one for the Commission, and a 1.0 Chief of Program Development position. The Administrative Assistants are required to assist Commission and Division staff with energy policies. The Chief of Program Development position is required to meet the increased demand in Energy Facilities Siting Board filings, rate modernization, and

the changes to evolving energy policy. Based on planning values set by the State Budget Office, the projected FY2017 cost is \$290,977 in restricted receipts to fund the new positions.

For FY2018, the Governor adds 1.0 Deputy Chief of Legal position, 1.0 Fiscal Management Officer, and a 1.0 Regulatory Research Specialist. These three positions are required to handle the increase work involving regulatory research and analysis, increased fiscal and financial reporting requirements, and to handle a projected increase in administrative proceedings. The projected FY2018 cost for the six positions added in FY2018 is \$597,034 in restricted receipts.

<b>Personnel - New FTE Positions</b>	<b>Cost</b>
Administrative Assistant	\$86,269
Administrative Assistant	85,516
Chief of Program Development	119,192
Deputy Chief of Legal	129,669
Fiscal Management Officer	89,183
Regulatory Research Specialist	87,205
<b>Total</b>	<b>\$597,034</b>

### **CAPITAL PROJECTS**

The Governor's 5-year capital plan includes \$500,115 in restricted receipts for ongoing asset protection of the state-owned facility at 89 Jefferson Boulevard in the City of Warwick. The recommendation is consistent with the enacted capital plan, to fund the five asset protection projects between FY2017 and FY2021, including the replacement of elevator, windows, membrane roof, handicap railings and ramp, and to resurface the parking lot.

The Governor recommends \$50,115 in FY2017 and \$50,000 in FY2018. The Governor recommends further restricted receipt expenditures of \$200,000 in FY2019, \$100,000 in FY2020, and \$100,000 in FY2021. 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	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$0.7	\$1.2	\$1.3	\$0.1	4.6%	\$1.4	\$0.2	13.6%
Commerce Programs	0.0	5.0	3.5	(1.5)	-30.0%	3.3	(1.7)	-34.0%
Economic Development Initiatives	43.0	36.9	38.4	1.5	4.1%	33.9	(3.1)	-8.3%
Housing and Community Development	13.3	23.2	23.6	0.5	2.0%	22.7	(0.5)	-2.0%
Quasi-Public Appropriations	16.4	13.2	12.7	(0.4)	-3.3%	15.6	2.4	18.5%
<b>Total</b>	<b>\$73.4</b>	<b>\$79.4</b>	<b>\$79.5</b>	<b>\$0.1</b>	<b>0.1%</b>	<b>\$76.8</b>	<b>(\$2.6)</b>	<b>-3.3%</b>
<b>Expenditures By Source</b>								
General Revenue	\$60.5	\$55.6	\$55.7	\$0.2	0.3%	\$51.8	(\$3.7)	-6.7%
Federal Funds	10.0	17.8	18.3	0.5	2.7%	17.9	0.1	0.6%
Restricted Receipts	2.7	4.8	4.8	-	0.0%	4.2	(0.6)	-12.4%
Other Funds	0.3	1.3	0.8	(0.5)	-42.2%	2.9	1.6	123.1%
<b>Total</b>	<b>\$73.4</b>	<b>\$79.4</b>	<b>\$79.5</b>	<b>\$0.1</b>	<b>0.1%</b>	<b>\$76.8</b>	<b>(\$2.6)</b>	<b>-3.3%</b>
Authorized FTE Levels	16.0	16.0	16.0	0.0	0.0%	17.0	1.0	6.3%

\$ 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 in 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 Note: The enabling statute requires the Executive Office of Commerce to assume 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 that the Executive Office of Commerce is to administer the budget and operations of the Department.*

### MAJOR ISSUES AND TRENDS FOR FY2018

The Governor appropriate \$76.8 million to fund the economic development initiatives and operations of Executive Office of Commerce and the Rhode Island Commerce Corporation. Just over two thirds of this, or \$51.8 million, comes from general revenue, a 6.7 percent decrease (\$3.7 million) from FY2017 enacted levels. The Governor includes 16.0 FTE positions in FY2017 and in 17.0 in FY2018

Article 19 of the FY2016 Budget as Enacted established numerous new economic development incentives for spurring investment in new capital, improving the workforce, critical industry sectors, and innovation research. FY2016 appropriations supporting these incentives totaled \$47.2 million. Total general revenue appropriations through FY2018 as recommended by the Governor and inclusive of FY2016 enacted levels totals \$122.7 million, an increase of 188.0 percent. Nearly 70.0 percent of total appropriations have been awarded. The following table shows the total appropriations, awards, and remaining balances for each of the incentives:

Incentive	FY2016	FY2017	FY2017	FY2018	Total		Balance
	Enacted	Enacted	Governor	Governor	Appropriations*	Awarded**	
Rebuild RI	\$1.0	\$25.0	\$25.0	\$20.0	\$46.0	\$55.9	(\$9.9)
I-195 Redevelopment fund	25.0	-	-	10.1	35.1	19.5	15.6
First Wave Closing Fund	5.0	7.0	8.5	-	13.5	1.1	12.4
Small Business Assistance Fund	5.5	-	-	-	5.5	5.4	0.0
Wavemaker Fellowship	1.7	3.5	2.0	1.6	5.3	0.8	4.5
Innovation Vouchers	1.0	1.5	1.5	2.5	5.0	0.7	4.3
Innovation Matching Grants	1.0	1.0	1.0	1.0	3.0	0.4	2.6
P-TECH	-	1.2	1.2	1.2	2.4	0.8	1.6
Main Street RI Streetscape Improvement Fund	1.0	1.0	-	1.3	2.3	1.0	1.3
Air Service Development Fund	-	1.5	1.5	0.5	2.0	-	2.0
Anchor institution Tax Credit	0.8	0.7	0.7	-	1.5	-	1.5
Industry Cluster Fund/Competitive Cluster Fund	0.8	0.5	0.5	-	1.3	0.8	0.4
Qualified Jobs Tax Incentive	-	-	-	-	-	15.9	-
Sales and Use Tax Exemption Incentive	-	-	-	-	-	3.2	-
Tax Increment Financing	-	-	-	-	-	6.5	-
Tax Stabilization Incentive	-	-	-	-	-	0.2	-
Refundable Investment Tax Credit	-	-	-	-	-	-	-
Refundable Job Training Tax Credit	-	-	-	-	-	-	-
<b>Total</b>	<b>\$42.7</b>	<b>\$42.9</b>	<b>\$41.9</b>	<b>\$38.2</b>	<b>\$122.7</b>	<b>\$112.4</b>	<b>\$36.2</b>

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

\*Total includes FY2016 Enacted, FY2017 Governor, and FY2018 Governor; not FY2017 Enacted amounts.

\*\*Total Awards through March, 2017. Fiscal Impact of certain tax credit awards extend out to 2022.

The Governor includes \$38.2 million in general revenue funding for the suite of new economic development initiatives originally launched in FY2016, a decrease of 11.0 percent (\$4.8 million) in FY2018 and is left essentially unchanged in the Governors FY2017 Revised Budget. The Governor reduces funding to the Wavemaker Fellowship program by \$1.9 million, adjusting funding to the programs implementation cycle; and increasing the P-TECH high school initiative by \$1.2 million.

The I-195 Redevelopment Fund receives an additional \$10.1 million in FY2018, \$14.9 million less than what the Executive Office of Commerce had requested. Through the second quarter of FY2017, the fund balance remained at \$25.0 million and no land sales had closed. The Governor reduces Rebuild RI in FY2018 by \$5.0 million, bringing the total appropriation to \$20.0 million, \$10.0 million less than originally conceived annual amount. Similarly, the First Wave Closing Fund is reduced by \$7.0 million in FY2018.

The Governor recommends a package of both new and revised incentives designed to spur development in the manufacturing sector in Rhode Island. Article 2 authorizes several of these incentives, including two new refundable tax credits. These incentives are:

- **Refundable Investment Tax Credit:** The Commerce Corporation may award a refundable tax credit up to \$200,000 to use against costs associated with financing manufacturing capital assets such as plant and equipment. A manufacturer is only able to redeem the credit if its value exceeded the tax liability in the year the credit is available.
- **Refundable Jobs Training Tax Credit:** This credit is available to qualifying manufacturers for expenses incurred in the training and/or retraining of employees. Like the investment tax credit described above, manufacturers may be awarded up to \$200,000 per year, and to redeem the credit it must exceed their tax liability in the year the tax credit is available.
- **Technical Assistance for Municipal Zoning and Permitting Fund:** The Budget includes a fund to finance and support technical assistance to cities and towns. This fund helps cities and towns evaluate and streamline zoning, planning, and permitting processes with the goal of advancing local economic development.

In addition to the new Article 2 incentives, the Governor recommends several other manufacturing supports, including an additional \$1.0 million in general revenue for the Innovation Voucher initiative

that is specifically reserved for investing in manufacturers, and a \$550,000 “pass-through” appropriation to the Polaris Manufacturing Technical Assistance Program to help upgrade the skills of the manufacturing workforce.

The Governor recommends another “pass-through” appropriation of \$200,000 to capitalize the National Security Infrastructure Support Fund (NSISF). The NSISF was established by the General Assembly in 2005 to leverage and secure funding from multiple sources, including federal dollars for the purposes of advancing the State’s existing military infrastructure and related economy.

Lastly, the Executive Office of Commerce has occupied a suite of offices in the State House since its establishment in 2015. As the work of the EOC has increased, the space has become too small to accommodate the demands of the office and therefore will be relocating to a space adjacent to the Commerce Corporation. A lease agreement is in process for rental office space in the ALCO Building #58 in Providence, Suite 203.

### 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 Budget includes 5.3 FTE positions in FY2017 and in FY2018.

<b>Central Management</b>	<b>General Revenue</b>
FY2017 Enacted	\$1,200,198
<i>Target and Other Adjustments</i>	
Personnel	(13,894)
Lease of Office Space for Executive Office	108,094
	69,316
<b>FY2018 Governor</b>	<b>\$1,363,714</b>

#### **Personnel** **\$108,094**

The Governor recommends \$1.3 million in general revenue for salaries and benefits within the Executive Office of Commerce, representing an increase \$108,094 over the FY2017 Budget as Enacted. This increase is associated with changes in how the EOC cost allocates personnel. First, the EOC will pay 50.0 percent of the salary and benefits of a member of the Governor’s legal staff. This represents a \$98,617 expenditure in FY2018 for a full year of salary and benefits and \$54,950 in FY2017, for a partial year of costs. The allocation is based on the amount of assistance and support the Governor’s Office provides the EOC on policy and program initiatives. The second change relates to costs associated with a new Assistant Administrator of Financial Management. This new FTE position will have responsibilities in both the Executive Office of Commerce and the Office of Housing and Community Development. 25.0 percent of the FTE position’s cost will be allocated to the Executive Office and 75.0 percent to Housing and Community Development.

#### **Lease of Office Space for Executive Office** **\$69,316**

The Budget includes \$69,316 in general revenue to pay for the leasing of new office space for the Executive Office of Commerce. Since its establishment in FY2015, the EOC has occupied a suite of offices in the State House. As the programming, responsibilities, and staff of the EOC have increased, the space has become too small to accommodate the demands of the office. The Governor recommends that the EOC be co-located with the Commerce Corporation to better align their activities and gain operational efficiencies.

In December 2016, the State Properties Committee approved a lease agreement request made by the EOC for rental office space in the ALCO Building #58 in Providence. EOC will occupy Suite 203 which consists of 2,983 square feet of space. The Commerce Corporation is currently located next door at 315 Iron Horse Way. EOC is expected to relocate in FY2017.

**COMMERCE PROGRAMS**

The Governor recommends \$3.3 million of general revenue in FY2018 to support an array of Commerce Programs primarily focused on developing and retaining workforce talent with skills in the areas of science, technology, engineering, and math. Funds within Commerce Programs continue to be used to attract new airline routes. The funding recommendation is \$1.7 million less than what was appropriated in the FY2017 Budget as Enacted.

<b>Commerce Programs</b>	<b>General Revenue</b>
FY2017 Enacted	\$5,000,000
<i>Target and Other Adjustments</i>	
Wavemaker Fellowship	(1,900,000)
P-TECH	1,200,000
Air Service Development	(1,000,000)
Refundable Investment Tax Credit	Informational
Refundable Job Training Tax Credit	Informational
<b>FY2018 Governor</b>	<b>\$3,300,000</b>

**Wavemaker Fellowship** **(\$1.9 million)**

The Governor recommends \$1.6 million in general revenue in FY2018 and \$2.0 million in FY2017 to fund the Wavemaker Fellowship Program. These appropriations are \$1.9 million and \$1.5 million less, respectively, than the FY2017 enacted amount of \$3.5 million. The reductions are meant to better align the amount of available funds each year to the demand for fellowships. 208 fellowships have been awarded to date. The Governor recommends financing the same number of awards in each of the next two fiscal years (645 total through FY2019). The Governor also recommends that the \$1.5 million in FY2017 savings be used to augment the First Wave Closing Fund this fiscal year.

<b>Budget</b>	<b>Appropriation</b>	<b>Awarded</b>	<b>Balance</b>	<b>Percent Awarded</b>	<b>Obligated</b>	<b>Percent Obligated</b>	<b>Expended</b>	<b>Percent Expended</b>
2016 Enacted	\$1,700,000	\$788,051	\$911,949	46.4%	\$788,051	46.4%	\$0	0.0%
2017 Enacted	3,500,000	-	3,500,000	0.0%	-	0.0%	-	0.0%
2017 Governor	2,000,000	-	2,000,000	0.0%	-	0.0%	-	0.0%
2018 Governor	1,600,000	-	1,600,000	-	-	-	-	-
<b>Total</b>	<b>5,300,000</b>	<b>\$788,051</b>	<b>\$4,511,949</b>	<b>14.9%</b>	<b>\$788,051</b>	<b>14.9%</b>	<b>\$0</b>	<b>0.0%</b>

The Wavemaker 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 program provides Wavemaker Fellows with refundable personal income tax credits that can be used to offset their 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.

<b>Wavemaker Fellows by Degree Sought</b>			
	<b>Master's or</b>		
<b>Associate's</b>	<b>Bachelor's</b>	<b>Ph.D.</b>	<b>Total</b>
4	110	94	208

The following table shows the planned expenditures through FY2019 based on the Governor's recommended funding levels. For planning purposes the EOC expects a cohort of 215 new fellows in both FY2018 and FY2019. Each cohort has an associated annual cost of \$800,000. Note that \$115,000 in administrative overhead (\$105,000 for salaries/benefits, \$10,000 other admin. costs) is assessed against the program by the Department.

Revenues	FY2016	FY2017	FY2018	FY2019 <sup>1</sup>	Total
Balance Forward	-	\$1,585,000	\$3,470,000	\$3,355,000	\$8,410,000
Budget	1,700,000	3,500,000	1,600,000	1,600,000	8,400,000
Reduction to Balance Forward <sup>2</sup>	-	(1,500,000)	-	-	-
<b>Total Available</b>	<b>\$1,700,000</b>	<b>\$3,585,000</b>	<b>\$5,070,000</b>	<b>\$4,955,000</b>	<b>16,810,000</b>
<b>Expenditures</b>					
Cohort 1 <sup>3</sup>	-	-	800,000	800,000	1,600,000
Cohort 2	-	-	800,000	800,000	1,600,000
Cohort 3	-	-	-	800,000	800,000
Overhead	115,000	115,000	115,000	115,000	460,000
<b>Total Expenditures</b>	<b>\$115,000</b>	<b>\$115,000</b>	<b>\$1,715,000</b>	<b>\$2,515,000</b>	<b>\$4,460,000</b>
<b>Balance</b>	<b>\$1,585,000</b>	<b>\$3,470,000</b>	<b>\$3,355,000</b>	<b>\$2,440,000</b>	<b>\$10,850,000</b>

<sup>1</sup> FY2019 figures are planning amounts. Source: EOC.

<sup>2</sup> The Governor's FY2017 Supplemental Budget reduces the FY2017 Budget as Enacted level by \$1.5 million, yielding \$2.0 million in total.

<sup>3</sup> Each Cohort is estimated to be comprised of 215 fellows, resulting in 645 in total. As of March 2017, Cohort 1 has 208 fellows.

### P-TECH

**\$1.2 million**

The Governor level funds P-TECH in FY2018 at \$1.2 million, however the program shifts from the Economic Development Initiatives Fund to the Commerce Program Fund, representing an increase in \$1.2 million increase in the latter program. This change is accompanied by a corresponding decrease in the Economic Development Initiatives Fund (see below).

Budget	Appropriation	Awarded	Balance	Percent Awarded	Obligated	Percent Obligated	Expended	Percent Expended
2015 Enacted	-	\$600,000	(\$600,000)	-	\$600,000	-	-	-
2016 Enacted	-	\$200,000	(\$200,000)	-	\$100,000	-	\$100,000	-
2017 Enacted	1,200,000	-	1,200,000	-	-	-	-	-
2017 Governor	1,200,000	-	1,200,000	-	-	-	-	-
2018 Governor	1,200,000	-	1,200,000	-	-	-	-	-
<b>Total</b>	<b>2,400,000</b>	<b>\$800,000</b>	<b>\$1,600,000</b>	<b>33.3%</b>	<b>\$700,000</b>	<b>29.2%</b>	<b>\$100,000</b>	<b>4.2%</b>

The P-TECH initiative 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 is used to hire staff and to manage the program at select Rhode Island high schools.

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 funding provides continued support for the initial three P-TECH partnerships that began in January 2016, two more recent awards that will formally begin in the Fall of 2017, and one new partnership to be determined and awarded in FY2018. The current P-TECH partnerships are:

<b>Recipient</b>	<b>Date Approved</b>	<b>Amount Approved</b>
Newport Public Schools	Jan-16	\$200,000
Providence Public Schools	Jan-16	200,000
Westerly Public Schools	Jan-16	200,000
North Providence Public Schools	Nov-16	200,000
Woonsocket Public Schools	Dec-16	200,000
<b>Total</b>		<b>\$1,000,000</b>

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 work in each school to support the P-TECH program.

***Air Service Development*** ***(\$1.0 million)***

The Governor recommends \$500,000 total general revenue to support the development of additional direct airline routes to major metropolitan areas. This represents a \$1.0 million reduction in the Air Service Development Fund as compared to the FY2017 Budget as Enacted. 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, providing a limited amount of money to compensate the airline for losses incurred if the new route is not profitable. The Executive Office of Commerce believes T.F. Green Airport is well-positioned to capitalize on the airline industry trend to add new air routes.

<b>Budget</b>	<b>Appropriation</b>	<b>Awarded</b>	<b>Balance</b>	<b>Percent Awarded</b>	<b>Obligated</b>	<b>Percent Obligated</b>	<b>Expended</b>	<b>Percent Expended</b>
2016 Enacted	\$0.0	\$0.0	\$0.0	-	\$0.0	-	\$0.0	-
2017 Enacted	1,500,000	-	1,500,000	0.0%	-	0.0%	-	0.0%
2018 Governor	500,000	-	500,000	-	-	-	-	-
<b>Total</b>	<b>\$2,000,000</b>	<b>\$0</b>	<b>\$2,000,000</b>	<b>0.0%</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$0</b>	<b>0.0%</b>

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 Airport 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 have gained traction across the country, and airlines are now receiving similar community and state support in Pittsburgh, Hartford, Baltimore, and Bozeman, Montana.

***Refundable Investment Tax Credit*** ***Informational***

The Governor recommends the creation of a new tax credit, to be administered by the Commerce Corp, intended to promote investment in manufacturing by reducing a business's tax burden. Article 2 of the Budget establishes a refundable investment tax credit that may be taken against a business's corporate or personal income taxes and is refundable to the extent that the credit exceeds the business's tax liability for the tax year in which the credit was issued only. Credits carried forward beyond the issued year are not refundable. Credits are capped at \$200,000 for any one business in any given tax year. Payment of redeemed tax credits are made from a new account within the Commerce Corp. and is contingent upon state budget appropriation. The Governor reduces revenues to the general fund in FY2018 by \$3.5 million.

To be eligible to take and/or redeem the refundable investment tax credit a business must:

- Meet the definition of a manufacturer as set forth under the existing Investment Tax Credit Program.
- Apply to the Commerce Corp. *prior* to making the investment that would give rise to the requested tax credit. When considering an application, Commerce Corp. shall consider the nature and amount of the investment; the necessity of the investment and/or credit; whether the applicant is within a target sector; and the number of jobs resulting.
- Enter an incentive agreement with the Commerce Corp. setting forth the eligibility terms and conditions governing the approval and use of the credit. Expenses used for calculating this tax credit cannot be used for calculating any other Rhode Island tax credit.

#### **Refundable Job Training Tax Credit**

#### **Informational**

The Governor also recommends the creation of a new refundable job training tax credit, to be administered by the Commerce Corp., intended to improve the skilled manufacturing workforce by incentivizing employers to invest in training by providing an offset for a manufacturer's expenses associated with the training and/or retraining of employees. Similar to the refundable investment tax credit proposal, this credit may be taken against a business's corporate or personal income taxes and is refundable to the extent that the credit exceeds the business's tax liability for the tax year in which the credit was issued only. Credits carried forward beyond the issued year are not refundable. Credits are capped at \$200,000 for any one business in any given tax year. Payment of redeemed tax credits are made from new account within the Commerce Corp. and is contingent upon state budget appropriation. The Governor reduces revenue to the general fund by \$2.0 million in FY2018.

To be eligible to take and/or redeem the refundable investment tax credit a business must:

- Meet the definition of a manufacturer as set forth under the existing Investment Tax Credit Program.
- Apply to the Commerce Corp. *prior* to making the investment that would give rise to the requested tax credit. When considering an application, Commerce Corp. shall consider the number of employees proposed to receive training, the amount and necessity of the qualifying training expenses, the necessity of the credit, the number of jobs created or retained because of the qualifying training, and whether the credit is applicable to an employer located in a municipality where family poverty levels exceed the state median (a.k.a. "Hope Community").
- A qualified employee for purposes of the credit is one who works a minimum of thirty hours a week within the state and earns no less than 150.0 percent of the state minimum wage. Qualified expenses include all those directly attributable to providing training and/or retraining employees such as payments made to public or private degree-granting educational institutions or directly to instructors that provide the training.

#### **ECONOMIC DEVELOPMENT INITIATIVES**

The Governor recommends \$33.8 million in general revenue in FY2018 to support various incentives, business assistance, and development programs designed to create and expand businesses. The funding recommendation is \$3.0 million less than what was appropriated in the FY2017 Budget as Enacted.

<b>Economic Development Initiatives Fund</b>	<b>General Revenue</b>
FY2017 Enacted	\$36,900,000
<i>Target and Other Adjustments</i>	
I-195 Redevelopment Fund	10,100,000
First Wave Closing Fund	(7,000,000)
Rebuild RI	(5,000,000)
P-TECH	(1,200,000)
Innovation Vouchers	1,000,000
Anchor Institution Tax Credit	(700,000)
Competitive Cluster Grants	(500,000)
Main Street RI Streetscape	250,000
<b>FY2018 Governor</b>	<b>\$33,850,000</b>

**I-195 Redevelopment Fund****(\$10.1 million)**

The Governor includes \$10.1 million of general revenue funding for the I-195 Redevelopment Fund in FY2018, \$14.9 million less than the Executive Office of Commerce requested and \$10.1 million more than the fund was appropriated in the FY2017.

<b>Budget</b>	<b>Appropriation</b>	<b>Awarded</b>	<b>Balance</b>	<b>Percent Awarded</b>	<b>Obligated</b>	<b>Percent Obligated</b>	<b>Expended</b>	<b>Percent Expended</b>
2016 Enacted	\$25,000,000	\$0	\$25,000,000	0.0%	\$0	0.0%	\$0	0.0%
2017 Enacted	-	19,500,000	(19,500,000)	-	19,500,000	-	-	-
2017 Governor	-	-	-	-	-	-	-	-
2018 Governor	10,100,000	-	10,100,000	-	-	-	-	-
<b>Total</b>	<b>\$35,100,000</b>	<b>\$19,500,000</b>	<b>\$15,600,000</b>	<b>55.6%</b>	<b>\$19,500,000</b>	<b>55.6%</b>	<b>\$0</b>	<b>0.0%</b>

The I-195 Redevelopment Fund received a \$25.0 million appropriation in FY2016 that was intended to be a one-time capitalization of the fund to serve as a catalyst for real estate development on the former highway land to be used to:

- Provide gap financing on real estate projects within the district.
- Acquire adjacent (abutting parcels) or proximate land nearby 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). The I-95 Redevelopment Commission oversees 20 acres of developable space.
- Finance public infrastructure and facilities that will enhance the District.

Through the second quarter of FY2017, the fund balance was \$25.0 million and no land sales had closed, although there are several deals in the pipeline. Through its February 20, 2017, meeting, the I-195 Redevelopment Commission has committed \$19.5 million from the fund to support the Wexford Science and Technology and CV Properties partnership development of a life sciences and research and development complex. Including the recommended funding, the I-195 Redevelopment Fund would have \$15.6 million of unencumbered funds in FY2018.

**First Wave Closing Fund****(\$7.0 million)**

The Governor does not recommend new financing for the First Wave Closing Fund in FY2018, representing a \$7.0 million decrease from the FY2017 Budget as Enacted. The Governor does provide \$1.5 million in additional general revenue in the current year.

Budget	Appropriation	Awarded	Balance	Percent Awarded	Obligated	Percent Obligated	Expended	Percent Expended
2016 Enacted	\$5,000,000	\$850,000	\$4,150,000	17.0%	\$0	0.0%	\$0	0.0%
2017 Enacted	7,000,000	250,000	6,750,000	3.6%	-	-	-	0.0%
2017 Governor	8,500,000	-	-	-	-	-	-	-
2018 Governor	-	-	-	-	-	-	-	-
<b>Total</b>	<b>13,500,000</b>	<b>\$1,100,000</b>	<b>\$12,400,000</b>	<b>8.1%</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$0</b>	<b>0.0%</b>

This Fund is intended to support economic development by providing “gap financing” for certain types of projects. Gap financing is that portion of a project’s 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. The following table shows the recipients to date of First Wave Closing Fund financing:

Recipient	Date Awarded	Award
AT Cross Company	May-16	\$200,000
GE Digital	Aug-16	650,000
Johnson & Johnson	Jan-17	250,000
<b>Total</b>		<b>\$1,100,000</b>

### **Rebuild RI**

**(\$5.0 million)**

The Governor includes \$20.0 million in general revenue for the Rebuild Rhode Island Tax Credit (Rebuild RI) program, a decrease of \$5.0 million from the FY2017 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 up to \$15.0 million based on the lesser of 30.0 percent of the project cost or the amount needed to close demonstrated financing gaps. Tax credits are issued once a certificate of occupancy has been obtained. If the amount of credit exceeds the taxpayers’ liability in each 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.

Budget	Appropriation	Awarded	Balance	Percent Awarded	Obligated	Percent Obligated	Expended	Percent Expended
2016 Enacted	\$1,000,000	\$48,609,834	(\$47,609,834)	4861.0%	\$48,609,834	4861.0%	\$0	0.0%
2017 Enacted	25,000,000	7,320,506	17,679,494	29.3%	7,320,506	29.3%	-	0.0%
2017 Governor	25,000,000	-	-	-	-	-	-	-
2018 Governor	20,000,000	-	20,000,000	-	-	-	-	-
<b>Total</b>	<b>\$46,000,000</b>	<b>\$55,930,340</b>	<b>(\$9,930,340)</b>	<b>121.6%</b>	<b>\$55,930,340</b>	<b>121.6%</b>	<b>\$0</b>	<b>0.0%</b>

A restricted receipt account was established (the Rebuild RI Fund) that is funded by general revenue appropriations. On an annual basis, the Commerce Corporation works 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 requests the amounts necessary to pay for the redemption of tax credits.

The FY2017 Budget as Enacted added several provisions to the Rebuild RI fund that provide fiscal stability in preparing future State Budgets, enhance transparency, authorize additional land areas and finance options to provide more flexibility to developers, and authorizes the use of these funds to reimburse municipalities. These provisions include:

- Establishing a cap not to exceed \$150.0 million as the aggregate sum for the Rebuild RI tax credits to provide stability in planning future State Budgets for the redeemed tax credits. The sunset provision is maintained for December 31, 2018. No credits will be authorized after this date.

- Allowing the use of the Rebuild RI tax credits no more than once per year for a development project undertaken by a tenant or commercial condominium owner for the development of land and building within I-195 Redevelopment District. In addition, a qualified development project by a tenant or commercial condominium owner on I-195 Redevelopment District land may be exempt from the provision that the maximum Rebuild RI credit be the lesser of 30.0 percent of the total project cost or the amount needed to close a project gap financing.
- Requiring the Director of the Office of Management and Budget to provide written confirmation in notifying the Rhode Island Commerce Corporation Board on the impact that each proposed project will have on the aggregated authorized program tax credit limit.
- Allowing the Commerce Corporation to use the Rebuild RI funds to make loans or equity investments as an alternative incentive in lieu of the tax credits, as long as the applicant otherwise qualifies for the Rebuild RI tax credits.

During the original round of Rebuild RI applications, CommerceRI indicated that the corporation has received an overwhelming response, including 30 proposals for over \$100 million in credits. The proposals spanned commercial, mixed, and residential uses and included projects of high priority to the State's economy. The originally-contemplated \$30.0 million annual appropriation for 5 years was estimated to 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 the February 2016, the Commerce Corporation has approved eighteen projects for \$55.9 million in maximum Rebuild RI tax credits. The developers, credit amounts, and total project costs are illustrated in the following table:

Recipient	Date Approved	Maximum Credit	Total Project Cost
93 Cranston, LLC	Jan-16	\$2.7	\$10.0
John M. Corcoran & Co., Inc.	Jan-16	5.6	54.0
Case Mead Association	Feb-16	2.2	7.4
WinnDevelopment & Omni Development	Mar-16	3.7	12.2
Providence Capital III, LLC	Mar-16	3.0	15.2
78 Fountain JV Owner, LLC Nordblom Develop. & Cornish Assoc.	Mar-16	6.1	48.4
AT Cross Company	May-16	0.4	2.1
Union Mills, LLC	May-16	3.6	34.6
D'Ambra Warwick Hotel, LLC	Jun-16	1.4	23.8
Ocean State Jobbers, Inc.	Jun-16	3.1	49.1
Finlay Extracts & Ingredients USA	Aug-16	0.3	54.3
Lippit Mill	Aug-16	2.1	15.2
45 Pike Street	Sep-16	2.5	21.5
Hope Artiste	Sep-16	3.6	38.9
City of Newport	Nov-16	2.1	7.1
Chestnut Commons	Dec-16	3.0	32.8
Virgin Pulse	Dec-16	3.2	10.8
Downcity	Jan-17	7.3	29.5
<b>Total</b>		<b>\$55.9</b>	<b>\$466.9</b>

*\$ in millions*

#### **P-TECH**

**(\$1.2 million)**

The Governor shifts the State's P-TECH program from the Executive Office of Commerce's Economic Development Initiatives fund to its Commerce Program fund. This represents a \$1.2 million decrease in general revenue for in FY2018.

**Innovation Vouchers****\$1.0 million**

The Governor provides an additional \$1.0 million in general revenue funding to expand the Innovation Voucher initiative in FY2018 and bring total funding to \$2.5 million. The program provides financial assistance to small businesses (under 500 employees) for research and development technical assistance. Awards can range from \$5,000 to \$50,000. Vouchers may be used to pay for: research and technological development; product development; commercialization; market development; technology exploration; and improved business practices/strategies that grow business and create operational efficiencies.

Budget	Appropriation	Awarded	Balance	Percent Awarded	Obligated	Percent Obligated	Expended	Percent Expended
2016 Enacted	\$1,000,000	\$731,265	\$268,735	73.1%	\$694,346	69.4%	\$36,919	3.7%
2017 Enacted	1,500,000	-	1,500,000	0.0%	(17,734)	-1.2%	17,734	1.2%
2017 Governor	1,500,000	-	1,500,000	0.0%	-	0.0%	-	0.0%
2018 Governor	2,500,000	-	2,500,000	-	-	-	-	-
<b>Total</b>	<b>5,000,000</b>	<b>\$731,265</b>	<b>\$4,268,735</b>	<b>14.6%</b>	<b>\$676,612</b>	<b>13.5%</b>	<b>\$54,653</b>	<b>1.1%</b>

Article 2 of the Budget expands and refines the incentive program by creating a distinct category of small business manufacturer (as defined for property tax exemption purposes under RIGL 44-3-3) to which the Commerce Corp. may issue vouchers. The \$1.0 million in additional funding is recommended to be used for vouchers issued to manufacturers.

A total of 17 companies to date have received approval from the Commerce Corporation for Innovation Vouchers totaling \$731,265. The approved companies and voucher amounts include the following:

Recipient	Date Approved	Amount Approved
Agcore Technologies, LLC	Jan-16	\$50,000
Applied Radar, Inc.	Jan-16	10,000
CBC, LLC	Jan-16	50,000
EpiVax, Inc.	Jan-16	50,000
Full Measure, LLC	Jan-16	48,814
HMSolution, Inc.	Jan-16	20,000
Materials Science Associates, LLC	Jan-16	50,000
Pilgrim Screw Corporation	Jan-16	49,921
S2S Surgical, LLC	Jan-16	37,613
Vitae Industries, Inc.	Jan-16	40,000
Yushin America, Inc.	Jan-16	45,549
Aquanis LLC	Nov-16	50,000
MindImmune Therapeutics, Inc.	Nov-16	50,000
Nanosoft, LLC	Nov-16	49,814
PowerDocks, LLC	Nov-16	29,554
Pro Thera Biologics, Inc.	Nov-16	50,000
Videology Imaging Solutions, Inc.	Nov-16	50,000
<b>Total</b>		<b>\$731,265</b>

**Anchor Institution Tax Credit****(\$700,000)**

The Governor does not recommend any additional funding for the Anchor Institution Tax Credit in FY2018, representing a decrease of \$700,000 compared to the enacted level; however, the Budget includes \$700,000 more in the current year.

Budget	Appropriation	Awarded	Balance	Percent Awarded	Obligated	Percent Obligated	Expended	Percent Expended
2016 Enacted	\$750,000	\$0	\$750,000	0.0%	\$0	0.0%	\$0	0.0%
2017 Enacted	700,000	-	700,000	-	-	-	-	-
2017 Governor	700,000	-	700,000	-	-	-	-	-
2018 Governor	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,450,000</b>	<b>\$0</b>	<b>\$1,450,000</b>	<b>0.0%</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$0</b>	<b>0.0%</b>

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 amount available, 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.

#### **Competitive Cluster Grants**

**(\$500,000)**

The Governor does not recommend any additional funding for the Competitive Cluster Grant Program in FY2018, representing a decrease of \$500,000 compared to the enacted level; however, the Budget does include \$500,000 more for the current year.

Budget	Appropriation	Awarded	Balance	Percent Awarded	Obligated	Percent Obligated	Expended	Percent Expended
2016 Enacted	\$750,000	\$833,640	(\$83,640)	111.2%	\$569,382	75.9%	\$264,258	35.2%
2017 Enacted	500,000	-	500,000	0.0%	(71,958)	-14.4%	71,958	14.4%
2017 Governor	500,000	-	-	-	-	-	-	-
2018 Governor	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,250,000</b>	<b>\$833,640</b>	<b>\$416,360</b>	<b>66.7%</b>	<b>\$497,424</b>	<b>39.8%</b>	<b>\$336,216</b>	<b>26.9%</b>

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 has approved the following awards to date:

Recipient	Date Approved	Amount Approved
DesignxRI	May-16	\$100,000
Highlander Institute	May-16	149,750
International Yacht Restoration School, Inc.	May-16	75,290
Partnership for a Greater Future Prov./Southside Comm. Land Trust.	May-16	115,000
PolarisMEP/RI Composite Alliance	May-16	99,600
Rhode Island Manufacturers Association	May-16	100,000
SENEDIA	May-16	109,000
Farm Fresh	Sep-16	85,000
<b>Total</b>		<b>\$833,640</b>

#### **Main Street RI Streetscape Program**

**\$250,000**

The Governor budgets \$1.3 million for the Main Street RI Streetscape Program (Main Street RI), a \$250,000 increase above the FY2017 Budget as Enacted.

Budget	Appropriation	Awarded	Balance	Percent Awarded	Obligated	Percent Obligated	Expended	Percent Expended
2016 Enacted	\$1,000,000	\$999,400	\$600	99.9%	\$999,400	99.9%	\$0	0.0%
2017 Enacted	1,000,000	-	1,000,000	0.0%	-	0.0%	-	0.0%
2017 Governor	1,000,000	-	-	-	-	-	-	-
2018 Governor*	1,250,000	-	1,250,000	-	-	-	-	-
<b>Total</b>	<b>3,250,000</b>	<b>\$999,400</b>	<b>\$2,250,600</b>	<b>30.8%</b>	<b>\$999,400</b>	<b>30.8%</b>	<b>\$0</b>	<b>0.0%</b>

\*Governor's FY2018 Budget includes \$250,000 dedicated to new Permitting/Regulations Technical Assistance Initiative.

The Main Street RI Streetscape Program was created to provide loans, matching grants, and other forms of financing, with recipients providing 30.0 percent match, to upgrade streetscapes in local business districts. Seven awards totaling \$999,400 have been made to date and are listing in the following table:

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

The Governor recommends expanding Main Street RI to include a new technical assistance component for improving the local regulatory environment in a manner that supports sustained economic development at the local-level. Article 2 of the Budget establishes a new Municipal Zoning and Permitting Technical Assistance Fund within Main Street RI. The article authorizes Commerce Corp. within available appropriations, to award grants, loans and other methods of financing that provide municipalities access to technical assistance related to evaluating and streamlining zoning and permitting practices. The funds may receive federal, state or other resources. The Governor recommends that the additional \$250,000 in general revenue provided in FY2018 be dedicated for this new fund.

## 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 Budget includes 10.8 FTE positions in FY2017 and 11.8 FY2018.

Housing and Community Development	General Revenue
FY2017 Enacted	\$617,205

<i>Target and Other Adjustments</i>	25,186
<b>FY2018 Governor</b>	<b>\$642,391</b>

Housing and Community Development	Other Funds Changes
Housing Resources Commission	(\$590,618)
Community Development Block Grant	\$99,715

***Housing Resources Commission (restricted receipts)*** ***(\$590,618)***

The Governor recommends transferring the responsibility for state-wide coordination of lead mitigation from the Housing Resources Commission within the Office of Housing and Community Development to

the Department of Health. Article 22 of the Budget repeals RIGL 42-128.1, “Lead Hazard Mitigation”, which authorizes the Housing Resource Commission (HRC) as the lead state agency for lead hazard mitigation, planning, education, technical assistance, and project coordination of state financial assistance to property owners for lead hazard mitigation. The article also amends RIGL 23-24.6, “Lead Poisoning Prevention Act”, establishing the Department of Health (DOH) as the lead state agency on lead poisoning prevention efforts and eliminates the Interagency Coordinating Council on Environmental Lead. These prevention efforts include lead screening, detection, education, hazard reduction, and enforcement. The purpose of this article is to consolidate authority on lead-related issues under the Department of Health and streamline and strengthen lead poisoning prevention activities to improve child and family health across the State.

Under current law, the Housing Resource Commission (HRC) restricted receipt account receives \$0.30 of Real Estate Conveyance Tax collections; the article shifts \$0.05 of the HRC’s \$0.30 collection to the Department of Health’s lead screening restricted receipt account. It is estimated that this restricted receipt transfer will total \$590,618 in FY2018, which will fund new program responsibilities and 3.0 new FTE positions (2.0 State Lead Inspectors and 1.0 Data Manager) associated with lead poisoning prevention efforts.

*Analyst Note: Article 22 was amended on February 28, 2017, to have an amount no less than \$590,000 transferred annually from the HRC restricted receipt account to the Department of Health’s lead screening restricted receipt account, in lieu of the \$0.05 transfer. The purpose of this amendment is to establish a consistent funding source annually, as opposed to the original proposal which had the potential to vary year to year.*

*Additionally, Article 22 refers to DOH’s “lead screening restricted receipt account” as described above. Article 7: Relating to State Funds, exempts several restricted receipt accounts from the 10.0 percent indirect cost recovery charge provisions under RIGL 35-4-27. The proposed exemption would apply to what is referred to in Article 7 as the “Lead Poisoning Prevention account”. It appears that Article 7 incorrectly names this restricted receipt account.*

### **Community Development Block Grant (federal funds)**

**\$99,715**

The Budget includes a net increase of \$99,715 in federal funds receipts involving numerous Community Development Block Grant (CDBG) awards. Under federal guidelines, the State manages the program for 33 Rhode Island municipalities which do not receive an allocation directly from the United States Housing and Urban Development. 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. \$159,918 of new federal funds are budgeted in FY2018, the majority of which comes from a recently awarded Community Development Block Grant (CDBG) received by the State. These funds will go to support 1.0 Chief of Housing and Community Development.

The additional resources are offset by a decrease of \$60,203 related to the two Disaster Recovery Grants related to Hurricane Sandy that have supported local (municipal) disaster recovery activities. CDBG–Disaster Recovery funded projects are nearly entirely completed and this reduction reflects the ending of these grants.

### **QUASI-PUBLIC APPROPRIATIONS**

The Budget 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.

<b>Quasi-Public Appropriations</b>	<b>General Revenue</b>
FY2017 Enacted	\$11,856,714
<i>Target and Other Adjustments</i>	<i>80,000</i>
Pass-Through Appropriations	750,000
Rhode Island Commerce Corporations Budget	Informational
<b>FY2018 Governor</b>	<b>\$12,686,714</b>

<b>Quasi-Public Appropriations</b>	<b>Other Funds Changes</b>
Quonset Piers	\$1,600,000

**Pass-Through Appropriations** **\$750,000**

The Budget includes \$4.5 million in “pass-through” general revenue appropriations in the Executive Office of Commerce, reflecting an increase of \$750,000 over the FY2017 Enacted Budget. The increase is related to several new pass-through initiatives:

- **Polaris Manufacturing Technical Assistance Program (Polaris):** The Governor recommends \$550,000 to fund Polaris, the State’s official Manufacturing Extension Partnership. This program supports Rhode Island manufacturers by expanding the technical assistance capacity of Polaris, the State’s. Polaris provides group and individual trainings in manufacturing and promotes manufacturing state-wide. Polaris is also an officially designated Real Jobs Partnership by the Governor’s Workforce Board, a role that allows the organization to leverage multiple funding streams to address the workforce needs of manufacturers.
- **National Security Infrastructure Support Fund (NSISF):** The Governor includes \$200,000 to capitalize the National Security Infrastructure Support Fund (NSISF). The NSISF was established by the General Assembly in 2005 to leverage and secure funding from multiple sources, including federal dollars for the purposes of advancing the State’s existing military infrastructure and related economy.

The Budget level funds the other pass-through appropriations which include:

- **Airport Impact Aid:** The Budget includes \$1.0 million in additional funding for 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:

<b>FY2016 Actual</b>	<b>1.0 Million Passengers</b>	<b>Distribution on Landings</b>	<b>All Airports and Communities to \$25,000</b>	<b>Total</b>
Warwick T.F. Green	\$600,000	\$162,513	\$0	\$762,513
Block Island	-	38,261	-	38,261
Middletown-Newport Airport <sup>1</sup>	-	59,063	-	59,063
North Central	-	45,825	-	45,825
Smithfield			2,087	2,087
Lincoln			2,087	2,087
North Kingstown-Quonset	-	49,120	-	49,120
Westerly	-	45,217	-	45,217
	<b>\$600,000</b>	<b>\$400,000</b>	<b>\$4,174</b>	<b>\$1,004,173</b>

<sup>1</sup> Located in Middletown

- **Rhode Island Science and Technology Advisory Council (STAC):** The Budget provides \$1.0 million in general revenue to support the innovative technology and bioscience and engineering internship program, administered by the STAC. 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.
- **Chafee Center at Bryant University:** The Budget includes \$376,200 to support the RI Export Assistance Center at Chafee Center at Bryant University.
- **Rhode Island College and University Research Collaborative (The Collaborative):** The Governor includes \$150,000 to fund The Collaborative. The Collaborative is a consortium of the local colleges and universities through which the schools provide support to the state in various ways such as increasing the use of non-partisan academic research in policymaking and providing evidence-based foundation for government decision making. The Collaborative has developed a Resource Network of experts from Rhode Island's 11 colleges and universities, creating a public/private partnership.

#### ***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 shows the revenues and expenditures that compose the annual Commerce RI budget with facts available as of July 1, 2016:

<b>Expenditures</b>	<b>FY2016 Actual</b>	<b>FY2017 Governor</b>	<b>FY2018 Governor</b>	<b>Change from Governor FY2017</b>
Personnel and Operating	\$10,399,571	\$11,652,349	\$12,519,119	\$866,770
EOC Commerce Programs	-	-	-	-
Tourism and Business Marketing Campaigns	-	-	-	-
Grants or Partnerships	1,173,043	1,461,658	1,396,766	(64,892)
Chafee Center at Bryant	376,200	376,200	376,200	-
Airport Impact Aid	1,004,174	1,025,000	1,025,000	-
STAC Research Alliance (EPScore)	1,003,302	1,150,000	1,150,000	-
RI College and University Collaborative	-	150,000	150,000	-
Innovative Matching Grants	849,104	1,000,000	1,000,000	-
AICU	61,807	150,000	150,000	-
Slater Centers of Excellence	3,000,000	-	3,000,000	3,000,000
National Security Infrastructure Fund	-	-	200,000	200,000
Polaris Manufacturing Technical Assistance	-	-	550,000	550,000
Community Service Grants	789,492	-	-	-
Federal Pass-thru Grants	3,720,838	6,108,262	2,772,350	(3,335,912)
Renewable Energy Fund	3,442,977	3,211,000	3,211,000	-
Volvo Ocean Race	48,001	-	-	-
<b>Total</b>	<b>\$25,868,509</b>	<b>\$26,284,469</b>	<b>\$27,500,435</b>	<b>\$1,215,966</b>
<b>Revenue</b>				
Opening Balance Revenues	\$1,574,863	\$903,599	\$753,599	(\$150,000)
RI Commerce Corporation Base Appropriation	7,394,514	7,434,514	7,474,514	40,000
EOC Commerce Programs	-	-	-	-
Community Service Objectives	789,492	-	-	-
Airport Impact Aid	1,004,174	1,025,000	1,025,000	-
STAC Research Alliance (EPScore)	1,003,302	1,150,000	1,150,000	-
RI College and University Collaborative	-	150,000	150,000	-
Chafee Center at Bryant	376,200	376,200	376,200	-
Innovative Matching Grants	849,104	1,000,000	1,000,000	-
Renewable Energy Fund	3,442,977	3,211,000	3,211,000	-
Volvo Ocean Race	48,001	-	-	-
Federal Grants	3,720,838	6,108,262	2,772,350	(3,335,912)
Hotel Tax Revenue	3,761,343	4,238,122	5,000,000	761,878
Finance Program Allocation <sup>1</sup>	1,109,898	348,797	348,797	-
Grant Reimbursements	1,053,944	940,604	940,604	-
Other	643,458	151,970	151,970	-
<b>Total</b>	<b>\$26,772,108</b>	<b>\$27,038,068</b>	<b>\$24,354,034</b>	<b>(\$2,684,034)</b>
<b>Net Gain/(Loss)</b>	<b>\$903,599</b>	<b>\$753,599</b>	<b>(\$3,146,401)</b>	<b>(\$3,900,000)</b>
FTE Levels	56.0	62.0	67.0	5.0

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

Source: Rhode Island Commerce Corporation and Budget Office

## CAPITAL PROJECTS

### Quonset Piers (other funds)

**\$1.6 million**

The Budget adds \$1.6 million in Rhode Island Capital Plan (RICAP) funds for architectural and engineering work for pier and port improvements to Pier 2 at the Quonset Davisville Port in the Town of North Kingstown. The FY2017 Budget as Enacted authorized \$90.0 million in funding for Quonset from various sources. These included a \$50.0 million bond referendum for infrastructure modernization and repairs at the Port that voters approved in November 2016; special obligation bonds of up to \$25.0 million to be issued by the Commerce Corp; and \$15.0 million from the RICAP fund.



## Executive Office of Health and Human Services

Expenditures By Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$175.1	\$146.4	\$170.8	\$24.3	16.6%	\$111.6	(\$34.9)	-23.8%
Medical Assistance (Including Medicaid)	2,185.2	2,251.8	2,318.3	665.3	3.0%	2,354.5	102.7	4.6%
<b>Total</b>	<b>\$2,360.3</b>	<b>\$2,398.2</b>	<b>\$2,489.0</b>	<b>\$90.8</b>	<b>3.8%</b>	<b>\$2,466.0</b>	<b>\$67.9</b>	<b>2.8%</b>
<b>Expenditure By Source</b>								
General Revenue	\$911.5	\$937.0	\$945.4	\$8.4	0.9%	\$938.6	\$1.6	0.2%
Federal Funds	143.3	1,447.7	1,527.9	80.2	5.5%	1,506.3	58.6	4.0%
Restricted Receipts	15.4	13.5	15.8	2.3	16.9%	21.1	0.8	56.2%
<b>Total</b>	<b>\$2,360.3</b>	<b>\$2,398.2</b>	<b>\$2,489.0</b>	<b>\$90.8</b>	<b>3.8%</b>	<b>\$2,466.0</b>	<b>\$67.9</b>	<b>2.8%</b>
<i>Authorized FTE levels</i>	187.0	179.0	178.0	(1.0)	-0.6%	269.0	90.0	50.3%

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

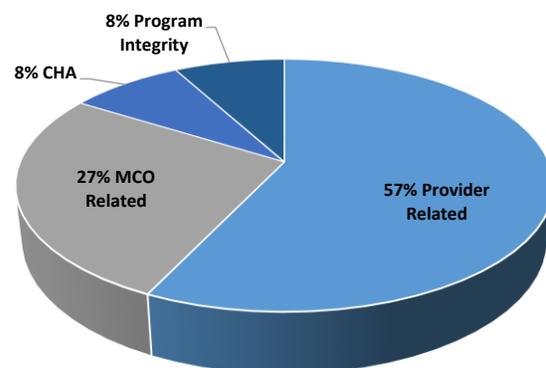
The Executive Office of Health and Human Services (EOHHS) is the umbrella agency that oversees the departments of Health; Human Services; Children, Youth, and Families; and Behavioral Healthcare, Developmental Disabilities, and Hospitals. Its mission is to serve as the coordinating agency for healthcare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

### MAJOR ISSUES AND TRENDS FOR FY2018

The Governor's budget focuses on cost containment in the Medical Assistance program through provider-related rate cuts, saving \$26.6 million in general revenue, and reductions to managed care organizations (MCOs) saving \$12.5 million in general revenue in FY2018. Provider related savings are directed primarily nursing facilities, hospitals, and Federally Qualified Health Centers (FQHCs). The Budget also includes general revenue savings related to the Children's Health Account (CHA) and program integrity related initiatives, saving \$7.6 million in general revenue.

In addition to the savings proposal, the Governor includes general revenue increases, \$47.9 million for the November adopted Caseload Estimating Conference (CEC) forecast of underlying caseload and price increases, \$2.5 million for home health aide wage increases, and \$3.3 million for increases in home and community-based programming. The expenditures on home health-aides and home and community-based programming are intended to support EOHHS efforts to promote community-based living for elders and individuals with disabilities. The net increase in general revenue spending over November adopted CEC FY2017 estimate, \$7.2 million, in the Medical Assistance program is offset by reduced spending, \$6.2 million, in Central Management related to the delayed deployment of certain functionality to the IT development project, Unified Health Infrastructure Project (UHIP), in FY2018.

**Governor's General Revenue Savings Proposals in FY2018**



General revenue savings include:

- **Nursing Facilities:** The Budget proposes to freeze a scheduled, inflation-based payment increase to nursing facilities; modifies the acuity-based payment methodology; and, reduces nursing facility utilization, saving a total of \$13.3 million in general revenue (\$26.7 million all funds) in FY2018.
- **Hospitals:** The Governor's budget reduces expenditures to hospitals by \$12.1 million (\$25.6 million all funds) in FY2018. The initiatives include freezing hospital reimbursement rates, reducing funding for the Upper Payment Limit (UPL), eliminating the Graduate Medical Education (GME) program, and cutting reimbursement rates to hospitals.
- **MCOs:** The Governor's budget reduces expenditures to Managed Care Organizations (MCOs) by \$12.5 million (\$23.0 million all funds) in FY2018. The initiatives include reducing administrative fees paid on behalf of members residing in a nursing home and enrolled in Rhody Health Options (also known as the Integrated Care Initiative (ICI) or dual eligible), saving \$6.2 million in general revenue (\$12.7 million all funds); reducing risk share payments for Rhody Health Options, saving \$1.7 million in general revenue (\$3.5 million all funds); reforming the MCO performance goal program, saving \$2.3 million in general revenue (\$1.6 million all funds); eliminating the provider incentive program, saving \$1.5 million in general revenue (\$3.0 million all funds), and reducing the administrative inflation-based rate increases to MCOs, saving \$827,155 in general revenue (\$2.2 million all funds).
- **FQHCs:** The Budget proposes an alternative payment methodology for FQHCs by requiring reimbursement rates to FQHCs to be included in Managed Care Organizations (MCOs) capitated rates, (fixed per member, per month rate), saving \$1.2 million in general revenue (\$3.0 million all funds) in FY2018.
- **CHA:** This Governor's budget includes an increase on the assessment of private and self-funded insurers to fund the Children's Health Account (CHA) projected to generate an additional \$3.8 million in restricted receipts in FY2018.
- **Program Integrity:** The Governor proposes to improve program integrity through improved beneficiary collections, Medicare premium collections, eligibility integrity, and estate recoveries, saving \$3.7 million in general revenue in FY2018.

The Executive Office of Health and Human Services has been under continuous reform for the last two fiscal years. Many of the proposed changes within the Governor's FY2016 and FY2017 Budget proposals were focused on objectives outlined in the recommendations provided by the Reinventing Medicaid Workgroup and the Working Group on Healthcare Innovation which aimed to contain costs within the Medicaid program, while continuing to improve the quality of care to achieve better outcomes. The State continues to move the healthcare system from a fragmented, siloed system of care that relies heavily on acute and institutional care, toward a coordinated community-based system that incentivizes improved health outcomes.

**Accountable Entities:** A primary, ongoing initiative intended to achieve many of EOHHS reform initiatives is related to Accountable Care Entities (AEs). AEs aim to reform the current payment system toward 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. Currently, the State has approved the operation of six certified Accountable Entities: Blackstone Valley Community Health Center's Health Key, Coastal Medical Inc., Community Health Center, Integra Community Care Network, Providence Community Health Centers Inc., and Prospect Health Services of Rhode Island. While the FY2018 Budget does not include savings specific to AEs, many payment reform strategies are related to the development of AEs. Savings for AEs were included in the FY2016 and FY2017 Enacted Budgets.

**Healthy Aging Initiative:** The Governor seeks authority through Article 12 to amend the 1115 waiver authority by changing Integrated Care Initiative (ICI) enrollment, modifying payment methodology, updating the eligibility determination procedures, and promoting options counseling for long-term services and supports (LTSS). The ICI aligns the financing of Medicare and Medicaid and integrates primary, acute, behavioral health, and LTSS for Medicare-Medicaid enrollees. Neighborhood Health Plan of Rhode Island (NHPRI) is the MCO contracted with the state to manage the ICI program. The changes are projected to save \$15.6 million in general revenue (\$32.0 million all funds) specific to the Healthy Aging Initiative and invests \$3.3 million in general revenues (\$6.8 million all funds) for a net decrease of \$12.3 million in general revenue (\$25.2 million all funds) in the FY2018 Governor’s budget.

#### Healthy Aging Initiative

Healthy Aging Initiative	Impacts	General Revenue	All Funds
MCO Administrative Savings	MCOs	(\$7.9)	(\$16.2)
Acuity-Based Payment Reform	Nursing Facilities	(5.2)	(10.7)
Reduced Utilization	Nursing Facilities	(2.5)	(5.1)
Community-Based Investment	Community-Based Providers	3.3	6.8
<b>Net Impact</b>		<b>(\$12.3)</b>	<b>(\$25.2)</b>

*\$ in millions*

**Health System Transformation Project (HSTP):** In order to advance the development of the AEs, the State submitted a proposal to Centers for Medicaid and Medicare Services (CMS) for development of the HSTP. The State was awarded up to \$129.7 million in federal funds toward this project. The HSTP is intended to advance the ongoing Medicaid healthcare delivery reforms underway in Rhode Island. The funds will be used for the establishment of AEs. The FY2018 Governor’s budget does not include federal or general revenue expenditures required to support the HSTP.

The HSTP program will be funded by leveraging existing general revenue contributions for health delivery system programs for a federal funds match. Higher Education programs, which support the healthcare workforce and industry, will provide approximately 90.0 percent of the state general revenue match. The programs CMS has approved for federal matching funds include the Wavemaker Fellowship Program, Tuberculosis Clinic, Rhode Island Child Audiology Center, Center for Acute Infectious Disease Epidemiology, Consumer Assistance Programs, and Health Workforce Development.

The State is in the process of developing a claiming protocol for the above programs that CMS will match with federal funds, thereby, creating a fund for the development of AEs. Each program will develop specific claiming protocol to comply with the special terms and conditions of this agreement with CMS.

**Unified Health Infrastructure Project (UHIP):** In September of 2016, the State launched Phase II of UHIP. UHIP, the largest scale IT project the State has undertaken, has increased cost projections to \$327.0 million from all fund sources through FY2018. These costs are shared across the EOHHS, the Department of Human Services (DHS), and HealthSource RI (HSRI). The Budget includes a total expenditure in EOHHS for the project of \$287.4 million through FY2018, including \$40.0 million in general revenue funding and \$248.0 million in federal funding. The Governor budgets includes \$3.7 million in general revenue (\$18.6 million all funds) in the EOHHS in FY2018 for UHIP, a reduction of \$6.2 million in general revenue spending for this project. The reduced expenditures are due to delayed implementation of functionality for the UHIP project.

Phase II of the UHIP project has been plagued with technical failures resulting in delays in eligibility and payments to providers for services provided to Medicaid beneficiaries. The result of this launch has proved unsuccessful sparking massive challenges to ensuring integrity of the Medicaid system. These challenges precipitated the Governor’s decision to seek the resignation of the Director of DHS, the Director of Information Technology, and the Secretary of Health and Human Services. The Governor has replaced

these key positions with acting leaders, published an analysis of the current conditions of the project, and proposed short-term and long-term solutions to improve the performance of the system.

It is unclear what the fiscal impact will be to the FY2018 budget; however, the November Caseload Estimating Conference (CEC) included \$16.1 million in UHIP related efficiencies and savings in FY2018. It is unlikely these savings will be achieved given the present system condition. The Governor is in negotiations with the primary developer of the system, Deloitte Consulting, to assume the costs associated with the IT malfunctions.

*Analyst Note: The Administration released a report, An Assessment of the Unified Health Infrastructure Project, on February 15, 2017. The report identified the current challenges with the system which have led to the disruption of services and payments for beneficiaries and providers. It also details corrective actions that are being taken immediately, as well as short-term goals to correct the deficiencies.*

*UHIP data integration problems may have resulted in understated base caseload levels for Medicaid programs. This could lead to revisions and additional projected costs in FY2017 and FY2018. The Administration report states that budget risks include:*

*“The State’s previous caseload forecasts may turn out to be incorrect for programs that are having issues with eligibility or enrollment.*

*The State may not achieve program or personnel savings that were previously anticipated within the same time frame because relevant functionality is working only partially or not at all.*

*There may also be delays in savings because the system is not yet accurately making payments to some providers, resulting in some potential overpayments.”*

**FTE Increase:** The Governor adds 91.0 FTE positions to Central Management at the EOHHS. The additional positions are transfers of financial staff from health and human service Departments in order to centralize financial management across the Departments. The transfers include: 39.0 FTEs from the Department of Human Services, 33.0 FTEs from Department of Behavioral Healthcare, Developmental Disabilities and Hospital, 12.0 FTEs from the Department of Children, Youth and Families, and 7.0 FTEs from the Department of Health. These agencies see a corresponding decrease in their FTE authorizations.

### **CENTRAL MANAGEMENT**

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

The Budget includes 269.0 FTE positions in FY2018, an increase of 91.0 FTE position over the FY2017 Budget as Enacted. The additional FTE positions are transfers of financial staff from the following departments: 39.0 FTEs from the Department of Human Services, 33.0 FTEs from Department of Behavioral Healthcare, Developmental Disabilities and Hospital, 12.0 FTEs from the Department of Children, Youth and Families, and 7.0 FTEs from the Department of Health. The funding for the transferred positions will remain with the sending agency to maximize current federal financing opportunities.

<b>Central Management</b>	<b>General Revenue</b>
FY2017 Enacted	\$32,544,387
<i>Targets and Adjustments</i>	
Unified Health Infrastructure Project (UHIP)	365,537
Contracts and Services	(6,165,491)
<b>FY2018 Governor</b>	<b>\$26,936,377</b>

**Unified Health Infrastructure Project (UHIP) (\$6.2 million)**

The Governor's budget reduces general revenue by \$6.2 million (\$36.1 million all funds) in FY2018 related to reduce design and development plans for Phase II of the UHIP project. The total projected expenditure for this project through FY2018 is \$327.0 million all funds.

The Unified Health Infrastructure Project (UHIP) is the largest Information Technology (IT) project undertaken by the State intended to fully integrate health and human service programs and establish a State-based health insurance exchange, HealthSource RI. The project was developed in two phases. Phase I, launched in 2013, created an online portal for purchasing commercial health insurance and income-based Medicaid eligibility. Phase II of UHIP launched in September of 2016 was intended to expand the system to serve as a portal through which residents apply for and enroll in other health and human service programs such as Child Care, SNAP, GPA, and SSI programs.

Phase II of the UHIP project has been plagued with technical failures resulting in delays in eligibility and payments to providers for services provided to Medicaid beneficiaries. The challenges led the Center for Medicaid and Medicare Services (CMS) to reject the State's request for funding for design and development until progress is made on fixing the ongoing failures of the system, reducing expenditures in the FY2018 Governor's Budget. It is unclear if the ongoing challenges with the UHIP project will result in unexpected expenditures.

**Contracts and Services \$191,944**

The Budget includes an increase of \$191,944 (\$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.

- The State is working in collaboration with a New England consortium to conduct a Self-Assessment that is required by CMS and has budgeted \$950,000 in FY2017 and FY2018. Once awarded the State will receive a 90.0 percent match on this contract, resulting in a general revenue cost of \$95,000 in FY2018. CMS provided funding to States through the Medicaid Information Technology Architecture (MITA) program to conduct an assessment their business process, operations, and technology interoperability. The MITA program aims to support improved systems development and interoperability in State operated Medicaid programs.
- Increase in the Hewlett Packer (HP) Enterprise contract of \$96,944 for modifications to support major initiatives associated with the Medicaid Management Information System (MMIS) related to the UHIP.

**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 managed care organizations (Neighborhood Health Plan of Rhode Island and United Healthcare of New England) that 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.

<b>Medical Assistance</b>	<b>General Revenue</b>
FY2017 Enacted	\$904,442,625
<i>Targets and Adjustments</i>	
	180,001
November Caseload Estimating Conference	47,895,770
Nursing Facility Reductions	(13,294,258)
Hospital Reductions	(12,147,469)
MCO Reductions	(12,500,780)
Children's Health Account Increase Collection	(3,750,000)
Community Based ICI Investments	3,313,141
Home Health Aide Wage Increase	2,506,051
Medicare Part B Premium Increase	(1,543,495)
Beneficiary Liability Collection	(1,209,091)
FQHC Payment Reform	(1,201,784)
Program Integrity	(492,100)
Estate Recoveries	(250,000)
Medicare and Veterans Administration Coordination	(250,000)
Healthy Aging Initiative	Informational
<b>FY2018 Governor</b>	<b>\$911,698,610</b>

**November Caseload Estimating Conference****\$47.9 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 appropriation for entitlement programs. Projections are based on current enrollment trends as well as Medicaid Inflation Adjustments that are used to prepare projections.

<b>November 2016 Caseload Estimating Conference</b>	<b>FY2017 Enacted</b>	<b>FY2018 Adopted</b>	<b>Change from Enacted</b>	
General Revenue	\$904.4	\$952.3	\$47.9	5.3%
Federal Funds	\$1,300.0	\$1,452.1	152.1	11.7%
Restricted Receipts	\$9.6	\$9.6	-	0.0%
<i>\$ in millions</i>	<b>\$2,214.0</b>	<b>\$2,414.0</b>	<b>\$200.0</b>	<b>9.0%</b>

The FY2018 projected medical assistance general revenue expenditures are \$952.3 million, \$47.9 million more than the FY2017 enacted amount. Notable adjustments in caseload are assumed through increased general revenue expenditures for the costs associated with Medicaid expansion, hospitals, nursing facilities, and the Integrated Care Initiative (ICI). The Medicaid expansion program was fully federally funded until mid-year in FY2016 at which point it was reduced to 95.0 percent Federal Medical Assistance Percentage (FMAP), the amount of federal matching funds for state expenditures for assistance payments. FY2017 was the first fiscal year in which general revenue is required for the Medicaid program's expansion. The FMAP will be incrementally phased down to 90.0 percent by CY2020.

**Nursing Facility Related Initiatives****(\$13.3 million)**

The Governor freezes inflation-based rate increase to nursing facilities, modifies the acuity-based payment methodology, and reduces nursing facility utilization, saving a total of \$13.3 million in general revenues (\$26.7 million all funds) in the FY2018 Budget.

<b>Nursing Facility Related Initiatives</b>		
<b>Nursing Facility Reductions</b>	<b>General Revenue</b>	<b>All Funds</b>
Nursing Facility Rate Freeze	(\$5.6)	(\$10.9)
Nursing Facility Payment Reform (ICI)	(5.2)	(10.7)
Nursing Facility Reduced Utilization	(2.5)	(5.1)
<b>Total</b>	<b>(\$13.3)</b>	<b>(\$26.7)</b>
<i>\$ in millions</i>		

**Nursing Facility Rate Freeze:** The Governor proposes to freeze the inflation-based rate increase to nursing facilities, saving \$5.6 million in general revenue (\$10.9 million all funds) in FY2018. The inflation-based rate is an annual increase, based on the national nursing home inflation index (approximately a 3.0 percent increase), and scheduled to go into effect on October 1, 2017.

In the FY2017 Budget as Enacted, nursing facilities received an inflation-based rate increase, totaling \$3.9 million in general revenue (\$7.9 million all funds), with the condition that 85.0 percent of rate increase was used to increase wages and employee-related benefits to certified nursing assistance (CNAs) and other direct care workers at nursing facilities.

**Nursing Facility Payment Reform (ICI):** The Governor recommends \$5.2 million in general revenue savings for acuity-based payment reform. Article 12 seeks authority to reform acuity-based payments to nursing facilities. The \$5.2 million in general revenue savings for this initiative are identified in the Healthy Aging Initiative. EOHHS proposes to rebase the acuity-based component of the nursing facility rate that was established in 2013. Acuity-based payments are established by an assessed measurement of the intensity of nursing care for a patient. For example, a patient who is ambulatory (able to walk) would be assessed at a lower acuity level than a patient who is unable to walk. The acuity-based payment was developed with an average weight of 1.0. Following the adoption of the acuity-based payment, the average (provider billed) weight increased to 1.05 within the first few months of adoption, resulting in higher expenditures.

According to the Department the increase in the weighted average was not likely the result of patients becoming sicker, but rather, providers becoming more skilled at assessment of acuity or accurately billing for it. Re-basing the acuity base is essentially cutting the rate at which nursing facilities are compensated for an individual's level of care needs.

In the FY2017 Budget as Enacted, nursing facilities received the inflation-based rate increase, totaling \$3.9 million in general revenue (\$7.9 million all funds), with the condition that 85.0 percent of rate increase was used to increase wages and employee related benefits to certified nursing assistance (CNAs) and other direct care workers at nursing facilities.

**Nursing Facility Reduced Utilization:** The Department indicates that long-term services and supports (LTSS) eligibility determinations procedures will be modified to promote a streamlined process that will increase options for home and community-based services. This change is aimed at diverting individuals from long-term nursing facilities placements toward home and community-based placements. The Department projects a \$2.5 million in general revenue (\$5.1 million all funds) savings in FY2018 by lowering nursing facility utilization, a reduction of 80 individuals to the average daily nursing home census.

The Governor seeks authority through Article 12 to amend the 1115 waiver authority to change Integrated Care Initiative (ICI) enrollment, by modifying payment methodology, updating the eligibility determination procedures, and promoting options counseling for LTSS. Nursing facility reduced utilization is a component of the larger Healthy Aging Initiative that will change the ICI program.

*Analyst Note: The Executive Office of Health and Human Services (EOHHS) received approval from the Centers for Medicaid and Medicare (CMS) to create a Health System Transformation Project (HSTP) for up to \$130.0 million in federal matching funds over a five year period for the project. The HSTP is designed to advance the formation and success of Accountable Entities (AE); an integrated provider organization responsible for improving quality of care and outcomes for patients while also managing costs. Funding in year one (\$20.5 million) is designated exclusive to hospitals and nursing facilities in FY2017; however, the details of this award are not included in the Governor's Budget.*

**Managed Care Organization (MCO) Related Initiatives****(\$12.5 million)**

The Governor's Budget reduces expenditures to Managed Care Organizations (MCOs) by \$12.5 million in general revenue (\$23.0 million all funds) in FY 2018. The proposed savings are primarily related to changes in the Integrated Care Initiative (ICI) and incentive programs provided to MCOs.

**MCO Related Initiatives**

<b>MCO Reductions</b>	<b>General Revenue</b>	<b>All Funds</b>
Reduced Administrative Fees (ICI)	(\$6.2)	(\$12.7)
MCO Performance Goal Program	(2.3)	(1.6)
Reduced Risk Share Payments (ICI)	(1.7)	(3.5)
MCO Provider Incentive Program	(1.5)	(3.0)
MCO Administrative Rate Freeze	(0.8)	(2.2)
<b>Total</b>	<b>(\$12.5)</b>	<b>(\$23.0)</b>

\$ in millions

**MCO ICI Related Initiatives (risk share payments and administrative fees):** Article 12 will allow EOHHS to move ICI enrolled long-term nursing home residents out of the program and into fee-for-service Medicaid, for a total MCO reduction of \$7.9 million in general revenue (\$16.2 million all funds) in FY2018. The savings are generated by eliminating administrative expenses, \$381 per-member-per month (pmpm), paid to Managed Care Organizations (MCOs) for ICI enrollees, for a total savings of \$6.2 million in general revenue. Additionally, reducing the ICI population MCOs are responsible to manage, will reduce the budgeted risk share payments to MCOs by \$1.7 million in general revenue. A portion of these savings will then be used to develop enhanced services in community-based programs to prevent entry into nursing facilities.

**MCO Performance Goal Program:** The Budget saves \$2.3 million in general revenue by altering the performance goal program for MCOs. The November Caseload Estimating Conference (CEC) includes \$3.1 million in general revenue (\$9.7 million all funds) to administer the incentive program for performance measures related to clinical process, operations, and beneficiary satisfaction.

The program allows additional payments ranging from to \$1.75 per-member, per-month (monthly payment for each insured life) up to \$3.00 per member per month if the MCO hits performance measures. Currently the State allows incentive payments to all MCOs member categories. The Department intends to shift incentive payments to focus on the most costly and complex beneficiaries such as children with special health care needs and Medicaid expansion members. Additionally, by targeting the incentive program toward children and the Medicaid expansion population, the State will maximize enhanced federal matching opportunities and incent MCOs to focus management strategies toward costly complex members.

The overall funding for the pool for this program will not be impacted; however, the primary source of funding will be available through federal Medicaid matching funds, lowering the general revenue contribution toward the program.

**MCO Provider Incentive Program:** The Governor eliminates the MCO provider incentive program, saving \$1.5 million in general revenue (\$3.0 million all funds) in FY2018. The provider incentive program allows supplemental payments from MCOs to FQHCs for meeting specific performance measures defined by the MCO. The program was created prior to the current payment reforms and development of Accountable Entities (AEs). The Department indicates the incentive program is duplicative of current payment reform activities.

**MCO Administrative Rate Freeze:** Article 12 seeks authority to freeze administrative rates paid to MCOs saving \$827,155 (\$2.2 million all funds) in FY2018. The November 2016 CEC, forecasted that MCOs would receive a 1.5 percent increase on administrative components of the premium rates. This increase will be eliminated and maintained at the current level in FY2018.

**Hospital Related Initiatives****(\$12.1 million)**

The Budget reduces expenditures related to hospitals by \$12.1 million (\$25.6 million all funds) in FY2018. The initiatives include freezing hospital reimbursement rates, reducing the Upper Payment Limit (UPL) pool, eliminating the Graduate Medical Education program, and cutting reimbursement rates to hospitals.

<b>Hospital Related Initiatives</b>		
<b>Hospital Reductions</b>	<b>General Revenue</b>	<b>All Funds</b>
Hospital Rate Freeze	(\$4.3)	(\$10.7)
Upper Payment Limit Reduction	(4.0)	(9.9)
Eliminate Graduate Medical Education Program	(2.0)	-
Behavioral Healthcare Hospital Rate Cut	(0.9)	(2.5)
1.0 Percent Hospital Rate Cut	(0.9)	(2.6)
<b>Total</b>	<b>(\$12.1)</b>	<b>(\$25.6)</b>

*\$ in millions*

**Hospital Rate Freeze:** The Governor's Budget reduces payments to hospitals from Managed Care Organizations (MCOs) and Medicaid by freezing the payment increase currently scheduled to take-effect in FY2018, saving \$4.3 million in general revenue (\$10.7 million all funds).

Hospitals are reimbursed by Medicaid on a fee-for-service basis and by MCOs for in-patient, out-patient, and emergency services. Section RIGL 40-8-13.4 allows EOHHS to review these rates annually to make adjustments to the payments by considering factors such as hospital costs, hospital coding, and availability of services to beneficiaries and/or include, but not to exceed the CMS Prospective Payment System Hospital Price Index, an inflation-based index. The Governor seeks authority through Article 13 to maintain current rates which will result in no inflationary increase to payments. The 2018 projected CMS price increase is 3.0 percent for inpatient payments and 1.6 percent for outpatient payments.

**Upper Payment Limit (UPL) Reduction:** The Budget, through Article 13, proposes to amend section 40-8.3-10 of the Uncompensated Care statute by reducing the total to 50.0 percent of the total outpatient adjustment for hospitals saving \$4.0 million in general revenue (\$9.9 million all funds) in FY2018.

UPL payments compensate hospitals for the gap between what hospitals receive for Medicaid outpatient and inpatient services and what they would have been paid for those services under Medicare reimbursement principles. In past fiscal years, the State has made UPL payments to hospitals, matched by the federal government, to bring its total Medicaid expenditures up to 100.0 percent of the Medicare upper payment limit, maximizing available federal funds. This proposal reduces the total Medicaid expenditures to 50.0 percent of the Medicare upper payment limit.

*Analyst Note: In previous fiscal years, Eleanor Slater Hospital (ESH) has received the portion of the Disproportionate Share Hospital (DSH) payments that were associated with their patient population. In FY2018, ESH is projected to pay approximately \$6.7 million toward the licensing fee and will not receive a DSH payment without the inclusion of "government" and "psychiatric" provision requested in Article 13. The inclusion of the psychiatric and government hospitals will not impact on the overall UPL payments; however, this provision included in Article 13 Section 2 will impact the overall distribution of uncompensated care payments to hospitals and provide ESH with approximately \$1.5 million in DSH payments. The FY2017 Supplemental budget included \$2.8 million general revenue request for an operational deficit at the division of Hospitals and Rehabilitative Services associated with operation of ESH.*

**Eliminate Graduate Medical Education (GME) Program:** The Governor's Budget eliminates the GME program, saving \$2.0 million general revenue in FY2018. Article 13 repeals the statute governing appropriations for the GME 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, Rhode Island Hospital is the only hospital that meets these criteria and qualifies for this funding.

**Behavioral Healthcare Hospital Rate Cut:** The Budget reduces the in-patient behavioral health related hospital reimbursement rate saving \$907,669 (\$2.5 million all funds) in FY2018. Savings are assumed by reducing the enhanced rate hospitals receive for behavioral health in-patient stays.

In fee-for-service, hospitals receive an enhanced reimbursed rate, approximately 45.0 percent, for inpatient stays of individuals with a behavioral health diagnosis as compared to a patient without a behavioral health diagnosis. This proposal will reduce the enhanced reimbursement rate for fee-for-service claims; however, hospitals will continue to receive an enhanced rate approximately 25.0 higher than non-behavioral health inpatient rates. Within managed care, the rate cut would result in reduced capitation payments to the managed care organizations. The State continues to struggle to provide lower-level preventative and therapeutic behavioral healthcare treatment options. The intent of this initiative is to incentivize out-patient treatment and reduce the healthcare systems reliance in acute in-patient treatment.

**1.0 Percent Hospital Rate Cut:** The Governor's Budget reduces payments to hospitals from Managed Care Organizations (MCOs) and Medicaid by 1.0 percent for six months saving \$885,832 in general revenue (\$2.6 million all funds) in FY2018. Article 13 proposes to maintain the current rate hospitals receive through December 31, 2017, at which point the article proposes to reduce the reimbursement rate by 1.0 percent beginning on January 1, 2018.

#### **Children's Health Account**

**(\$3.8 million)**

The Budget includes an increase on the assessment of private and self-funded insurers to fund the Children's Health Account (CHA). The Governor projects the increased assessment will generate an additional \$3.6 million in restricted receipts in FY2018, reducing general revenue costs. The distribution of the projected increase to the insurance companies, Blue Cross Blue Shield (BCBS), United Health Care (UHC) and all other insurers below.

#### **Children's Health Account Collections**

<b>Fiscal Year</b>	<b>Blue Cross Blue Shield (BCBS)</b>	<b>United Health Care (UHC)</b>	<b>All Other Insurers</b>	<b>Total CHA Assessment</b>
FY2013	\$7.1	\$1.6	\$1.8	\$10.5
FY2014	6.9	1.4	1.9	\$10.2
FY2015	7.2	1.5	2.1	\$10.8
FY2016	5.3	1.6	3.6	\$10.5
FY2017	3.9	2.7	4.0	\$10.6
FY2018**	5.2	3.2	3.5	\$11.9

\* Total assesment includes administrative expense collections

\*Totals vary due to rounding

\*\*Governor's Budget proposal

\$ in millions

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. 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.

The increase in assessment will allow EOHHS to offset the cost of benefits that commercial insurers are not required to provide for children with special healthcare needs that are provided by Medicaid through programs like Katie Beckett. Currently, the CHA offsets approximately 46.0 percent of the expenses

incurred by commercially insured children, saving insurers approximately \$10.9 million in benefit costs in FY2015. The increase in assessment will reduce commercial insurer savings and increase general revenue collections to offset Medicaid covered services for the commercially insured. The table below includes the breakdown by insurer and the collection of services covered by the CHA.

Blue Cross Blue Shield of Rhode Island and Massachusetts has the highest utilization of services by their

**Children's Health Account Billable Cost by Insurer and Total Collection FY2013-FY2015**

Fiscal Year	BCBS	UHC	All Other Insurers	Total Insurer		Diff	Total FFS
				Billable Costs*	Total CHA Collection		Medicaid Program Cost*
FY2013	\$12.7	\$4.5	\$4.7	\$22.0	\$10.5	\$11.5	\$46.8
FY2014	10.9	5.0	6.2	22.1	10.2	\$11.9	47.2
FY2015	9.4	5.4	5.8	20.5	10.8	\$9.7	44.3

*\$ in millions*

*Source: Executive Office of Health and Human Services*

\*Total billable costs is the annual total cost of all insurers billable services that are provided by Medicaid.

\*Total Medicaid fee-for-service (FFS) program costs for children with special healthcare needs commercially and non-commercially insured

insured lives receiving services that are covered under the CHA, approximately 44.0 percent of total billable services in FY2015. The statutory changes that occurred in FY2015 broadened the base of insurers that are being assessed as well as redistributed the payment requirements by insurers. These adjustments have led to a year-over-year reduction in assessed cost for BCBS from FY2016 to FY2017. The Governor's proposal would increase assessments across all insurers in FY2018. BCBS will still pay less than the pre-FY2017 levels.

**Community Based ICI Investments**

**\$3.3 million**

The Governor proposes through Article 12 to reform the Integrated Care Initiative (ICI) to expedite investment in community-based programming. The Department has proposed a new policy initiative named the Healthy Aging Initiative to address the need to improve home and community-based services for elders living in the community. The Governor's proposes through this initiative to invest \$3.3 million in general revenue (\$6.8 million all funds) for enhanced services in the community.

The Department proposes to utilize community-based investments for Alzheimer/dementia programs, expanded community-based primary care programs, establishment of long-term care AE partnerships, and strengthening caregiver and social supports.

**Wage Increase for Home Health Workers**

**\$2.5 million**

The Governor includes a one-time increase to the base-payment rates paid to home and community-based providers with the intent of increasing wages to home health workers providing care to long-term care beneficiaries living in the community. This proposal increases general revenue expenditures by \$2.5 million (\$5.1 million all funds) in FY2018.

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 home healthcare workforce in support of the effort to increase community options for individuals receiving long-term services and supports (LTSS). In response to the expressed need, the General Assembly included \$2.0 million (\$4.1 million all funds) for a wage increase for home health workers in the FY2017 Budget as Enacted.

The implementation of the wage increase occurred through an increase in base payments to home healthcare providers. An increase to providers occurred in October of 2016, increasing provider rates by approximately 7.0 percent or a \$1.64 increase per hour. Providers are responsible to "pass" a wage increase to home health workers less any employer related expenses. It is unclear what the average wage increase

home health workers received related to this increase in payment to providers in FY2017. According to the Department, the increase will raise the reimbursement rate approximately 7.0 to 7.5 percent in FY2018.

**Medicare Part B Premium Increase**

**(\$1.5 million)**

Medicaid offers a program for qualifying individuals for Medicare Premium assistance. The adopted estimates in November CEC for Medicare Part B Premiums included expenditures related to the “hold harmless” provisions required by Center for Medicare and Medicaid Services (CMS). This provision has since been waived by CMS, saving \$1.5 million in general revenue (\$3.2 million all funds) in FY2018.

**Beneficiary Liability Collection**

**(\$1.2 million)**

The Budget includes \$1.2 million in general revenue savings in FY2018 by improving collection of beneficiary liability cost shares. The FY2017 Budget as Enacted included 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 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.

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 to ensure proper billing or to track providers’ collection of the patient spend down.

To correct this, OHHS proposed to replace the manual tasks with an automated process to ensure that Medicaid pays for services net of any patient liability. Due to delays and technical malfunctions of the UHIP project, these savings were not achieved in FY2017. The proposed savings are contingent on the functionality of the UHIP system and are in addition to the unachieved FY2017 savings. The funds collected are used for the sole purpose of offsetting the EOHHS financial contribution toward LTSS expenditures provided to beneficiaries.

*Analyst Note: Providers, nursing facilities, home and community-based providers, and the MCOs report significant challenges with the current collection and reporting process. CMS requires the State to collect the patient’s cost share as a condition of eligibility; therefore, the State must find a solution to ensure compliance with federal regulations.*

**Federally-Qualified Health Center (FQHC) Payment Reform**

**(\$1.2 million)**

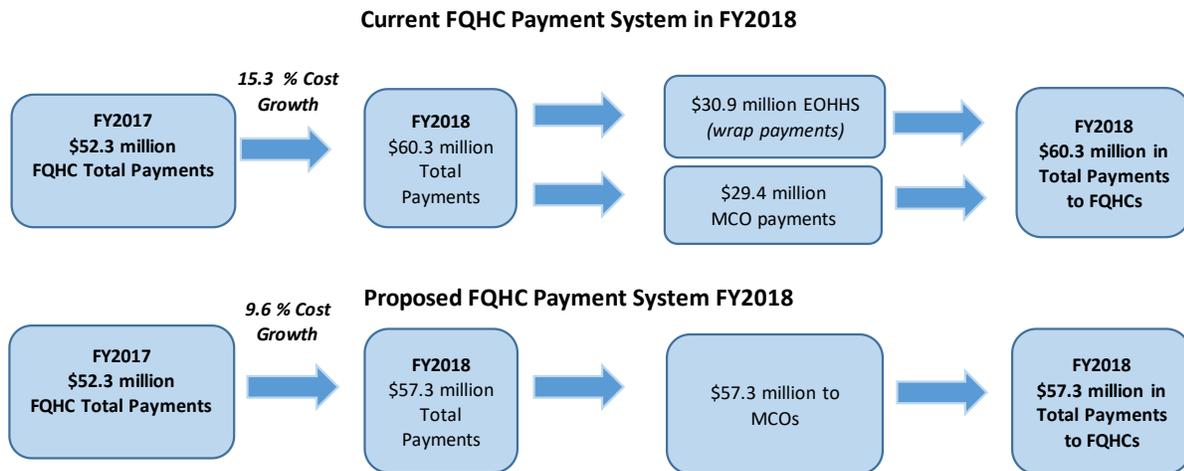
The Governor’s Budget proposes an alternative payment methodology for FQHCs by requiring reimbursement rates to FQHCs be included in Managed Care Organizations (MCOs) capitated rates, saving \$1.2 million in general revenue (\$3.0 million all funds) in FY2018.

The federal Prospective Payment System (PPS) rate methodology is how FQHCs seek reimbursement for services. This PPS rate methodology arrangement allows FQHCs to take their total operating cost and divide it by their encounters (patient visits) resulting in an encounter rate. All FQHCs have different rates. MCOs pay FQHCs a negotiated encounter rate that is often lower than the FQHC encounter rate. EOHHS

then makes a “wrap” payment to make up the difference between the MCO rate and the FQHC encounter rate.

The Department sees a trend of significantly higher encounters in Medicaid member usage at FQHCs and increasing operational and infrastructure costs at FQHCs. This has resulted in an increase in the average encounter rate at FQHCs and higher wrap payments by EOHHS. MCOs set rates with FQHCs and have no incentive to increase payment to the FQHCs, and the FQHCs have little incentive to control costs if EOHHS continues to provide wrap payment to FQHCs.

The Governor’s proposal eliminates the wrap payments made by EOHHS and includes the total cost of current encounter rates in the MCO capitated rate. This initiative is intended to incentivize MCOs to work with the FQHCs to manage costs and strengthen procedure on billable encounters, which are the basis for the reimbursement rate. MCOs will be given the resources that EOHHS previously provided in “wrap” payments to include in their capitated rates.



The savings assumed for this proposal are not derived by a cut to FQHCs, rather by slowing the rate of growth of the FQHC encounter rate and overall annual payments. The November 2016 caseload estimating conference assumed a 15.3 percent growth in average FQHC encounter rates, \$8.0 million all funds in FY2018 over FY2017 Budget as Enacted. The Governor proposes to increase spending to FQHCs by \$5.0 million in FY2018; however, this reduces the spending by \$1.2 million general revenue (\$3.0 million all funds) from projected FY2018 levels without changes.

**Federally Qualified Health Center (FQHC) Payments FY2013 through FY2017**

Fiscal Year	EOHHS Wrap Payment	MCO Payment	Annual Payments to FQHC	% EOHHS	
				Wrap Payment Total	% MCO Payment of Total
FY2013	\$13.7	\$15.8	\$29.5	46%	54%
FY2014	16.0	19.4	35.4	45%	55%
FY2015	23.2	24.0	47.2	49%	51%
FY2016	25.8	24.7	50.5	51%	49%
FY2017*	26.8	25.5	52.3	51%	49%
FY2018**	30.9	29.4	60.3	51%	49%
FY2018***	-	57.3	57.3	0%	100%

*\$ in millions*

*\*Projection base on November 2016 CEC estimates*

*\*\*Projection based on November 2016 CEC estimates*

*\*\*\*Projections based on Governor's budget*

**Program Integrity**

**(\$492,100)**

The Governor's Budget includes \$492,100 (\$1.1 million all funds) in savings by enhancing program integrity in FY2018. The Department indicates it has contracted with Lexis Nexis to match Medicaid members against national mailing databases to ensure Rhode Island residency.

RIt Care eligible members are largely attributed to the Medicaid MCO providers (Neighborhood Health Plan of Rhode Island and United Health Care) that provide coverage to Medicaid beneficiaries. The State pays the MCOs a per-member-per-month fee, on average \$231.00 per month. Individuals who move out of state lose Rhode Island Medicaid coverage. The Department estimates the contract with Lexis Nexis will identify approximately 400 Medicaid beneficiaries who are no longer eligible due to residency, for a full year savings of \$1.1 million all funds in FY2018.

**Estate Recoveries**

**(\$250,000)**

The Governor's Budget includes \$250,000 (\$513,769 all funds) in savings for increased estate recovery collections in FY2018. The Department projects a 10.0 percent increase in estate recovery collections by improving the living lien collections on real estate of Medicaid members.

*Analyst Note: No details or historical data have been provided by the Department to justify the assumption of increased estate collections. The Governor submitted an Amendment on March 7, 2017 to include notification to EOHHS prior to closing small estates.*

**Medicare and Veterans Administration Coordination**

**(\$250,000)**

The Governor's Budget includes \$250,000 (\$513,769 all funds) in savings for reduced Medicaid payments for Veterans who have Medicare coverage in FY2018. The Department intends to maximize alternative coverage provided to Veteran's ensuring Medicaid is the payer of last resort.

The Department proposes to issue a Request for Proposals for a contractor to focus activities on recoupment of Medicare Co-Payments, shift Medicaid payments for prescription drugs and Durable Medical Equipment (DME) to Medicare covered benefits, and ensure Veterans who are eligible for Medicare are enrolled in Medicare coverage options.

*Analyst Note: No details or historical data has been provided by the Department to justify the assumption of Medicaid savings associated with Veteran beneficiaries.*

**Health System Transformation Project****Informational**

The Executive Office of Health and Human Service (EOHHS) received approval from the Centers for Medicaid and Medicare (CMS) to create a Health System Transformation Project (HSTP), for up to \$130.0 million in federal matching funds over a five year period for the project. The HSTP is designed to advance the formation and success of Accountable Entities (AE), integrated provider organizations responsible for improving quality of care and outcomes for patients while also managing costs. Federal funds will be contingent on matching state general revenue expenditures for various state funded programs. Currently, the State has been approved to receive up to \$80.0 million in federal matching funds during the remaining three years of the currently-approved 1115 Demonstration Medicaid Waiver. The State will seek renewal of the state's Medicaid waiver in 2018 and has been approved to receive up to \$50.0 million in federal matching funds, conditional on CMS approval of the State Medicaid Waiver, for the HSTP.

<b>Approved Funding for the Health System Transformation Project through Approved 1115 Waiver</b>		
<b>1115 Demonstration Year</b>	<b>Time Period</b>	<b>Annual Limit</b>
Demonstration Year 8	Oct 2016-Dec 2016	\$20.5
Demonstration Year 9	Jan 2017-Dec 2017	\$31.1
Demonstration Year 10	Jan 2018-Dec 2018	\$28.4
<b>Total Approved</b>		<b>\$80.0</b>

*\$ in millions*

*\* \$50.0 million is contingent on approval of 1115 Medicaid Waiver renewal*

**Year 1-Demonstration Year 8 (federal funds)**

EOHHS will be working on an ongoing basis with CMS throughout the five-year approval to meet certain program development targets and reporting criteria, as required by the agreement. The demonstration year one begins October 14, 2016, and ends on December 31, 2016. Specific to year one of the agreement, the expenditures for this program are targeted exclusively to incentive payments to hospitals and nursing homes. The first year of the agreement includes:

- Development of a CMS approved claiming protocol in advance of receiving any federal funds to be distributed to hospitals or nursing homes. The blue print has been submitted to CMS and is awaiting approval.
- Managed Care rate certification submissions to CMS are required were required by December 1, 2016. The Department is awaiting CMS approval.

*Analyst Note: Funding in year one (\$20.5 million), that is designated exclusively for hospitals and nursing homes, will be distributed to individual hospitals and nursing homes based upon performance measures that were agreed upon by EOHHS, hospitals, and nursing homes in FY2016. The performance year has concluded and hospitals have provided EOHHS with performance measures which EOHHS will use to distribute funds.*

*Due to the requirements of the CMS approval for the HSTP, a claiming protocol will need to be completed and approved by CMS prior to distribution of funds to nursing homes and hospitals in year one of the project. Therefore, payments to hospitals and nursing homes are not anticipated until approximately May of 2017, which is year two (demonstration year nine) of the project. CMS approves the delayed payment timeline while concurrent year two project development occurs. Additionally, hospitals and nursing homes will not receive payments exclusive to them in the following years of the HSTP; however, they will be providers within the established AEs as the project evolves.*

**Years 2 and 3- Demonstration years 9 and 10 (federal funds)**

In year two EOHHS will submit an AE Roadmap document detailing program guidelines, AE certification guidelines, attribution guidance, performance measurements and other program specific details. According to the CMS approval document, the Roadmap will outline what the State and its stakeholders consider the payment reforms required for a high quality and a financially sustainable Medicaid delivery system. Once this is approved and performance measures are incorporated within AE contracts, the State may begin

making payments to MCOs for AE activities. Year three will be the first year of full implementation and the calculation of the performance-based incentive payments for AEs will be based on the current year's performance.

*Analyst Note: The Governor did not include the funding for this project in the FY2017 revised Budget or the FY2018 Budget. The Department is awaiting approval from CMS on claiming and MCO certification prior to the inclusion of funding in the FY2017 revised budget and FY2018 budget.*

## Department of Children, Youth, and Families

Expenditures by Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$8.4	\$9.9	\$9.4	(\$0.4)	-4.4%	\$10.0	\$0.1	1.1%
Child Welfare	171.4	171.1	173.2	2.1	1.2%	164.1	(7.0)	-4.1%
Children's Behavioral Health Services	10.6	10.1	11.5	1.4	14.2%	10.5	0.5	4.6%
Higher Education Incentive Grants	0.2	0.2	0.2	-	0.0%	0.2	-	0.0%
Juvenile Correctional Services	24.3	25.2	23.9	(1.3)	-5.2%	24.2	(1.0)	-4.0%
<b>Grand Total</b>	<b>\$215.0</b>	<b>\$216.5</b>	<b>\$218.3</b>	<b>\$1.8</b>	<b>0.8%</b>	<b>\$209.1</b>	<b>(\$7.4)</b>	<b>-3.4%</b>
<b>Expenditures by Source</b>								
General Revenue	\$154.7	\$151.8	\$156.3	\$4.5	3.0%	\$149.9	(\$1.9)	-1.3%
Federal Funds	57.4	60.4	57.9	(2.5)	-4.2%	55.0	(5.4)	-8.9%
Restricted Receipts	2.2	3.5	3.2	(0.3)	-9.1%	3.1	(0.4)	-10.6%
Other Funds	0.6	0.8	1.0	0.1	14.2%	1.1	0.3	31.0%
<b>Grand Total</b>	<b>\$215.0</b>	<b>\$216.5</b>	<b>\$218.3</b>	<b>\$1.8</b>	<b>0.8%</b>	<b>\$209.1</b>	<b>(\$7.4)</b>	<b>-3.4%</b>
Authorized FTE Levels	672.5	629.5	628.5	(1.0)	-0.2%	616.5	(13.0)	-2.1%

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

The Department of Children, Youth, and Families (DCYF) is charged 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 3,500 children and their families, and indirectly services thousands more through community-based, support programs.

### MAJOR ISSUES AND TRENDS FOR FY2018

The Department of Children, Youth, and Families (DCYF) has been under transformation following a lengthy review of the agency by a Senate task force in 2015. The task force issued recommendations and required the Department to report to the Senate on the status of reform efforts. The agency has committed to meeting strategic objectives aimed at shifting DCYF programming toward a continuum of care that strengthens the family's ability 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.

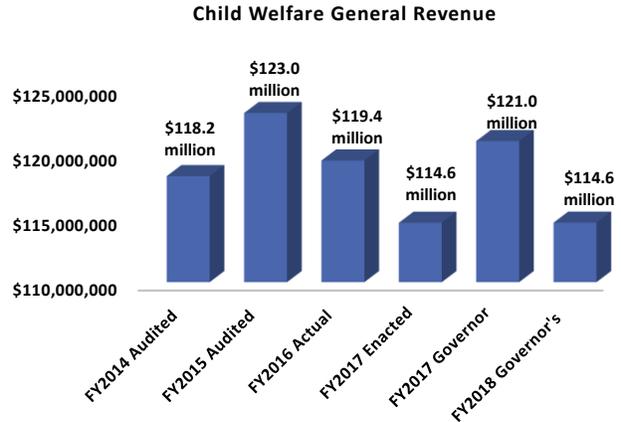
Achieving these strategic objectives required the Department to reestablish their administrative authority to determine placement for a child when they are removed from their homes. In 2012, DCYF entered into three-year agreements with two independent, non-profit organizations (Ocean State Network (OSN) and Rhode Island Care Management Network (RICMN)) to form the System of Care (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 SOC.

To reestablish administrative authority the Department terminated the SOC contracts in April 2016 and began the rigorous process of re-procuring services that had previously been provided by the SOC network. The re-procurement process required reissuance of all contracted services, taking the Department over a year to assess service needs, issue requests-for-proposals, and negotiate contracts with providers. As of March 13, 2017, DCYF has entered into 115 new provider contracts, which includes 57 home and community-based services, increases capacity of nearly 150 slots in private agency foster homes, and 58 congregate care contracts. The re-procurement process aimed to expand home and community-based services, foster care capacity, and reduce reliance on congregate care (group home

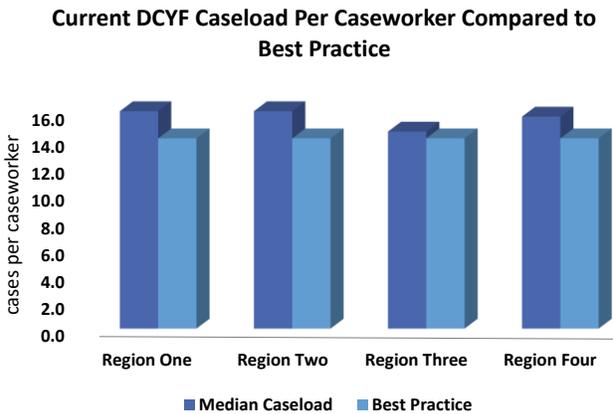
residential settings) placements, which are considered the least desirable and cost prohibitive setting for children in care.

The Governor includes \$1.7 million in general revenue savings by reduced congregate care usage and shifts service usage toward family-based placements, such as foster care and home-based services. The Budget includes a \$1.2 million general revenue investment toward building family-based service capacity.

The Governor level funds the Division of Child Welfare in FY2018, consistent with the FY2017 Enacted level, but less than the FY2017 Supplemental budget. Meeting the Governor’s budget targets for FY2018 will require the Department to significantly cut costs in congregate care by shifting to more community-based placements. This has proven difficult in the past and failure to do so would increase expenditures in FY2018.



The Governor includes 210 Social Case Worker II positions in the FY2018 budget, this includes 170 positions within the Family Services Unit (FSU), who directly serve and support DCYF-involved families and children. The remaining Social Case Worker IIs support the Department’s investigatory function in Child Protective Services (25), foster care licensing (10), and other community resources/support services within the department (5). Of the 170 FSU staff, 50 are vacant, funded positions in the Governor’s budget. As of March, 2017 the Division is not able to meet the national best practices for number of cases per caseworker due to vacancies in this Division. The national best practice is to achieve a median caseload not to exceed 14 families/cases per caseworker. The Department intends to fill and fully fund vacant positions in FY2018.



The Budget reduces the Department’s FTE allocation from the FY2017 Enacted level, 629.5 FTEs to 616.5 FTEs in FY2018, a reduction of 13.0 FTE positions in FY2018 and 1.0 FTE in FY2017. The FY2017 Budget as Enacted reduced the FTE cap from 672.5 FTEs to 629.5 a reduction of 43.0 FTE positions. According to the most recent personnel report in March, 2017, the Department has 530.7 positions filled and 98.8 vacant positions.

**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 Budget includes 51.0 FTE positions in FY2018, representing a decrease of 10.0 FTE positions from the FY2017 Budget as Enacted. The Governor shifts 12.0 FTE positions to the Executive Office of Human Services to consolidate financial staff and 1.0 position is being transferred to the Governor’s office; however, the funding for these positions will remain with the agency.

<b>Central Management</b>	<b>General Revenue</b>
FY2017 Enacted	\$7,074,378
<i>Targets and Adjustments</i>	83,102
<b>FY2018 Governor</b>	<b>\$7,157,480</b>

## CHILD WELFARE

The Child Welfare division has two major sub-programs:

- **Child Protective Services (CPS):** CPS reviews, screens, and responds to reports of abuse and maltreatment of children. 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.
- **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 Budget includes 380.0 FTE positions for the program in FY2018 consistent with FY2017 Budget as Enacted.

<b>Child Welfare</b>	<b>General Revenue</b>
FY2017 Enacted	\$114,567,488
<i>Targets and Adjustments</i>	7,267
Residential Transitions	<i>Informational</i>
<b>FY2018 Governor</b>	<b>\$114,574,755</b>

### **Residential Transitions**

**Informational**

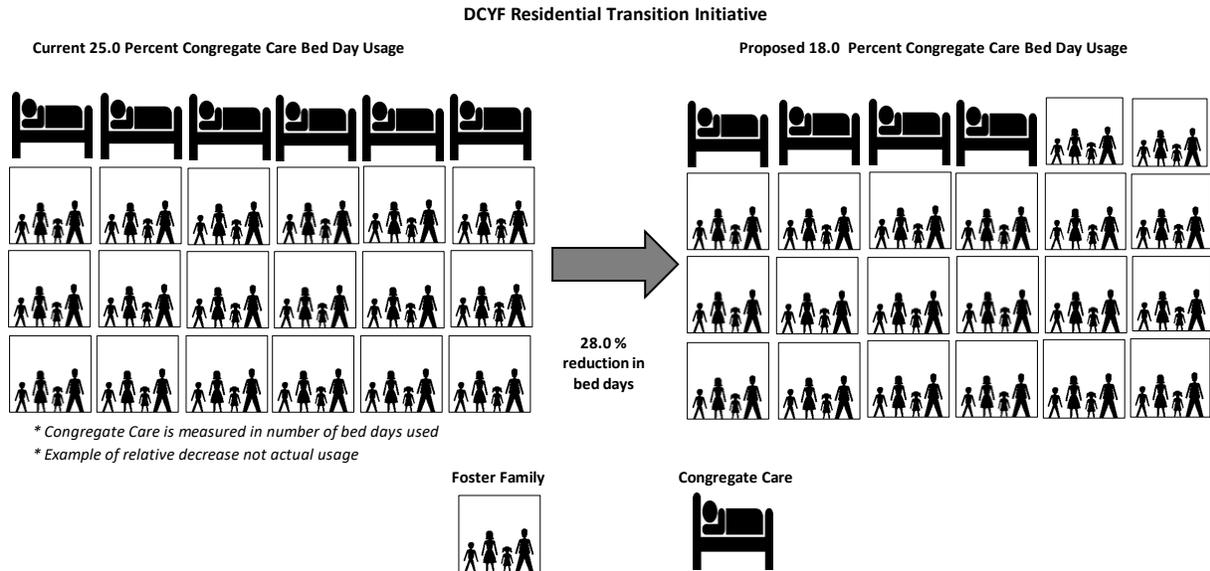
The Department is attempting to transform the agency to meet strategic objectives by shifting programming toward a continuum of care that strengthens a family's ability to safely raise children in their own homes. Priorities include, promoting of kinship and non-kinship foster family placements for children who are removed from their families, minimizing congregate care placements such as group home and long-term residential placements, and prioritizing safe reunification, guardianship, and adoption.

An internal assessment concluded the Department is over-reliant on congregate care (group home residential settings) for children in their care and custody. Congregate care is considered the least desirable setting for children in state care unless the placement is clinically necessary. To reduce congregate placements, the Department re-procured contracted services to incentivize providers to build capacity in Foster Family Recruitment Development, and Support and Community-Based Programming.

Additionally, the Department's Permanency Unit, has implemented a Level of Need (LoN) tool to ensure that children are assessed upon their entry into state care. This assessment will inform the DCYF worker of the unique needs of the child and family and guide the placement toward the most appropriate setting for the child and family.

The Department intends to shift the number of children who are cared for in high cost, congregate care placements, where appropriate, to lower-cost foster family care placements, resulting in a 28.0 percent decrease in congregate care utilization. Consequently, the proposed initiative will result in the Department's overall congregate care bed day usage from approximately 25.0 percent to 18.0 percent, saving \$1.7 million in general revenue. The national average is approximately 15.0 percent and the

national best practices indicate that congregate care should comprise no more than 10.0 to 12.0 percent of the Department’s overall caseload.



According to the Department, the FY2018 projected average cost for congregate care placements is \$368.16 per-day per-child, compared to \$125.22 per diem for specialized foster care and \$51.00 per diem for DCYF and kinship foster placements. In March 2016, there were 447 youth in congregate care placements and 1272 youth in foster care placements. This shift away from congregate care placement includes a \$1.2 million general revenue investment in FY2018 to build capacity in foster family placements.

While the Governor level funds the Division of Child Welfare (CW) in FY2018, successful cost avoidance of congregate care is required to meet budget targets. The FY2017 Supplemental Budget includes \$6.3 million in additional funding for services provided in the CW Division. The Governor’s FY2018 Budget proposal for the Child Welfare Division is well below expenditures in the Division over the last four years, and below the FY2017 Supplemental budget request. Any delays in achieving cost avoidance in congregate care placement could result in the need for a supplemental budget appropriation.

**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 16.0 FTE positions for the program in FY2018 and FY2017, a reduction of 3.0 FTEs from the FY2017 Budget as Enacted.

<b>Children's Behavioral Health Services</b>	<b>General Revenue</b>
FY2017 Enacted	\$10,083,325
<i>Targets and Adjustments</i>	
Personnel	184,209
Contracted Services	185,090
<b>FY2018 Governor</b>	<b>94,341</b>
	<b>\$10,546,965</b>

**Personnel** **\$185,090**

The Budget includes an increase of \$185,090 in general revenue for salaries and benefits in FY2018 to fund current positions in the Division. The Governor's budget reflects actual, filled positions and staffing in the Division in FY2018.

**Contracted Services** **\$94,341**

The Governor's budget includes an increase of \$94,341 in general revenue for contracted services in FY2018. The Department will eliminate a contract with the Welfare Institute, decreasing general revenue expenditures by \$344,229, and increase general revenue expenditures by \$438,600 for children's behavioral health services for a net increase of \$94,341. Increases in children's behavioral health services are related to the re-procurement of services that concluded in January 2017.

### 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. This program 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.

<b>Higher Education Incentive Grants</b>	<b>General Revenue</b>
FY2017 Enacted	\$200,000
<i>Targets and Adjustments</i>	
<b>FY2018 Governor</b>	<b>-</b>
	<b>\$200,000</b>

During the 2016-2017 academic year, a total of 96 students have been identified as eligible for the program. 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.

In 2015-2016 a total of 46 students in DCYF care received the federally-funded higher education grants. Of the awarded students, 13 attended the University of Rhode Island, 17 attended Rhode Island College, five attended the Community College of Rhode Island, and 11 attended other private schools.

### JUVENILE CORRECTIONS

Juvenile Corrections includes 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 Budget includes 169.0 FTE positions for the program in FY2018 and FY2017, consistent with the FY2017 Budget as Enacted.

<b>Juvenile Correction Services</b>	<b>General Revenue</b>
FY2017 Enacted	\$24,927,098

*Targets and Adjustments*

Personnel	(2,102,642)
<b>FY2018 Governor</b>	<b>\$22,824,456</b>

**Personnel****(\$2.1 million)**

The Budget decreases personnel funding within Juvenile Corrections, primarily personnel at the Rhode Island Training School (RITS), by \$2.1 million in general revenue. This includes a reduction in the number of RITS and education staff. According to the Department the reduction in personnel is attributed to the declining census at the RITS, therefore requiring fewer FTE positions to support the educational programs.

The population at the RITS has continually declined over the last decade. In 2015 the average daily census was 98 reducing to 86 in 2016. In March of 2017 the average census was 78 adolescents. The RITS was designed with a maximum bed capacity for 148 youth, of these 124 are designated for male detainees. The facility has closed two “pods” or “wings” within the training school due to the low census at the training school.

The JCS Division personnel savings is related primarily to the elimination of 10.0 FTE positions including; 2.0 Academic Teachers, 6.0 Special Education Teachers, 1.0 Industrial Arts Teacher; and 1.0 Physical Education Teacher. The RITS maintains a 220 day education program, which is supported by 19 positions providing service to 74 youths detained at the RITS.

*Analyst Note: The Governor’s organizational efficiency initiatives include the evaluation and potential re-purposing of the Youth Assessment Center (YAC) at the RITS for psychiatric populations at Eleanor Slater Hospital (ESH). This efficiency is being examined due to the declining census and closed pods at the RITS and poor conditions at ESH. The Executive Office of Health and Human Services (EOHHS) and the Division of Capital Asset Management and Maintenance (DCAMM) have conducted preliminary evaluations of the YAC for repurposing.*

*There are no savings in the Governor’s FY2018 DCYF budget for this initiative; however, the Governor includes in the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) a budget savings initiative for the transition of the psychiatric population at ESH to the YAC.*

## Department of Health

Expenditures By Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$11.0	\$4.9	\$4.9	-	0.9%	\$8.9	\$4.1	83.7%
Community and Family Health and Equity	77.3	-	-	-	0.0%	-	-	0.0%
Community Health and Equity	2.0	106.0	108.1	2.1	2.0%	105.2	(0.8)	-0.8%
Customer Services	-	11.0	11.8	0.8	7.4%	11.8	0.8	7.4%
Environmental and Health Services Regulation	17.6	-	-	-	0.0%	-	-	0.0%
Environmental Health	-	11.7	12.7	1.0	8.9%	13.3	1.6	13.3%
State Health Laboratories and Medical Examiner	8.9	12.2	12.4	0.2	1.9%	12.2	0.0	0.1%
Infectious Disease and Epidemiology	5.6	-	-	-	0.0%	-	-	0.0%
Policy Information and Communications	-	3.1	3.3	0.1	3.7%	4.2	1.0	33.1%
Preparedness, Resp, Infectious Disease & Emergency Services	-	14.0	16.8	2.7	19.3%	15.6	1.6	11.4%
Public Health Information	3.7	-	-	-	0.0%	-	-	0.0%
State Medical Examiner	2.9	-	-	-	0.0%	-	-	0.0%
<b>Total</b>	<b>\$128.9</b>	<b>\$162.9</b>	<b>\$169.9</b>	<b>\$7.1</b>	<b>4.3%</b>	<b>\$171.2</b>	<b>\$8.3</b>	<b>5.1%</b>
<b>Expenditures By Source</b>								
General Revenue	\$25.5	\$25.9	\$26.0	\$0.1	0.3%	\$26.3	\$0.4	1.5%
Federal Funds	69.2	100.4	103.5	3.1	3.1%	105.4	5.0	5.0%
Restricted Receipts	34.3	36.6	40.4	3.8	10.5%	39.5	2.9	7.9%
Other Funds	-	-	-	-	0.0%	-	-	0.0%
<b>Total</b>	<b>\$128.9</b>	<b>\$162.9</b>	<b>\$169.9</b>	<b>\$7.1</b>	<b>4.3%</b>	<b>\$171.2</b>	<b>\$8.3</b>	<b>5.1%</b>
Authorized FTE Levels	490.6	503.6	503.6	-	0.0%	499.6	(4.0)	-0.8%

*\$ 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, vital records, and state laboratories. 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 AND FY2018

The FY2017 Enacted Budget authorized the reorganization of the Department of Health. The Department's programs and subprograms were reconfigured for efficiency and to maximize service delivery based upon the Department's strategic objectives. The reorganization created some new divisions as well as eliminated functions that were determined to be inconsistent with its current mission and goals. In FY2017 and FY2018, the Department's divisions include: Central Management; Community Health and Equity; Customer Service; Environmental Health; State Health Laboratories and Medical Examiner; Policy Information and Communication; and Preparedness, Response Infectious Disease, and Emergency Medical Services.

In April 2016, the Department created the Health Equity Institute subprogram to support the agency's strategic plan, which includes "achieving health equity". The Institute's mission is "to promote access to comprehensive, high quality services so that all Rhode Islanders may achieve their optimal state of health". The Institute will focus on providing staff support and resources to cross-departmental equity initiatives, addressing populations that experience health disparities across Rhode Island, and supporting the implementation of the "equity framework" across sister agencies and with community partners. The subprogram is within the Central Management program.

The Governor proposes Article 22, which repeals RIGL 42-128.1, "Lead Hazard Mitigation", which authorizes the Housing Resource Commission (HRC) as the lead state agency for lead hazard mitigation, planning, education, technical assistance, and project coordination of state financial assistance to property

owners for lead hazard mitigation. The article amends RIGL 23-24.6, “Lead Poisoning Prevention Act”, which establishes the Department of Health (DOH) as the lead state agency on lead poisoning prevention efforts and eliminates the Interagency Coordinating Council on Environmental Lead. These prevention efforts include lead screening, detection, education, hazard reduction, and enforcement. The purpose of this article is to consolidate authority on lead-related issues under the Department of Health and streamline and strengthen lead poisoning prevention activities to improve child and family health across the State.

### CENTRAL MANAGEMENT

Central Management provides overall leadership, management, and administrative functions for the Department. The Division includes four subprograms: Executive Functions, Management Services, Academic Center, and Health Equity Institute.

The Budget funds 30.7 FTE positions in FY2017 and 36.7 FTE positions in FY2018, increasing by 6.0 FTE positions. This change reflects the common practice within the Department to shift positions among programs given available federal grants and other funds.

<b>Central Management</b>	<b>General Revenue</b>
FY2017 Enacted	\$0
<i>Target and Other Adjustments</i>	
Transfer for Health Equity Institute	0
<b>FY2018 Governor</b>	<b>\$789,523</b>

#### **Transfer for Health Equity Institute**

**\$789,523**

The Budget transfers \$658,510 from the Community Health and Equity Program to the Central Management Program in FY2018 to create the Health Equity Institute subprogram. An additional increase of \$131,103 within the subprogram (totaling \$789,523) is primarily due to the Department shifting personnel costs from the Family Health State Medicaid Match account to the Maternal and Child Health State Medicaid Match account to better align with the positions under the Health Equity Institute.

The Department created the Health Equity Institute in April 2016 to support the agency’s strategic plan, which includes “achieving health equity”. The Institute’s mission is “to promote access to comprehensive, high quality services so that all Rhode Islanders may achieve their optimal state of health”. The Institute will focus on providing staff support and resources to cross-departmental equity initiatives, addressing populations that experience health disparities across Rhode Island, and supporting the implementation of the “equity framework” across sister agencies and with community partners.

### COMMUNITY HEALTH AND EQUITY

A new division of Community Health and Equity was created in FY2017, shifting functions from the previous division of Community and Family Health and Equity.

The Division of Community Health and Equity aims to eliminate health disparities, assure healthy child development, control disease, and strive for healthy communities. The division includes four centers: chronic care and disease management, health promotion and wellness, perinatal and early childhood health, and preventive services.

The Budget funds 132.0 FTE positions in FY2017 and 118.1 positions in FY2018, reducing by 13.9 FTE positions. This change reflects the common practice within the Department to shift positions among programs given available federal grants and other funds.

<b>Community Health and Equity</b>	<b>General Revenue</b>
FY2017 Enacted	\$1,530,102
<i>Target and Other Adjustments</i>	<i>(193,259)</i>
Transfer to Central Management	(658,510)
Smoking Prevention/Cessation	512,699
<b>FY2018 Governor</b>	<b>\$1,191,032</b>

***Transfer to Central Management*** ***(\$658,510)***

The Budget transfers \$658,510 from the Community Health and Equity Program to the Central Management program to support the creation of the Health Equity Institute. The Department created the Health Equity Institute subprogram in April 2016 to support the agency’s strategic plan, which includes “achieving health equity”. The Institute will focus on providing staff support and resources to cross-departmental initiatives related to equity, addressing populations that experience health disparities across Rhode Island, providing policy oversight to maternal and child health and the Health Equity Zone (HEZ) initiatives, and supporting the implementation of the equity framework across sister agencies and with community partners.

***Smoking Prevention/Cessation*** ***\$512,699***

The Governor adds \$512,699 in general revenue to support tobacco cessation and prevention activities. These activities include the promotion of the smoker’s helpline through media campaigns to increase call volume, and the restoration of funding to the Tobacco Free Youth grant. According to the Department’s estimates, tobacco related healthcare costs the State \$640.0 million annually. Additionally, RI ranks 42<sup>nd</sup> in state spending on tobacco control and prevention.

## **CUSTOMER SERVICES**

Created in the FY2017 Enacted Budget, the Division of Customer Services has licensure and regulatory responsibilities of health care professionals and facilities, and is comprised of four centers: Professional Licensing, Professional Boards and Commissions, Vital Records, and Health Facilities Regulation. The division encompasses portions of the former Environmental and Health Services Regulation division, and the Public Health Information division.

The Budget funds 90.4 FTE positions in FY2017 and 91.4 FTE positions in FY2018, increasing by 1.0 FTE position.

<b>Customer Services</b>	<b>General Revenue</b>
FY2017 Enacted	\$6,363,621
<i>Target and Other Adjustments</i>	<i>(1,517)</i>
Consolidate Chief Positions	(138,675)
Facilities Hospital Inspector	102,272
PDMP Software Maintenance	100,946
Boards and Commission Investigator	99,792
Electronic Death Registration and Surveillance System	Informational
<b>FY2018 Governor</b>	<b>\$6,526,439</b>

***Consolidate Chief Positions*** ***(\$138,675)***

The Governor decreases general revenue by \$138,675 by consolidating two Chief positions into one position within the Division of Customer Services. Currently the Center of Professional Boards and Commissions and the Center for Professional Licensing are each managed by a Chief. Through the Lean process, the Department determined that the Centers have enough streamlined efficiencies and goals to justify joining them and to be managed by a single Chief position, the Chief of Health Professions Regulation. Both Centers work to guarantee that Rhode Islanders have access to quality health care by

investigating consumer complaints and ensuring that health professionals are licensed and adhere to professional and ethical standards.

***Facilities Hospital Inspector*** **\$102,272**

The Governor includes \$102,272 to fill a Facilities Hospital Inspector position in the Center of Health Facilities Regulation. The Center manages the licensing of healthcare facilities and enforces state and federal licensing standards. The position conducts onsite inspections of healthcare facilities to determine if facilities are in compliance with state and federal regulations and standards of care and address complaints related to noncompliant healthcare facilities. According to the Department, due to lack of staff, inspections are currently delayed.

***PDMP Software Maintenance*** **\$100,946**

The Governor includes \$100,946 in general revenue to support the annual software maintenance agreement for the Prescription Drug Monitoring Program (PDMP). The PDMP, mandated under RIGL 21-28-3.18, identifies the over prescription of, and fraud related to, prescription controlled substances across the State. The PDMP's database is a central repository for all Schedule II and III prescription drugs filled at Rhode Island pharmacies and includes patient, prescriber, and pharmacy information. This database is one of the primary evaluation tools used to target interventions to reduce prescription drug overdoses and to evaluate the efforts of the Governor's Overdose Prevention and Intervention Task Force. This database enables the Department to meet requirements for three federal grants, which generate approximately \$1.5 million in federal funding. Previously, this database had been state funded; in FY2017 a one-time federal funding carry-forward was approved to support software maintenance costs. This federal funding is no longer available.

***Boards and Commission Investigator*** **\$99,792**

In FY2018, the Governor includes \$99,792 in general revenue to fund a Boards and Commission Investigator position; currently the Department employs two Investigators. The role of this position is to investigate complaints against health professionals and present findings to the Center of Professional Boards and Commissions. The Department reports a 20.0 percent increase in complaints over the past two consecutive years. According to the Department, due to a lack of staff, onsite investigations are rarely performed and investigative summaries are not prepared for the Boards. An additional Investigator would improve the quality and speed of investigations.

***Electronic Death Registration and Surveillance System*** **Informational**

The Department requested \$426,250 in additional general revenue to fund a new Electronic Death Registration Surveillance (EDRS) System for Vital Records. However, under Article 16, the Governor recommends issuing \$2.5 million (plus approximately \$75,000 in interest) in certificates of participation (COPs) as an alternative funding source.

The Department's current reporting system is paper based and requires data to be manually entered into FilePro, a 25-year old LINUX based system, which is no longer supported by the software vendor. FilePro is able to support only one person entering data at a time; consequently, Vital Records has had a data entry backlog of three to four months at various points throughout the year. A new EDRS system would increase the speed of Vital Records data entry, allow for more efficient identification of public health risks and trends, provide special features needed by the Office of the Medical Examiner, and decrease fraudulent public benefit claims. Additionally, Vital Records needs to report all deaths in the State to the federal government within a three day period and all medical and demographic information within 25 days, per contract agreement with the National Center of Health Statistics.

**ENVIRONMENTAL HEALTH**

The Environmental Health division was created in FY2017, combining parts of the former 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 Budget authorizes 89.2 FTE positions in FY2017 and 92.3 FTE positions in FY2018, increasing by 3.1 positions.

<b>Environmental Health</b>	<b>General Revenue</b>
FY2017 Enacted	\$5,169,143
<i>Target and Other Adjustments</i>	
Supervising Sanitary Engineer Hiring Delay	(10,518)
Lead Inspections	(117,416)
	59,000
<b>FY2018 Governor</b>	<b>\$5,100,209</b>

<b>Environmental Health</b>	<b>Other Fund Changes</b>
Lead Poisoning Prevention Programs	\$590,529

***Supervising Sanitary Engineer Hiring Delay*** ***(\$117,416)***

The Governor decreases general revenue by delaying the hire of a Supervising Sanitary Engineer. The position is funded with general revenue and restricted receipts. The restricted receipt funding will be redirected to cover the general revenue portion of another FTE in the Department. This equates to a general revenue savings of \$117,416.

***Lead Inspections*** ***\$59,000***

In FY2017 the Center for Medicare and Medicaid Services (CMS) lowered the threshold standard of blood lead levels for children under age six (from 15 micrograms per deciliter to 10 micrograms per deciliter). Due to this change, the Department anticipates that there will be approximately 95 lead inspections in FY2018, each inspection costs \$675. For FY2018, the Governor includes an additional \$59,000 in general revenue to cover the State's portion of the cost due to the anticipated increase in inspections.

According to the Department, the following is the current protocol regarding lead mitigation efforts:

- DOH currently refers children with blood lead levels above 5 micrograms per deciliter to one of four lead centers for non-medical case management, which includes lead and nutritional education, a visual assessment of the property, and any interim safety measures to limit exposure to lead hazards.
- DOH refers children with blood lead levels above 10 micrograms per deciliter to private lead inspectors to perform a comprehensive environmental lead inspection.
- After the inspection, DOH follows up with the property owner on abating lead hazards, enforcing lead regulations, and referring the property owner to the Attorney General's office or another agency for prosecution if the property is not abated.
- DOH performs quality assurance checks on lead safe work practices and provides site consultations with property owners.
- The Department also provides the final clearance tests on a property and issues the appropriate lead certificate.

*Analyst Note: As of 2013, a child is considered to have lead poisoning at or exceeding 5 micrograms per deciliter, based upon guidelines issued by the Centers for Disease Control (CDC). In 2013, the CDC revised downward the blood lead thresholds for intervention (from 10 micrograms per deciliter to 5 micrograms per deciliter), increasing the number of children from ages 1 to 5 that met blood lead-level thresholds considered to be at risk for lead poisoning.*

***Lead Poisoning Prevention Program (restricted receipts)*** ***\$590,529***

Article 22 repeals RIGL 42-128.1, "Lead Hazard Mitigation", which authorizes the Housing Resource Commission (HRC) as the lead state agency for lead hazard mitigation, planning, education, technical

assistance, and project coordination of state financial assistance to property owners for lead hazard mitigation. The article amends RIGL 23-24.6, “Lead Poisoning Prevention Act”, which establishes the Department of Health (DOH) as the lead state agency on lead poisoning prevention efforts and eliminates the Interagency Coordinating Council on Environmental Lead. These prevention efforts include lead screening, detection, education, hazard reduction, and enforcement. The purpose of this article is to consolidate authority on lead-related issues under the Department of Health and streamline and strengthen lead poisoning prevention activities to improve child and family health across the State.

Under current law, the Housing Resource Commission (HRC) restricted receipt account receives \$0.30 of Real Estate Conveyance Tax collections; the article shifts \$0.05 of the HRC’s \$0.30 collection to the Department of Health’s lead screening restricted receipt account. It is estimated that this restricted receipt transfer will total \$590,618 in FY2018, which will fund new program responsibilities and 3.0 new FTE positions (2.0 State Lead Inspectors and 1.0 Data Manager) associated with lead poisoning prevention efforts.

*Analyst Note: Article 22 was amended on February 28, 2017, to have an amount no less than \$590,000 transferred annually from the HRC restricted receipt account to the Department of Health’s lead screening restricted receipt account, in lieu of the \$0.05 transfer. The purpose of this amendment is to establish a consistent funding source annually, as opposed to the original proposal which had the potential to vary year to year.*

*Additionally, Article 22 refers to DOH’s “lead screening restricted receipt account” as described above. Article 7: Relating to State Funds, exempts a number of restricted receipt accounts from the 10.0 percent indirect cost recovery charge provisions under RIGL 35-4-27. The proposed exemption would apply to what is referred to in Article 7 as the “Lead Poisoning Prevention account”. It appears that Article 7 incorrectly names this restricted receipt account.*

## STATE HEALTH LABORATORIES AND MEDICAL EXAMINER

In FY2017, the State Health Laboratories and Medical Examiner divisions merged. The new division provides 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 \$1.8 million in fees, which are deposited into the State’s general fund.

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 Division also provides expert testimony in criminal and civil cases.

The Budget authorizes 80.9 FTE positions in FY2017 and 79.9 FTE positions in FY2018, reducing by 1.0 FTE position. This change reflects the common practice within the Department to shift positions among programs given available federal grants and other funds.

<b>State Health Laboratories and Medical Examiner</b>	<b>General Revenue</b>
FY2017 Enacted	\$10,028,498
<i>Target and Other Adjustments</i>	<i>26,851</i>
Scene Investigator	81,306
<b>FY2018 Governor</b>	<b>\$10,136,655</b>

### **Scene Investigator** **\$81,306**

The Department adds a Scene Investigator position during FY2017, and used existing sources to fund the position. For FY2018, the Governor adds \$81,306 in general revenue to fund this position. This new Scene Investigator for the Office of the Medical Examiner, increases 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.

### **POLICY INFORMATION AND COMMUNICATION**

In FY2017 a new Policy Information and Communication division was created. The Division is responsible for public health communications; data collection, analysis, and dissemination; coordination of the Department's legislative and regulatory functions; and ensuring standards of care are maintained in new and existing healthcare facilities.

The division includes four centers: Public Health Communications, Health Data and Analysis and Public Informatics, Health Systems Policy and Regulation, and Legislative and Regulatory Affairs. The Budget includes 16.9 FTE positions in FY2017 and 17.7 FTE positions in FY2018. This change reflects the common practice within the Department to shift positions among programs given available federal grants and other funds.

<b>Policy, Information and Communication</b>	<b>General Revenue</b>
FY2017 Enacted	\$937,935
<i>Target and Other Adjustments</i>	<i>(100,145)</i>
Center for Legislative and Regulatory Affairs New Position	124,470
<b>FY2018 Governor</b>	<b>\$962,260</b>

#### **Center for Legislative and Regulatory Affairs New Position \$124,470**

The Governor adds \$124,470 in general revenue to fund 1.0 Health Program Administrator within the Center for Legislative and Regulatory Affairs (CLRA). This subprogram promotes public health through a "health in all policies" approach. CLRA has a backlog of approximately 50 regulations mandated by the General Assembly, which are incomplete and need to be written. Overall CLRA is responsible for a total of 130 regulations, many of which need updating. Some of CLRA's work involves regulations based on federal mandates, which are therefore tied to federal funding. Currently, CLRA has one 0.6 FTE position dedicated to developing and implementing regulation and, due to lack of staff, is not meeting statutory requirements for regulations. The 1.0 new FTE position would work to ensure that DOH meets their regulatory responsibilities in a timely manner.

*Analyst Note: The Department requested 3.0 FTE positions for FY2018. According to the Department, DOH is unable to meet the mandates required by the Governor's 2016 Administrative Procedures Act (APA) review, which requires all state agencies to reformat, streamline, and refile all of their existing regulations by January 2019. The requirements of this new mandate represents additional work to what is described above. DOH is responsible for approximately 20.0 percent of all state regulations, the most of any Department. If the Department does not meet the new APA mandate, many regulations will expire, and therefore become unenforceable, after the APA deadline date.*

*Additionally, the Budget includes \$170,704 in general revenue funding in the Department of Administration, reflecting the transfer of funds from the Office of the Secretary of State to support legal service assistance to state agencies working to revise and update rules and regulations as part of the regulatory reform initiative.*

### **PREPAREDNESS, RESPONSE, INFECTIOUS DISEASE, AND EMERGENCY MEDICAL SERVICES**

The Preparedness, Response, Infectious Disease, and Emergency Medical Services division was created in FY2017. The division includes four centers that previously existed within two divisions of the department: Emergency Preparedness and Response; Infectious Disease and Epidemiology; HIV, Hepatitis, STD, and TB Epidemiology; 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 Budget includes 63.5 FTE positions in FY2017 and 63.6 FTE positions in FY2018.

<b>Preparedness, Response, Infections Disease, and Emergency Services</b>	<b>General Revenue</b>
FY2017 Enacted	\$1,902,523
<i>Target and Other Adjustments</i>	<i>(35,492)</i>
Medicaid Health Systems Transformation	(247,900)
<b>FY2018 Governor</b>	<b>\$1,619,131</b>

**Medicaid Health Systems Transformation** **(\$247,900)**

The Division of Preparedness, Response, Infectious Disease, and Emergency Services (PRIDEMS) is participating in Executive Office of Health and Human Services (EOHHS) Health Systems Transformation (HST) project. The Center for Medicare and Medicaid Services (CMS) has approved EOHHS' general HST proposal, which includes DOH; however, the project's claiming manual has yet to be approved by CMS. According to the Department, subject to the claiming manual approval, HST could match up to \$247,900 with federal funds. The Department would transfer the salary cost of the Division Director/Medical Director/State Epidemiologist (0.7 FTE) and a Directly Observed Therapy Worker (0.5 FTE) from general revenue to the new HST funding. If the claiming manual is not approved, the Department plans to continue to fund these salaries via general revenue as they are critical to the function of the Division and Department.

## Department of Human Services

Expenditures By Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$10.0	\$9.5	\$8.4	(\$1.2)	-12.3%	\$7.9	(\$1.6)	-17.2%
Child Support Enforcement	9.2	9.5	9.9	0.4	4.2%	11.3	1.7	18.2%
Elderly Affairs	18.7	18.7	19.3	0.6	3.2%	19.8	1.1	5.7%
Health Care Eligibility	21.1	19.2	16.7	(2.5)	-13.1%	14.0	(5.1)	-26.8%
Individual and Family Support	144.6	109.4	134.9	25.5	23.3%	124.3	14.9	13.6%
Rhode Island Works	86.9	93.0	88.7	(4.2)	-4.6%	92.2	(0.7)	-0.8%
State Funded Programs	277.1	283.7	283.7	-	0.0%	283.7	-	0.0%
Supplemental Security Income Program	18.5	18.5	18.5	-	0.0%	18.5	-	-0.2%
Veterans Affairs	29.2	40.6	40.6	(0.1)	-0.2%	82.1	41.4	101.9%
<b>Total</b>	<b>\$615.3</b>	<b>\$602.1</b>	<b>\$620.6</b>	<b>\$18.5</b>	<b>3.1%</b>	<b>\$653.7</b>	<b>\$51.6</b>	<b>8.6%</b>
<b>Expenditures By Source</b>								
General Revenue	\$96.1	\$97.6	\$93.1	(\$4.5)	-4.6%	\$95.7	(\$1.9)	-2.0%
Federal Funds	511.6	497.6	519.0	21.4	4.3%	550.1	52.5	10.5%
Restricted Receipts	2.7	1.7	3.4	1.7	101.2%	3.3	1.6	91.0%
Other Funds	-	0.5	0.4	(0.1)	-17.9%	-	(0.5)	-100.0%
<b>Total</b>	<b>\$615.3</b>	<b>\$602.1</b>	<b>\$620.6</b>	<b>\$18.5</b>	<b>3.1%</b>	<b>\$653.7</b>	<b>\$51.6</b>	<b>8.6%</b>
Authorized FTE Levels	959.1	937.1	937.1	-	0.0%	838.1	(99.0)	-10.6%

\$ 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 AND FY2018

The Unified Health Infrastructure Project (UHIP) is the largest Information Technology (IT) project undertaken by the State intended to fully integrate health and human service programs and establish a State-based health insurance exchange, HealthSource RI. The project was developed in two phases. Phase I, launched in 2013, created an online portal for purchasing commercial health insurance and income-based Medicaid eligibility. Phase II of UHIP, launched in September of 2016, was intended to expand the system to serve as a portal through which residents apply for and enroll in other health and human service programs such as Child Care, SNAP, GPA, and SSI programs.

Phase II of the UHIP project has been plagued with technical failures resulting in delays in eligibility and payments to providers and individuals. These challenges led to the Governor's decision to seek the resignation of the Director of DHS, the Director of Information Technology, and the Secretary of Health and Human Services. The Governor has replaced these key positions with acting leaders, published an analysis of the current conditions of the project, and proposed short-term and long-term solutions to improve the performance of the system. The cost of the project, which is projected to total \$327.0 million through FY2018, are shared across the Executive Office of Health and Human Services (EOHHS), DHS, and HealthSource RI (HSRI).

It is unclear what the fiscal impact will be to the Department's FY2018 budget. The Governor is in negotiations with the primary developer of the system, Deloitte Consulting, to assume the costs associated with the IT malfunctions.

*Analyst Note: The Administration released the report, An Assessment of the Unified Health Infrastructure Project, on February 15, 2017. The report identified the current challenges with the UHIP system which have led to the disruption of services and payments for beneficiaries and providers. It also details corrective actions that are being taken immediately, as well as short-term goals to correct the deficiencies.*

*The Administration report states that budget risks include: previous caseload forecasts may be incorrect for programs that are having issues with eligibility or enrollment; program or personnel savings may not be achieved within the original timeframe because relevant functionality is working partially or not at all; potential delays in savings because the system is not yet accurately making payments to some providers, resulting in some potential overpayments; and the State may be subject to federal penalties due to difficulties with administering certain programs.*

The Governor decreases the Department-wide FTE cap by 99.0 FTEs, from 937.1 in FY2017 to 838.1 in FY2018. 39.0 finance positions shift to EOHHS. This consolidation of finance staff will allow for coordination among finance departments by centralizing staff at EOHHS office space; however, the financing for the FTE positions will remain in the Department of Human Services to maximize federal financing participation. Across the Department, there is a reduction of 60.0 FTE positions due to previously anticipated efficiencies associated with the release of UHIP. Department-wide personnel costs are reduced by \$2.7 million in general revenue in FY2018. Additionally, there are many shifts in personnel costs between programs in the Department due to the Department's ever-changing FTE cost allocation plan.

*Analyst Note: Due to major issues with the launch of Phase II of UHIP, the administration has publicly discussed rehiring some or all of the 60.0 FTEs in FY2017 and/or FY2018, who had originally been laid off in anticipation of the new system's efficiencies. The Governor's FY2017 Supplemental Budget requests an additional 35.0 temporary FTEs to be hired to assist with the backlog of client applications within the new system. Additional costs or savings associated with UHIP in FY2018 are unknown at this time.*

*The Administration's report, An Assessment of the Unified Health Infrastructure Project, released on February 15, 2017 states, "In retrospect, the State's decision to proceed with layoffs of more than 60 DHS staff was a mistake. . . Given the serious ongoing productivity issues with the system, it is clear that we need more staff, not fewer, in order to successfully cope with system issues."*

### **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 2016 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 \$110.8 million in FY2018, a decrease of \$2.0 million from the enacted level. The major contributor to this reduction is due to an anticipated decrease of 217 childcare subsidies within the Child Care Assistance Program (CCAP). Additionally, there will be changes to CCAP in FY2018 due to the reauthorization of the federal Child Care and Development Block Grant (explained further below).

<b>Cash Assistance Program - November 2016 Adopted Estimates</b>			
	<b>FY2017</b>	<b>FY2018</b>	<b>Change to</b>
	<b>Enacted</b>	<b>Adopted</b>	<b>Enacted</b>
<b>Rhode Island Works</b>	<b>\$23.1</b>	<b>\$22.3</b>	<b>(\$0.8)</b>
Federal Funds	23.1	22.3	(0.8)
<b>Child Care</b>	<b>\$69.9</b>	<b>\$68.5</b>	<b>\$9.5</b>
Federal Funds	55.1	55.1	0.0
General Revenue	14.7	13.4	(1.3)
<b>SSI - State Supplement</b>	<b>\$18.5</b>	<b>\$18.6</b>	<b>\$0.1</b>
General Revenue	18.5	18.6	0.1
<b>General Public Assistance</b>	<b>\$1.4</b>	<b>\$1.5</b>	<b>\$0.1</b>
General Revenue	1.4	1.5	0.1
<b>Total</b>	<b>\$112.8</b>	<b>\$110.8</b>	<b>(\$2.0)</b>
Federal Funds	78.2	77.4	(0.8)
General Revenue	34.6	33.4	(1.2)

*\$ 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 Budget authorizes 11.9 FTE positions in FY2017 and has no positions in FY2018. The lack of positions in FY2018 is due to a consolidation of finance staff at the Executive Office of Health and Human Services. This consolidation will allow for coordination among finance departments by centralizing staff at EOHHS office space; however, the financing for the FTE positions will remain in the Department of Human Services to maximize federal financing participation.

<b>Central Management</b>	<b>General Revenue</b>
FY2017 Enacted	\$4,852,023
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<i>Target and Other Adjustments</i>	<i>3,304</i>
Personnel	(1,445,219)
<b>FY2018 Governor</b>	<b>\$3,410,108</b>

**Personnel****(\$1.4 million)**

The Budget is reduced by \$1.4 million in Central Management due to a reduction in personnel costs within the Division. The staff within Central Management are moved to the Executive Office of Health and Human Services (EOHHS), to allow for coordination among finance departments by centralizing staff at EOHHS office space; however, the financing for the FTE positions will remain in the Department of Human Services to maximize federal financing participation. The funding for these finance positions is cost allocated to other programs within the Department, causing a decrease in the Central Management program.

**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 Budget authorizes 60.0 FTE positions in FY2017 and 57.0 FTE positions in FY2018. The decrease of 3.0 FTE positions is due to a consolidation of finance staff at the Executive Office of Health and Human Services. This consolidation will allow for coordination among finance departments by centralizing staff at EOHHS office space; however, the financing for the FTE positions will remain in the Department of Human Services to maximize federal financing participation.

<b>Child Support Enforcement</b>	<b>General Revenue</b>
FY2017 Enacted	3,314,623
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<i>Target and Other Adjustments</i>	<i>66,696</i>
<b>FY2018 Governor</b>	<b>\$3,381,319</b>

**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 Budget includes 31.0 FTE positions in FY2017, consistent with the Budget as Enacted. The FY2018 Budget includes 28.0 FTE positions, 3.0 positions less than FY2017. The decrease in positions is due to a consolidation of finance staff at the Executive Office of Health and Human Services. This consolidation will allow for coordination among finance departments by centralizing staff at EOHHS office space; however, the financing for the FTE positions will remain in the Department of Human Services to maximize federal financing participation.

<b>Elderly Affairs</b>	<b>General Revenue</b>
FY2017 Enacted	\$6,533,729
<i>Target and Other Adjustments</i>	<i>99,215</i>
Bus Passes for the Elderly	300,000
Volunteer Guardianship Program	(40,756)
<b>FY2018 Governor</b>	<b>\$6,892,188</b>

### ***Bus Passes for the Elderly***

***\$300,000***

The Division of Elderly Affairs adds \$300,000 in general revenue to fund free bus fares to high-need elderly individuals at risk of institutionalization, disabled individuals, and elderly or disabled veterans. Previously, the State of Rhode Island had required the Rhode Island Public Transit Authority (RIPTA) to provide free, unlimited transportation to low-income persons who are either senior citizens or persons with disabilities. This program ended February 1, 2017, and instead RIPTA will offer this population discount cards and charge \$0.50 per ride. To supplement these new discount cards, the Governor proposes to provide free tickets to the population who were previously able to ride fare-free. The intent of this initiative is to distribute a fixed number of tickets to intermediaries who will then issue the tickets to this target population on a first-come-first served basis. Intermediaries will include a number of full-service senior centers located throughout the state, as well as the Aging and Disability Resource Center at The POINT. Distribution sites will be locations with standing relationships with DEA who are currently providing comprehensive services to seniors living in the community.

According to the Division, this program is intended to mitigate the impact of the elimination of the free bus pass program upon RI’s vulnerable seniors, but does not replace the free pass program. As of February 1, 2017, the Division is running a pilot program similar to this proposed initiative. Under the pilot program, DEA is only able to purchase enough fare products to serve 42.0 percent of the senior population carrying the qualifying reduced fare bus pass. Currently, the Division is distributing fare products with a value of \$5 (10 one-way trips) per month. Data from RIPTA shows that on average, seniors use more than 30 one-way trips per month. Under the proposed initiative the Division anticipates to purchase five-thousand \$5 fare cards per month and expect to serve, at minimum, the same percentage of the population they are currently serving under the pilot program.

### ***Volunteer Guardianship Program***

***(\$40,756)***

The Governor includes a decrease of \$40,756 in general revenue due to the termination of the Volunteer Guardianship Program (VGP) contract with Cornerstone Adult Services. The Division reports that there was no response to the request for proposal that was issued for the program. In FY2017, the VGP was funded at \$81,512 in general revenue. The VGP will continue; however, the Division of Elderly Affairs will manage the program at 50.0 percent of the cost. According to the Division, the cost of absorbing the VGP will include: \$5,000 for DEA personnel costs; \$34,398 to fund a part-time temporary paralegal position; and \$1,358 in miscellaneous legal fees.

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).

### 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 Budget authorizes 175.5 FTE positions in FY2017 and 124.6 FTE positions in FY2018, a decrease of 50.9 positions. This decrease is primarily due to anticipated efficiencies associated with the launch of the Unified Health Infrastructure Project (UHIP).

<b>Health Care Eligibility</b>	<b>General Revenue</b>
FY2017 Enacted	\$8,527,641
<i>Target and Other Adjustments</i>	
Personnel	(49,626)
Unified Health Infrastructure Project (UHIP)	(2,279,930)
	(152,966)
<b>FY2018 Governor</b>	<b>\$6,045,119</b>

### **Personnel**

**(\$2.3 million)**

The Budget is reduced by \$2.3 million in personnel costs within the Health Care Eligibility program due to both a reduction of FTE positions and a shift in the Department's FTE cost allocation plan. This shift is primarily due to the reallocation of personnel costs from Healthcare Eligibility to Individual and Family Support (IFS). The Department has deemed IFS as the "one stop shop" for Department-wide case management and eligibility determinations due to the implementation of UHIP, the new integrated eligibility system. The reduction in cost is primarily due to a layoff of 60.0 FTEs due to efficiencies that were anticipated to be achieved by UHIP (see analyst note, below).

### **Unified Health Infrastructure Project (UHIP)**

**(\$152,966)**

In the FY2018 Budget, there is a Department-wide net savings of \$76,952 in general revenue associated with previously anticipated efficiencies of UHIP; however, within the Health Care Eligibility program, there is an estimated decrease of \$152,966 in general revenue. The decrease in the Health Care Eligibility Program is offset by an increase of \$76,014 in the Individual and Family Support program related to UHIP.

*Analyst Note: The Governor's Budget includes a projected Department-wide savings of \$76,952 in FY2018 due to efficiencies associated with the implementation of the final phase of UHIP. The final phase was released September 2016. Recently, it has been publicized that there are major system issues with UHIP resulting in delays in eligibility and payments to providers and individuals. The Administration has publicly discussed rehiring some or all of the 60.0 FTEs in FY2017 and/or FY2018, who had originally been laid off in anticipation of the new system's efficiencies. The Governor's FY2017 Supplemental Budget requests an additional 35.0 temporary FTEs to be hired to assist with the backlog of client applications within the new system. Additional costs or savings associated with UHIP in FY2018 are unknown at this time.*

### 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 Budget includes 453.6 FTE positions in FY2017 and 388.8 FTE positions in FY2018, a decrease of 64.8 positions. This decrease is primarily due to anticipated efficiencies associated with the release of the Unified Health Infrastructure Project (UHIP). Additionally, 17.0 FTE positions move to the Executive Office of Health and Human Services due to a consolidation of finance staff. This consolidation will allow for coordination among finance departments by centralizing staff at EOHHS office space; however, the financing for the FTE positions will remain in the Department of Human Services to maximize federal financing participation.

<b>Individual and Family Support</b>	<b>General Revenue</b>
FY2017 Enacted	\$18,876,650
<i>Target and Other Adjustments</i>	<i>746,667</i>
Personnel	790,653
Head Start Program	390,000
Unified Health Infrastructure Project (UHIP)	76,014
<b>FY2018 Governor</b>	<b>\$20,879,984</b>

**Personnel** **\$790,653**

The Budget adds \$790,653 in personnel costs within the Individual and Family Support (IFS) Program due to a shift in the Department's FTE cost allocation plan. This shift is primarily due to the reallocation of personnel costs from Central Management, Child Support Enforcement, and Healthcare Eligibility to IFS. The Department has deemed the Individual and Family Support program to be the "one stop shop" for Department-wide case management and eligibility determinations due to the implementation of the new integrated eligibility system, UHIP (discussed further below).

**Head Start Program** **\$390,000**

The Governor adds \$390,000 in general revenue funding to increase support to the Head Start Program, which is designed to foster the development and school-readiness of children from birth to age five. The federal Office of Head Start, within the Administration for Children and Families (ACF), has recently increased instructional time requirements; therefore, federal funds for Head Start Program federal slots have increased. This general revenue increase brings reimbursement rates for state-funded program slots closer to federal rates of reimbursement to ensure the current number of state-funded slots is maintained under the new requirements. According to ACF, the new requirements will increase the minimum duration of programs so that nearly all Head Start Programs are operating for a full school day and full school year by August 2021, with a requirement that half of all children in each program participate for a full school day and year in 2019.

Head Start services are delivered by public and private nonprofit and for-profit agencies. Head Start agencies provide services to children and families that meet the needs of their local community and follow the Head Start Program Performance Standards. These agencies receive federal grants. Rhode Island contributes additional funding to expand the Head Start Program to include more children. Programs prioritize enrollment for vulnerable children including children in foster care, children with disabilities, and children whose families are homeless.

**Unified Health Infrastructure Project (UHIP)** **\$76,014**

In the FY2018 Budget, there are Department-wide net savings associated with the Unified Health Infrastructure Project (UHIP) totaling \$76,952; however, within Individual and Family Support there is an

estimated increase of \$76,014 associated with UHIP. The increase in the IFS is offset by a decrease of \$152,119 in the Health Care Eligibility Program related to UHIP.

### 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.

<b>Rhode Island Works</b>	<b>General Revenue</b>
FY2017 Enacted	\$14,747,241
<i>Target and Other Adjustments</i>	
Caseload Estimating Conference - Child Care	(1,334,422)
Childcare Tiered Reimbursement	1,000,000
<b>FY2018 Governor</b>	<b>\$14,412,819</b>

<b>Rhode Island Works</b>	<b>Other Fund Changes</b>
Caseload Estimating Conference - Rhode Island Works	(792,563)
Transitional Child Care Pilot Program	Informational

### **Caseload Estimating Conference – Child Care Assistance** **(\$1.3 million)**

Rhode Island provides child care assistance to low income families (typically, families earning less than 180.0 percent of the federal poverty level, or \$36,756 annually for a family of three, are eligible). General revenue funding is estimated to decrease by \$1.3 million in FY2018. The CEC adopted a FY2018 estimate of 9,386 child care subsidies at a general revenue cost of \$13.4 million (\$68.5 million all funds). The reduction is due to an anticipated decrease of 217 childcare subsidies. Additionally, there will be changes to the Child Care Assistance Program (CCAP) in FY2018 due to the reauthorization of the federal Child Care and Development Block Grant (see analyst note below for more information).

### **Child Care Tiered Reimbursement** **\$1.0 million**

The Governor adds \$1.0 million in general revenue to enhance reimbursement rates to incentivize CCAP child care providers to offer higher quality care. Currently, all providers approved to participate in the DHS Child Care Assistance Program receive the same payment rates, regardless of the quality of the care delivered.

According to the Administration, 75.0 percent of children in CCAP attend child care centers with a one to two stars out of a five star quality rating system. Rhode Island uses a quality rating system implemented by BrightStars. 80.0 percent of children participating in CCAP are enrolled in child care centers. Reimbursement rates to these centers is between the 12<sup>th</sup> and 21<sup>st</sup> percentile of current market provider rates (the federal recommended benchmark is 75<sup>th</sup> percentile). 38 states use a tiered reimbursement system, which includes all states in New England, excluding Rhode Island.

In 2009, under RIGL 42-12-23.1, Rhode Island launched BrightStars, a Quality Rating and Improvement System for child care programs. BrightStars assess programs on 8-10 quality standards, and use that data to assign a quality rating between one to five Stars. Quality standards used to assess child care centers include staff qualifications, curriculum, and family engagement.

*Analyst Note: The Department did not respond to inquiry as to how this initiative will be implemented. The Governor does not include legislation to change child care rates, which are set in statute (RIGL 40-6.2-1.1 ).*

### **Caseload Estimating Conference – RI Works (federal funds)** **(\$792,563)**

The November 2016 Caseload Estimating Conference (CEC) estimated a Rhode Island Works (RIW) caseload average of 9,600 recipients and total program cost of \$22.3 million for FY2018, all of which is

federal funds and represents an decrease of \$792,563 in federal funds from the FY2017 enacted level. The Rhode Island Works Program has experienced a decline in both the number of participants and the average cost per month of each participant.

**Transitional Child Care Pilot Program**

**Informational**

The Transitional Child Care Pilot Program expands access to child care assistance by increasing the exit income threshold for current child care program participants from 180.0 percent of the federal poverty level (FPL) up to 225.0 percent FPL, or from \$36,756 in annual income to \$45,945 in annual income for a family of three, respectively. In FY2017, under Article 7, the sunset date of the Transitional Child Care Pilot Program changed from September 30, 2016, to September 30, 2017, which extended the pilot program for an additional year. The article allows families who receive child care assistance to continue to participate in this program until the pilot’s expiration date of September 30, 2017, or until their income exceeds 225.0 percent FPL, whichever occurs first. On average, 344 children per cycle utilized the program in FY2016 and the Department estimates that an average of 469 children per cycle will utilize the program in FY2017.

*Analyst Note: Reauthorization of the Child Care and Development Block Grant (CCDBG) requires changes to CCAP beginning October 1, 2016. These changes include: a twelve month recertification period—each child who is determined eligible for a State child care program must have no less than 12 months of continuous eligibility; at least 3 months of continuous eligibility for families who lose their jobs; a graduated phase out—CCAP must have two-tiered eligibility with an initial income eligibility threshold (currently 180.0 percent FPL) and a higher second tier income threshold at recertification to accommodate increases in family income; infant-toddler prioritization; and expanded outreach to homeless families.*

*The Department has received a 12 month waiver on all of the new requirements listed above, except for infant-toddler prioritization (which was not included in the Department’s waiver request).*

**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.

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.

SNAP, or “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.

<b>State Funded Programs</b>	<b>General Revenue</b>
FY2017 Enacted	\$1,582,800
<i>Target and Other Adjustments</i>	
Caseload Estimating Conference	95,288
Eliminate GPA Hardship Payments	(30,000)
<b>FY2018 Governor</b>	<b>\$1,648,088</b>

**Caseload Estimating Conference—General Public Assistance \$95,288**

Estimators at the November 2016 Caseload Estimating Conference (CEC) projected that in FY2018, 400 people would receive general public assistance (GPA) at a monthly cost of \$142.31 per person.

Expenditures for monthly cash payments, 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 \$1.5 million in FY2018, a \$95,288 general revenue increase from FY2017 enacted levels. This increase is due to the estimated monthly payment increasing from the FY2017 enacted level of \$136.00 to \$142.31 in FY2018.

The GPA hardship contingency fund, which is funded by statute outside of the CEC, was funded at \$210,000 in general revenue in the FY2017 Budget as Enacted. As noted below, the Governor proposes to reduce the hardship contingency fund, saving \$30,000 in general revenue in FY2018.

**Hardship Benefit Program Reduction**

**(\$30,000)**

The Governor reduces the Hardship Program, saving \$30,000 in general revenue. This program is a subset of the GPA Bridge Program, which provides income for disabled, low income individuals until they are determined to be eligible for the federal Supplemental Security Income (SSI) Program. The GPA Bridge Program is included in the Caseload Estimating Conference (CEC). Monthly hardship payments total \$100 per month, and eligibility is determined on a case-by-case basis each month, by the Director of DHS, for individuals who are ineligible for Bridge and other state or federal income maintenance programs. The Hardship Program serves approximately 125 individuals each year. The GPA Hardship Program is funded in Article 1, outside of the CEC, at \$210,000 in general revenue. According to the Budget Office, Hardship Program spending is typically \$180,000 each year.

*Analyst Note: In FY2018, Article 1 funds the Hardship Program at \$210,000. Without a Budget Amendment to Article 1, the Hardship Program will continue to be funded at \$210,000.*

**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. As of January 1, 2017 the federal SSI payment was increased by \$2 for individuals and \$3 for couples (who both spouses are eligible). The state portion of the SSI payment remained the same at \$39.92 for individuals and \$79.38 for couples. Currently, the maximum monthly payment is \$774.92 for an individual and \$1,182.38 for a couple.

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.

<b>Supplemental Security Income Program</b>	<b>General Revenue</b>
FY2017 Enacted	\$18,496,913
<i>Target and Other Adjustments</i>	
SSI Hardship Moves	(100,000)
Caseload Estimating Conference - SSI	57,127
<b>FY2018 Governor</b>	<b>\$18,454,040</b>

### **SSI Hardship Moves**

**(\$100,000)**

The Governor reduces the Budget by \$100,000 in FY2018 by reducing one of the benefits that individuals on SSI receive. An individual who receives SSI is able to have his or her cost of moving from one residence to another covered by the State. The Department reports that the current cost of this benefit is \$256,000 each year. The Department plans to implement policies to limit access to these moves to achieve \$100,000 in general revenue.

*Analyst Note: It is unclear what policies the Department will implement to achieve these savings.*

### **Caseload Estimating Conference—SSI**

**\$57,127**

The November 2016 Caseload Estimating Conference (CEC) SSI estimate reflects total general revenue costs of \$18.6 million (including \$51,000 in fees associated with the SSI program) in FY2018, which represents an increase of \$57,127 from the enacted level. This is based upon a SSI caseload estimate of 33,777 individuals in FY2018, with individuals receiving an estimated average monthly payment \$45.65.

## **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 Budget authorizes 246.1 FTE positions in FY2017 and 240.1 FTE positions in FY2018, a decrease of 6.0 FTE positions. The majority of the decrease is due to a consolidation of finance staff at the Executive Office of Health and Human Services. This consolidation will allow for coordination among finance departments by centralizing staff at EOHHS office space; however, the financing for the FTE positions will remain in the Department of Human Services to maximize federal financing participation.

<b>Veterans Affairs</b>	<b>General Revenue</b>
FY2017 Enacted	\$20,704,694
<i>Target and Other Adjustments</i>	
Increase in Federal Per Diem	(200,000)
<b>FY2018 Governor</b>	<b>\$20,601,826</b>

### **Veterans Affairs**

### **Other Funds Changes**

Veterans Home Construction Project	\$23,500,000
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### **Increase in Federal Per Diem**

**(\$200,000)**

In FY2018 there is a savings of \$200,000 in general revenue due to an anticipated increase in federal per diem payments for the Veterans Home reflecting a Cost of Living Adjustment. The additional \$200,000 received in federal funds will offset the same amount in general revenue, leading to this savings.

**Veterans Home Construction Project (federal funds)****\$23.5 million**

The Budget includes \$23.5 million in federal funds and \$27.0 million in general obligation bonds in FY2018 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 Veterans Home is expected to be completed in August 2017.

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 \$120.5 million, including \$61.0 million in state funds and \$60.5 million in federal funds. The language of the 2012 bond referendum, however, only allows the State to issue \$33.5 million, 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.

*Analyst Note: The 2012 bond referendum only allowed the State to issue \$33.5 million, leaving a shortfall of \$27.0 million. The new bond referendum, approved in November 2016, will address this \$27.0 million shortfall to fully fund the project at a reduced cost to the State.*



## Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals

Expenditures By Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$1.4	\$1.7	\$1.6	(\$0.1)	-3.1%	\$1.7	(\$0.0)	-2.4%
Hospital & Community System Support	2.4	2.9	2.7	(0.2)	-5.8%	2.7	(\$0.2)	-6.7%
Hospital & Community Rehabilitation Services	116.8	114.3	119.4	5.1	4.5%	105.9	(\$8.4)	-7.4%
Behavioral Healthcare Services	16.2	20.5	26.6	6.2	30.2%	27.4	6.9	34.0%
Services for the Developmentally Disabled	241.9	246.2	250.6	4.4	1.8%	256.7	\$10.5	4.3%
<b>Total</b>	<b>\$378.6</b>	<b>\$385.6</b>	<b>\$401.1</b>	<b>\$15.5</b>	<b>4.0%</b>	<b>\$394.4</b>	<b>\$8.7</b>	<b>2.3%</b>
<b>Expenditures By Source</b>								
General Revenue	\$176.3	\$173.2	\$181.7	\$8.5	4.9%	\$179.6	\$6.5	3.7%
Federal Funds	189.6	193.0	198.8	5.8	3.0%	200.7	7.7	4.0%
Other Funds	5.2	11.0	13.6	2.6	24.0%	7.1	(3.9)	-35.6%
Restricted Receipts	7.5	8.4	6.9	(1.5)	-18.1%	6.9	(1.5)	-18.1%
<b>Grand Total</b>	<b>\$378.6</b>	<b>\$385.6</b>	<b>\$401.1</b>	<b>\$15.5</b>	<b>4.0%</b>	<b>\$394.4</b>	<b>\$8.7</b>	<b>2.3%</b>
Authorized FTE Levels	1,419.4	1,352.4	1,352.4	-	0.0%	1,319.4	(33.0)	-2.4%

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

The Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) provides 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 Budget includes 1,319.4 FTEs, a reduction of 33.0 FTEs from the FY2017 Enacted Budget. The Governor shifts 33.0 FTE positions to the Executive Office of Human Services to consolidate financial staff; however, funding remains with the agency. The FY2017 Supplemental Budget is consistent with the Enacted budget.

### MAJOR ISSUES AND TRENDS FOR BHDDH IN FY2018

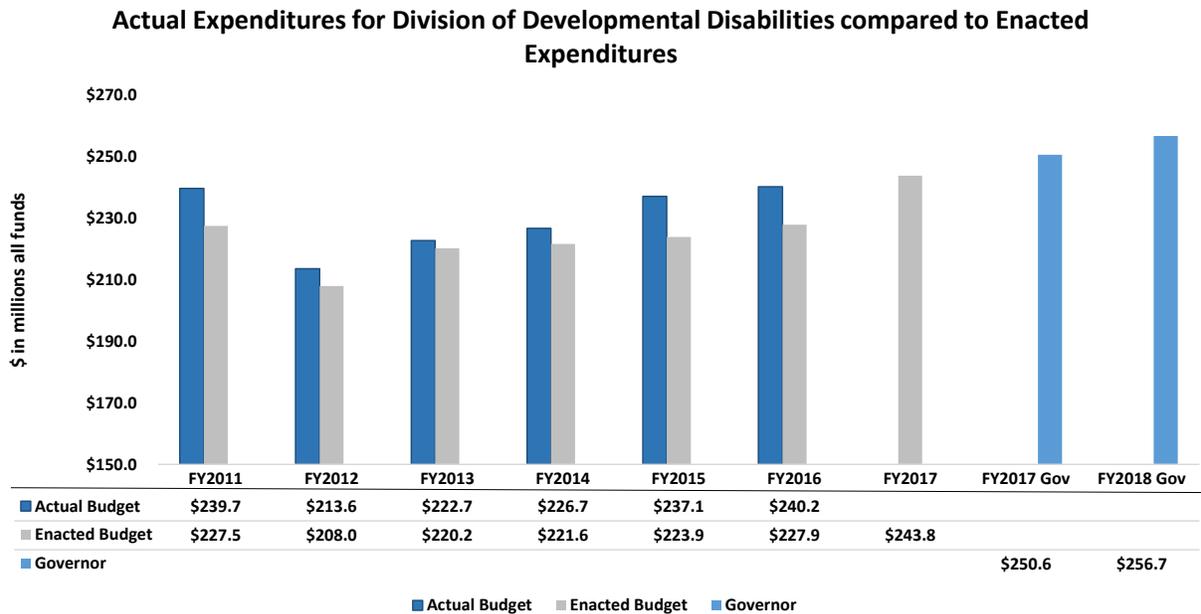
The FY2018 Budget includes \$179.6 million in general revenue (\$394.4 million all funds) an increase of \$8.7 million all funds over the FY2017 Enacted Budget. The increase in general revenue expenditures in FY2018 are offset by a \$1.4 million general revenue savings at the Division of Hospitals and Community Rehabilitative Services associated with the reorganization of Eleanor Slater Hospital (ESH), the State-operated psychiatric hospital. The Budget also includes an \$8.5 million general revenue increase in FY2017.

The growth in expenditures largely represents increased costs in the Division of Developmental Disabilities (DD) for service cost adjustments, wage increases for Direct Support Professionals (DSPs), and unachieved savings related to group home transitions. The Division has continued to see increasing costs associated with providing services for individuals with intellectual and developmental disabilities (I/DD), largely due to reforms required by the Consent Decree the State entered into in 2014.

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 in the Division continue to be directly associated with State compliance with the Consent Decree. The State continues to invest in supportive services in integrated

settings in order to reform the system of care for individuals with intellectual and developmental disabilities (I/DD).

The State’s over-reliance on costly residential group home settings has hindered its ability to invest in alternative living and community-based programming. Several ongoing initiatives within the Division are targeted to increase provider capacity to improve programming and residential options provided to individuals with I/DD. This investment of general revenue to reform the DD system of services will increasingly grow to meet the requirements of the Consent Decree until FY2024, when an additional \$30.0 million will be required annually. The FY2018 Budget is a 13.0 percent increase from the FY2016 Enacted Budget and a 4.3 percent increase compared to the FY2017 Enacted Budget in the Division of DD.



The Governor’s Budget includes \$3.9 million in general revenue savings associated with the transition of persons with intellectual disabilities from residential placement in private and state owned group homes to less costly living settings such as Shared Living Arrangements (SLAs), living independently, and living with a family member.

The Budget also includes an additional \$3.0 million in general revenue (\$6.1 million all funds) to increase wages for direct-support professionals (DSPs) providing care for individuals with disabilities. Wage increases will be exclusive to private provider DSP workers and will not include a wage increase to RICLAS DSP workers who also provide care for individuals with disabilities.

The Governor proposes expansive reforms at ESH which include the reorganization of patients, staff modeling, and services such as radiology and laboratory services. The Division of Hospital and Community Rehabilitative Services will see a general revenue decrease of \$1.4 million (2.3 percent) in FY2018 related to the reorganization at ESH.

**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.

The Budget includes 13.0 FTE positions consistent with the FY2017 Enacted level.

<b>Central Management</b>	<b>General Revenue</b>
FY2017 Enacted	\$1,097,743
<i>Targets and Adjustments</i>	
Cost Allocation Plan (CAP)	557,563
<b>FY2018 Governor</b>	<b>\$1,655,306</b>
<b>Cost Allocation Plan (CAP)</b>	<b>\$557,563</b>

The FY2018 Budget increases general revenue expenditures by \$557,563 for unachieved savings associated with the Cost Allocation Plan (CAP) which was projected to save \$2.1 million in general revenues in the FY2017 Budget as Enacted. The Department's reconciliation did not result in the CAP savings projected in the FY2017 Budget as Enacted, therefore, the savings will not be achievable in FY2018 budget.

The Executive Office of Health and Human Services (EOHHS) contracted with a consulting firm to establish a new Cost Allocation Plan (CAP) across EOHHS agencies. The CAP was designed to maximize federal funds within agencies that receive Medicaid and Title IV-E funding. The CAP was implemented within the Department; however, savings projections were overstated and the Department does not expect future savings associated with the CAP.

#### **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 Budget includes 4.7 FTE positions a reduction of 11.0 FTE positions from the FY2017 Enacted level. The Governor shifts 11.0 FTE positions to the Executive Office of Human Services to consolidate financial staff; however, funding remains with BHDDH.

<b>Hospital &amp; Community System Support</b>	<b>General Revenue</b>
FY2017 Enacted	\$1,474,964
<i>Targets and Adjustments</i>	
Cost Allocation Plan (CAP)	(196,236)
<b>FY2018 Governor</b>	<b>\$2,067,954</b>
<b>Cost Allocation Plan (CAP)</b>	<b>\$789,226</b>

The FY2018 Budget increases general revenue by \$789,226 for unachieved savings associated with the CAP projected to save \$2.1 million in general revenue in the FY2017 Budget as Enacted for the Department. The Department's reconciliation has not resulted in the CAP savings assumptions in the FY2017 Budget; therefore, the savings will not be achievable in FY2018.

The Executive Office of Health and Human Services (EOHHS) contracted with a consulting firm to establish a new Cost Allocation Plan (CAP) across EOHHS agencies. The CAP was designed to maximize federal funds within agencies that receive Medicaid and Title IV-E funding. The CAP was implemented

within the Department; however, savings projections were overstated and the Department does not expect future savings associated with the CAP.

### **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 (ESH) 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.

The Budget includes 862.7FTE positions in FY2018, a reduction of 8.0 FTE positions from the FY2017 Enacted level. The Governor shifts 8.0 FTE positions to the Executive Office of Human Services to consolidate financial staff; however, funding remains with BHDDH.

<b>Hospital &amp; Community Rehabilitation Services</b>	<b>General Revenue</b>
FY2017 Enacted	\$48,944,219
<i>Targets and Adjustments</i>	<i>296,494</i>
Eleanor Slater Consolidation	(1,327,799)
Zambarano Group Home Closure	(659,564)
Personnel	333,036
<b>FY2018 Governor</b>	<b>\$47,586,386</b>

#### ***Eleanor Slater Hospital Reorganization*** ***(\$1.3 million)***

The FY2018 Budget includes a reduction in general revenue of \$1.3 million (\$8.4 million all funds) related to the reorganization efforts currently underway at Eleanor Slater Hospital. Reorganization efforts are expected to reduce overtime expenditures, consolidate medical units, reduce medical service costs, and transfer sex offenders to a lower-cost setting.

The following general revenue savings initiatives are related to the reorganization of Eleanor Slater:

- \$500,000 in savings is projected through the centralization of staffing management to tie staffing levels with patient needs. Centralizing of management practice is expected to reduce overtime costs and create efficiencies within the hospital.
- \$492,750 in savings will be achieved by transferring nine patients, who have been convicted of sex crimes, out of Eleanor Slater Hospital. These patients have committed themselves voluntarily and present a risk to the other patients within the unit. The Department is currently seeking lower cost alternative facilities; however, there is no alternative at this time.
- \$178,762 in savings by reducing personnel in the radiology and medical records departments, increasing the use of physician extenders, and reducing costs for contracted rehabilitative services.
- \$125,000 in savings by closing the Regan unit six and moving the 10 patients that were located in unit six to the remaining open units at the hospital. The consolidation is anticipated to generate personnel savings.

#### ***Zambarano Group Home Closure*** ***(\$659,564)***

The Department proposes, as a component of the hospital reorganization, the closure of a Zambarano group home in Burrillville, Rhode Island. Currently operating expenses for two group homes located adjacent to the Zambarano Hospital Campus are included in the Eleanor Slater Hospital budget; however, they operate

independent of the hospital. Both group homes have the capacity to house seven individuals. The current census between the two homes is nine in total. The Department proposes to close one home and relocate two individuals to alternative settings. The budget includes \$659,564 in general revenue savings against the operating deficit.

*Analyst Note: The Governor's Budget proposes additional savings related to a corrective action plan to address the FY2017 operating deficit of \$2.8 million at ESH. Savings in the Governor's budget that address this operating deficit are contingent on the implementation of reorganization proposals at ESH. Additional savings to address the operating deficit include reducing on call doctors, outsourcing laundry and laboratory services, and streamlining specialty services within the hospital.*

**Personnel** **\$333,036**

The Budget include a \$333,036 increase in general revenue in FY2018 related to administrative personnel at Eleanor Slater Hospital. The increased expenditures are to hire administrative positions prior to the Applied Management Services (AMS) contract ending.

The Department contracted with Applied Management Services (AMS), a healthcare management consulting firm, to provide experienced administrative personnel to fill administrative vacancies as well as assist with the hospital reorganization. The AMS contract ends in September 2017. The increased expenditures are related to hiring three administrative positions, a Chief Operating Officer, a Chief Financial Officer, and a Chief Operating Nurse, prior to the AMS contract ending.

**BEHAVIORAL HEALTHCARE SERVICES**

The Behavioral Healthcare Services Division consists of two subprograms: Mental Health and Substance Abuse. The Division 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 coordinates with other departments and agencies in the State, including education, child welfare, and the criminal justice system.

The Budget includes 35.0 FTE positions, a reduction of 4.0 FTE positions from the FY2017 Enacted level. The Governor shifts 4.0 FTE positions to the Executive Office of Human Services to consolidate financial staff; however, funding remains with BHDDH.

<b>Behavioral Healthcare Services</b>	<b>General Revenue</b>
FY2017 Enacted	\$2,015,777
<i>Targets and Adjustments</i>	
Opioid Treatment Program	22,717
Personnel	2,000,000
Recovery Housing Pilot Program	305,286
<b>FY2018 Governor</b>	<b>\$4,543,780</b>

**Opioid Treatment Program** **\$2.0 million**

The Governor's Budget includes \$2.0 million in general revenue (\$6.0 million all funds) in FY2018 related to the transfer of \$2.0 million funding for opioid treatment from the Department of Corrections (DOC) to the Division of Behavioral Healthcare Services at BHDDH. The DOC will continue to operate the program and bill BHDDH.

The DOC will operate the Medication/Mediation Assisted Treatment Program (MMAT) to address opioid addictions in the incarcerated population. This program, which became an initiative of the Governor's

Overdose Prevention and Intervention Task Force in FY2017, will utilize contracted staff and services to screen for opioid disorders and conduct assessments of new inmates to determine treatment options. According to the Department, opioid use disorder affects up to 20.0 percent of the 16,000 individuals committed to the Adult Correctional Institution (ACI) annually. The funding also provides methadone treatment, and software development for a database that will track screenings and assessments.

The funding transfer from DOC to BHDDH reflects the need to meet a maintenance of effort as required by the Substance Abuse Primary Prevention Block grant. The Substance Abuse and Primary Prevention Block Grant awarded through the Substance Abuse and Mental Health Services Administration (SAMHSA) is the primary funding prevention and treatment for persons with substance use disorders in Rhode Island.

In the FY2016 and FY2017 Budget as Enacted, the state received \$7.5 million in federal funds for the Substance Abuse and Primary Prevention block grant. As a condition of receiving this block grant, SAMHSA requires the state to commit general revenues toward a maintenance-of-effort (MOE) to fund prevention and treatment of substance abuse in Rhode Island. The MOE is intended to ensure the federal funds from the block grant are supplementing, not supplanting, state funds that support substance abuse treatment and prevention activities. The state MOE requirement for the Substance Abuse and Primary Prevention block grant is the average of the two previous fiscal year state general revenue expenditures toward these services. The table below demonstrates the challenges the Department has with meeting the MOE requirements of the Block Grant.

<b>Substance Abuse Prevention Block Grant Annual MOE Requirements</b>					
	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>
<b>MOE Requirement</b>	\$12,592,261	\$11,120,708	\$10,661,089	\$9,611,959	\$5,254,078
<b>Surplus/Deficit</b>	(2,254,479)	(136,313)	(2,421,566)	(7,343,327)	(3,081,367)
<b>% Difference</b>	-17.9%	-1.2%	-22.7%	-76.4%	-58.6%

Source: Department of BHDDH

*Analyst Note: The FY2017 Enacted Budget included language within Article 14 creating a single state entity to meet the MOE requirements of the SAMHSA Block Grant. The Department indicated the language did not satisfy the federal requirements; therefore, the current Budget includes language in Article 15 that has been requested by SAMHSA to satisfy this requirement. The penalty for not satisfying the MOE requirements of the block grant may result in loss of current and future funding from SAMHSA. It is unclear whether the proposed changes would put the State in compliance with the MOE requirements going forward.*

**Personnel** **\$305,286**

The FY2018 Budget increases general revenue by \$305,286 in salaries and benefits for 2.0 FTE positions in the Behavioral Healthcare (BH) Division. The salary cost for two administrative positions are transferring from the Central Management Division to BH Division. The two positions have been providing administrative support to the BH division; however, by shifting the salary cost to the BH Division, the Department will be able to maximize federal Medicaid matching funds for these positions.

**Recovery Housing Pilot Program** **\$200,000**

The Governor's budget includes a \$200,000 general revenue increase to fund the recovery housing pilot program in FY2018. The pilot will create a stable, drug free living environment for individuals recovering from substance abuse disorders. The recovery homes will focus on providing peer supports and connect individuals to employment and education services.

**SERVICES FOR THE DEVELOPMENTALLY DISABLED**

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 4,255 individuals through state-run programs and community-based providers including those who only receive case management services. 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 BHDDH, in December of 2016, approximately 1,616 individuals were served in residential settings, 333 in Supportive Living Arrangements (SLA), and 1,283 were residing in group home settings. Clients served by DD programs are also 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.

The Budget includes 404.0 FTE positions, a reduction of 10.0 FTE positions from the FY2017 Enacted level. The Governor shifts 10.0 FTE positions to the Executive Office of Human Services to consolidate financial staff; however, funding remains with BHDDH.

<b>Services for the Developmentally Disabled</b>	<b>General Revenue</b>
FY2017 Enacted	\$119,651,536
<i>Targets and Adjustments</i>	<i>(938,316)</i>
Home and Community Based Service (HCBS) Increase	3,017,967
Direct Support Professional (DSP) Wage Increase	3,000,000
Residential Group Home Transitions	(1,369,511)
Home Health Aide Correction	900,000
Supports Intensity Scale (SIS) Tier Savings	(844,570)
Service Adjustments	250,000
Electronic Case Management System	125,000
<b>FY2018 Governor</b>	<b>\$123,792,106</b>

**Home and Community Based Service (HCBS) Increase** **\$3.0 million**

The Budget increases general revenue expenditures by \$3.0 million (\$6.0 million all funds) in FY2018 to fully fund the delivery system for individuals with Intellectual and Developmental Disabilities (I/DD).

According to the Division, the FY2017 Enacted Budget does not fully fund the services the Division is mandated to provide for individuals who qualify to receive services; consequently, the Department proposes a 2.3 percent increase in the current spending trend. The Division has consistently overspent the enacted budget and requests significant supplemental resources annually. The FY2017 Governor revised budget includes an additional \$2.4 million for services for individuals with I/DD.

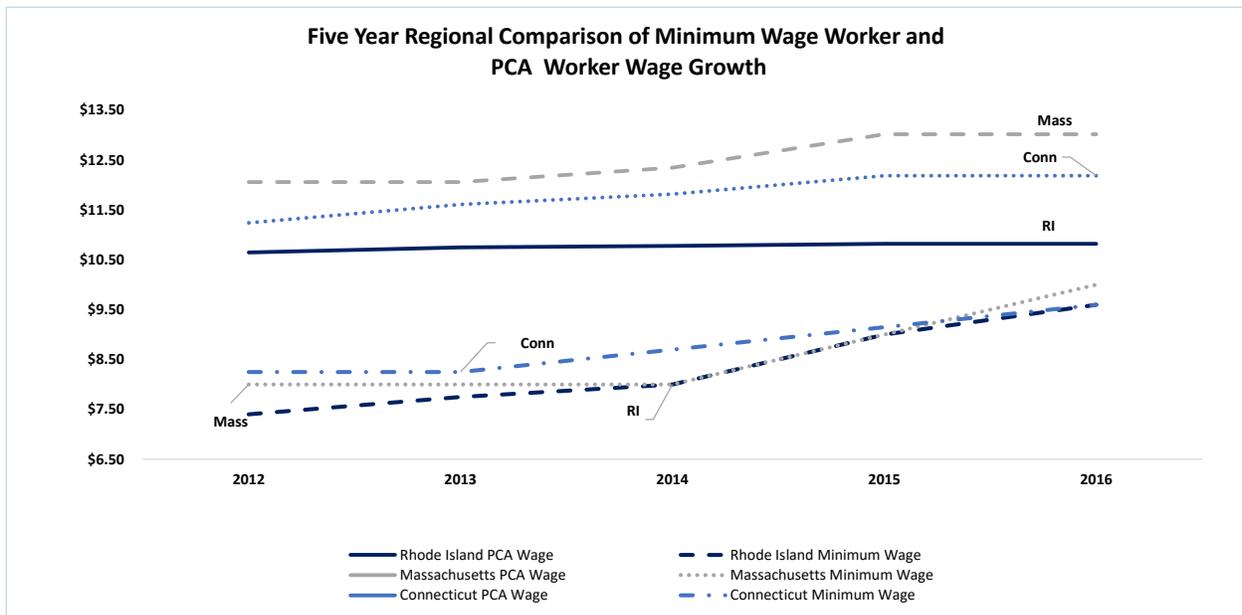
**Direct Support Professional (DSP) Wage Increase** **\$3.0 million**

The Budget increases general revenue expenditures by \$3.0 million (\$6.1 million all funds) to increase wages for Direct Support Professional (DSP) workers and job coaches providing care for individuals with

I/DD. The DSP wage will be increased through an increase to the base reimbursement rate to providers by an estimated 5.0 percent according to the Department.

During the 2016 legislative session, the Senate Finance Committee was presented with testimony from community providers and advocates describing the state of the low DSP wage as a barrier to reforms needed to improve the services provided to individuals with I/DD. Providers stated that the low wage and competition with the rising minimum wage depresses their ability to hire and maintain a workforce capable of providing quality services and/or their ability to reform program practice.

The U.S. Department of Labor reports industry wages across states. The Personal Care Attendant (PCA) worker category aligns with the primary functions of Direct Support Professional (DSP) as well as the experienced wage. When comparing this category of worker to our neighboring states, Rhode Island DSP/PCA worker wages are considerably lower. Additionally, as the Rhode Island minimum wage has increased by approximately 30.0 percent, over the same period of time the DSP wage has increased by only 1.8 percent, according to the U.S. Department of Labor and Statistics.



**Developmental Disabilities Group Home Transitions**

**(\$1.4 million)**

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 intent of the Consent Decree, coupled with new rules from the Center for Medicaid and Medicare Services (CMS), precipitated the need for reform of the system of services for the Developmentally Disabled population. BHDDH continues to seek reforms that promote community-based programming and minimize the systems reliance on group-home residential settings where possible. This reform activity has largely been associated with budget savings. The FY2017 Budget as Enacted included \$2.6 million (\$6.0 million all funds) in savings related to group home transitions, of which \$2.5 million in general revenue

savings were not achieved in FY2017. The FY2018 Governor's Budget includes an additional \$3.9 million in general revenue savings in FY2018 related to group home transitions.

#### Residential Group Home Transitions

Proposed Living Arrangement	Number of Individuals	General Revenue
Unachieved Supported Living Arrangements (SLA) Transition Savings *	-	\$2,499,712
RICLAS Group Home Transitions	30	(1,821,800)
HCBS Compliance	33	(1,032,966)
Private Group Home Transitions	33	(1,014,457)
<b>Total</b>	<b>96</b>	<b>(\$1,369,511)</b>

Source: The Office of Management and Budget

\*FY2017 Budget as Enacted Initiative

*Analyst Note: The Consent Decree requires the State to reform the delivery system for individuals with disabilities toward a system of community integration and to create supportive programming for meaningful employment opportunities. This transformation toward a fully integrated delivery system requires initial investment and a transitional period for providers to restructure programming, recruit and retain a workforce, and effectively launch services within the community. The proposed savings cannot be achieved within residential expenditures until the infrastructure and programming are developed within the community. Currently, the Department and providers continue to work toward this goal; however, if the Department is unable to achieve the stated goals that are tied to the fiscal savings, there will be a fiscal impact in FY2018.*

**Unachieved Supported Living Arrangements (SLAs) Transition Savings:** The FY2017 Budget as Enacted included \$2.6 million (\$6.0 million all funds) in savings associated with the transition of persons with intellectual disabilities from residential placement in private and state owned group homes to less costly living settings known as Shared Living Arrangements (SLA). The Department was unsuccessful at achieving \$2.5 million of the \$2.6 million in savings associated with this initiative.

**Rhode Island Community Living and Support (RICLAS) Group Home Transitions:** The Budget closes five Rhode Island Community Living and Support (RICLAS) group homes saving \$1.8 million in general revenue (\$3.7 million all funds) in FY2018, impacting 30 residents. The Budget proposes to close two group homes in July of 2017, one group home in October of 2017, and two in January of 2018.

The State needs to reform the private and public network of group homes in Rhode Island to become compliant with the new HCBS rules related to services provided to individuals with I/DD. Currently the State operates 28 RICLAS group homes and provides services to 150 individuals. Savings for this initiative will be generated by relocating the individuals to appropriate, community-based settings.

*Analyst Note: This proposal assumes individuals residing in RICLAS group homes will transition to private provider residential settings which have a lower annual cost per person, thus generating savings. The proposal assumes transitions will occur generating savings; however, this approach to budgetary savings has proven difficult and unsuccessful to date. If the Department is unable to achieve the stated goals that are tied to the fiscal savings, there will be a fiscal impact in FY2018.*

**Home and Community-Based Service (HCBS) Compliance:** The Budget saves \$1.0 million in general revenue (\$2.1 million all funds) in FY2018 by moving individuals with Intellectual and Developmental Disabilities (I/DD) to community-based residential settings that are in compliance with the CMS rules for integrated Home and Community Based Services (HCBS).

**Home and Community-Based Service (HCBS) Compliance**

<b>Proposed Living Arrangement</b>	<b>Number of Individuals</b>	<b>All Funds Savings</b>
Shared Living Arrangement (SLA)	11	(\$473,654)
Living Independently	11	(780,694)
Living with Family	11	(795,805)
<b>Total</b>	<b>33</b>	<b>(\$2,050,154)</b>

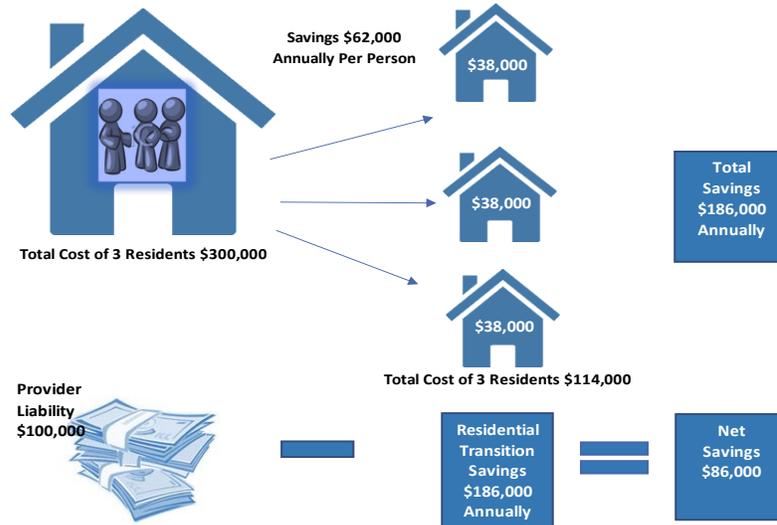
Source: The Department of BHDDH

CMS issued a new rule addressing how states may use federal Medicaid funds to pay for home and community-based services (HCBS). The new rule requires states to provide services through Medicaid's HCBS programs that have integrated community living options and promote a person-center planning approach to service delivery. The rule also specifies what qualifies as an integrated community setting which effectively will prohibit institutional settings or segregated settings. Consequently, Rhode Island will need to modify and improve the types of residential settings funded through Medicaid HCBS programs. The proposal assumes approximately 33 individuals will transition to alternative settings options such as residing with family a member, SLAs, or living independently.

The Department proposes to incentivize providers to reduce group home residential placements by leveraging existing provider liabilities owed to the State. The provider liability occurred in the late 1970s when the State incented private providers with startup funds to build group home capacity following the closure of LADD School. To date, most private providers have not paid the State for these start-up costs.

The Department proposes to forgive the debt owed by private group homes to the State if the providers find preferred alternative living settings for the clients currently residing in their group homes. The alternative options, SLA arrangements, independent living, and living with a family member, are expected to generate savings which will offset the loss of the forgiven provider liability.

**Incentivized Private Residential Group Transitions toward Home and Community-Based Settings**



\* Example of residential transition from a group home setting to a SLA, Independent Living or Living with a family member  
 \* General revenue savings achieved by residential transition will be used as a "pay back" of provider liabilities to the State.

*Analyst Note: The proposal assumes transitions will occur generating savings; however, this approach to budgetary savings has proven difficult and unsuccessful to date. If the Department is unable to achieve the stated goals that are tied to the fiscal savings, there will be a fiscal impact in FY2018.*

**Private Residential Group Home Transitions:** The Budget reduces general revenue by \$1.0 million (\$2.1 million all funds) by shifting residents from private group homes, to less costly living arrangements such as residing with family members, SLAs, and living independently.

<b>Residential Group Home Transitions</b>		
<b>Proposed Living Arrangement</b>	<b>Number of</b>	<b>All Funds</b>
Shared Living Arrangement (SLA)	11	(\$473,654)
Living Independently	11	(780,694)
Living with Family	11	(795,805)
<b>Total</b>	<b>33</b>	<b>(\$2,050,154)</b>

*Source: The Department of BHDDH*

The Department estimates the average cost of a private group home is approximately \$99,000 annually. This proposal assumes the transition of 11 individuals to SLAs, 11 individuals living independently, and 11 individuals living with family members.

SLAs is residential option offered through BHDDH for adults with developmental disabilities. This option also 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 are able to offer a safe, compatible living arrangement which complies with BHDDH program regulations.

Living independently assumes the individuals will be able to secure independent living in an apartment or single family home and community providers will assist the individual with their daily employment and living support needs. If living with a family member, the individual resides with a family member and receives supports similar to those they would receive if they were living independently. These alternative living options assume an average annual savings of approximately \$62,000 per year when compared to private group home residential placements.

*Analyst Note: This Department indicates that BHDDH social caseworkers are identifying individuals who may choose to move to an alternative living setting. Additionally the Department reports they are working collaboratively with providers to identify residential options and improve capacity for alternative living settings. The proposal assumes transitions will occur generating savings; however, this approach to budgetary savings has proven difficult and unsuccessful to date. If the Department is unable to achieve the stated goals that are tied to the fiscal savings, there will be a fiscal impact in FY2018.*

**Home Health Aide Correction \$900,000**

The Budget includes \$900,000 in general revenue (\$1.8 million all funds) to restore resources for home-health services that were transferred to the Executive Office of Health and Human Services (EOHHS). These services were not funded in the FY2017 Budget as Enacted; however, the Department continues to provide these services.

**Supports Intensity Scale (SIS) Tier Savings (\$844,570)**

The Budget reduces general revenue by \$844,570 (\$1.4 million all funds) in FY2018 attributable to supports intensity scale (SIS) changes. Through this initiative the Department will assess current beneficiary

eligibility determination for services. The Budget anticipates reductions in Tier Level funding for approximately 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.

*Analyst Note: The FY2017 Budget as Enacted assumed \$697,556 in general revenue savings (\$1.4 million all funds) in FY2017. This savings represents the annualization of the FY2017 proposal.*

**Service Adjustments**

**\$250,000**

The Budget includes an increase of \$250,000 in general revenue (\$500,000 all funds) in FY2018. The adjustments to services provided to individuals on a per-person basis above the annual approved program allocations.

The Department provides services to individuals with disabilities through a variety of programs. Providers are paid for programming services that support individuals with I/DD in their home, community, day-program centers, and supported employment programs.

Once an individual is determined eligible for services, they are assessed by social caseworkers using a SIS evaluation tool. Funding allocations are assigned based on the results of the SIS evaluation and support is provided in areas such as day programming services, employment services, transportation services, home health services, and assisted living supports.

The Department consistently approves and spends between \$5.0 million to \$7.0 million per quarter for supplemental services that that are provided to individuals, in addition to SIS assessed and annually appropriated funding level allocations. The Department has implemented the use of an improved SIS tool and projects to save \$250,000 in FY2018. The improved tool has increased the reliability of assessment results, thus more appropriately identifying individual SIS programming allocations. This improvement will reduce the supplemental services now being allocated outside of the annual SIS funding levels. Some costs will shift to home and community-based services, which assumes an increase of \$3.0 million in general revenue in FY2018.

**Electronic Case Management System**

**\$125,000**

The Division will increase expenditures to include the ongoing maintenance costs for the implementation of a new case management system expected to launch mid-year in FY2018. The operating cost is estimated to be \$125,000 in general revenue (\$250,000 all funds) in FY2018.

## Governor's Commission on Disabilities

<b>Expenditures By Program</b>	<b>FY2016 Actual</b>	<b>FY2017 Enacted</b>	<b>FY2017 Governor</b>	<b>Change from Enacted</b>		<b>FY2018 Governor</b>	<b>Change from Enacted</b>	
Governor's Commission on Disabilities	\$429,998	\$685,423	\$778,020	\$92,597	13.5%	\$842,190	\$156,767	22.9%
<b>Expenditures By Source</b>								
General Revenue	\$380,615	\$412,547	\$420,596	\$8,049	2.0%	\$454,938	\$42,391	10.3%
Federal Funds	29,456	228,750	298,064	69,314	30.3%	343,542	114,792	50.2%
Restricted Receipts	19,927	44,126	59,360	15,234	34.5%	43,710	(416)	-0.9%
Operating Transfers from Other Funds	-	-	-	-	-	-	-	-
<b>Grand Total</b>	<b>\$429,998</b>	<b>\$685,423</b>	<b>\$778,020</b>	<b>\$92,597</b>	<b>13.5%</b>	<b>\$842,190</b>	<b>\$156,767</b>	<b>22.9%</b>
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.

### MAJOR ISSUES AND TRENDS FOR FY2018

The Budget for FY2018 includes \$842,190, of which \$454,938 is general revenue. This reflects an all funds increase of \$156,767 from the FY2017 Budget as Enacted. The increase reflects an additional \$114,792 in federal funds, an additional \$42,391 in general revenues, and a decrease of \$416 in restricted receipts. The Budget provides 4.0 FTE positions in FY2017 and in FY2018, consistent with the enacted level.

<b>Governor's Commission on Disabilities</b>	<b>General Revenue</b>
FY2017 Enacted	\$412,547
<i>Target and Other Adjustments</i>	6,360
Personnel	32,438
Contracted Services	29,993
Independent Living Program	(26,400)
<b>FY2018 Governor</b>	<b>\$454,938</b>
	<b>Other Fund Changes</b>
Handicapped Accessibility Capital Projects	Informational

### **Personnel** **\$32,438**

Salary and benefit adjustments increase general revenue funded personnel expenses by \$32,438, reflecting a switch of medical coverage to a family plan by one employee and statewide adjustments.

### **Contracted Services** **\$29,993**

The Budget adds \$29,993 in general revenue, reflecting a net adjustment of various professional contracted services including \$22,361 for clerical services, and \$6,803 for interpreter/translator services.

### **Independent Living Program** **(\$26,400)**

The Budget decreases the general revenue state match for the Independent Living Program by \$26,400, but includes an increase of \$114,792 in federal funds reflecting unexpended grant funds from the FFY2014-2016 grant originally received by the Department of Human Services.

***Handicapped Accessibility Capital Projects (RICAP funds)***

***Informational***

All handicapped accessibility capital projects are consolidated 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 project involves accessibility renovations to State structures to comply with the federal Americans with Disabilities Act (ADA). The project and funds were originally under the Governor's Commission of Disabilities budget.

The Budget provides a total of \$8.6 million in Rhode Island Capital Plan (RICAP) funds for ADA and accessibility renovations at state buildings, including \$1.0 million annually for the fiscal years 2017 through 2022. Expenditures prior to FY2017 total \$2.6 million.

## Commission on the Deaf and Hard of Hearing

Expenditures By Program	FY2016 Actual	FY2017		FY2017		FY2018		
		Enacted	Governor	Change from Enacted	Governor	Change from Enacted		
Commission on the Deaf and Hard of Hearing	\$455,950	\$587,746	\$590,650	\$2,904	0.5%	\$627,910	\$40,164	6.8%
<b>Expenditures By Source</b>								
General Revenue	\$406,634	\$477,746	\$460,650	(\$17,096)	-3.6%	\$498,710	\$20,964	4.4%
Restricted Receipts	49,316	110,000	130,000	20,000	18.2%	\$129,200	\$19,200	17.5%
<b>Total</b>	<b>\$455,950</b>	<b>\$587,746</b>	<b>\$590,650</b>	<b>\$2,904</b>	<b>0.5%</b>	<b>\$627,910</b>	<b>\$40,164</b>	<b>6.8%</b>
Authorized FTE Levels	3.0	4.0	4.0	-	-	4.0	-	-

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

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 AND FY2018

In FY2016, the Commission on the Deaf and Hard of Hearing began a project to install an assistive listening system in the State House. The project entails installing and upgrading 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. The project is due to be completed in FY2017.

The FY2017 Enacted Budget included funding for 1.0 Interpreter for the Deaf to increase accessibility for Commission staff working with the public. According to the Commission, the advertised salary for the position is too low. Additional funding is added in FY2018 to increase the salary for the position.

Commission on the Deaf and Hard of Hearing	General Revenue
FY2017 Enacted	\$477,746
<i>Target and Other Adjustments</i>	81
Personnel	40,083
Contracted Services	(19,200)
<b>FY2018 Governor</b>	<b>\$498,710</b>

Commission on the Deaf and Hard of Hearing	Other Funds Changes
Emergency and Public Communications Access Program	\$19,200

### **Personnel** **\$40,083**

The Budget is increased by \$40,083 in general revenue in FY2018 to support personnel costs within the Commission on the Deaf and Hard of Hearing. The FY2017 Budget as Enacted added 1.0 Interpreter for the Deaf to increase accessibility for Commission staff working with the public. The FY2018 Budget includes an increase of \$23,240 to the salary for this position because, according to the Commission, the \$35,983 salary was too low to attract a qualified interpreter. Additionally, the increase is due to finance changes in planning values and benefits assumptions for existing staff.

### **Contracted Services** **(\$19,200)**

In FY2018, the Governor saves \$19,200 in general revenue by shifting funds related to interpreting services to the Emergency and Public Communications Access Program (EPCAP) restricted receipt account.

***Emergency and Public Communications Access Program (restricted receipts)*** **\$19,200**

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. Operations of this program are funded by an annual \$80,000 transfer of restricted receipts from the Public Utilities Commission (PUC) to the Emergency and Public Communications Access Fund.

The Budget increases funding from the EPCAP by \$19,200, to \$129,200 for FY2018. The increase in funding is related to a shift in spending on interpreter services from general revenue to the restricted receipt account. The Budget Office recommends the Commission charge qualifying interpreter services, currently funded by general revenue, to the EPCAP restricted receipt account.

## Office of the Child Advocate

Expenditures by Program	FY2016	FY2017	FY2017	Change from	FY2018	Change from		
	Actual	Enacted	Governor	Enacted	Governor	Enacted		
Office of the Child Advocate	\$654,839	\$795,582	\$780,155	(\$15,427)	-1.9%	\$814,329	\$18,747	2.4%
<b>Expenditure by Source</b>								
General Revenue	\$643,280	\$650,582	\$635,541	(\$15,041)	-2.3%	\$669,708	\$19,126	2.9%
Federal Funds	\$11,559	\$145,000	\$144,614	(\$386)	-0.3%	\$144,621	(\$379)	-0.3%
<b>Grand Total</b>	<b>\$654,839</b>	<b>\$795,582</b>	<b>\$780,155</b>	<b>(\$15,427)</b>	<b>-1.9%</b>	<b>\$814,329</b>	<b>\$18,747</b>	<b>2.4%</b>
Authorized FTE Levels	6.0	6.0	6.0	-	0.0%	7.0	1.0	16.7%

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 FY2018

The Budget funds the Office of the Child Advocate with a total of \$814,329 in FY2018 Budget, including \$669,708 in general revenues, an increase of \$19,126 over the FY2017 Enacted Budget. The increase is related to the addition of 1.0 FTE position, increasing authorized levels from 6.0 FTEs to 7.0 FTEs over the FY2017 Enacted Budget. The additional FTE position will fund a case management coordinator, a position which was defunded in 2006.

Central Management	General Revenue
FY2017 Enacted	<b>\$650,582</b>
<i>Targets and Adjustments</i>	<i>(7,157)</i>
Personnel	26,283
<b>FY2018 Governor</b>	<b>\$669,708</b>
<i>\$ in millions</i>	

### Personnel **\$26,283**

The Budget includes a personnel increase of \$26,283 in general revenue to cover benefits to fund 1.0 new FTE position, increasing the FTE cap from the FY2017 enacted level of 6.0 FTE positions to 7.0 FTE positions. The cost allocation for the salary for this position, \$43,228, will be funded through the federal grant the Office receives to operate the Victims of Crime Act (VOCA) program. The VOCA program provides assistance to victims and their families seeking support and services.



## Office of the Mental Health Advocate

Expenditures by Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Mental Health Advocate	\$545,220	\$542,009	\$549,273	\$7,264	1.3%	\$549,563	\$7,554	1.4%
<b>Expenditure by Source</b>								
General Revenue	\$545,220	\$542,009	\$549,273	\$7,264	1.3%	\$549,563	\$7,554	1.4%
Authorized FTE Levels	4.0	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 FY2018

The FY2018 Budget includes \$549,563 in general revenue, an increase of \$7,554 over the FY2017 Enacted Budget. The increased expenditures are attributed to statewide benefit adjustments to personnel costs and additional expenses for office supplies and equipment.

The Budget includes 4.0 FTE positions in FY2018, maintaining FY2017 enacted levels. The 4.0 FTE positions include three staff attorneys and one administrative assistant.

Mental Health Advocate	General Revenue
FY2017 Enacted	\$542,009
<i>Targets and Adjustments</i>	7,554
<b>FY2018 Governor</b>	<b>\$549,563</b>



## Elementary and Secondary Education

Expenditures By Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Spent	Enacted	Governor	Enacted		Governor	Enacted	
Administration of the Comprehensive Education Strategy	\$216.3	\$232.2	\$233.6	\$1.4	0.6%	\$227.4	(\$4.8)	-2.1%
Central Falls School District	39.5	39.1	39.1	-	0.0%	39.4	0.3	0.6%
Davies Career and Technical Center	17.4	18.6	19.0	0.4	2.1%	24.8	6.2	33.4%
Rhode Island School for the Deaf	7.0	7.4	7.4	(0.1)	-1.0%	7.5	0.0	0.3%
Metropolitan Career and Technical School	10.6	10.4	12.7	2.2	21.4%	9.6	(0.9)	-8.1%
Education Aid	815.8	867.2	867.4	0.2	0.0%	909.2	42.1	4.9%
School Construction Aid	90.9	80.0	80.0	-	0.0%	80.0	-	0.0%
Teacher Retirement	91.6	99.1	99.1	-	0.0%	100.7	1.6	1.6%
<b>Total</b>	<b>\$1,289.1</b>	<b>\$1,354.0</b>	<b>\$1,358.1</b>	<b>\$4.1</b>	<b>0.3%</b>	<b>\$1,398.5</b>	<b>\$44.5</b>	<b>3.3%</b>
<b>Expenditures By Source</b>								
General Revenue	\$1,064.9	\$1,112.8	\$1,112.9	\$0.1	0.0%	\$1,158.6	\$45.8	4.1%
Federal Funds	191.3	206.2	207.6	1.3	0.7%	203.5	(2.7)	-1.3%
Restricted Receipts	28.7	30.2	30.3	0.1	0.5%	29.5	(0.7)	-2.4%
Other Funds	4.2	4.7	7.3	2.6	54.3%	6.9	2.2	46.7%
<b>Total</b>	<b>\$1,289.1</b>	<b>\$1,354.0</b>	<b>\$1,358.1</b>	<b>\$4.1</b>	<b>0.3%</b>	<b>\$1,398.5</b>	<b>\$44.5</b>	<b>3.3%</b>
Authorized FTE Levels	344.4	325.1	325.1	-	0.0%	325.1	0.0	0.0%

\$ 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 FY2018

The Budget fully funds the seventh year of the education funding formula and provides funding for categorical aid accounting for most of the \$45.8 million general revenue increase in FY2018. Generally the aid categories are level funded or reduced relative to the FY2017 Enacted Budget, only the Early Childhood and stabilization funds are increased. Other increases include \$250,000 for the Advanced Coursework Network, \$200,000 for the Kindergarten Entry Profile, and \$1.6 million for teacher retirement. The increase in other funds is due to changes in Rhode Island Capital Plan (RICAP) expenditures, including \$3.7 million in FY2018 to provide updated technology and infrastructure to train students in advanced manufacturing.

The Budget does not include additional support or new FTE positions for the new Early Learning and English Learner positions at the Department; however, it is recommended that the positions be filled using existing resources and the reclassification of current FTE positions.

### ADMINISTRATION OF THE COMPREHENSIVE EDUCATION STRATEGY (ACES)

The Administration of the Comprehensive Education Strategy (ACES) 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 Budget provides 139.1 FTE positions in FY2017 and FY2018, consistent with the enacted level.

<b>Administration of the Comprehensive Education Strategy</b>	<b>General Revenue</b>
FY2017 Enacted	\$20,555,594
<i>Target and Other Adjustments</i>	
Agency-Wide Reduction	(41,824)
Advanced Coursework Network	(600,040)
Kindergarten Entry Profile	250,000
Reduction in Turnover Savings	200,000
Interdepartmental Cost Allocation	101,345
High School Equivalency Test Fee Waiver	112,487
English Learners Regulation Implementation	63,000
Personnel	60,000
Scholastic Aptitude Test (SAT)	Informational
<b>FY2018 Governor</b>	<b>\$20,801,907</b>

***Agency-Wide Reduction*** **(\$600,040)**

The Budget includes a 3.0 percent agency-wide reduction in general revenue of \$600,040. The reduction was proposed in the agency request as a way of reaching the imposed target and will occur in the non-statutory, non-contractual portions of the budget. The specific areas of reductions are at the discretion of the Commissioner.

***Advanced Coursework Network Pilot*** **\$250,000**

The Budget includes \$250,000 in general revenue for the Advanced Coursework Network. The Advanced Coursework Network is an initiative offering 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 Network is made up of Network Members and Network Providers. Network members include schools and districts that voluntarily choose to offer the Advanced Coursework Network opportunities to students. Network Providers include school districts, Rhode Island community-based organizations, and higher education institutions that extend 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.

In FY2017, the pilot year of the program was funded with \$600,000 in Permanent School Fund restricted receipts and \$300,000 Career and Technical Education (CTE) Funds. For FY2018, the Budget includes \$250,000 in general revenues, \$300,000 in restricted receipts, and \$200,000 in CTE funds.

***Kindergarten Entry Profile*** **\$200,000**

The Budget includes \$200,000 for the Kindergarten Entry Profile (KEP). The KEP will assess the status of incoming kindergarten students through a series of observations while students are engaged in the “work” of kindergarten. The information collected will 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. As Rhode Island works to expand early education programs across the state, the data collected from the KEP will be used to guide policy priorities and future initiatives. In addition, Local Education Associations (LEAs) will have access to data to guide their educational interventions and support efforts to achieve proficiency benchmarks in the third grade.

***Reduction in Turnover Savings*** **\$101,345**

The Budget restores \$101,345 in salary and benefits funding that has been described “turnover” in the budget. Such savings is generally realized by delaying the hiring of FTE positions. This adjustment brings the turnover target in line with the average of the last six years.

**Interdepartmental Cost Allocation****\$112,487**

The Budget includes a \$112,487 interdepartmental transfer representing 50.0 percent of the salary and benefits of a Deputy Chief of Staff in the Governor's Office who works on education policy issues. The Budget includes interdepartmental cost allocations totaling \$794,564 for staff in the Governor's Office that is charged against nine state agencies. The Budget Office states that these cost allocations reflect Governor's Office staff support to assist these state agencies on various policy and program initiatives such as Real Jobs RI, RhodeWorks, Reinventing Medicaid, and Justice Reinvestment Initiative, etc.

**High School Equivalency Test Fee Waiver****\$63,000**

The Budget provides \$63,000 for fee waivers for the High School Equivalency test for individuals with limited income who can prove financial hardship, as required in RIGL 16-63-18. To be eligible for a fee waiver, an individual must have received at least a minimum passing score on the high school equivalency practice test, or pertinent section of the test. According to the Department, 2,500 waivers were purchased in FY2015 and have lasted through FY2017. However, the number of test takers has increased over the previous two years. In FY2016, 839 test takers met the income requirement to qualify for the waiver. These test takers took 2,617 practice subtests. Based on an average pass rate of the practice test of approximately 80.0 percent, the Department projects that 2,100 subtests will qualify for the waiver in FY2018. Each test costs \$30. The Department does not receive a reduced rate.

**English Learners Regulation Implementation****\$60,000**

The Budget provides \$60,000 in general revenue to secure a vendor to provide training and coaching on the implementation of the new federal guidelines and proposed State regulations for English learners. The general revenue will augment federal funds to provide specific training for school personnel to implement new approaches to addressing the academic success for students learning English. The training will be supervised by Department staff.

**Personnel (2.0 FTE positions)****Informational**

The Department requested \$300,000 to support 2.0 new FTE positions. The Budget does not include additional support or new FTE positions for these positions; however, it is recommended that the positions be filled using existing resources and the reclassification of current FTE positions.

- **Early Learning:** One position would support the early learning initiative as the third FTE dedicated to the program. The Department's strategic Plan identifies early learning as a priority. In FY2017, the Early Childhood categorical provides \$5.2 million for grants to free, high-quality pre-kindergarten programs and general revenue funding is expected to increase with the phase-in of the funding formula. Also, in 2015, the Department was awarded a federal grant to support the expansion of high-quality pre-kindergarten programs; however, the grant does not provide funding for infrastructure to support the expansion or the operations of the expanded program.
- **English Learners (EL):** One position would be an English Learner/World Language Leadership position to support school district personnel in the implementation of proposed EL regulations and the growth of world language and dual language offerings. The Council on Elementary and Secondary Education is currently working to revise regulations governing the education of English Learners to reflect federal guidelines and ensure that EL students are provided opportunities to achieve the same educational goals as their peers.

**Scholastic Aptitude Test (SAT)****Informational**

The FY2017 Budget as Enacted included \$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. This

initiative is now estimated to cost \$634,000 in FY2017 and FY2018; however, \$134,000 in federal funds will be used to meet the additional need in each fiscal year.

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.

### **CENTRAL FALLS SCHOOL DISTRICT**

The State of Rhode Island assumed control of the Central Falls School District in 1991 when 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. 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 Budget provides \$39.4 million for the Central Falls School Department in FY2018. This includes the formula distribution as well as \$6.8 million in funding through the Central Falls Stabilization Fund, excluding aid received through other education aid categories. (See Education Aid in the Special Report section of this publication for further detail.)

<b>Central Falls</b>	<b>General Revenue</b>
FY2017 Enacted	\$39,100,578
<i>Target and Other Adjustments</i>	
Funding Formula Adjustment	(1,720,444)
Central Falls Stabilization	1,971,170
<b>FY2018 Governor</b>	<b>\$39,351,304</b>

### **Funding Formula Adjustment** **(\$1.7 million)**

Since FY1993, the State has been responsible for 100.0 percent of the education expenditures for the Central Falls School District; however, beginning in FY2012, the district's state funding has been determined through the new funding formula. In FY2018, the district will receive a reduction of \$1.7 million in funding formula aid; however, the stabilization aid and other categorical aid provide for a net increase of \$250,726 over the previous fiscal year.

### **Central Falls Stabilization** **\$2.0 million**

The Budget funds this category at \$6.8 million in FY2018, an increase of \$2.0 million from the enacted level. Central Falls schools are currently 100.0 percent state funded, with the State providing both the local and state contributions calculated through the formula. Generally, the costs outside the foundation aid formula, such as transportation, facility maintenance and retiree health benefits, are paid by the district. This program 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 resulting in a corresponding increase in district expenses. Consequently, the stabilization fund has been used to replace aid lost through the implementation of the

funding formula and local payments to public schools of choice. To date, Central Falls has been unable to absorb any educational costs.

### **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 Budget provides \$13.4 million in general revenue funding for the Davies Career and Technical School, an increase of \$767,965 from the FY2017 Budget as Enacted. This includes \$3.0 million for the Davies Stabilization Fund. (See Education Aid in the Special Report section of this publication for further detail.)

The Budget includes 126.0 positions in FY2017 and FY2018 for the program, consistent with the FY2017 Budget as Enacted.

<b>Davies Career and Technical School</b>	<b>General Revenue</b>
FY2017 Enacted	\$12,590,093
<hr/>	
<i>Target and Other Adjustments</i>	-
Davies Stabilization Fund	1,483,058
Funding Formula Adjustment	(715,093)
<b>FY2018 Governor</b>	<b>\$13,358,058</b>

<b>Davies Career and Technical School</b>	<b>Other Funds</b>
Advanced Manufacturing Program (RICAP funds)	\$3,650,000

### ***Davies Stabilization Fund*** **\$1.5 million**

Article 11 of the FY2017 Budget as Enacted established 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 Budget provides an additional \$1.5 million (\$3.0 million total) in FY2018 to offset decreases in aid through the phase-in of the funding formula; increases in state retirement expenses, since the teachers at Davies are part of the state system; and the losses in revenues associated with the per-pupil reduction in local tuition rates.

### ***Funding Formula Adjustment*** **(\$715,093)**

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 FY2018, the Davies School will receive a reduction of \$715,093 in funding formula aid. Instead of being entirely 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 \$600,000 in FY2018.

### ***Advanced Manufacturing Program (RICAP funds)*** **\$3.7 million**

The Budget includes \$3.7 million in Rhode Island Capital Plan (RICAP) funds to provide updated technology and infrastructure to train students in advanced manufacturing. The investments will be guided by the needs of the industry. Davies is located in Lincoln, Rhode Island, and serves 8,575 students from around the State. To date, a strategic plan has not been developed; however, the plan will be informed by the Davies Board of Trustees and manufacturing industry leaders and led by the Davies School Director

and the leader of the new Advanced Manufacturing Center at Davies. A new FTE position was not requested or provided in the Budget; however, as of March 6, 2017, Davies had 12.0 FTE vacancies.

*Analyst Note: It is unclear whether the proposed project will comply with RICAP funding guidelines.*

### **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 Budget provides \$6.4 million in general revenue funding for FY2018, and 60.0 FTE positions in FY2016 and FY2017 for the program. The funding represents an increase of \$33,235, and the FTE positions are consistent with FY2017 Budget as Enacted.

<b>School for the Deaf</b>	<b>General Revenue</b>
FY2017 Enacted	\$6,326,744
<i>Target and Other Adjustments</i>	<i>33,235</i>
<b>FY2018 Governor</b>	<b>\$6,359,979</b>

### **METROPOLITAN CAREER AND TECHNICAL SCHOOL**

The Metropolitan Career and Technical School (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 Budget provides \$9.3 million in general revenue funding for the Met, level funded with the FY2017 Budget as Enacted. This includes \$757,584 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.)

<b>Metropolitan Career and Technical School</b>	<b>General Revenue</b>
FY2017 Enacted	\$9,342,007
<i>Target and Other Adjustments</i>	<i>-</i>
Funding Formula Adjustment	(625,068)
Met School Stabilization Fund	625,068
<b>FY2018 Governor</b>	<b>\$9,342,007</b>

### **Funding Formula Adjustment (\$625,068)**

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 FY2018 the Met School will receive a reduction of \$625,068 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****\$625,068**

Article 11 of the FY2017 Budget as Enacted established 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 625,068 increase over the enacted budget (\$757,584 total) provided in FY2018 is to offset the loss in revenues caused by the per-pupil reduction in local tuition rates and provide a zero net impact on funding relative to FY2017.

**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.

<b>Education Aid</b>	<b>General Revenue</b>
FY2017 Enacted	\$845,855,695
<i>Target and Other Adjustments</i>	
Year 7 Funding Formula	43,050,368
Categorical Aid	526,675
Group Home Aid	(688,863)
Charter School Growth	Informational
<b>FY2018 Governor</b>	<b>\$888,743,875</b>

**Year 7 Funding Formula****\$43.1 million**

The FY2018 Budget includes an additional \$43.1 million to fund the seventh year of the funding formula, for a total of \$858.2 million, for all the school districts except Central Falls, which is included as a separate budget program, and the state schools.

The funding for the seventh 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 \$40.0 million. The difference is due to the decrease in funding to Central Falls (\$1.7 million), Davies (\$715,093), and the Met (\$625,068) in FY2018 relative to the FY2017 enacted level.

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 (\$9,163 in FY2018) 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, (\$3,665 in FY2018) 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.

Article 11 of the FY2017 Budget as Enacted changed 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 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.

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**

**\$526,675**

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 to address the priorities and funding needs of the districts. These categories include Transportation, High-Cost Special Education, Career & Technical Education, Early Childhood, and the Regionalization Bonus. Article 11 of the FY2017 Budget as enacted added two new aid categories: English Learners and Density Fund. (The Central Falls, Davies and Met School Stabilization Funds are addressed in the relevant sections of this analysis.)

#### **FY2018 Governor's Categorical Education Aid Change from**

<b>Categorical</b>	<b>Enacted</b>	<b>Total Funding</b>
Transportation	-	\$6.4
Early Childhood	1.1	6.2
High-Cost Special Education	-	4.5
Career & Tech. Schools	-	4.5
English Learners	-	2.5
Public School Choice Density	(0.6)	0.9
Regionalization Bonus	-	-
<b>Total</b>	<b>\$0.5</b>	<b>\$25.0</b>

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

The FY2018 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 Budget funds this category at \$6.4 million in FY2018, level with the previous year.
- **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 Budget funds this category at \$6.2 million in FY2018, an increase of \$1.1 million over the FY2017 Budget as Enacted. The additional funds are needed as a match to the third year of the federal Pre-Kindergarten Expansion grant (\$6.0 million).
- **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 \$64,141 for FY2018). The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget funds this category at \$4.5 million in FY2018, level with the FY2017 Budget as Enacted.

Article 11 of the FY2017 Budget as Enacted required the Department to collect data on those educational costs that exceed four times the core foundation amount. As of March 8, 2017, the data has not been reported.

- **Career and Technical Schools:** This fund contributes toward the initial investment needed to transform existing programs or create new programs and the costs associate with facilities, equipment maintenance and repair, and supplies associated with higher-cost programs at career and technical schools. The Budget funds this category at \$4.5 million in FY2018, level with the previous year. In FY2017, \$1.0 million was added to provide a grant to the Career and Technical Trust/Board to distribute to career and technical programs in the State based on the Discretion of Trust/Board. This was a one-time grant.

Previously, the Department recommended criteria for the allocation of funds appropriated to this categorical program by the General Assembly. Article 11 of the FY2017 Budget as Enacted empowered the Department to develop the criteria for the distribution of funds. As of February 10, 2017, the criteria have not been reported.

- **English Learners:** Article 11 of the FY2017 Budget as Enacted established a categorical fund for English Learners (EL). The fund provides additional aid of 10.0 percent of the per-pupil core instruction amount for each qualified EL student. This additional aid is then multiplied by the state share. When the article was originally enacted, the additional the per-pupil weight was \$898 for each identified English learner. In FY2018, the per-pupil weight increases to \$916, to reflect 10.0 percent of the \$9,163 core instruction amount. This amount is then multiplied by the state share ratio. The formula is provided below.

*(Per-pupil core instruction amount x number of EL students) x 10.0 percent x state share ratio = additional state support per EL student*

This support is then ratably reduced based on the total amount appropriated.

The Article restricted the funds to provide new services to EL students and required that the funds be managed in accordance with requirements enumerated by the Commissioner. The Article also required the Department to collect performance reports and approve the use of funds prior to expenditure to ensure the funded activities align to innovative and expansive activities. Distribution is subject to a pro-rata reduction based on the funds available. The Budget provides \$2.5 million in FY2018, level with the previous fiscal year and approximately one-half of the estimated full funding amount.

- **Public School of Choice Density Aid:** Article 11 of the FY2017 Budget as Enacted established a new category of state aid for districts where 5.0 percent or more of the average daily membership enrolls in a public school of choice, such as Davies, the Met, or a charter school. Such districts receive an additional \$175 in FY2017, \$100 in FY2018, and \$50 in FY2019 for each student attending a public school of choice. The per-pupil amount is intended 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. In FY2018, the Budget includes \$938,900 in density aid to be divided among six qualifying communities: Central Falls, Cumberland, Lincoln, Pawtucket, Providence, and Woonsocket. This represents a decrease of \$553,325 from the FY2017 Budget as Enacted.
- **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 Budget provides no funding in FY2018, the seventh 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**

**(\$688,863)**

The Group Home aid category was created by the General Assembly in 2001 to provide state support to districts hosting group homes in exchange for relieving the resident sending district of financial responsibility for students placed in group homes. When enacted, the Act maintained the current funding for group homes as a categorical grant program, and providing \$15,000 annually per bed, except for group home beds associated with Bradley Hospital Children's Residential and Family Treatment (CRAFT) Program, which received \$22,000 per bed. Through Article 11 of the FY2017 Budget as Enacted, the per-bed aid increased by \$2,000 for a total of \$17,000 per bed, except for beds associated with the Bradley Hospital Children's Residential and Family Treatment (CRAFT) Program, which increased by \$4,000 for a total of \$26,000 per bed.

The FY2018 Budget includes \$4.1 million to fund group home beds. This is \$688,863 less than the FY2017 Budget as Enacted. This adjustment represents the most recent update on the number of group home beds per district and the 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.

### **Charter School Growth**

**Informational**

The Budget FY2018 budget includes \$84.2 million in education funding formula aid for public charter schools, an increase of \$8.9 million from the FY2017 Budget as Enacted. In FY2018, charter school growth is almost fully transitioned; consequently, increases in charter school aid are fully offset by dollar-for-dollar decreases in aid to the sending communities. However, there is a small transitional value for overfunded sending districts, primarily Central Falls. In FY2018, this transitional value is less than \$500,000 and will phase out toward the end of the transition period in FY2021.

In FY2018, the following charter school growth is scheduled:

- Achievement First, which is located in Providence and enrolls 720 students from Cranston, North Providence, Providence and Warwick, will add a fifth grade, and a third grade (180 new students).
- Beacon Charter High School for the Arts, Founders Academy, which is located in Woonsocket and enrolls 321 from around the State, will add a eighth grade to the middle school established in FY2016 (45 new students).
- Blackstone Academy, which is located in Pawtucket and enrolls 301 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 532 students, will expand capacity (40 new students).
- Hope Academy, which is located in Providence and enrolls 108 students from North Providence and Providence, will add a third grade (36 new students).
- Nowell Academy, which is currently located in Providence and enrolls 160 high schools students, will add a third site in Warwick (80 new students).
- RIMA – Blackstone Valley Prep, which is located in Cumberland and currently enrolls 1,641 students, will add a second, sixth, and twelfth grade (284 new students).

- RISE Mayoral Academy, which is currently located in Woonsocket and enrolls 95 students from Woonsocket, North Smithfield, and Burrillville, will add a second grade (55 new students).
- Southside Elementary, which is located in Providence and enrolls 72 students from Providence, will add a third grade (24 new students).

### SCHOOL CONSTRUCTION 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 FY2018, the minimum state share is 35.0 percent for school districts and the maximum is 96.7 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, 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

#### School Bond Refinancing Incentive Estimated Savings Summary

Municipality	Local Savings	State Savings	Total Savings
Burrillville	\$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
<b>Total Savings</b>	<b>\$12,489,103</b>	<b>\$3,122,350</b>	<b>\$15,611,453</b>

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 FY2018, the budget provides \$80.0 million, level funded with the FY2017 Budget as Enacted. For FY2018, the Department projects expenditures of \$70.9 million in school housing aid, level funded with the FY2017 Budget as Enacted; however, pursuant to law the surplus must be deposited into the School Building Authority Capital Fund.

<b>School Construction Aid</b>	<b>General Revenue</b>
FY2017 Enacted	\$80,000,000
<i>Target and Other Adjustments</i>	
School Building Authority Capital Fund	Informational
<b>FY2018 Governor</b>	<b>\$80,000,000</b>

### **School Building Authority Capital Fund**

**Informational**

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 FY2018, the Budget provides \$9.1 million in general revenue to capitalize the Capital Fund, consistent with the FY2017 Budget as Enacted.

### **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.

<b>Teacher Retirement</b>	<b>General Revenue</b>
FY2017 Enacted	\$99,076,582
<i>Target and Other Adjustments</i>	
Defined Benefit Plan	1,539,534
Defined Contribution Plan	43,870
<b>FY2018 Governor</b>	<b>\$100,659,986</b>

### **Defined Benefit Plan**

**\$1.5 million**

The Budget provides total funding of \$96.8 million for the state's contribution to the teacher retirement defined benefit plan, reflecting a net increase of \$1.5 million from FY2017 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***

***\$43,870***

The Budget provides \$3.9 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 \$43,870 from FY2017 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 \$6.6 million in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2018 and \$6.5 million in FY2017, including:

- \$3.7 million in FY2018 for the advanced manufacturing program at Davies Career and Technical School.
- \$3.1 million in FY2017 to replace and repair the HVAC system for five buildings at the MET School's Peace Street and Public Street campuses.
- \$498,808 in FY2017 and \$2.5 million in FY2018 to replace and repair the HVAC system at the Davies Career and Technical School.
- \$2.3 million in FY2017 for capital repairs at two career and technical schools (Warwick, and Woonsocket).



## Public Higher Education

Expenditures By Program	FY2016 Spent	FY2017		Change from		FY2018		Change from	
		Enacted	Governor	Enacted		Governor	Enacted		
Office of Postsecondary Commissioner	\$26.8	\$30.4	\$34.4	\$4.1	13.5%	\$50.2	\$19.8	65.3%	
University of Rhode Island	734.1	777.3	763.8	(13.5)	-1.7%	775.7	(1.6)	-0.2%	
Rhode Island College	171.1	186.7	182.1	(4.6)	-2.4%	201.3	14.7	7.9%	
Community College of R.I.	150.3	167.0	156.9	(10.1)	-6.0%	160.8	(6.2)	-3.7%	
<b>Total</b>	<b>\$1,082.2</b>	<b>\$1,161.3</b>	<b>\$1,137.3</b>	<b>(\$24.0)</b>	<b>-2.1%</b>	<b>\$1,188.0</b>	<b>\$26.7</b>	<b>2.3%</b>	
<b>Expenditures By Source</b>									
General Revenue	\$180.9	\$196.4	\$198.6	\$2.3	1.1%	\$225.8	\$29.4	15.0%	
Federal Funds	15.3	14.3	16.7	2.4	17.0%	13.9	(0.4)	-2.6%	
Restricted Receipts	0.6	1.0	1.5	0.5	48.4%	2.2	1.2	112.6%	
Other Funds	885.4	949.6	920.4	(29.2)	-3.1%	946.1	(3.5)	-0.4%	
<b>Total</b>	<b>\$1,082.2</b>	<b>\$1,161.3</b>	<b>\$1,137.3</b>	<b>(\$24.0)</b>	<b>-2.1%</b>	<b>\$1,188.0</b>	<b>\$26.7</b>	<b>2.3%</b>	
Third Party Funded FTE	745.8	745.8	745.8	-	0.0%	745.8	-	0.0%	
Authorized FTE Levels	3,513.4	3,551.0	3,551.0	-	0.0%	3,561.0	10.0	0.3%	
<b>Total</b>	<b>4,259.2</b>	<b>4,296.8</b>	<b>4,296.8</b>	<b>-</b>	<b>0.0%</b>	<b>4,306.8</b>	<b>10.0</b>	<b>0.2%</b>	

\$ 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 FY2018

The FY2018 Budget includes total funding of \$1,188.0 million, representing an increase of \$26.7 million (2.3 percent) over the FY2017 Budget as Enacted, including a general revenue increase of \$29.4 million (15.0 percent).

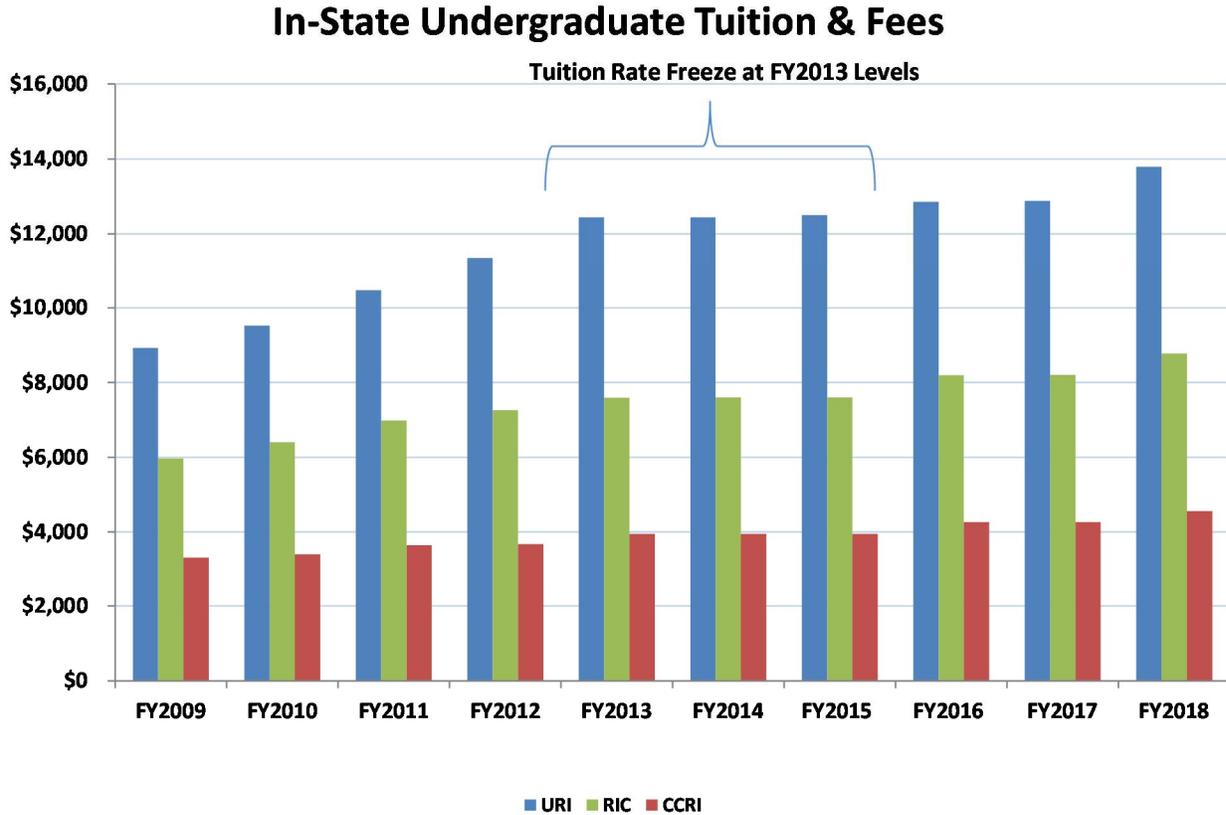
In FY2018, the Board of Education voted to allow institutions to increase tuition and fees by a maximum of 7.0 percent, the second increase in the last five years. In FY2016, tuition increased at all three schools for the first time in three years; however, in FY2017, there was no tuition increase.

Article 3 of the FY2018 Budget establishes the Rhode Island Promise Scholarship program to provide students with two years of tuition and mandatory fees at an eligible institution, less federal and all other financial aid available to the recipient. In order to build a highly educated and skilled workforce, the article aims to increase the number of students enrolled at the state's public higher education institutions and the number of students who complete their degrees on time by removing financial barriers. The scholarship

program provides two years of tuition and mandatory fees to students attending one of the State’s three public institutions of higher education with no income or merit restrictions. Other costs, such as room and board, textbooks, meal plans, or travel are not included.

**Tuition and Fees**

Actual tuition and fee rates, by institution, along with a projection for FY2017 and FY2018, are shown in the graph below.



	FY2014	FY2015	FY2016	FY2017 <sup>1</sup>	FY2018 Governor	Change from Enacted	
<b>URI</b>							
In-State Tuition	\$10,878	\$10,878	\$11,128	\$11,128	\$12,002	\$874	7.9%
Out-of-State Tuition	26,444	26,444	27,118	27,118	28,252	1,134	4.2%
Mandatory Fees	1,572	1,628	1,734	1,756	1,790	34	1.9%
Tuition & Fee Revenue	265,448,401	278,399,179	290,235,215	296,809,960	311,495,533	14,685,573	4.9%
<b>RIC</b>							
In-State Tuition	\$6,530	\$6,530	\$7,118	\$7,118	\$7,637	\$519	7.3%
Out-of-State Tuition	17,228	17,228	18,779	18,779	20,150	1,371	7.3%
Mandatory Fees	1,072	1,072	1,079	1,088	1,139	51	4.7%
Tuition & Fee Revenue	66,058,085	66,087,376	70,074,560	70,194,746	74,983,706	4,788,960	6.8%
<b>CCRI</b>							
In-State Tuition	\$3,624	\$3,624	\$3,950	\$3,950	\$4,148	\$198	5.0%
Out-of-State Tuition	10,256	10,256	11,180	11,180	11,740	560	5.0%
Mandatory Fees	326	326	316	316	416	100	31.6%
Tuition & Fee Revenue	53,028,803	51,694,330	52,071,850	52,372,909	53,434,485	1,061,576	2.0%

<sup>1</sup> The increase for URI includes \$2.8 million for on-line program revenue.

At CCRI the mandatory fees increase by \$100, or 31.6 percent. This is primarily the result of an effort to reduce obstacles in the application process. A \$50 increase in the per-semester registration fee for full-time students, \$100 annually, is proposed to offset the decrease in revenues caused by the elimination of the one-time \$20 Application Fee and the \$40 Accuplacer Fee, which are pre-enrollment fees that are not covered by financial aid. The registration fee can be paid with financial aid resources. Also, the application fee can be an obstacle to registration because the majority of applications are submitted on-line requiring a credit or debit card to pay the fee: not all potential CCRI students have a credit or debit card to pay the fee on-line. Similarly, the testing fee is paid up front, eliminating the fee is intended to encourage more students to apply. The proposal also eliminates the \$40 graduation fee.

While the tuition and fee increase is estimated to increase revenues across the system by \$20.5 million, including changes in enrollment, the FY2018 Budget Request approved by the Council also includes an additional \$10.7 million in general revenue appropriations from the State. The request includes a 3.0 percent COLA adjustment to meet current contractual obligations.

Major cost increases at URI include \$12.6 million for mandatory and contractual items such as salaries and benefits and the new Nursing Education Center (NEC); \$600,000 in operations for bad debt and utilities, and \$4.7 million for student aid.

At RIC, the primary cost drivers include \$4.0 million in salaries and benefits, \$1.9 million for the NEC, \$1.4 million for a new implementation of a hybrid professional and faculty advising model, and a student experiential learning program, as well as \$1.0 million for student aid.

At CCRI the primary cost drivers include \$3.4 million in salaries and benefits for mandatory and contractual obligations. An additional \$120,000 would be used for 5.0 new FTE positions for the Connect 2 College program, and \$344,841 would be used primarily to transfer the Accuplacer test fee revenue from “Other Revenues” to “tuition and Fees.”

At the Office of the Postsecondary Commissioner (OPC), the primary cost driver is the shift of 3.0 FTE’s and \$399,767 in salaries and benefits from restricted receipts to general revenue. Due to changes in federal loan practices, revenues derived by the Division of Higher Education Assistance (DHEA) within the OPC for guaranteeing services to federally-backed student loans is diminishing. The 3.0 FTE are IT specialists who work for OPC but were previously funded through DHEA from restricted funds. In addition, the OPC requests \$300,000 for a job classification study. The study would review the job classifications to bring the job descriptions more in line with current day operations. The job descriptions have not been reviewed or updated since 1977.

### **State Support for Public Education**

When looking at state support for public higher education, many policy makers tend to take a regional approach. For example, if looking at New England, Rhode Island is in the middle of the pack. In FY2015, the most recent data available, Connecticut appropriated \$3,305 more per student FTE than Rhode Island and Massachusetts appropriated \$1,943 more. Based on the FY2015 FTE enrollment of 31,547, the difference in per-student FTE between Rhode Island and Massachusetts is \$61.3 million.

However, on a national perspective in FY2015, the State of Wyoming appropriated \$12,515 more per student FTE than Rhode

	<b>FY2018 Requested Increase over FY2017 Enacted</b>		
	<b>Tuition and Fees</b>	<b>State Appropriation<sup>1</sup></b>	<b>Total Increase</b>
<b>URI</b>	\$14.7	\$4.6	\$19.3
<b>RIC</b>	4.8	2.2	7.0
<b>CCRI</b>	1.1	2.9	4.0
<b>OPC</b>	n/a	0.9	0.9
<b>Total</b>	<b>\$20.5</b>	<b>\$10.7</b>	<b>\$31.3</b>

<sup>1</sup> Does not include general obligation debt service.

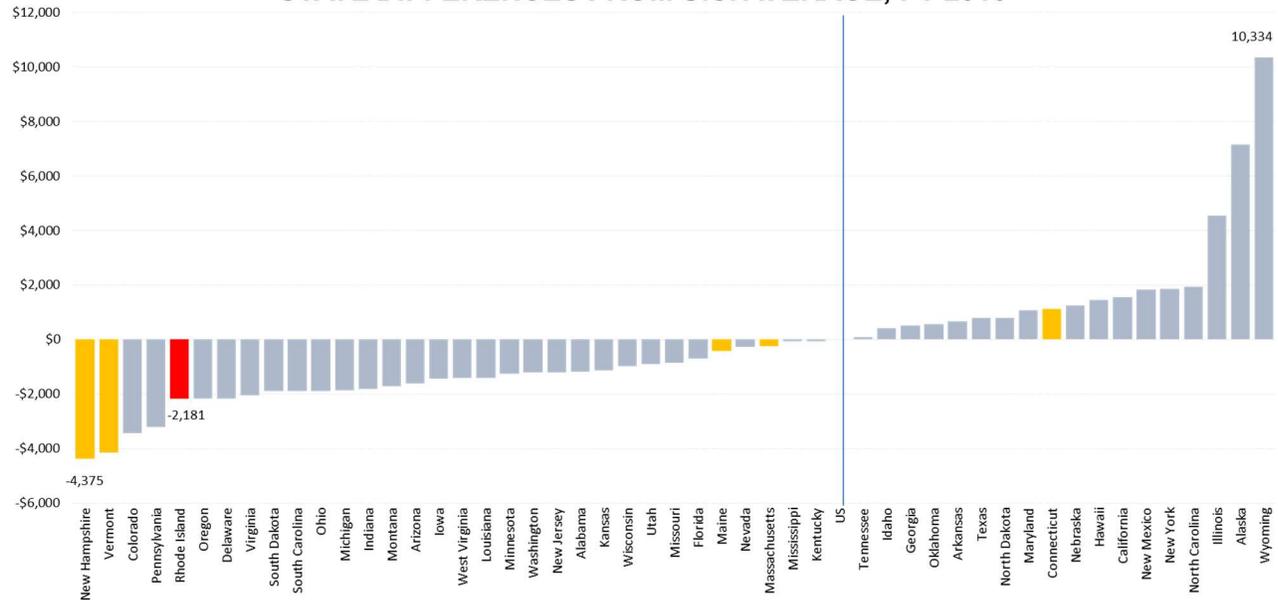
\$ in million

<b>FY2015 State Educational Appropriations per FTE</b>	
Connecticut	\$8,090
Massachusetts	6,728
Maine	6,546
<b>Rhode Island</b>	<b>4,785</b>
Vermont	2,818
New Hampshire	2,591
<b>Regional Average</b>	<b>\$5,260</b>

Source: State Higher Education Executive Officers (SHEEO)

Island. The following table was provided by the Office of the Postsecondary Commissioner from data collected by the State Higher Education Executive Officers Association (SHEEO). The table illustrates the difference in state appropriations to public higher education based on student FTEs.

**EDUCATIONAL APPROPRIATIONS PER FTE (CONSTANT DOLLARS):  
STATE DIFFERENCES FROM U.S. AVERAGE, FY 2015**



The FY2018 Budget request approved by the Council on Postsecondary Education on November 16, 2016, included a recommendation of State support totaling \$189.3 million, an increase of \$11.1 million over the FY2017 Budget as Enacted. While the Governor’s Budget includes a general revenue increase of \$29.4 million, most of this increase is for other initiatives such as the Rhode Island Promise Scholarship (\$10.0 million); the Nursing Education Center (\$5.0 million), and debt service (\$12.2 million). It is possible, however, that the \$6.0 million in preparedness grants to the institutions, provided through the Rhode Island Promise initiative to build capacity, could be used for hiring additional faculty at URI, instituting the advising model at RIC, or establishing the Guided Pathways initiative at CCRI. This funding is only provided in FY2018 and FY2019; however, it is assumed that either this funding will be added to the budget in year three or that the revenue from increased enrollment will provide ongoing support.

**OFFICE OF THE POSTSECONDARY COMMISSIONER**

Expenditures By Source	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Spent	Enacted	Governor	Enacted		Governor	Enacted	
General Revenue	\$5.7	\$6.3	\$6.4	\$0.1	0.8%	\$22.3	\$16.0	254.5%
Federal Funds	15.3	14.3	16.7	2.4	17.0%	13.9	(0.4)	-2.6%
Restricted Receipts	0.0	0.4	0.9	0.5	136.7%	1.5	1.1	311.8%
Other Funds	5.8	9.4	10.5	1.1	11.8%	12.4	3.1	32.5%
<b>Total</b>	<b>\$26.8</b>	<b>\$30.4</b>	<b>\$34.4</b>	<b>\$4.1</b>	<b>13.5%</b>	<b>\$50.2</b>	<b>\$19.8</b>	<b>65.3%</b>

*\$ in millions*

The mission of the Office of the Postsecondary Commissioner (OPC), formerly the Office of Higher Education, is to support the work of the Board of Education and the Council on Postsecondary Education in providing an excellent, accessible, and affordable system of higher education designed to improve the education attainment of Rhode Island citizens, support economic development, and enrich the civic, social, and cultural life of the residents of the State. The Commissioner works with the presidents of the state higher education institutions to determine the benefits or disadvantages of proposed new programs, departments, courses of study, and policies with the scope and role adopted by the Council on

Postsecondary Education. The OPC also supports specific programs, such as early college access and veterans affairs. 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 Office provides research, policy, and fiscal analysis, and seeks to ensure that higher education in Rhode Island remains economically and geographically accessible.

The Budget provides 37.0 FTE positions for the OPC in FY2017, including 1.0 FTE that is third-party funded. This represents an increase of 10.0 FTE positions, from the FY2017 Budget as Enacted to reflect the 10.0 FTE positions added for the administration of the new Nursing Education Center. The \$1.1 million increase in restricted receipts represent the restricted receipts from an occupancy fee charged for the use of the Westerly Higher Education and Job Skills Center that fund the operations of the facility. The Nursing Education Center and the Westerly facility are discussed below in more detail.

<b>Office of Postsecondary Commissioner</b>	<b>General Revenue</b>
FY2017 Enacted	\$6,298,407
<i>Target and Other Adjustments</i>	
Rhode Island Promise Scholarship Program	22,679
Nursing Education Center	10,000,000
Westerly Higher Education and Job Skills Center	4,952,370
Dual/Concurrent Enrollment	500,000
Interdepartmental Cost Allocation	500,000
<b>FY2018 Governor</b>	<b>\$22,328,459</b>

### **Rhode Island Promise Scholarship Program**

**\$10.0 million**

Article 3 of the FY2018 Budget establishes the Rhode Island Promise Scholarship program to provide students with two years of tuition and mandatory fees at an eligible institution, less federal and all other financial aid available to the recipient. In order to build a highly educated and skilled workforce, the article aims to increase the number of students enrolled at the state's public higher education institutions and the number of students who complete their degrees on time by removing financial barriers.

The scholarship program provides two years of tuition and mandatory fees to students attending one of the State's three public institutions of higher education with no income or merit restrictions. Other costs, such as room and board, textbooks, meal plans, or travel are not included. The annual cost is projected to increase from \$10.0 million in FY2018 to \$30.0 million upon full implementation in FY2021. For more detail on this program, please see the Article 3 analysis.

#### **Projected Costs for Rhode Island Promise Scholarship**

	FY2018	FY2019	FY2020 <sup>1</sup>	FY2021 <sup>2</sup>
Scholarships	\$3.0	\$6.0	\$18.0	\$30.0
Promise Preparedness Grants	6.0	6.0	-	-
Implementation Costs	1.0	1.0	-	-
<b>Total</b>	<b>\$10.0</b>	<b>\$13.0</b>	<b>\$18.0</b>	<b>\$30.0</b>

Projected Eligible Recipients<sup>3</sup>

	1,461	2,923	5,047	7,171
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<sup>1</sup> Includes \$6.0 million for students at CCRI, \$3.0 million for students at RIC, and \$9.0 million for URI.

<sup>2</sup> Includes \$6.0 million for students at CCRI, \$5.8 million for students at RIC, and \$18.2 million for URI.

<sup>3</sup> Assumes 25.0 percent growth in resident enrollment with no attrition at CCRI and RIC, and 20.0 percent at URI.

\$ in millions

### **Nursing Education Center (NEC)**

**\$5.0 million**

The Nursing Education Center (NEC) is a partnership between the State, Rhode Island College, and the University of Rhode Island to provide a state-of-the-art facility to be shared by the institutions thus reducing redundancy. The NEC is located at the South Street Landing property (a.k.a. the South Street Power Station or Dynamo House). The building will also house the Brown University's Alpert Medical Schools and the larger project includes a 650-space, above ground parking garage and residential apartments on adjacent parcels. The Board of Education and the Department of Administration entered into a 15-year lease with a

two-year extension option. The lease commences the date the two schools take possession of their space in the building. The occupancy date is projected to be in April 2017. Under the terms of the lease, the State does not have to pay rent for seven months after taking possession; consequently, the first rent payment would be made in December 2017. This lag allows for the installation and testing of lab and other equipment, as well as staff training, and a smoother transition to begin classes in September 2017.

The total FY2018 cost is \$8.6 million. The State's share includes \$1.5 million in lease payments (only 10 months of payments in FY2018) and \$2.0 million in tenant improvement payments.

**Westerly Higher Education and Job Training Center** **\$500,000**

Budget includes \$1.3 million in general revenue and \$1.5 million in restricted receipts for the Westerly Higher Education and Job Training Center. This represents an increase of \$500,000 in general revenue and \$1.0 million in restricted receipts relative to the FY2017 Budget as Enacted. The general revenue provides the state contribution toward the construction of the building. The restricted receipts provide for the personnel and operating costs including 3.0 FTE positions to provide operations and management staff for the new center, including an Executive Director, Marketing Director, and Operations Coordinator. The restricted receipts will come from an occupancy fee charged for the use of the facility. Electric Boat began using the facility to train employees in January 2017. The facility will provide classroom and laboratory space for existing students in the area, as well as space for collaborative programs with local industries. The new job skill center is managed through the Office of the Postsecondary Commissioner.

**Westerly Higher Education and Job Training Center**

<b>Expenditures by Category</b>	<b>FY2017 Enacted</b>	<b>FY2017 Governor</b>	<b>FY2018 Governor</b>	<b>Change from Enacted</b>	
Personnel	\$361,925	\$361,925	\$357,732	(\$4,193)	-1.2%
Contracted Professional Services	-	\$210,103	\$431,000	431,000	-
Operating	-	284,745	701,609	701,609	-
Capital Purchases and Equipment	750,000	75,000	1,250,000	500,000	66.7%
<b>Total</b>	<b>\$1,111,925</b>	<b>\$931,773</b>	<b>\$2,740,341</b>	<b>\$1,628,416</b>	<b>146.5%</b>
<b>Expenditures by Source</b>					
General Revenue	\$750,000	\$75,000	\$1,250,000	\$500,000	66.7%
Restricted Receipts	361,925	856,773	1,490,341	1,128,416	311.8%
<b>Total</b>	<b>\$1,111,925</b>	<b>\$931,773</b>	<b>\$2,740,341</b>	<b>\$1,628,416</b>	<b>146.5%</b>

**Dual/Concurrent Enrollment** **\$500,000**

The Budget provides \$500,000 in general revenue (\$1.8 million in all funds) for the Dual/Concurrent Enrollment program. The Dual/Concurrent Enrollment program, also known as Prepare RI, allows high school students to take courses for college credit. Historically, the program has entirely funded from the tuition savings program. In FY2016, the first year of implementation, the program cost \$1.7 million. For FY2017, the \$1.3 million was provided in the enacted budget; however, the actual need for FY2017 is projected to be \$1.8 million. In FY2016, 3,869 students participated in this program enrolling in 5,904 courses.

**Interdepartmental Cost Allocation** **\$55,003**

The Budget includes a \$55,003 interdepartmental cost allocation representing 50.0 percent of the salary and benefits of an Education Policy analyst in the Governor's Office who works on postsecondary education policy issues. The Budget includes interdepartmental cost allocations totaling \$794,564 for staff in the Governor's Office that is charged against nine state agencies. The Budget Office states that these cost allocations reflect Governor's Office staff support to assist these state agencies on various policy and program initiatives such as Real Jobs RI, RhodeWorks, Reinventing Medicaid, and Justice Reinvestment Initiative, etc.

**UNIVERSITY OF RHODE ISLAND**

<b>Expenditures By Source</b>	<b>FY2016 Spent</b>	<b>FY2017 Enacted</b>	<b>FY2017 Governor</b>	<b>Change from Enacted</b>		<b>FY2018 Governor</b>	<b>Change from Enacted</b>	
General Revenue	\$80.7	\$89.9	\$92.2	\$2.3	2.6%	\$99.6	\$9.8	10.9%
Other Funds	653.3	687.4	671.7	(15.8)	-2.3%	676.1	(11.4)	-1.7%
<b>Total</b>	<b>\$734.1</b>	<b>\$777.3</b>	<b>\$763.8</b>	<b>(\$13.5)</b>	<b>-1.7%</b>	<b>\$775.7</b>	<b>(\$1.6)</b>	<b>-0.2%</b>

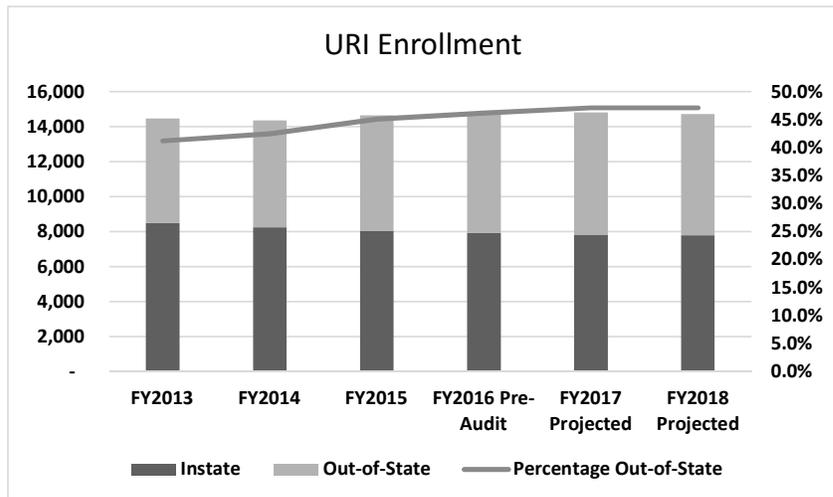
The University of Rhode Island (URI) was founded in 1888 as an agricultural school known as the Rhode Island College of Agriculture and Mechanic Arts. The college was actually the second State college established in Rhode Island. The Agricultural Experiment Station building was the first structure on 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 FY2018 and FY2017, including 573.8 third-party funded FTE positions, consistent with the enacted level.

**Enrollment**

In-state enrollment is projected to be 7,787 full-time equivalent students in FY2017 a decrease of 42 students, or 0.5 percent; while out-of-state students are projected at 6,935 students, a decrease of 35 students, or 0.5 percent. As the University has raised its tuition twice in the last 6 years (in FY2016 and FY2018), it has recruited more out-of-state students, who pay a higher rate, in an effort to generate more revenue. This projection does not include the in-state enrollment growth projected in the Rhode Island Promise estimate.



<b>University of Rhode Island</b>	<b>General Revenue</b>
FY2017 Enacted	\$89,870,298
<i>Target and Other Adjustments</i>	534,541
General Obligation Debt Service	9,474,889
Community Service Grants	(250,000)
<b>FY2018 Governor</b>	<b>\$99,629,728</b>

**General Obligation Debt Service****\$9.5 million**

The FY2016 Budget as Enacted included 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 savings were used to provide additional general revenue resources to support economic development and technology improvements around the State. The Budget includes \$22.7 million in general revenue for general obligation debt service at URI in FY2018 and \$15.5 million in FY2017. This is an increase of \$9.5 million and \$2.3 million respectively from the FY2017 Budget as Enacted. The increase in the FY2017 revised budget is primarily due to the shift of \$2.2 million in debt service from the Department of Administration to URI.

	Debt Service						
	FY2017				FY2018		
	FY2017 Enacted	Governor	Change from Enacted		Governor	Change from Enacted	
University of Rhode Island	\$13,182,679	\$15,485,717	\$2,303,038	17.5%	\$22,657,568	\$9,474,889	71.9%
Rhode Island College	2,565,254	2,509,391	(55,863)	-2.2%	4,867,060	2,301,806	89.7%
Community College of Rhode Island	1,691,204	1,643,449	(47,755)	-2.8%	2,082,845	391,641	23.2%
<b>Total</b>	<b>\$17,439,137</b>	<b>\$19,638,557</b>	<b>\$2,199,420</b>	<b>12.6%</b>	<b>\$29,607,473</b>	<b>\$12,168,336</b>	<b>69.8%</b>

Source: Rhode Island Budget Office

**Community Service Grants****(\$250,000)**

The \$250,000 community service objective to the Polaris Manufacturing Extension Program is moved from the Higher Education budget to the Executive Office of Commerce. Polaris is non-profit organization that provides manufacturing business improvement programs to grow Rhode Island's manufacturing industry. The grant is used to provide training, share expertise, and promote manufacturing statewide.

**RHODE ISLAND COLLEGE (RIC)**

Expenditures By Source	FY2016	FY2017	FY2017	Change from	FY2018	Change from		
	Spent	Enacted	Governor	Enacted	Governor	Enacted		
General Revenue	\$46.2	\$49.6	\$49.5	(\$0.1)	-0.1%	\$52.3	\$2.7	5.5%
Other Funds	124.9	137.1	132.6	(4.5)	-3.3%	149.0	11.9	8.7%
<b>Total</b>	<b>\$171.1</b>	<b>\$186.7</b>	<b>\$182.1</b>	<b>(\$4.6)</b>	<b>-2.4%</b>	<b>\$201.3</b>	<b>\$14.7</b>	<b>7.9%</b>

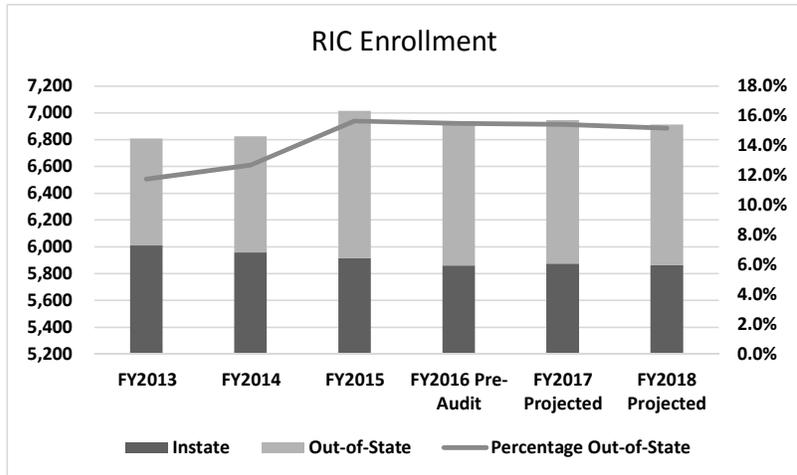
Rhode Island College (RIC) was established in 1854 as the Rhode Island State Normal School, with the mission of providing teacher preparation to Rhode Island residents. In 1959, RIC moved to its current campus location on 180 acres off of Mount Pleasant Avenue in Providence and was renamed Rhode Island 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 FY2018 and FY2017, including 82.0 third-party funded FTE positions, consistent with the enacted level.

### Enrollment

Total enrollment is projected to be 6,914 full-time equivalent students in FY2018 a decrease of 33 students, relative to the FY2017 Projected. Relative to FY2013, out-of-state enrollment is projected to increase by 31.1 percent. As the college has raised its tuition twice in the last 6 years (in FY2016 and FY2018), it has recruited more out-of-state students, who pay a higher rate, in an effort to generate more revenue; however, both are projected in decrease in FY2018. This projection



does not include the in-state enrollment growth projected in the Rhode Island Promise estimate.

Rhode Island College	General Revenue
FY2017 Enacted	\$49,561,584
Target and Other Adjustments	442,461
General Obligation Debt Service	2,301,806
<b>FY2018 Governor</b>	<b>\$52,305,851</b>

### General Obligation Debt Service

**\$2.3 million**

The FY2016 Budget as Enacted included 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 and provide additional general revenue resources to support economic development and technology improvements around the State. The Budget provides \$4.9 million in FY2018 for general obligation debt service at RIC funded by general revenue and \$2.5 million in FY2017. This is an increase of \$2.3 million and a decrease of \$55,863 respectively from the FY2017 Budget as Enacted. This projection does not include the in-state enrollment growth projected in the Rhode Island Promise estimate.

	Debt Service						
	FY2017			FY2018			
	FY2017 Enacted	Governor	Change from Enacted	Governor	Change from Enacted		
University of Rhode Island	\$13,182,679	\$15,485,717	\$2,303,038	17.5%	\$22,657,568	\$9,474,889	71.9%
Rhode Island College	2,565,254	2,509,391	(55,863)	-2.2%	4,867,060	2,301,806	89.7%
Community College of Rhode Island	1,691,204	1,643,449	(47,755)	-2.8%	2,082,845	391,641	23.2%
<b>Total</b>	<b>\$17,439,137</b>	<b>\$19,638,557</b>	<b>\$2,199,420</b>	<b>12.6%</b>	<b>\$29,607,473</b>	<b>\$12,168,336</b>	<b>69.8%</b>

Source: Rhode Island Budget Office

### COMMUNITY COLLEGE OF RHODE ISLAND (CCRI)

Expenditures By Source	FY2016	FY2017	FY2017	Change from	FY2018	Change from		
	Spent	Enacted	Governor	Enacted	Governor	Enacted		
General Revenue	\$48.3	\$50.6	\$50.6	(\$0.0)	-0.1%	\$51.5	\$0.9	1.8%
Restricted Receipts	0.6	0.7	0.7	-	0.0%	0.7	0.0	3.5%
Other Funds	101.4	115.7	105.7	(10.0)	-8.7%	108.6	(7.1)	-6.1%
<b>Total</b>	<b>\$150.3</b>	<b>\$167.0</b>	<b>\$156.9</b>	<b>(\$10.1)</b>	<b>-6.0%</b>	<b>\$160.8</b>	<b>(\$6.2)</b>	<b>-3.7%</b>

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 FY2018 and FY2017, including 89.0 third-party funded FTE positions, consistent with the enacted level.

### Enrollment

The following table shows the actual student enrollment, both by headcount and by FTE, from 2007 through 2016, and a projection for 2017 and 2018. In FY2018, enrollment is projected to decrease by 271.0 full-time equivalent students, or 3.0 percent, relative to FY2017 Projected. This projection does not include the in-state enrollment growth projected in the Rhode Island Promise estimate.

Year	CCRI Student Enrollment			
	Headcount	% Change	FTE	FTE % Change
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%
FY2014	17,017	-1.9%	10,141	-2.8%
FY2015	16,718	-1.8%	9,882	-2.6%
FY2016	15,611	-6.6%	9,128	-7.6%
FY2017 Projected	15,611	0.0%	9,128	0.0%
FY2018 Projected	15,000	-3.9%	8,857	-3.0%
<b>10-Year Average</b>	<b>16,636</b>	<b>-0.8%</b>	<b>9,978</b>	<b>-0.2%</b>

Community College of Rhode Island	General Revenue
FY2017 Enacted	\$50,627,239
Target and Other Adjustments	499,675
General Obligation Debt Service	391,641
<b>FY2018 Governor</b>	<b>\$51,518,555</b>

### General Obligation Debt Service **\$391,641**

The FY2016 Budget as Enacted included 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 and provide additional general revenue resources to support economic development and technology improvements around the State. The Budget provides \$2.1 million in FY2018 for general obligation debt service at CCRI funded by general revenue and \$1.6 million in FY2017. This is an increase of \$391,641 and a decrease of \$47,755 respectively from the FY2017 Budget as Enacted.

	Debt Service			FY2018			
	FY2017 Enacted	FY2017 Governor	Change from Enacted	FY2018 Governor	Change from Enacted		
University of Rhode Island	\$13,182,679	\$15,485,717	\$2,303,038	17.5%	\$22,657,568	\$9,474,889	71.9%
Rhode Island College	2,565,254	2,509,391	(55,863)	-2.2%	4,867,060	2,301,806	89.7%
Community College of Rhode Island	1,691,204	1,643,449	(47,755)	-2.8%	2,082,845	391,641	23.2%
<b>Total</b>	<b>\$17,439,137</b>	<b>\$19,638,557</b>	<b>\$2,199,420</b>	<b>12.6%</b>	<b>\$29,607,473</b>	<b>\$12,168,336</b>	<b>69.8%</b>

Source: Rhode Island Budget Office

### CAPITAL PROJECTS

The Budget includes a total of \$34.3 million in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2018 and \$37.2 million in FY2017, including the following.

**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 Budget includes a total of \$14.3 million in asset protection funding for URI (\$8.0 million), RIC (\$3.5 million), and CCRI (\$2.8 million) in FY2018 and \$22.4 million

in FY2017. In FY2017, this amount includes \$8.2 million in additional RICAP asset protection funding for URI (\$5.7 million), RIC (\$2.0 million), and CCRI (\$548,000) intended to unencumber resources that can be used in lieu of raising tuition or increasing general revenue support.

**RIC- Academic Buildings I – Craig Lee, Gaige, Adams Library:** The Budget provides \$6.1 million in FY2018 to re-purpose and renovate areas of Adams Library and other campus buildings to accommodate student service organizations and academic departments that will be moving out of Craig Lee Hall and Gaige Hall during the renovation of these buildings.

**CCRI Knight Campus Renewal:** The Budget includes \$5.0 million in RICAP funding in FY2018 and \$5.2 million in FY2017 (including a \$1.2 million carryforward) 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 \$23.5 million, including \$20.1 million in RICAP funds, \$3.3 million in other funds, and \$82,868 in college funds. Completion is projected for FY2020.

**RIC Infrastructure Modernization:** The Budget provides \$4.5 million in RICAP funding in FY2018 and \$2.8 million in FY2017 (including a \$245,299 carryforward) 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 \$32.6 million through FY2022.



## Rhode Island State Council on the Arts

Expenditures By Program	FY2016	FY2017	FY2017			FY2018		
	Spent	Enacted	Governor	Change from Enacted		Governor	Change from Enacted	
Central Management	1,926,388	1,865,538	2,566,796	\$701,258	37.6%	1,907,310	\$41,772	2.2%
Grants Programs	1,069,386	1,165,000	1,165,000	-	-	1,165,000	-	-
<b>Total</b>	<b>\$2,995,774</b>	<b>\$3,030,538</b>	<b>\$3,731,796</b>	<b>\$701,258</b>	<b>23.1%</b>	<b>\$3,072,310</b>	<b>\$41,772</b>	<b>1.4%</b>
<b>Expenditures By Source</b>								
General Revenue	\$1,844,116	\$1,951,884	\$1,939,368	(\$12,516)	-0.6%	\$1,945,056	(\$6,828)	-0.3%
Federal Funds	700,799	775,454	786,728	11,274	1.5%	781,454	6,000	0.8%
Restricted Receipts	-	-	25,000	25,000	-	-	-	-
Other Funds	450,859	303,200	980,700	677,500	223.4%	345,800	42,600	14.1%
<b>Total</b>	<b>\$2,995,774</b>	<b>\$3,030,538</b>	<b>\$3,731,796</b>	<b>\$701,258</b>	<b>23.1%</b>	<b>\$3,072,310</b>	<b>\$41,772</b>	<b>1.4%</b>
Authorized FTE Levels	6.0	8.6	8.6	-	-	8.6	-	-

\$ 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 FY2017 and FY2018, consistent with the FY2017 Budget as Enacted.

RI State Council on the Arts	General Revenue
FY2017 Enacted	\$1,951,884
<i>Target and Other Adjustments</i>	<i>(6,828)</i>
Percent for the Arts	Informational
Cultural Arts and the Economy	Informational
<b>FY2018 Governor</b>	<b>\$1,945,056</b>

### Percent for the Arts

**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.

<b>1% for Public Art Program - 2011 to Present</b>	<b>Location</b>	<b>Art Project Cost</b>
<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
Wickford Junction	Wickford	350,000
<i>Current Projects (Budget)</i>		
URI - College of Engineering	Kingston	500,000
URI - Center for Chemical and Forensic Sciences ( <i>previously, Biotechnology and Life Sciences</i> )	Kingston	458,000
RIC - Gaige Lee Hall	Providence	360,000
Veterans Home	Bristol	210,000
Rhode Island College - Art Center	Providence	170,000
Virks Building	Cranston	120,000
RI State Police Barracks	Lincoln	45,000
RIC - Fogarty School of Nursing	Providence	45,000
URI - Harrington Hall	Kingston	35,000
RI Fire Academy	Exeter	30,000
<i>Future Projects (Budget)</i>		
Eleanor Slater Hospital	Cranston	370,000
Attorney General	Cranston	124,000
Pawtucket Train Station	Pawtucket	50,000
<b>Total</b>		<b>\$4,373,020</b>

Source: Rhode Island State Council on the Arts

### **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 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.

<b>Cultural Arts and the Economy</b>	<b>Location</b>	<b>Project</b>	<b>Grant</b>
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
<b>Total Projects</b>			<b>\$23.1</b>
Pool fund			6.9
<b>Total</b>			<b>\$30.0</b>

\$ 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 began disbursement of

funds to the named organizations in January 2016. Additional funds were awarded in December 2016 and will be distributed in FY2017 as contracts are completed and work is begun. Applications for the remaining pool funds will be reviewed on October 1, 2017, and distributed in 2018. Awards from this fund will be announced in the January following the application deadline. The following table shows the grants awarded in the first two rounds.

Organization	Town	Award Amount	
		FY2016	FY2017
Barrington Public Library	Barrington	\$10,000	\$0
Arts In Common	Bristol	-	50,000
Bristol Art Museum	Bristol	-	20,000
Artists' Exchange	Cranston	-	85,000
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	195,000
Jamestown Arts Center	Jamestown	58,000	-
Wickford Art Association	North Kingstown	-	98,715
Mixed Magic Theatre and Cultural Events	Pawtucket	-	50,000
Sandra Feinstein-Gamm Theater	Pawtucket	5,000	211,500
Common Fence Point Improvement Association	Portsmouth	2,000	187,000
Dirt Palace	Providence	23,500	250,000
Educational Center for the Arts & Sciences	Providence	3,000	8,659
Everett	Providence	50,000	100,000
Festival Ballet Providence	Providence	-	59,552
Heads Up, 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	-
Olneyville Housing Corporation	Providence	250,000	-
Preserve RI	Providence	56,000	-
Providence Performing Arts Center	Providence	50,000	-
Providence Public Library	Providence	-	200,000
Southside Cultural Center	Providence	300,000	-
The Music Mansion	Providence	40,938	-
The Players	Providence	100,000	-
The Steel Yard	Providence	92,650	-
The Wilbury Theatre Group	Providence	25,000	-
Waterfire	Providence	375,000	-
The Contemporary Theater Company	South Kingstown	100,000	95,000
Boys & Girls Clubs of Warwick	Warwick	-	100,000
Ocean State Theatre Company	Warwick	-	240,000
The Artic Playhouse	West Warwick	5,000	300,000
Granite Theatre	Westerly	33,269	-
RiverzEdge Arts Project	Woonsocket	-	249,000
<b>Total</b>		<b>\$2,754,357</b>	<b>\$2,499,426</b>

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 State's economy. The FY2018 Budget includes \$7.0 million in bond revenues for the program. \$10.2 million is provided in FY2017 and \$10.3 million was spent in FY2016.



## Rhode Island Atomic Energy Commission

Expenditures By Program	FY2016 Spent	FY2017		FY2017		FY2018	
		Enacted	Governor	Change from Enacted	Governor	Change from Enacted	
Atomic Energy Commission	\$1,576,882	\$1,333,049	\$1,539,039	\$205,990	15.5%	\$1,304,373	(\$28,676) -2.2%
<b>Expenditures By Source</b>							
General Revenue	\$908,285	\$981,100	\$979,682	(\$1,418)	-0.1%	\$982,157	\$1,057 0.1%
Federal Funds	336,542	32,422	228,863	\$196,441	605.9%	-	(\$32,422) -100.0%
Other Funds	332,055	319,527	330,494	\$10,967	3.4%	322,216	\$2,689 0.8%
<b>Total</b>	<b>\$1,576,882</b>	<b>\$1,333,049</b>	<b>\$1,539,039</b>	<b>\$205,990</b>	<b>15.5%</b>	<b>\$1,304,373</b>	<b>(\$28,676) -2.2%</b>
Authorized FTE Levels	8.6	8.6	8.6	-	0.0%	8.6	- 0.0%

*\$ in millions. 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. For student who perform well, a new nuclear engineer operating course was added in 2016 that prepares students for the operator license exam. URI is currently working to create a major in nuclear engineering. 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 FY2018

The \$28,676 reduction in all funds in the Governor's FY2018 Budget is due primarily the completion of a project funded with a United States Department of Energy grant. The project involved for the purchase of new radiation monitoring instrumentation for installation in and around the facility, particularly in locations where experiments with radioactive materials are conducted. The instruments were purchased and installed in FY2016 and FY2017. The Commission successfully completed the renewal process for its 20-year licensure from the Nuclear Regulatory Commission (NRC) on January 5, 2017.

The Budget authorizes 8.6 FTE positions in FY2018 for the program, 2.6 of which are funded through URI for its radiation safety functions. URI funding also covers 40.0 percent of the Commission's overhead costs, including its building maintenance and repair costs.

Central Management	General Revenue
FY2017 Enacted	\$981,100
Target and Other Adjustments	1,057
<b>FY2018 Governor</b>	<b>\$982,157</b>

### CAPITAL PROJECTS

The Budget includes \$59,895 in RICAP-funded asset protection projects for FY2017, including a carry forward of \$9,895, and \$50,000 annually thereafter. Projects for FY2017 include landscaping to prevent erosion around the building, painting the 115 foot exhaust stack to prevent corrosion, replacing outdated sprinkler heads, and refurbishing a room to make it suitable for the facility machine shop. In FY2018 funds will be used for landscaping in and around the tower gun pad and refurbishing a room to be used as an electronics shop for fabricating and repairing electronic instruments.



## Rhode Island Historical Preservation and Heritage Commission

<b>Expenditures by Program</b>	<b>FY2016 Actual</b>	<b>FY2017 Enacted</b>	<b>FY2017 Governor</b>	<b>Change from Enacted</b>		<b>FY2018 Governor</b>	<b>Change from Enacted</b>	
Historical Preservation and Heritage Commission	\$3.0	\$2.8	\$3.2	\$0.4	14.8%	\$2.5	(\$0.3)	-9.5%
<b>Expenditure by Source</b>								
General Revenue	\$1.4	\$1.2	\$1.2	(\$0.0)	-3.4%	\$1.2	(\$0.0)	-2.8%
Federal Funds	1.3	1.1	1.5	0.5	41.4%	0.9	(0.2)	-21.3%
Other Funds	0.3	0.1	0.1	(0.0)	-0.2%	0.1	0.0	1.2%
Restricted Receipts	0.1	0.4	0.4	0.0	0.5%	0.4	0.0	0.1%
<b>Grand Total</b>	<b>\$3.0</b>	<b>\$2.8</b>	<b>\$3.2</b>	<b>\$0.4</b>	<b>14.8%</b>	<b>\$2.5</b>	<b>(\$0.3)</b>	<b>-9.5%</b>
Authorized FTE Levels	16.6	16.6	16.6	-	0.0%	15.6	(1.0)	-6.0%

*\$ 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 15.6 FTE positions for FY2018, a reduction of 1.0 FTE position from the FY2017 Budget as Enacted.

### MAJOR ISSUES AND TRENDS

The Governor's Budget includes \$1.2 million in general revenue (\$2.5 million all funds) in FY2018, represents a general revenue decrease of \$33,853 (\$265,359 all funds) relative to the FY2017 Budget as Enacted.

The decrease in the budget is primarily associated with the reduction of federally funded grants. The largest federal grant decrease is associated to the completion of work in 2017 related to the Hurricane Sandy Disaster Relief (HSDR) grant. The Budget reduces spending by \$225,852 in FY2018 as compared to FY2017 Budget as Enacted for the HSDR grant. Additionally, the Governor proposes to transfer the operation of the Eisenhower House from the Commission to the Department of Environmental Management (DEM) saving \$176,037 in FY2018.

<b>Historical Preservation &amp; Heritage Commission</b>	<b>General Revenue</b>
FY2017 Enacted	\$1,202,559
<i>Targets and Adjustments</i>	
Personnel	(7,689)
State Preservation Grant	(26,164)
<b>FY2018 Governor</b>	<b>Informational</b>
	<b>\$1,168,706</b>
<b>Historical Preservation &amp; Heritage Commission</b>	
Hurricane Sandy Relief ( <i>federal funds</i> )	<b>Other Funds</b>
Eisenhower House Transfer ( <i>restricted receipts</i> )	(\$225,852)
	(176,037)

### **Personnel Savings** **(\$26,164)**

The Budget reduces general revenue by \$26,164 for reductions in personnel and benefit adjustments in FY2018. This reduction relates to the retirement of 1.0 FTE, Eisenhower Events Coordinator (\$94,881), and the elimination of 2.0 seasonal part-time maintenance employees that work at the Eisenhower House. Savings are offset by the transfer of administrative costs to general revenue, from federal funds previously available through the Hurricane Sandy Disaster Relief grant.

**State Preservation Grant****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. The second round of awardees have been selected, totaling \$1.3 million in FY2018, to support 15 statewide projects.

**State Preservation Grant Awards FY2017 and FY2018**

<b>Recipient</b>	<b>Town</b>	<b>FY2017</b>	<b>FY2018</b>
American French Genealogical Society, AFGS HQ/Veterans Museum	Woonsocket	\$0.0	\$111,403
Beavertail Lighthouse Museum Association, Beavertail Lighthouse	Jamestown	-	46,475
Block Island SE Lighthouse Foundation	Block Island	150,000	-
City of Central Falls	Central Falls City	150,000	-
City of East Providence, Crescent Park Loof Carousel	East Providence	-	69,652
City of Pawtucket, Pawtucket Public Library	Pawtucket	-	150,000
City of Providence, Betsey Williams Cottage	Providence	-	150,000
City of Woonsocket, Museum of Work and Culture	Woonsocket	20,000	-
Cocumcussoc Association, Smiths Castle	North Kingstown	56,100	-
Coggeshall Farm Museum, Coggeshall Farmhouse	Bristol	-	29,452
Foster Preservation Society, Nehemiah Angell Barn	Foster	-	19,433
Friends of Linden Place, Linden Place	Bristol	-	58,616
Friends of Pomham Rocks	East Providence	150,000	-
Herreshoff Marine Museum	Bristol	150,000	-
Historic New England	Johnston	31,240	-
LaFarge Restoration Foundation	Newport	150,000	-
Memorial and Library Association of Westerly, Wilcox Park Bandstand	Westerly	-	15,488
Newport Restoration Foundation	Vernon House	22,484	-
Old Slater Mill Assoc.	Pawtucket Public Library	44,500	-
Orlando Smith Trust, Babcock-Smith House	Westerly	11,734	-
Portsmouth Historical Society, Former Christian Union Church	Portsmouth	30,000	-
Pres. Soc. of Newport County	Newport	150,000	-
Providence Athenaeum	Providence	16,843	-
Providence Performing Art Center	Providence	-	150,000
Providence Public Library	Providence	150,000	-
RI Dept. of Environmental Mgmt., Fort Adams Visitors Center	Newport	-	109,091
Smithfield Preservation Society, Smithfield Exchange Bank	Smithfield	19,866	-
Smithfield Town Hall	Smithfield	18,755	-
South County Art Association	Kingston	29,634	-
Town of Coventry, Read Schoolhouse	Coventry	-	26,404
Town of Cumberland, Farmhouse at Franklin Farm	Farmhouse at Franklin Farm	150,000	-
Town of East Greenwich, East Greenwich Town Hall	East Greenwich	-	150,000
Town of North Kingstown, Old Town House	North Kingstown	43,175	-
Town of North Providence, J. Hilton Bleachery/Stone House	North Providence	65,525	-
Town of North Smithfield, Kendall Dean School/New Town Hall	North Smithfield	-	150,000
Trinity Restoration Inc.	Providence	150,000	-
Varnum Continentals, Inc., Varnum Armory	East Greenwich	-	43,450
Westerly Armory Restoration, Inc.	Westerly	24,750	-
<b>Total Award Amount</b>		<b>\$1,759,856</b>	<b>\$1,279,464</b>

***Hurricane Sandy Relief (federal funds)******(\$225,852)***

The Hurricane Sandy Disaster Relief grant was part of the federal 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, FY2016, and FY2017. The completion of the expenditures of awards for the projects are anticipated in FY2018. The Budget includes \$272,000 in FY2018, a reduction of \$225,852 from the enacted.

The grant funded repairs to numerous historic properties such as The Breakers in Newport, The Towers in Narragansett, and the Cliff Walk in Newport. The funds were also used to fund surveys of archaeological sites on Block Island and the coasts of Narragansett, Charlestown, and Westerly.

***Eisenhower House (restricted receipts)******(\$176,037)***

The Budget reduces restricted receipts by \$176,037 by eliminating the costs for management personnel and operational costs associated with the rental of the Eisenhower House by transferring operations to the Department of Environmental Management (DEM) in FY2018. The Commission currently operates the Eisenhower House, a state-owned historic mansion used as a rental facility for meetings, events and weddings.

The Eisenhower House, built in 1873 as the official residence of the U.S. Navy Commandant of the Newport Naval Base and later used as the summer residence of President Dwight D. Eisenhower, is located in Fort Adams State Park, Newport.



## Department of the Attorney General

<b>Expenditures by Program</b>	<b>FY2016 Actual</b>	<b>FY2017 Enacted</b>	<b>FY2017 Governor</b>	<b>Change from Enacted</b>		<b>FY2018 Governor</b>	<b>Change from Enacted</b>	
Beureau of Criminal Identification	\$1.6	\$1.8	\$1.6	(\$0.1)	-6.5%	\$1.7	(\$0.1)	-5.0%
Civil Division	5.5	6.1	6.0	(0.0)	-0.8%	5.9	(0.2)	-2.8%
Criminal Division	19.2	24.0	34.8	10.8	45.0%	33.2	9.2	38.4%
General Division	3.2	3.3	3.6	0.3	8.6%	3.4	0.0	0.8%
<b>Grand Total</b>	<b>\$29.5</b>	<b>\$35.1</b>	<b>\$46.1</b>	<b>\$10.9</b>	<b>31.1%</b>	<b>\$44.1</b>	<b>\$9.0</b>	<b>25.6%</b>
<b>Expenditure by Source</b>								
General Revenue	\$24.1	\$25.6	\$26.1	\$0.6	2.2%	\$26.2	\$0.6	2.3%
Federal Funds	2.0	1.7	3.4	1.7	98.0%	1.8	0.1	5.1%
Other Funds	0.2	0.3	0.4	0.1	39.2%	0.2	(0.2)	-50.0%
Restricted Receipts	3.2	7.6	16.2	8.6	114.0%	16.0	8.5	111.9%
<b>Grand Total</b>	<b>\$29.5</b>	<b>\$35.1</b>	<b>\$46.1</b>	<b>\$10.9</b>	<b>31.1%</b>	<b>\$44.1</b>	<b>\$9.0</b>	<b>25.6%</b>
Authorized FTE Levels	236.1	235.1	235.1	-	0.0%	235.1	-	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 235.1 FTE positions in FY2017 and FY2018, consistent with the enacted amount.

### MAJOR ISSUES AND TRENDS FOR FY2018

The Budget includes \$44.1 million in total funding for the Department, an increase of \$9.0 million from the FY2017 Budget as Enacted. General revenues increased by \$598,769 or a 2.3 percent increase from the FY2017 Budget as Enacted, to \$26.2 million. Increases are primarily due to increased expenditures in personnel costs related to pay grade increases and statewide benefit adjustments. Additionally, a reduction in federal funds and restricted receipts required increased general revenue expenditures for personnel.

The Budget includes \$15.1 million in restricted receipts relating to Google forfeiture funds in FY2018. This is an increase of \$8.2 million over the FY2017 Budget as Enacted. The Department indicates that these funds will be for two capital projects: a Customer Service Center to be located in the Pastore Complex, and the renovation of the Attorney General's main offices at 150 South Main Street.

### 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 19.0 FTE positions in the FY2017 and FY2018 for the program consistent with the FY2017 Budget as Enacted level.

<b>Bureau of Criminal Identification</b>	<b>General Revenue</b>
FY2017 Enacted	<b>\$1,758,215</b>
<i>Targets and Adjustments</i>	6,619
Personnel	(94,732)
<b>FY2018 Governor</b>	<b>\$1,670,102</b>

**Personnel** **(\$94,732)**

The Budget reduces general revenue by \$94,732 in FY2018 related to turnover savings and statewide benefit adjustments.

### 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 43.0 FTE positions in FY2017 and FY2018 for the program, consistent with the FY2017 Budget as Enacted.

<b>Civil Division</b>	<b>General Revenue</b>
FY2017 Enacted	<b>\$5,135,543</b>
<i>Targets and Adjustments</i>	25,465
Personnel	90,670
<b>FY2018 Governor</b>	<b>\$5,251,678</b>

**Personnel** **\$90,670**

The Budget increases general revenue funding by \$90,670 for salary and benefits in FY2018. The increase in general revenue expenditures for personnel are related to decreased restricted receipts from the Public Utilities Commission that have previously funded salaries and benefits in the Civil Division. Additionally, the Budget includes increases in steps for tenured employees.

### 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 focus 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 revised FY2017 and FY2018 for the program, consistent with the FY2017 Budget as Enacted.

<b>Criminal Division</b>	<b>General Revenue</b>
FY2017 Enacted	<b>\$15,675,925</b>
<i>Targets and Adjustments</i>	
Personnel	(3,216)
<b>FY2018 Governor</b>	<b>\$16,070,177</b>
<b>Google Forfeiture Funds</b>	<b>Other Fund Changes</b>
Google Forfeiture Funds ( <i>restricted receipts</i> )	\$8,200,000

**Personnel** **\$397,468**

The Budget includes a \$397,468 general revenue increase for salary and benefits in FY2018. The increases are relating to shifting personnel from federal funding to general revenue funding.

**Google Forfeiture Funds (restricted receipts)** **\$8.2 million**

The Budget includes \$15.1 million in FY2018 in restricted receipts relating to Google forfeiture funds to complete renovations, purchase a generator, and begin security upgrades to the 150 South Main Street building. This funding will also provide for construction and renovations at the Customer Service Center, expected to be completed by December 2017 (FY2018). This is an increase of \$8.2 million over the FY2017 Budget as Enacted. Additionally, the Governor recommends an increase of \$9.0 million in the FY2017 revised budget, for a total expenditure of \$15.3 million. The Department intends to use forfeiture funds in FY2018 for the redesign and renovation of the Department's main headquarters at 150 South Main Street following the relocation of the current customer service areas to the new location in the Pastore Complex. The following table outlines Google fund expenditures.

Google Forfeiture Funds: Expenditure Summary

Item	FY2013	FY2014	FY2015	FY2016	FY2017	FY2017	FY2018	Total
	Actual	Actual	Actual	Actual	Enacted	Governor		
Building Maintenance and Repairs	-	\$1,118,978	\$1,867,151	\$2,750	\$6,000,000	\$8,240,000	\$14,500,000	\$31,728,879
Vehicles	53,769	-	-	-	-	-	-	53,769
Building Acquisitions	-	3,400,000	-	-	-	-	-	3,400,000
IT System Design	-	574,205	1,301,371	2,712,608	-	430,702	220,987	5,239,873
General Operating Expenses	4,600	40,994	731,679	2,582,250	-	367,005	386,398	4,112,926
State Crime Laboratory	-	-	-	-	260,000	-	-	260,000
<b>Total</b>	<b>\$58,369</b>	<b>\$5,134,177</b>	<b>\$3,900,201</b>	<b>\$5,297,608</b>	<b>\$6,260,000</b>	<b>\$9,037,707</b>	<b>\$15,107,385</b>	<b>\$44,795,447</b>

*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. Google funds must still be appropriated through the budget process.*

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.

## 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 23.0 FTE positions in FY2017 and FY2018 for the program, consistent with the FY2017 Budget as Enacted level.

<b>General Division</b>	<b>General Revenue</b>
FY2017 Enacted	<b>\$3,026,299</b>
<hr/>	
<i>Targets and Adjustments</i>	<i>6,240</i>
Personnel	170,255
<b>FY2018 Governor</b>	<b>\$3,202,794</b>
<b>Personnel</b>	<b>\$170,255</b>

The Budget includes \$170,255 for pay grade increases and benefit adjustments throughout the general management program in FY2018.

### **CAPITAL PROJECTS**

The Budget includes Rhode Island Capital Plan (RICAP) funding of \$150,000 in FY2017 and FY2018 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 \$14.5 million in Google forfeiture restricted receipts in FY2018 for the project.

## Department of Corrections

Expenditures By Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Governor	Enacted	Enacted	Governor	Enacted	Enacted
Central Management	\$9.1	\$10.2	\$10.2	-	-0.2%	\$10.0	(\$0.2)	-1.8%
Community Corrections	15.0	17.0	17.4	0.4	2.2%	18.0	0.9	5.5%
Custody and Security	137.8	134.4	137.2	2.7	2.0%	138.7	4.2	3.2%
Healthcare Services	21.8	21.9	23.2	1.3	5.8%	24.3	2.4	10.7%
Institutional Based Rehab/Population Managen	9.5	12.2	10.5	(1.7)	-13.6%	10.4	(1.8)	-14.6%
Institutional Support	18.0	27.7	23.4	(4.3)	-15.6%	31.4	3.7	13.2%
Parole Board	1.3	1.4	1.5	0.2	13.3%	1.5	0.2	14.0%
<b>Total</b>	<b>\$212.5</b>	<b>\$224.8</b>	<b>\$223.4</b>	<b>(\$1.4)</b>	<b>-0.6%</b>	<b>\$234.2</b>	<b>\$9.4</b>	<b>4.2%</b>

Expenditures By Source								
General Revenue	\$208.3	\$211.7	\$213.3	\$1.6	0.8%	\$216.8	\$5.1	2.4%
Federal Funds	1.3	1.1	1.9	0.8	66.8%	1.5	0.4	36.9%
Restricted Receipts	0.3	0.1	0.1	-	60.2%	0.1	-	56.9%
Other Funds	2.7	11.9	8.0	(3.9)	-32.5%	15.8	3.9	32.4%
<b>Total</b>	<b>\$212.5</b>	<b>\$224.8</b>	<b>\$223.4</b>	<b>(\$1.4)</b>	<b>-0.6%</b>	<b>\$234.2</b>	<b>\$9.4</b>	<b>4.2%</b>

Authorized FTE Levels	1,419.0	1,423.0	1,423.0	-	-	1,426.0	3.0	0.2%
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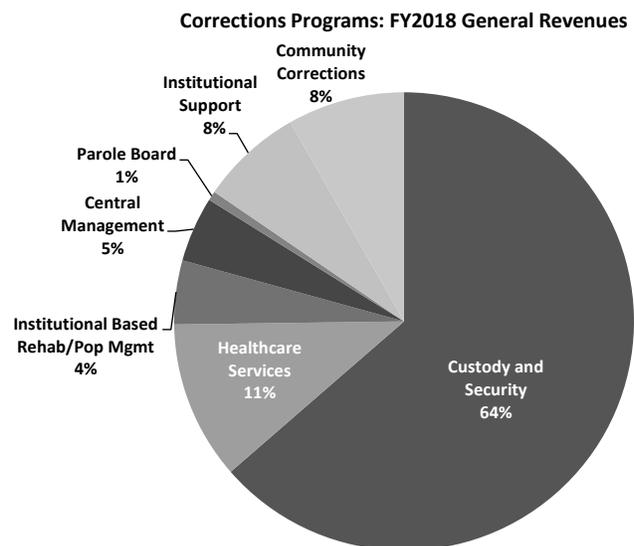
*\$ in millions. Totals may vary due to rounding.*

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 January 2017, the Department has averaged 3,011 inmates (75.5 percent of capacity) housed at the ACI for the fiscal year, including 2,872 men, and 139 women. The Department also provides supervision of offenders in the community (home confinement, probation, and parole).

### MAJOR ISSUES AND TRENDS FOR FY2018

The Budget includes \$234.2 million in total expenditures for FY2018; including \$216.8 million in general revenue, an increase of \$5.1 million over the FY2017 enacted level. The FY2018 Budget for the Department of Corrections is based on an estimated average daily population of 3,059 individuals a decrease of 141 from the FY2017 Budget as Enacted.

The FY2018 Budget includes \$6.7 million in general revenue for wage base adjustments for the Rhode Island Brotherhood of Correctional Officers (RIBCO) for the contract years FY2013 through FY2015, and a successor agreement for FY2016 and FY2017. The RIBCO award includes wage increases of 2.0 percent per year from FY2013 through FY2016 and an increase of 2.25 percent beginning January 1, 2017. There will be no retroactive payments for FY2013 and FY2014 except for eligible employees who retired between FY2012 and the award execution date. This award impacts 941 correctional officers and 48 nurses.



The Budget includes a net reduction of \$81,368 in general revenue in FY2018 by hiring new correctional officers (COs). Hiring costs are offset by savings due to a reduction in overtime costs. The Department hired 51 Correctional Officer Trainees in November 2016 and 24 Correctional Officer Trainees in November 2017. These 74 new COs will fill the remaining Correctional Officer vacancies in the Department. Funding for an FY2016 training class was removed because of a U.S. Department of Justice (DOJ) lawsuit over bias in testing materials (explained further below). The DOJ allowed the DOC to hold a CO training class in FY2017 and FY2018. The parties are in the discovery phase of litigation. There is no timeline for closure of the issue.

The Governor includes a net increase of \$505,520 in general revenue to support the Justice Reinvestment Initiative in FY2018. The FY2017 Budget as Enacted included \$893,000 to support the Justice Reinvestment Initiative. The majority of this FY2018 increase is to support cognitive behavioral therapy (CBT) contract services. Community providers will be contracted to train staff on evidence based treatments, with the goal of decreasing recidivism.

As of January 2017, East Side Clinical Laboratory was awarded a contract to provide lab services for the Department of Corrections, which leads in an increase of \$119,062 in general revenue. Previously, the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH) provided free lab services to the DOC; however, according to the Department of Corrections, BHDDH has indicated that moving forward they would start charging approximately \$200,000 for lab services. Originally, BHDDH estimated lab services would cost \$500,000, which caused the Department to look into alternative options.

The Department closed the Bernadette Guay Women's Facility in early FY2017, saving \$1.1 million in FY2018. This facility has a capacity to house 100 inmates, the FY2016 average population was 21 inmates. This small number of female inmates have been reassigned to the Gloria McDonald Facility. The staff in the Bernadette Facility have also been reassigned, which will offset overtime costs in the Gloria McDonald Facility.

## 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 66.0 FTE positions in FY2017 and FY2018 in the Central Management Program.

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. The Budget includes 28.0 FTE positions in both FY2017 and FY2018 in the internal services program.

<b>Central Management</b>	<b>General Revenue</b>
FY2017 Enacted	\$10,179,627
<hr/>	
<i>Target and Other Adjustments</i>	246,768
<i>State Time, Leave, and Attendance System (STLA)</i>	(400,000)
Correctional Officer Training	(31,663)
USDOJ Lawsuit	Informational
<b>FY2018 Governor</b>	<b>\$9,994,732</b>

### ***State Time, Leave, and Attendance System (STLA)*** **(\$400,000)**

The Governor includes \$400,000 in general revenue savings in FY2018 due to the implementation of the State Time, Leave, and Attendance System (STLA). The Department of Corrections is one of four pilot agencies to use STLA. This new system will replace the current manual system with a more sophisticated program that is able to include advanced features such as personnel rules and collective bargaining

agreement parameters. Use of the current system leads to poor record keeping and oversight issues such as accidental overtime rule violations and vacation/sick time accrual balance errors.

According to both the Office of Management and Budget's Office of Internal Audit and the DOC, personnel data from FY2016 has been reviewed and a new system that is able to enforce existing rules is estimated to produce a \$400,000 savings. Specifically, the following savings have been identified: ending negative accrual balances of sick and vacation leave is anticipated to lead to \$190,000 in savings; eliminating scheduling inefficiencies, such as shift vacancies due to the current manual scheduling process, and a more precise use of the "callback list", will reduce overtime costs leading to a projected savings of \$150,000; preventing sick time and vacation time swapping will further reduce overtime costs leading to an estimated savings of \$52,000; and preventing sick/overtime rule violation is expected to lead to \$7,000 in savings.

### ***Correctional Officer Training***

***(\$31,663)***

The Budget is reduced by \$31,663 in general revenue due to savings associated with the 82<sup>nd</sup> Correctional Officer Training Class, expected to graduate in November 2017. Some of these savings that the Department proposed include a \$20,000 reduction in security supplies and \$10,901 reduction in medical services. See more information below regarding Correctional Officer Training Hiring in FY2018.

### ***USDOJ Lawsuit***

***Informational***

The Department requested an additional \$220,220 in the FY2017 Supplemental Budget and an additional \$240,705 in FY2018 above the FY2017 Budget as Enacted for expert witness fees to defend against a suit filed against the State by the U.S. Department of Justice (DOJ). The Budget Office concurs with the Department's FY2017 Supplemental Budget request due to actual expenditures in FY2016 of \$338,440. The Governor's Budget does not include the Department's request for FY2018. According to the Budget Office, assuming no settlement is reached before FY2018, additional legal expenses will be addressed through the supplemental budget process.

On February 10, 2014, the 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. A move to dismiss the complaint was denied and the parties are in the discovery phase of litigation. There is no timeline for closure of the issue.

## **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 134.0 FTE positions in both FY2017 and FY2018.

<b>Community Corrections</b>	<b>General Revenue</b>
FY2017 Enacted	\$16,993,141
<i>Target and Other Adjustments</i>	362,965
Justice Reinvestment Initiative	505,520
Community Corrections Population	Informational
<b>FY2018 Governor</b>	<b>\$17,861,626</b>

**Justice Reinvestment Initiative****\$505,520**

The Governor includes a net increase of \$505,520 in general revenue to support the Justice Reinvestment Initiative in FY2018. The FY2017 Budget as Enacted included \$893,000 to support the Justice Reinvestment Initiative: \$320,000 to hire an additional 4.0 Probation Officer 1 positions to be responsible for performing pretrial assessments, as well as lowering the amount of caseloads on current officers; \$123,000 to cover the technological costs associated with use of the recidivism risk assessment tool with probationers by community corrections staff; and \$450,000 to support the implementation of community-based cognitive behavioral therapy.

The FY2018 proposal includes \$405,520 in personnel costs, an increase of \$85,520 above FY2017 Budget as Enacted; \$93,000 in technological expenses, a decrease of \$30,000 from enacted; and \$900,000 in cognitive behavioral therapy (CBT) contract services, \$450,000 above enacted.

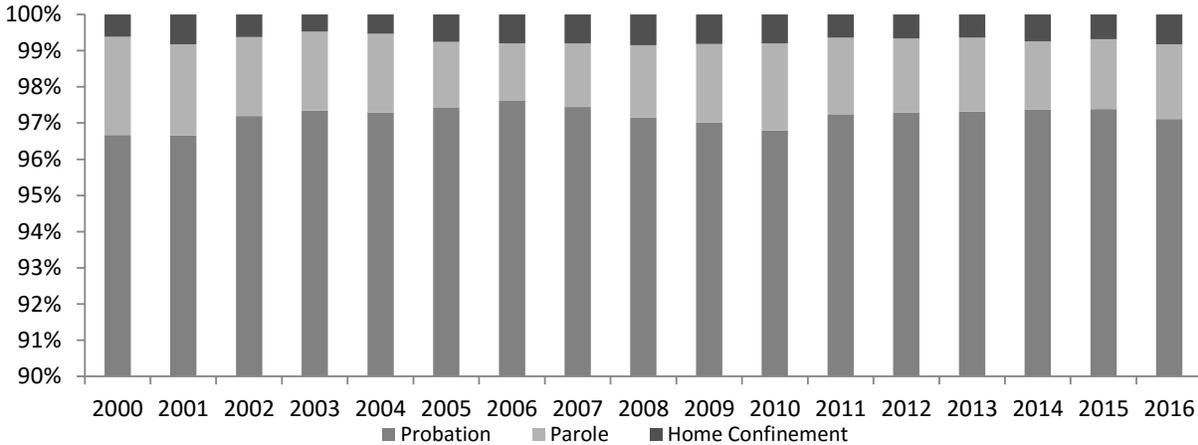
According to the Department, the original \$450,000 in CBT funding covered six months of the program in FY2017, to fund a full year requires an additional \$450,000 for a total expense of \$900,000 in FY2018. The goal of the CBT services is to decrease recidivism. Community providers will be contracted to train staff on evidence based treatments. As of March 2017, the Department had received five responses to the RFP for these contracts and the technical review committee is scheduled to meet to review the proposals and make a recommendation to the Purchasing Department.

*The Justice Reinvestment 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.*

**Community Corrections Population****Informational**

While representing only 8.2 percent of the Department's general revenue budget for FY2018, Community Corrections serves the largest number of individuals. In FY2016, the program served 24,299 cases, 164 less cases than FY2015. Based on Department of Corrections' statistics, 1 out of every 47 adult residents in the State is on probation or parole. This equates to 1 of every 27 men and 1 of every 144 women.

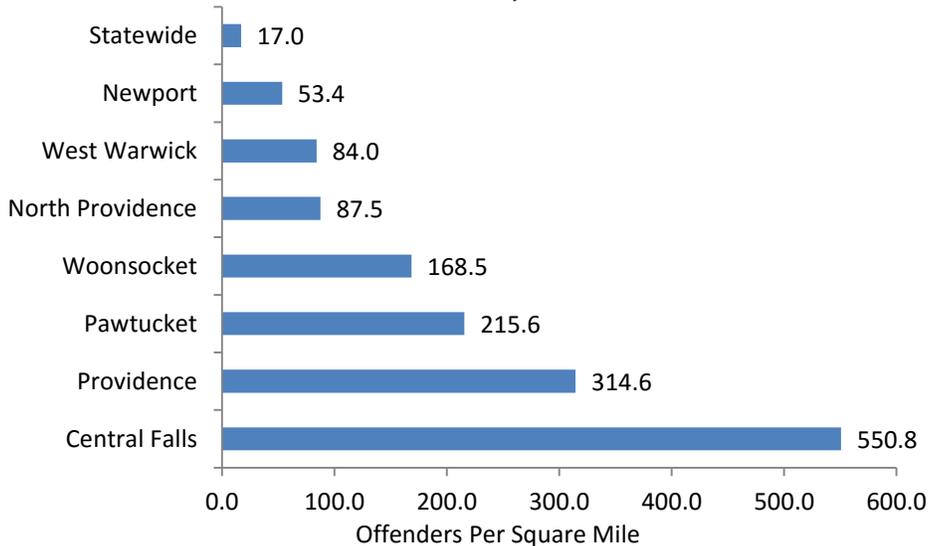
**Community Corrections Population Trends**



Source: DOC FY2016 Annual Population Report

The number of cases in the State’s urban areas is substantially higher than the statewide average. Statewide there are an average of 17.0 probationers and parolees per square mile. This increases to as high as 550.8 probationers and parolees per square mile in the City of Central Falls.

**Probationers and Parolees by Square Mile as of June 30, 2016**



Source: DOC FY2016 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 Medium Security Prison, the currently closed Donald Price Medium Security facility, Minimum Security, and the Intake Center. Women are housed in the Gloria McDonald and Bernadette Guay facilities. The Budget includes 989.0 FTE positions in both FY2017 and FY2018.

<b>Custody and Security</b>	<b>General Revenue</b>
FY2017 Enacted	\$133,857,240
<i>Target and Other Adjustments</i>	
Correctional Officer Arbitration Award	(731,803)
Closure of Bernadette Guay Facility	6,677,383
Operating Savings	(1,365,827)
Inmate Payroll	(495,959)
State Criminal Alien Assistance Program (SCAAP)	212,655
Correctional Officer Trainee Hiring	(178,861)
Inmate Population	(81,368)
	Informational
<b>FY2018 Governor</b>	<b>\$137,893,460</b>

**Correctional Officer Arbitration Award****\$6.7 million**

The FY2018 Budget includes \$6.7 million in general revenue for wage base adjustments for the Rhode Island Brotherhood of Correctional Officers (RIBCO) for the contract years FY2013 through FY2015, and a successor agreement for FY2016 and FY2017. A Board of Arbitration panel issued this award decision in July 2016. This increase in general revenue is the estimated FY2018 amount above and beyond what the State set aside in reserves based on raises negotiated with other state employee unions, which totaled 6.12 percent. The RIBCO award includes wage increases of 2.0 percent per year from FY2013 through FY2016 and an increase of 2.25 percent beginning January 1, 2017. There will be no retroactive payments for FY2013 and FY2014 except for eligible employees who retired between FY2012 and the award execution date. This award impacts 941 correctional officers and 48 nurses.

**Closure of Bernadette Guay Facility****(\$1.4 million)**

There is a savings of \$1.4 million in general revenue in FY2018 due to overtime savings across Women's Facilities. The majority of this savings, \$1.1 million, is due to the Bernadette Guay Facility closure in the beginning of FY2017. This facility has a capacity to house 100 inmates, the FY2016 average population was 21 inmates. This small number of female inmates have been reassigned to the Gloria McDonald facility. The staff in the Bernadette Facility have also been reassigned, which will offset overtime costs in the Gloria McDonald Facility.

**Operating Savings****(\$495,959)**

The Budget decreases by \$495,959 due to operating savings. The decrease is comprised of a reduction of \$278,936 in office supplies at the Minimum Security Facility, a reduction of \$229,674 in refunds and bad debt expenditures, and offset by an increase in cellular phone costs of \$12,651.

**Inmate Payroll****\$212,655**

The Budget is increased by \$212,655 for inmate payroll expenditures over the FY2017 Budget as Enacted, which included \$910,265 in general revenue. The Department compensates inmates for various work including janitorial work, kitchen work, and constructing/repairing items throughout the Department's facilities or on work crews. The pay rate ranges from \$1 to \$3 per day depending on the tasks performed. According the Department, inmate employment increases morale and provides work experience that could potentially reduce recidivism. This increase was requested by the Department based on the FY2016 spent amount of \$1.1 million.

**State Criminal Alien Assistance Program (SCAAP)****(\$178,861)**

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 federal government 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. These federal funds finance personnel, adult inmate education, and other counseling and reentry services for undocumented immigrants. The FY2017 Budget as Enacted includes \$571,759 in federal funds. The FY2018 Budget includes \$750,392 in federal funds, this increase offsets general revenue funds, leading to a savings of \$178,861.

**Correctional Officer Trainee Hiring****(\$81,368)**

The Budget includes a net reduction of \$81,368 in general revenue in FY2018 by hiring new correctional officers (COs). Hiring costs are offset by savings due to a reduction in overtime costs by filling current CO vacancies. The Department anticipates that a CO training class will graduate in November 2017 and will fill 24 vacancies.

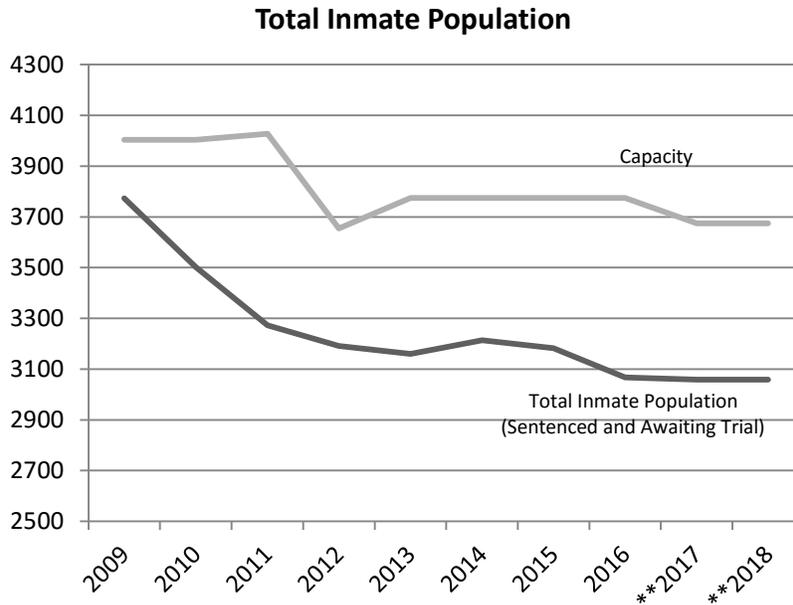
The Department normally conducts training classes on an annual basis due to high turnover rates for Correctional Officers. The average vacancy rate is 3 to 4 COs per month, amounting to 29 to 36 vacancies per year. The Department does not have a target staffing level or minimum roster because needs change 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 Note: The FY2016 revised budget did not fund a training class due to the ongoing U.S. Department of Justice (DOJ) lawsuit (see below) over bias in testing materials used by DOC. The DOJ allowed the DOC to hold a CO training class in FY2017 and FY2018.*

**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 3,058 for the FY2017 revised budget, a decrease of 142 inmates from the FY2017 enacted level of 3,200. For FY2018, the Governor assumes a population of 3,059, a decrease of 141 inmates from the FY2017 Budget as Enacted.



\*FY2012 capacity change represents the Price Medium Security facility closing. FY2017 capacity change represents the Bernadette Guay Facility closing.  
 \*\*FY2017 and FY2018 figures are estimates.

**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 in FY2017 and 86.0 FTE positions in FY2018, an increase of 3.0 FTE positions from the FY2017 Budget as Enacted.

Healthcare Services	General Revenue
FY2017 Enacted	\$21,909,573
<i>Target and Other Adjustments</i>	<i>878,428</i>
Medical Services Contracts	947,802
Mental Health Initiative	405,388
Lab Testing	119,062
Electronic Medical Records	Informational
<b>FY2018 Governor</b>	<b>\$24,260,253</b>

**Medical Services Contracts \$947,802**

An increase in medical services contracts adds \$947,802 in general revenue to the FY2018 Budget. These medical contracts include contracts with doctors, dentists, mental health professionals, and pharmacy services. It is federally mandated that inmates receive the same level of medical care, both physical and mental health care, that they would receive in the community. Medical contracts are used by the Department when medical service needs cannot be met by staff.

**Mental Health Initiative \$405,388**

There is an increase of \$405,388 in personnel within Healthcare Services. This increase is largely comprised of the addition of 3.0 mental health related FTE positions. These positions include, 2.0 Clinical Social Workers (\$108,353 each) and 1.0 Behavioral Health Administrative Assistant (\$68,655). One social worker will be stationed at Maximum Security and the other will work in the Intake Service Center. The Behavioral Health Administrative Assistant will replace a temporary contract position and will

manage scheduling, answering and triaging phone calls, and maintain unit records. The Department is required to accept mentally ill offenders who do not otherwise qualify for admission into a mental health facility. The Department reports that more mental health resources are needed with 15,000 admissions per year and eight clinicians on staff.

**Lab Testing**

**\$119,062**

The Budget includes an increase of \$119,062 in general revenue to hire a contractor to preform lab tests. Previously, the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH) provided free lab services; however, according to the Department of Corrections, BHDDH has indicated that moving forward they would start charging approximately \$200,000 for lab services. Originally, BHDDH estimated lab services would cost \$500,000, which caused the Department to look into alternative options. As of January 2017, East Side Clinical Laboratory was awarded the contract.

**Electronic Medical Records System**

**Informational**

The Department had requested a new Electronic Medical Records (EMR) system and updates to the current system, which would have added \$338,000 in general revenue to both the FY2017 Supplemental Budget and the FY2018 Budget. The Governor recommends the implementation of a new EMR system funded via the Information Technology fund within the Department of Administration's Capital Budget. The new system will document medication distribution through the use of bar codes, which will allow reports to be produced that show who received their medications, who did not receive their medication and why. Records like these will be useful should any suits be brought against the Department by an inmate. The Department reports that the current system is antiquated and becoming too costly to maintain and upgrade.

**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 in FY2017 and FY2018, consistent with the FY2017 Budget as Enacted.

<b>Institutional Based Rehab/Population Management</b>	<b>General Revenue</b>
FY2017 Enacted	\$11,599,533
<i>Target and Other Adjustments</i>	<i>168,061</i>
Medication/Mediation Assisted Treatment Program	(2,000,000)
<b>FY2018 Governor</b>	<b>\$9,767,594</b>

**Medication/Mediation Assisted Treatment Program**

**(\$2.0 million)**

The Governor transfers \$2.0 million in general revenue, related to the Medication/Mediation Assisted treatment (MMAT) program, from the Department of Corrections to the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH). The FY2017 Budget as Enacted included \$2.0 million in the DOC budget to fund MMAT. The DOC will continue to perform the

program's services but the expenditures will appear in the BHDDH budget to meet the maintenance of effort requirements of the federal grant that funds the program.

This program, which is 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 Administration, opioid use disorder affects up to 20.0 percent of the 16,000 individuals committed to the Adult Correctional Institution (ACI) annually.

### 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 58.0 FTE positions for both FY2017 and FY2018.

<b>Institutional Support</b>	<b>General Revenue</b>
FY2017 Enacted	\$15,822,911
<i>Target and Other Adjustments</i>	
<b>FY2018 Governor</b>	<b>(202,544)</b>
	<b>\$15,620,367</b>

### 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 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 FY2017 and FY2018, consistent with the FY2017 Budget as Enacted.

<b>Parole Board</b>	<b>General Revenue</b>
FY2017 Enacted	\$1,338,481
<i>Target and Other Adjustments</i>	
<b>FY2018 Governor</b>	<b>82,310</b>
	<b>\$1,420,791</b>

### CAPITAL PROJECTS

The Budget includes a total of \$50.6 million in capital projects from FY2018 through FY2022, including \$15.8 million in FY2018.

Major items in FY2018 include:

- \$7.3 million in Medium Security Facility infrastructure improvements to accommodate the increase in the inmate population housed in this facility.
- \$3.9 million for asset protection projects at correctional facilities including the Prison Rape Elimination Act (PREA) compliance project, to correct audit findings; repairs to the Maximum

security cupola to meet preservation historical society guidelines; security camera installation; security system upgrades; and emergency generator installation.

- \$2.0 million for restoration and repairs to the exterior of the Intake Service Center (ISC), expansion and repairs to the parking lot, and other general repairs and upgrades.



## Judiciary

Expenditures By Program	FY2016	FY2017	FY2017	FY2018				
	Spent	Enacted	Governor	Change from Enacted	Governor	Change from Enacted		
Supreme Court	\$39.7	\$40.0	\$43.1	\$3.1	7.8%	\$43.3	\$3.3	8.2%
Superior Court	22.9	23.2	23.4	0.1	0.6%	23.6	0.4	1.6%
Family Court	23.3	24.3	23.7	(0.5)	-2.3%	23.4	(0.9)	-3.7%
District Court	12.4	12.3	12.9	0.6	5.2%	13.0	0.7	5.9%
Traffic Tribunal	8.4	9.0	8.9	(0.1)	-0.8%	9.5	0.5	5.0%
Worker's Compensation Court	6.7	8.1	8.0	(0.1)	-1.0%	8.1	0.0	0.3%
Judicial Tenure & Discipline	0.2	0.1	0.1	(0.0)	-0.3%	0.1	0.0	16.9%
<b>Total</b>	<b>\$113.5</b>	<b>\$117.1</b>	<b>\$120.3</b>	<b>\$3.2</b>	<b>2.7%</b>	<b>\$121.0</b>	<b>\$4.0</b>	<b>3.4%</b>
<b>Expenditures By Source</b>								
General Revenue	\$95.2	\$96.6	\$97.1	\$0.5	0.5%	\$98.0	\$1.4	1.5%
Federal Funds	3.6	3.3	3.9	0.7	21.3%	3.4	0.2	4.8%
Restricted Receipts	9.8	11.7	13.1	1.5	12.4%	12.5	0.8	7.1%
Operating Transfers from Other Funds	5.0	5.5	6.1	0.6	10.5%	7.1	1.6	28.5%
<b>Total</b>	<b>\$113.5</b>	<b>\$117.1</b>	<b>\$120.3</b>	<b>\$3.2</b>	<b>2.7%</b>	<b>\$121.0</b>	<b>\$4.0</b>	<b>3.4%</b>
Authorized FTE Levels	723.3	723.3	723.5	0.2	0.0%	723.5	0.2	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 Judiciary's 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 FY2018

Total general revenue funding is \$1.4 million (1.5 percent) more than the FY2017 Budget as Enacted for a total of \$98.0 million. Article 1 caps the amount the Judiciary may charge five state agencies for public courthouse occupancy costs at \$1.2 million which are based on a March 2014 study of actual occupied space throughout the Courts. There is an increase of \$126,768 reimbursed to the Judiciary from these agencies.

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. The final phase of this \$7.7 million project involves the conversion of juvenile cases and the jury system. This phase is scheduled for completion in FY2017 and was funded with restricted receipts and Information Technology Investment Funds.

The Budget does not include a number of increases requested by the Judiciary including \$500,000 to support additional staff at Rhode Island Legal Services, a non-profit organization which provides legal assistance and representation to low income clients; \$517,000 to increase juror fees from \$15 to \$35 per day; and \$100,000 for grants in the Defense of Indigents program. 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: the FY2018 Budget includes \$3.8 million, consistent with the FY2017 Budget as Enacted. In addition, the Budget does not provide funding for judge positions that were requested by judiciary but have not been appointed by the Governor or a court reporter position that was requested. Also, the Budget shifts \$500,000 in general revenue funded positions to the restricted receipt account the Judiciary planned to use to fund the collections unit; however, according to the Judiciary the new collection unit will not move forward in FY2018 under the Governor's current proposal.

<b>Unfunded FTEs Requested by Judiciary</b>		
<b>Court</b>	<b>Position</b>	<b>Cost</b>
District Court	Clerk Magistrate	\$216,963
Family Court	Associate Justice	225,301
	Associate Justice	225,301
	Magistrate	228,844
Superior Court	Associate Justice	225,301
	Court Reporter	94,215
<b>Total</b>		<b>\$1,215,926</b>

Source: Judiciary

## **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 166.2 FTE positions in revised FY2017 and FY2018 for the program, an increase of 6.9 FTE from the enacted level.

<b>Supreme Court</b>	<b>General Revenue</b>
FY2017 Enacted	\$31,294,471
<i>Target and Other Adjustments</i>	<i>(325,426)</i>
Personnel	1,013,655
Court Offsets	126,768
Collections Unit	Informational
<b>FY2018 Governor</b>	<b>\$32,109,468</b>

### **Personnel**

**\$1.0 million**

The Budget includes an increase of \$1.0 million for personnel costs. This increase is based on the Department's projection for positions filled of \$1.3 million and an increase for over-time in FY2017 of \$390,000, which is related to the case management system (CMS) conversion. The increase is partially offset by a reduction of \$437,000 for increased turnover and \$277,000 due to the transfer of costs for the new collections unit to restricted receipts. Funding for over-time for the CMS conversion was not requested during last budget cycle because the Criminal Division phase of the conversion was tentatively scheduled for June 2016 and was delayed to December 2016 to allow for additional testing of data and new business processes. The Budget is \$807,000 less than the Judiciary's request. The Judiciary has stated that the Governor's proposal will prevent the implementation of the collections unit.

### **Court Offsets**

**\$126,768**

Article 1 caps the total amount the Judiciary may charge five state agencies for public courthouse occupancy costs at \$1.2 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.

Agency	Court Cost Offsets			Change from FY2017
	FY2017	FY2018		
Attorney General	\$142,227	\$159,294	\$17,067	12.0%
Children, Youth & Families	42,967	48,123	5,156	12.0%
Corrections	100,212	112,237	12,025	12.0%
Public Defender	97,696	109,419	11,723	12.0%
Public Safety	673,336	754,132	80,796	12.0%
<b>Total</b>	<b>\$1,056,438</b>	<b>\$1,183,205</b>	<b>\$126,767</b>	<b>12.0%</b>

**Collections Unit****Informational**

In FY2018, the Judiciary is planning to create a collections unit funded with indirect cost recovery restricted receipt dollars. At this time, the Judiciary is not requesting an increase to the full-time equivalent cap and expects to staff the seven-person unit internally. The primary responsibility of this unit is to increase the collections of restitution and court-owed fines, and reduce the number of defendants being incarcerated due to failure to appear at ability to pay hearings. The Budget includes the shift in FTE positions; however, the Governor's Budget also shifts expenses from general revenue to restricted receipts and increases turnover. According to Judiciary, these reductions in general revenue will prevent the new collections unit project from moving forward in FY2018.

**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 boards 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 accelerates 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 164.0 FTE positions in FY2017 and 163.7 in FY2018 for the program, reflecting a decrease of 1.7 FTE in FY2017 and 2.0 FTE in FY2018 relative to the enacted level. The positions are transferred to the Supreme Court program to staff the new case management system.

Superior Court	General Revenue
FY2017 Enacted	\$22,807,060
<i>Target and Other Adjustments</i>	<i>(74,774)</i>
Personnel Expenses	414,245
<b>FY2018 Governor</b>	<b>\$23,146,531</b>

**Personnel Expenses****\$414,245**

The Budget includes increase of \$414,245 for personnel expenses. This increase represents \$732,928 for salary and benefits based on the Department's projection of positions filled partially offset by a reduction of \$318,683 for court reporter position that was requested but not funded and an associate justice position that was requested but has not been appointed by the Governor and is therefore not funded in budget.

**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 169.6 FTE positions in revised FY2017 and 169.6 FTE positions in FY2018, a decrease of 5.1 positions from the enacted level in FY2017 and a decrease of 5.4 in FY2018. The decreases represents positions shifted to the new collections unit.

<b>Family Court</b>	<b>General Revenue</b>
FY2017 Enacted	\$21,495,610
<i>Target and Other Adjustments</i>	<i>(58,955)</i>
Personnel Expenses	(974,307)
<b>FY2018 Governor</b>	<b>\$20,462,348</b>

**Personnel Expenses****(\$974,307)**

The Budget includes decrease of \$974,307 for personnel expenses. This decrease includes a reduction of \$294,860 for salary and benefits based on the Department's projection of positions filled and a reduction of \$679,447 for three associate justice positions that were requested but have not been appointed by the Governor and are therefore not funded in budget.

**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 provides 94.0 FTEs in FY2017 and FY2018, consistent with the FY2017 Budget as Enacted.

<b>District Court</b>	<b>General Revenue</b>
FY2017 Enacted	\$11,865,905
<i>Target and Other Adjustments</i>	<i>(90,264)</i>
Personnel	906,061
<b>FY2018 Governor</b>	<b>\$12,681,702</b>

**Personnel** **\$906,061**

The Budget includes an increase of \$906,061 in personnel costs. The increase represents \$1.1 million for salary and benefits based on the Department's projection of positions filled, including 2.0 Judge positions and 1.0 Clerk Magistrate position filled in June 2016, partially offset by a reduction of \$216,963 for a clerk magistrate position that was requested but has not been appointed by the Governor and is therefore not funded in budget.

### 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 78.0 FTE positions in FY2017 and 79.0 in FY2018, representing a decrease of 0.3 in FY2017 and an increase of 0.7 in FY2018 relative to the FY2017 enacted level.

<b>Traffic Tribunal</b>	<b>General Revenue</b>
FY2017 Enacted	\$9,018,180
<i>Target and Other Adjustments</i>	<i>(44,185)</i>
Personnel	494,425
<b>FY2018 Governor</b>	<b>\$9,468,420</b>

**Personnel** **\$494,425**

The Budget increases \$494,425 in general revenue for personnel costs based on the Department's projection of positions filled.

### 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 revised FY2017 and FY2018, consistent with the enacted.

<b>Worker's Compensation Court</b>	<b>Restricted Receipts</b>
FY2017 Enacted	\$8,096,017
<i>Target and Other Adjustments</i>	<i>22,866</i>
<b>FY2018 Governor</b>	<b>\$8,118,883</b>

### 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 FY2017 and FY2018 for the program, consistent with the FY2017 enacted level. For the FY2017 Revised Budget, the Judiciary requested an increase of \$278,500 (\$286,000 total) in general revenue for legal costs associated with a matter before the Commission. The Budget does not include funding for Special Counsel investigating and presenting the matter before the Commission. The matter has been particularly involved and the costs significantly exceed the resources that were provided in the enacted budget based on previous fiscal year expenditure.

<b>Judicial Tenure &amp; Discipline</b>	<b>General Revenue</b>
FY2017 Enacted	\$124,865
<i>Target and Other Adjustments</i>	<i>21,143</i>
<b>FY2018 Governor</b>	<b>\$146,008</b>

### CAPITAL PROJECTS

The Budget includes \$6.1 million in expenditures from in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2017 and \$7.1 million in FY2018.

- The Budget includes \$3.4 million in FY2017 (including \$405,069 in carryforward) and \$4.0 million in FY2018 to expand the capacity of the Noel Judicial Complex by finishing courtroom space in the interior shell and adding parking to accommodate the expansion. 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 \$1.1 million in FY2017 (including \$180,072) in FY2017 and \$900,000 in FY2018 for ongoing projects to replace, clean and restore HVAC systems in judicial buildings and ongoing asset protection projects.
- The Budget includes \$868,614 in FY2017 (including a negative \$6,386 carryforward) and \$950,000 in FY2018 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 annually in FY2017 and FY2018 for restorations to the Licht Judicial Complex. Funds will be used to repair decaying plaster, replace or renovate courtroom benches, and other upgrades to the courthouse exterior.

## Military Staff

<b>Expenditures By Program</b>	<b>FY2016 Actual</b>	<b>FY2017 Enacted</b>	<b>FY2017 Governor</b>	<b>Change from Enacted</b>		<b>FY2018 Governor</b>	<b>Change from Enacted</b>	
RI National Guard	\$15.4	\$23.2	\$21.0	(\$2.2)	-9.4%	\$38.2	\$15.0	64.7%
<b>Total</b>	<b>\$15.4</b>	<b>\$23.2</b>	<b>\$21.0</b>	<b>(\$2.2)</b>	<b>-9.4%</b>	<b>\$38.2</b>	<b>\$15.0</b>	<b>64.7%</b>
<b>Expenditures By Source</b>								
General Revenue	\$2.2	\$2.7	\$2.6	(\$0.0)	-1.2%	\$2.6	(\$0.0)	-0.9%
Federal Funds	12.1	17.5	16.7	(0.8)	-4.8%	27.7	10.2	58.4%
Restricted Receipts	0.1	0.3	0.1	(0.2)	-60.8%	0.1	(0.2)	-61.7%
Operating Transfers from Other Funds	1.0	2.7	1.6	(1.1)	-41.2%	7.7	5.0	187.0%
<b>Grand Total</b>	<b>\$15.4</b>	<b>\$23.2</b>	<b>\$21.0</b>	<b>(\$2.2)</b>	<b>-9.4%</b>	<b>\$38.2</b>	<b>\$15.0</b>	<b>64.7%</b>
Authorized FTE Levels	92.0	92.0	92.0	-	-	92.0	-	-

\$ 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 FY2018

The Governor recommends \$21.0 million in FY2017, of which \$2.6 million is general revenue. This reflects an all fund decrease of \$2.2 million from the FY2017 Budget as Enacted. This includes decreases of \$837,684 in federal funds, \$33,378 in general revenue, and \$205,300 in restricted receipts, and \$1.1 million in other funds. The decrease in other funds primarily reflects unexpended Rhode Island Capital Plan funds for the new joint force headquarters.

The Governor includes \$38.2 million in FY2018, of which \$2.6 million is general revenue. This reflects an all funds increase of \$15.0 million from the FY2017 Budget as Enacted. The increase includes \$10.2 million in federal funds, \$5.0 million in other funds, which are offset by decreases of \$207,800 in restricted receipts and \$25,662 in general revenue. The increase in federal and Rhode Island Capital Plan other funds reflects funding for the construction for the new joint force headquarters at Camp Fogarty in the Town of East Greenwich.

### 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. The Budget provides 92.0 FTE positions in FY2017 and in FY2018, consistent with the enacted budget. Approximately 72.6 percent of these authorized FTE positions is supported by federal funds.

<b>RI National Guard</b>	<b>General Revenue</b>
FY2017 Enacted	\$2,659,719
<i>Target and Other Adjustments</i>	<i>(2,454)</i>
Quonset Fire Protection	78,180
Operating Expenses	(53,425)
Personnel	(47,963)
<b>FY2018 Governor</b>	<b>\$2,634,057</b>

<b>RI National Guard</b>	<b>Other Fund Changes</b>
Joint Forces Headquarters	\$10,000,000

**Quonset Fire Protection** **\$78,180**

The Budget increases general revenue funded personnel costs by \$78,180. 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 \$78,180 reflects the amount of compensation for the “grandfathered” firefighters that exceeds the federal cap. As the firefighters move up their wage scale steps, the state share costs increase. New firefighters start with a lower state cost due to the fact that they usually start at the first step of the firefighter wage scale. The first step only has a \$4,000 annual state cost due to the gap between current starting wage (step 1) and the federal General Service Administration (GSA) wage cap from the National Guard Bureau (NGB). Each year, as the firefighter goes up the steps, the change in pay will increase the firefighter's state share costs. The GSA wage scale amount does not change each year; however, new firefighter will continue to move up the wage steps until reaching step 5 where the gap would be close to \$20,000.

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 2.0 FTE vacant positions.

**Operating Expenses** **(\$53,425)**

The Budget includes \$1.0 million in general revenue (\$7.0 million in all funds) in FY2018 for operating expenses, reflecting a net decrease of \$53,425 from the FY2017 Budget as Enacted. The largest adjustment is the increase of \$100,464 in general revenue for snowplowing and sanding.

<b>Operating Expenses</b>	<b>FY2017 Enacted</b>	<b>FY2018 Governor</b>	<b>Change</b>
Snowplowing and Sanding	\$4,263	\$104,727	\$100,464
Building Maintenance & Repairs	237,698	161,096	(76,602)
Fuel: Natural Gas	140,428	66,438	(73,990)
CUF: Overhead	121,309	91,342	(29,967)
Fuel: Oil #2 - Home Heating Oil	40,066	20,862	(19,204)
Electricity	217,842	234,113	16,271
All Other Operating Expenses	330,759	360,362	29,603
<b>Total</b>	<b>\$1,092,365</b>	<b>\$1,038,940</b>	<b>(\$53,425)</b>

**Personnel****(\$47,963)**

The Budget includes \$861,708 in general revenue in FY2018 for personnel; a net decrease of \$47,963 from the FY2017 Budget as Enacted, reflecting increased turnover savings of \$31,279 and numerous benefit decreases.

**Joint Forces Headquarters (federal funds)****\$10.0 million**

The Budget includes \$10.0 million in federal funds in FY2018 for construction costs for a new Joint Force Headquarters Building. Currently the project is in the architectural and engineering design phase. The request for bids is expected to occur in early FY2018 with construction scheduled to begin by late FY2018. This project involves the design and construction of a new \$32.7 million, 80,776 sq. ft. Joint Force Headquarters Building (JFHQ) to house the Rhode Island National Guard (RING). The federal National Guard Bureau will provide \$21.7 million towards the construction of the facility with the State providing \$10.7 million in RICAP funds. In order to receive the federal funds, the State must provide a 33.0 percent state match. The structure will be located on federal land at Camp Fogarty in the Town of East Greenwich, and will be used to support the administration, training, and logistics of both the Army and Air National Guard. The new structure will replace the existing 36,000 sq. ft. structure located at 1511 New London Avenue in the City of Cranston.

**CAPITAL PROJECTS**

The Budget includes \$6.5 million (\$3.5 million federal funds, \$2.9 million RICAP, and \$50,115 in restricted receipts) in capital projects for FY2017 and \$19.3 million in FY2018 (\$12.4 million federal funds, \$6.8 million RICAP, and \$50,000 in restricted receipts), including:

- \$3.2 million in FY2017 (\$1.5 million RICAP) and \$15.1 million in FY2018 (\$5.1 million RICAP) for a new Joint Force Headquarters Building project. Previous funding provided for site surveys and to extend the utility connections to the site at Camp Fogarty in East Greenwich. Construction is scheduled to begin in FY2018.
- \$2.1 million in FY2017 (\$740,814 RICAP) and \$2.8 million in FY2018 (\$998,334 RICAP) for various asset protection projects.
- \$915,000 in FY2017 (\$457,500 RICAP) and \$1.3 million in FY2018 (\$640,000 RICAP) for the Armory of Mounted Commands Rehabilitation project which includes the roof and HVAC replacement project.
- \$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.

In addition, the Rhode Island Air National Guard will receive federal appropriations of \$53.8 million in FY2017 and \$21.6 million in FY2018 for several federal capital projects at the Quonset Air National Guard facilities. These are not State projects and the federal funding is not appropriated to the State.



## Rhode Island Emergency Management Agency

<b>Expenditures By Program</b>	<b>FY2016 Actual</b>	<b>FY2017 Enacted</b>	<b>FY2017 Governor</b>	<b>Change from Enacted</b>		<b>FY2018 Governor</b>	<b>Change from Enacted</b>	
Central Management	\$18.6	\$24.0	\$22.2	(\$1.8)	-7.5%	-	(\$24.0)	-100.0%
<b>Expenditures By Source</b>								
General Revenue	\$1.8	\$1.8	\$1.8	-	-	-	(\$1.8)	-100.0%
Federal Funds	16.7	20.1	18.0	(2.1)	-10.4%	-	(20.1)	-100.0%
Restricted Receipts	0.1	0.9	0.4	(0.5)	-50.2%	-	(0.9)	-100.0%
Operating Transfers from Other Funds	-	1.2	1.9	0.7	100.0%	-	(1.2)	100.0%
<b>Total</b>	<b>\$18.6</b>	<b>\$24.0</b>	<b>\$22.2</b>	<b>(\$1.8)</b>	<b>-7.5%</b>	<b>-</b>	<b>(\$24.0)</b>	<b>-100.0%</b>
Authorized FTE Levels	32.0	29.0	29.0	-	-	-	(29.0)	-100.0%

\$ 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 AND FY2018

The Governor includes \$22.2 million in FY2017, of which \$1.8 million is general revenue. The general revenue amount is consistent with the enacted appropriation. Federal funds comprising 81.0 percent of the Agency's budget in FY2017, decrease by \$2.1 million, restricted receipts decrease by \$412,934, and other funds increase by \$726,489.

The Governor transfers the Rhode Island Emergency Management Agency (RIEMA) into a reorganized Department of Public Safety, in FY2018. Article 5 effectively eliminates RIEMA as a stand-alone department by amending RIGL 30-26-5 and thereby creates a seventh division within DPS (State Police, Fire Marshal, E-911, Municipal Police Training, Security Services, Central Management, and EMA). Prior to 2000, RIEMA had been a standalone agency. From 2000 to 2015, RIEMA operated as a program within Military Staff and in 2015 it became a stand-alone agency. The consolidation shifts all 29.0 FTE positions within RIEMA to the Department of Public Safety.



## Department of Public Safety

Expenditures By Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$5.4	\$6.8	\$10.1	\$3.3	48.4%	\$13.7	\$6.9	101.5%
E-911	5.2	5.7	5.6	(0.1)	-1.2%	5.9	0.2	3.4%
Fire Marshal	5.3	5.1	6.9	1.8	34.4%	4.3	(0.8)	-16.3%
Municipal Police Training Academy	0.5	0.5	0.5	(0.0)	-0.2%	0.5	0.1	10.8%
Rhode Island Emergency Management	-	-	-	-	-	18.5	18.5	-
Security Services	21.9	23.2	23.6	0.4	1.8%	24.3	1.1	4.9%
State Police	76.0	78.7	95.6	16.9	21.5%	75.1	(3.5)	-4.5%
<b>Total</b>	<b>\$114.3</b>	<b>\$120.0</b>	<b>\$142.3</b>	<b>\$22.4</b>	<b>18.6%</b>	<b>\$142.3</b>	<b>\$22.4</b>	<b>18.6%</b>
<b>Expenditures By Source</b>								
General Revenue	\$93.4	\$99.4	\$101.6	\$2.1	2.1%	\$105.0	\$5.6	5.6%
Federal Funds	7.1	9.3	12.1	2.8	30.5%	29.2	20.0	214.8%
Restricted Receipts	7.7	4.5	19.7	15.3	343.4%	1.2	(3.3)	-73.7%
Other Funds	6.0	6.8	8.9	2.1	31.1%	6.9	0.1	1.6%
<b>Total</b>	<b>\$114.3</b>	<b>\$120.0</b>	<b>\$142.3</b>	<b>\$22.4</b>	<b>18.6%</b>	<b>\$142.3</b>	<b>\$22.4</b>	<b>18.6%</b>
Authorized FTE Levels	633.2	610.2	616.6	6.4	1.0%	660.6	50.4	8.3%

\$ 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. The Governor's FY2018 Budget recommends that the Rhode Island Emergency Management Agency be incorporated into the DPS and that a new civilian Commissioner of Public Safety be created to head Department.

### MAJOR ISSUES AND TRENDS FOR FY2018

The Governor appropriates \$142.3 million to fund public safety initiatives and operations of Department of Public Safety. Nearly three quarters of this, or \$105.0 million, comes from general revenue, a 5.6 percent increase (\$5.6 million) from FY2017 enacted levels. The Governor includes 616.6 FTE positions in FY2017 and 660.6 in FY2018.

The Governor recommends a significant reorganization of the Department in FY2018. Under current law, the DPS is led by the Superintendent of the State Police and consists of six divisions. The Governor proposes the creation of a new civilian Commissioner of Public Safety post, subject to the advice and consent of the Senate, to head the Department. Operations and personnel for the new office are supported with \$548,528 in additional general revenue.

The Governor also recommends an expansion of the capacity and scope of the Department. A seventh DPS division is proposed by consolidating the Rhode Island Emergency Management Agency into the Department, eliminating it as a stand-alone agency. The merger brings with it the transfer of \$18.5 million in total funding from the EMA along with its 32.0 positions. The State's cybersecurity capacity is also centralized within the proposed new DPS structure. The Governor transfers the State's Director of Cybersecurity position from the Department of Administration (DOA) to the DPS along with an additional \$667,252 of related operational and personnel expenditures. Two new FTE positions are also added within the State Police's Cyber Crimes Unit to augment DPS' cybersecurity and crime-fighting capacity.

The Governor recommends \$75.1 million in total funding for the State Police, \$66.2 million of which is general revenue. This slight net increase in general revenue is primarily due to an additional \$1.0 million to cover costs associated with a December 2016, labor contract settlement. The State Police have \$7.6 million remaining of their \$45.0 million share of the State's Google Forfeiture Award. The largest expenditures have been \$15.0 million to capitalize State Police pensions and \$5.3 million on fleet vehicles.

The Budget also includes \$274,843 in new general revenue to cover the lease on the Fire Marshal's new headquarters at 560 Jefferson Boulevard. Except for the Fire Academy and Bomb Squad located in Exeter, the Division's units will now all be situated at the new address.

### 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 18.0 FTE positions in FY2017 and 19.0 in FY2018 for the Central Management program.

<b>Central Management</b>	<b>General Revenue</b>
FY2017 Enacted	\$1,407,618
<i>Target and Other Adjustments</i>	
Transfer of the Office of the Cybersecurity Director from DOA	76,107
Staffing for New Office of the Commissioner of Public Safety	667,252
Domestic Violence Prevention Programs	548,528
<b>FY2018 Governor</b>	<b>\$2,799,505</b>

#### ***Transfer of the Office of the Cybersecurity Director from DOA*** **\$667,252**

The Governor transfers the State's Director of Cybersecurity from the Department of Administration (DOA) to the DPS and recommends an additional \$667,252 of related expenditures. In FY2017 the General Assembly established the position of Cybersecurity Director within the DOA for the purposes of leading and coordinating the State's interdepartmental efforts around protecting computer systems and confidential governmental data. As part of a proposed comprehensive reorganization of the DPS, the Governor recommends relocating this capacity to the Central Management program at the Department. The transfer includes \$167,252 in general revenue for the Director and contracted services in Central Management, as well as \$500,000 for additional operating and contracted services for cybersecurity from the Division of Information Technology to the Department of Public Safety.

#### ***Staffing for New Office of the Commissioner of Public Safety*** **\$548,528**

The Governor recommends increasing general revenue by \$548,528 to support an enhanced staffing structure under the new Office of the Commissioner of Public Safety. Since its establishment in FY2009, the DPS has been led by the Superintendent of the State Police. Through Article 5 of the Budget, the Governor proposes to create a new civilian Commissioner of Public Safety position to head the Department and thereby bring Rhode Island's state-level, public safety structure into alignment with that of other New England states. As proposed, the Commissioner is appointed by the Governor and requires the advice and consent of the Senate.

The Department expects the Commissioner to be hired by April 2017 on an acting basis, until legislative authorization for the position is secured. In addition to the \$211,550 salary and benefit costs associated

with new position, the Budget funds several personnel changes in FY2018 within DPS to support the new Commissioner. These include the addition of a Director of Policy to assist with the development of public safety policy across all divisions, an Executive Assistant to the Commissioner, and a Public Information Officer to handle media inquiries, prepare news releases, oversee the Department's social media sites, and manage other press and public events.

**Domestic Violence Prevention Programs**

**\$100,000**

The Governor adds \$100,000 in general revenue to expand domestic violence intervention programs. DPS will make the funds available to its network of Batterers Intervention Program providers for purposes of training provider staff on the use of evidence-based treatment that reduces instances of domestic violence and to subsidize participation costs for indigent participants.

**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 47.6 FTE positions in revised FY2017 and FY2018 for the program.

<b>E-911</b>	<b>General Revenue</b>
FY2017 Enacted	\$5,699,440
<i>Target and Other Adjustments</i>	
Technology and Communication Enhancements	57,382
Next Generation 911	Informational
Surcharge Revenues	Informational
<b>FY2018 Governor</b>	<b>\$5,894,522</b>

**Technology and Communication Enhancements**

**\$137,700**

The Governor includes an additional \$137,700 for several technology and communication enhancements within E-911. E-911's current telecommunications network consists of a "SONET ring" system (a server system which can switch data across multiple communication lines to allow data to be transmitted uninterrupted) that was part of a multi-agency, state-wide infrastructure overseen by the Division of Information Technology (DoIT) at DOA. The contract for this service is scheduled to be terminated by DoIT in FY2018. The Budget provides \$87,700 to convert over to a Verizon T1 network solution based at DPS. Separately, \$25,000 is provided to replace E-911's aging Dell computer equipment in order to meet the National 911 standard that all call center computer equipment be replaced every three years. Lastly, another \$25,000 is made available to upgrade cybersecurity protections made necessary now that the E-911 is internet-based under the Next Generation 911 protocols.

**Next Generation 911**

**Informational**

E-911 has installed and is operating the essential components of the Next Generation 911 platform at both the State's Primary Public Safety Answering Point (PSAP) at 311 Danielson Pike, North Scituate and the State's Alternate PSAP. These components consist of the routers and other hardware and software associated with the upgraded call-taking equipment. A purchase order was issued February 11, 2017, engaging the vendor INdigital to construct a new T1 network capable of handling and transferring Text-to-911 messages to the State's E-911 infrastructure. INdigital will subsequently notify the five (national) wireless carriers to adjust their network circuitry so that INdigital can receive incoming 911 text messages

from the wireless carriers' subscribers. Once this alignment has occurred, INdigital will test the T1 network and confirm that the national wireless carriers have configured their lines accordingly. E-911 indicates that Rhode Island could take up to three months. This testing phase will be followed by training of call takers in the processing of Text-to-911 calls. The Department estimates a June/July 2017 go-live date.

### **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. The following table 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 has been 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.

#### **E-911 Revenues vs. Expenditures**

Fiscal Year	E-911		Net to General	
	E-911 Revenue	Expenditures	Deposit to ITIF	Fund
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	8,648,881
2017*	16,325,000	5,699,440	1,632,500	8,993,060
2018*	16,651,500	5,894,522	1,665,150	9,091,828

*\*FY2017 and FY2018 revenue estimates are provided by the Office of Revenue Analysis; expenditures reflect the FY2017 Revised and FY2018 Governor's budgets. The general revenue reduction in FY2016, FY2017, and FY2018 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 35.0 FTE positions in FY2017 and 36.0 in FY2018 for the program, 1.0 more than the FY2017 Budget as Enacted.

<b>Fire Marshal</b>	<b>General Revenue</b>
FY2017 Enacted	\$3,248,953
<i>Target and Other Adjustments</i>	7,624
Operating Expenses	274,843
Personnel	215,422
<b>FY2018 Governor</b>	<b>\$3,746,842</b>
<b>Operating Expenses</b>	<b>\$274,843</b>

The Budget includes a net increase of \$274,843 for various operating expense changes, including \$135,070 to finance lease payments at the Division's new 560 Jefferson Boulevard location. The lease is for three years and covers rent, electric, and 40.0 percent of the gas utility cost. The lease was signed in December 2016 between the Council of Postsecondary Education and the State. The new lease enables all Fire Marshal units, except the Exeter-based Fire Academy and Bomb Squad, to be housed in one location. The remaining balance is a net \$139,773 that is comprised of in other operating adjustments, including a \$38,383 reduction of in general revenue expenditures for the repayment to the State Fleet Replacement Revolving Loan Fund due to an updated loan repayment schedule.

**Personnel** **\$215,422**

The Budget includes an additional \$215,422 in general revenue for changes in personnel costs in FY2018. The Governor recommends hiring a second Assistant Flammable Liquids Technician to support the Rhode Island Bomb Squad and includes \$85,000 for salary and benefits. Other personnel adjustments, include adjustments to assessed fringe benefits rates, payroll accrual formulas, and other salary and benefit changes totaling \$130,422.

### 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 FY2017 and FY2018 for the program, consistent with the FY2017 Budget as Enacted.

<b>Municipal Police Training</b>	<b>General Revenue</b>
FY2017 Enacted	\$263,746
<i>Target and Other Adjustments</i>	5,668
Vehicle	30,000
<b>FY2018 Governor</b>	<b>\$299,414</b>

**Vehicle****\$30,000**

The Budget includes \$30,000 in general revenue to finance the purchase of a new SUV or pickup truck to be used by the staff of the Municipal Police Training Academy to transport equipment associated with the Academy's activities.

**RHODE ISLAND EMERGENCY MANAGEMENT**

As part of the FY2018 Budget, the Governor transfers the RIEMA into the Department of Public Safety, in FY2018. Article 5 effectively eliminates RIEMA as a stand-alone department by amending RIGL 30-26-5 and thereby creates a seventh division within DPS. Prior to 2000, RIEMA had been a standalone agency. From 2000 to 2015, RIEMA operated as a program within Military Staff and in 2015 it became a stand-alone agency. As part of the DPS, RIEMA will be the State's coordinating division for multi-jurisdiction and multi-agency response 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 will assist DPS with official coordination on behalf of the State for 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. The consolidation shifts all 29.0 FTE positions within RIEMA to the Department of Public Safety.

<b>Rhode Island Emergency Management</b>	<b>General Revenue</b>
FY2017 Enacted	\$1,848,876
<i>Target and Other Adjustments</i>	<i>(114,406)</i>
<b>FY2018 Governor</b>	<b>\$1,734,470</b>

**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 218.0 FTE positions in FY2017 and 223.0 in FY2018 for the program, 2.0 less and 3.0 less respectively as compared to the FY2017 Budget as Enacted.

<b>Security Services</b>	<b>General Revenue</b>
FY2017 Enacted	\$23,162,912
<i>Target and Other Adjustments</i>	<i>144,842</i>
Personnel - Sheriffs	567,608
Personnel - Capitol Police	428,551
<b>FY2018 Governor</b>	<b>\$24,303,913</b>

**Personnel – Sheriffs****\$567,608**

The Budget increases salaries, wages and benefits within the Sheriffs Division by \$567,608 in FY2018. This 3.0 percent increase over the FY2017 Budget as Enacted is primarily associated with benefit adjustments, including funding for FICA and payroll accrual costs associated with overtime and clothing stipends, and an increase of 2.3 percent on the assessed fringe benefit rate for non-sworn personnel. \$88,425 in regular wages are also included 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-hour to 37.5-hour work weeks as opposed to 6.0 Sheriff positions moving from 35-hour 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.

**Personnel - Capitol Police**

**\$428,551**

The Governor recommends a net \$428,551 increase in personnel expenditures associated with the Capitol Police. Changes include \$366,470 for 5.0 FTE Screener positions to assist Capitol Police Officers with security at state buildings. The addition of these non-uniformed staff are expected to yield a budgeted overtime savings of \$232,650 in FY2018. \$300,000 is added to cover an anticipated labor settlement involving raises for Capitol Police Officers. These initiatives are offset by other personnel adjustments that net \$5,269 in reduced expenditures.

*Analyst Note: The Governor recommends 2.0 additional Capitol Police FTE positions (total 13.0 FTE positions) to provide services at the request of agencies at the Pastore Center and the Department of Health. DPS is reimbursed for these salaries through a rotary account funded by operating transfers from the requesting agencies.*

**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 helps 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 285.0 FTE positions in FY2017, and 288.0 in FY2018.

<b>State Police</b>	<b>General Revenue</b>
FY2017 Enacted	\$65,659,479
<i>Target and Other Adjustments</i>	<i>(673,272)</i>
Contract Settlement	1,000,000
Information Technology Position Transfer	(302,845)
New Cybersecurity Positions	256,831
New Civilian Support Positions	199,788
57th State Police Training Academy	109,495
Pension Trust Fund	Informational
Google Forfeiture Funds	Informational
State Police Vehicles	Informational
<b>FY2018 Governor</b>	<b>\$66,249,476</b>

**Contract Settlement**

**\$1.0 million**

The Governor recommends \$1.0 million in general revenue in FY2018 for costs associated with a December 2016 labor contract settlement between the DPS and the State Troopers Association (STA). The current contract dates to August 2015 at which time the STA exercised its option to re-open the wage conditions agreed upon in the previous contract. The subsequent settlement resulted in salary increases and a 10.0 percent COLA increase over the three contract years ending April 30, 2014, 2015, and 2016. In

December 2016, a subsequent settlement was reached. The settlement provides salary increases retroactive to May 2016 and a 1.25 percent increase, effective July 1, 2017.

**Information Technology Position Transfer** **(\$302,845)**

The Governor recommends a reduction of \$302,845 in general revenue within the State Police's Communications and Technology program. The bulk of this reduction results from the transfer of a Data Processing Systems Manager, along with \$203,345 in associated personnel costs, from the State Police to the Department of Administration's Division of Information Technology (DoIT). The recommendation is consistent with the original purpose of DoIT, improving efficiency, effectiveness and security of computer operations and management under the control of a Chief Information Officer responsible for oversight, coordination, and development of all computer resources within the Executive Branch. The remaining \$99,500 is comprised of other personnel adjustments within the program.

**New Cybersecurity Positions** **\$256,831**

The Governor recommends \$256,831 in general revenue to fund 2.0 new FTE positions within the State Police to augment the Department's cybersecurity and crime fighting capacity. A Computer and Cyber Forensic Analyst and a Cyber Analyst will be hired in FY2018 and be detailed to the Rhode Island Joint Cyber Task Force, the Fusion Center, and the State Police Cyber Crimes Unit. Some of the duties and responsibilities include: conducting cyber analytical activities, cyber investigations, conducting computer forensic analysis, and performing intelligence analysis.

**New Civilian Support Positions** **\$199,788**

The Governor recommends \$199,788 to provide for 2.0 Senior Planning and Program Development FTE positions within the State Police's Administrative Bureau. The Planning, Research and Accreditation Unit within the bureau provides support for strategies to improve highway safety, compiles and posts data for the State Police's annual report, and yearly crime analysis. The unit is currently staffed with entirely uniformed Troopers (4.0 FTE positions). The addition of the new civilian support staff will free up the Troopers to perform those activities that only sworn officers are permitted to undertake.

**57<sup>th</sup> State Police Training Academy** **\$109,495**

The Governor provides \$109,495 in general revenue to begin the recruitment and screening activities associated with the 57<sup>th</sup> State Police Training Academy. The Governor recommends delaying the start of the formal class until FY2019. The most recent academy ended in June 2016 and resulted in 26.0 new troopers. Recruitment costs in FY2018 total \$46,750, and \$62,745 is available for physical and psychological testing of candidates prior to the start of the next class.

**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 pension trust fund is capitalized by funding from the Google settlement awarded to the State Police. It is estimated that at a 7.5 percent rate of return, this initial investment will achieve \$157.2 million in general revenue savings over the 77-year life of the plan. The use of the settlement funds requires approval by the U.S. Department of Justice (DOJ) Asset Forfeiture Program and in FY2016 the State Police sought and received permission to use the money to establish the pension fund. The revised FY2017 Budget includes \$15.0 million for this purpose.

**Google Forfeiture Funds** **Informational**

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 \$18.2 million in FY2017 and \$390,000 in FY2018 from the balance of its award. Approximately \$18.7 million is has been spent through FY2016, mostly on capital projects. The Governor's revised FY2017 Budget includes the one-time \$15.0 million for the Rhode Island State Police to help seed a trust fund for the State Police pay-go pension. The balance of the remaining funds are shown in the following table.

Google Forfeiture Funds - State Police Expenditures						
Expenditures By Program	Budget	Pre-FY2017	FY2017	FY2018 <sup>1</sup>	Total Spent	Balance <sup>2</sup>
Fleet	\$5,385,187	\$5,368,085	\$17,102	-	\$5,385,187	\$0
Capital Projects Consolidated Academy	1,130,005	35,829	-	-	35,829	1,094,176
New Buildings and Renovations <sup>3</sup>	9,038,652	524,122	3,291,872	441,000	3,815,994	5,222,658
Overtime	4,657,825	2,846,221	1,811,604	-	4,657,825	-
Personnel	1,000,000	-	249,226	-	249,226	750,774
Investigations	4,716	4,716	-	-	4,716	-
recruitment	876,273	432,693	-	-	432,693	443,580
Technology	4,461,446	3,654,703	806,743	-	4,461,446	-
Pension Trust	15,000,000	-	15,000,000	-	15,000,000	-
Training	153,715	93,306	60,409	-	153,715	-
Equipment	2,705,138	2,258,236	446,902	-	2,705,138	-
Accreditation	100,000	56,000	-	-	56,000	44,000
Local Sharing	150,000	150,000	-	-	150,000	-
Assessment Project	225,000	-	225,000	-	225,000	-
Aid to Westerly	64,916	15,563	-	-	15,563	49,353
Community Outreach	684	684	-	-	684	-
<b>Total</b>	<b>\$44,953,557</b>	<b>\$15,440,158</b>	<b>\$21,908,858</b>	<b>\$441,000</b>	<b>\$37,349,016</b>	<b>\$7,604,541</b>

<sup>1</sup> FY2018 Planned Expenditures.

<sup>2</sup> Balance does not include FY2018 planned expenditures.

<sup>3</sup> Includes feasibility studies for new Hope Valley and Lincoln Barracks; a new Supply and Intelligence Building; renovations at the Training Academy; a new Computer Crimes Unit facility; and asset protection costs for various buildings.

Source: Department of Public Safety

## State Police Vehicles

## Informational

The Department currently has 328 vehicles in the State Police vehicle fleet. While more than half of the vehicles are under 100,000 miles, 32.0 percent (105 vehicles) are over 100,000 miles. The average useful life of these vehicles is 6.5 years. The Department intends to request \$4.1 million from the State Revolving Loan Fund for vehicle purchases in FY2018. Since FY2013, the Department has spent \$5.4 million in Google funds on improving its fleet.

The Budget level funds 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 \$2.9 million for the program in FY2018, consistent with past expenditure levels.

## CAPITAL PROJECTS

The Budget includes a total of \$33.1 million in capital projects from FY2017 through FY2022, including \$2.8 million in restricted receipts from Google Forfeiture funds.

- 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 \$2.8 million in the revised FY2017 Budget from Google forfeiture funds restricted receipts. It is expected that the project will be completed in FY2017.

- The Budget also includes RICAP funding of \$2.9 million in FY2017 for “Phase 2” construction of the Fire Academy Building, which will incorporate classrooms and administrative offices in the existing portion of the Exeter facilities. These also include a dining area, a turn out gear room, bathrooms, locker rooms, and shower 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.
- The Budget includes \$7.5 million in RICAP funding and \$2.5 million in federal funds for Rhode Island State Communications System network (RICON). This project shifts to the DPS with the consolidation of RIEMA into the Department. RICON is an 800MHz interoperable radio system providing public and life safety communications to all 39 communities in the state. The State entered into a lease financing agreement with Motorola for \$10.0 million that pays for system improvements, replacement of antiquated components and increase system reliability.

## Office of the Public Defender

<b>Expenditures By Program</b>	<b>FY2016 Spent</b>	<b>FY2017 Enacted</b>	<b>FY2017 Governor</b>	<b>Change from Enacted</b>	<b>FY2018 Governor</b>	<b>Change from Enacted</b>
Public Defender	\$11.4	\$11.9	\$11.9	(\$0.0) -0.3%	\$12.4	\$0.5 4.5%
<b>Expenditures By Source</b>						
General Revenue	\$11.3	\$11.8	\$11.8	(\$0.0) -0.1%	\$12.3	\$0.6 4.7%
Federal Funds	0.1	0.1	0.1	(0.0) -13.3%	0.1	(0.0) -13.3%
<b>Total</b>	<b>\$11.4</b>	<b>\$11.9</b>	<b>\$11.9</b>	<b>(\$0.0) -0.3%</b>	<b>\$12.4</b>	<b>\$0.5 4.5%</b>
Authorized FTE Levels	93.0	93.0	93.0	- 0.0%	94.0	1.0 1.1%

*\$ 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 FY2018

The agency's budget is funded almost entirely by general revenues (99.2 percent). The Budget reflects salary and benefit requirements of the existing staff, including increased medical costs and step increases for staff hired within the past two years.

The Budget includes 93.0 FTE positions for the program in FY2017, consistent with the FY2017 Budget as Enacted, and 94.0 FTE positions in FY2018, an increase of 1.0 position.

<b>Central Management</b>	<b>General Revenue</b>
FY2017 Enacted	\$11,784,382
<i>Target and Other Adjustments</i>	41,875
Personnel	193,865
Justice Reinvestment Initiative	185,000
Legal Position (1.0 FTE)	123,390
Court Cost Offsets	11,723
<b>FY2018 Governor</b>	<b>\$12,340,235</b>

#### **Personnel** **\$193,865**

An increase of \$193,865 personnel costs is provided in FY2018 for step increases for employees hired during the previous fiscal year.

#### **Justice Reinvestment Initiative** **\$185,000**

The Budget provides \$185,000 in FY2018 to establish a mental health program to allow pre-arraignment diversion to mental health services and thereby reduce the strain on the health care system, first responders, the Department of Corrections, and the courts. The service would be provided through an independent contractor who would assess and evaluate clients with mental health conditions, assist in accessing community support programs, and avoid or reduce prison time.

***Legal Position (1.0 FTE)***

***\$123,390***

The budget includes \$123,390 in general revenue for a 1.0 FTE Public Defender IV. The position is provided to handle increasing caseloads and to reduce the per-employee workloads. According to the Office, national caseload standards suggest an average of 150 felonies and 400 misdemeanor cases per attorney; however, the Office consistently exceed the standards with 213 felonies, 142.0 percent over the standard, and 616 misdemeanors, 154.0 percent over the standard.

***Court Cost Offsets***

***\$11,723***

The Budget includes \$109,419 for courthouse fees, an additional \$11,723 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 square footage of space that is occupied.

## Department of Environmental Management

Expenditures By Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Spent	Enacted	Governor	Enacted		Governor	Enacted	
Office of Director	\$8.8	\$9.1	\$9.6	\$0.5	6.0%	\$10.4	\$1.3	14.4%
Bureau of Natural Resources	42.7	61.0	61.6	0.6	1.0%	69.2	8.2	13.5%
Bureau of Environmental Protection	27.3	32.7	32.3	(0.4)	-1.4%	33.7	1.0	3.0%
<b>Total</b>	<b>\$78.8</b>	<b>\$102.7</b>	<b>\$103.4</b>	<b>\$0.7</b>	<b>0.7%</b>	<b>\$113.3</b>	<b>\$10.5</b>	<b>10.2%</b>
<b>Expenditures By Source</b>								
General Revenue	\$38.2	\$40.2	\$38.3	(\$1.9)	-4.8%	\$44.0	\$3.8	9.4%
Federal Funds	21.1	29.7	34.2	4.4	14.9%	33.4	3.7	12.3%
Restricted Receipts	13.4	19.0	17.0	(2.0)	-10.7%	17.5	(1.5)	-7.8%
Other Funds	6.1	13.8	14.0	0.2	1.5%	18.4	4.5	32.9%
<b>Total</b>	<b>\$78.8</b>	<b>\$102.7</b>	<b>\$103.4</b>	<b>\$0.7</b>	<b>0.7%</b>	<b>\$113.3</b>	<b>\$10.5</b>	<b>10.2%</b>
Authorized FTE Levels	399.0	399.0	400.0	1.0	0.3%	403.0	4.0	1.0%

*\$ 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 FY2018

The FY2018 Budget includes an all funds increase of \$10.5 million, or 10.2 percent from the FY2017 Budget as Enacted. The Budget includes a \$3.8 million (9.4 percent) increase in general revenue expenditures compared to the FY2017 Budget as Enacted, primarily due to the addition of \$2.5 million for the new Outdoor Recreational Investments initiative, and \$775,000 for expenses related to hosting the May 2018 Volvo Ocean Race.

The Budget establishes a new merchandising program to expand collaboration between the state tourism campaigns and recreational advocates by exploring the creation of a unified merchandising brand. In addition, the Budget transfers management of the Eisenhower House from the Historical Preservation and Heritage Commission to DEM, and adds personnel to the Department to enhance state programs and build municipal capacity to manage storm water runoff and reduce pollution.

### 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. The Budget provides for the transfer of 2.0 FTE positions from other programs within the Department, bringing the program FTE count to 41.5. The transferred positions include the Chief Program Development position from the Bureau of Environmental Protection, and the Property Control and Supply Officer from Natural Resources.

<b>Office of Director</b>	<b>General Revenue</b>
FY2017 Enacted	\$5,165,334
<i>Target and Other Adjustments</i>	
Volvo Ocean Race	70,275
Salaries and Benefits	775,000
Community Service Grants	361,294
Operating Expenses	(200,000)
Conservation Districts	94,970
<b>FY2018 Enacted</b>	<b>\$6,316,873</b>

**Volvo Ocean Race** **\$775,000**

The Budget provides \$775,000 in general revenue for security, waste disposal, and program supply costs for the Volvo Ocean Race in May 2018. The Volvo Ocean Race is a yacht race around the world that generally begins in Europe in October. The race is held every three years and was last in Rhode Island in 2015.

**Salary and Benefits** **\$361,294**

- **Chief of Program Development:** The Budget includes an additional \$137,803 in general revenue to fund a Chief Program Development position that was transferred from the Environmental Protection program. This position is the Department's LEAN coordinator and was previously funded with general revenue within the Environmental Protection program. LEAN is a business process improvement method that leads to the elimination of waste, added value, and a culture of continuous improvement. At DEM the process has been used to improve customer service.
- **Property Control and Supply Officer:** There is an increase of \$84,932 in general revenue within the Office of the Director due to the transfer of the Property Control and Supply Officer from Natural Resources where there is a corresponding decrease.
- **Shortfall:** The Budget provides an increase of \$138,559 in general revenue to address a short-fall in salary and benefits funding in the FY2017 Budget as Enacted. In FY2017, a one-time balance forward was used to cover the gap; however, the funds are not available in FY2018.

**Community Service Grants** **(\$200,000)**

The Budget reduces Community Service Objective (CSO) Grants program by \$200,000 due to the removal of funds for a one-time, line-item grant for the North Providence water drainage project. The FY2017 Budget included major changes to the CSO Grants program. Previously, CSO grants were funded in executive agency budgets, but were not specifically delineated in the appropriations act. The program now consists of two components: line-item grant awards, and pool grants. Line-item grants are identified in the appropriations act and include a brief description of the grant purpose. Pool grants will be allocated by executive branch agencies either by formula, or through a competitive process.

**Operating Expenses** **\$94,970**

The Budget includes an additional \$94,970 for an estimated 5.0 percent increase in property taxes that would result in an increase in rental costs. This is just an estimate based on past experience of property taxes increasing annually. A final estimate will not be possible until Providence enacts a FY2018 Budget; however, even if tax rates do not increase property values in the City have been increasing.

**Conservation Districts** **\$50,000**

The Budget provides a \$50,000 line-item grant award for the Conservation Districts. The Districts are not-for-profit, quasi-public subdivisions of state government, administered by volunteers from the community. The Districts were formally created through statute in 1990 to provide an opportunity for citizens to have a voice in shaping soil and water resource planning their communities. Today, the Districts provide

educational and technical assistant to state residents in addressing conservation concerns and providing networking opportunities among local, state, and federal agencies. Recently, the Districts provided free, public education workshops on small forestry operations and on-farm energy options for beginning farmers. The Districts were previously funded through the community service objective grant program; however, when the grant program changed, the grant was not included as a line-item grant award. This Budget restores funding for the statutorily established Conservation Districts.

## 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 FY2017 for the program, consistent with the FY2017 Budget as Enacted. In FY2018, the Budget adds 2.0 FTE positions to reflect the transfer of the management of the Eisenhower House to DEM and the creation of a new Merchandizing program.

<b>Bureau of Natural Resources</b>	<b>General Revenue</b>
FY2017 Enacted	\$21,124,014
<i>Target and Other Adjustments</i>	<i>(18,527)</i>
Outdoor Recreational Investments	2,500,000
Personnel Costs	(197,596)
Eisenhower House (1.0 FTE)	150,000
Minimum Wage Increase	122,000
Local Agriculture and Seafood Act	100,000
Beach Parking Fee Payments to Host Communities	62,500
<b>FY2018 Enacted</b>	<b>\$23,842,391</b>

<b>Bureau of Natural Resources</b>	<b>Other Fund Changes</b>
Merchandising (1.0 FTE) (restricted receipts)	\$121,978

### **Outdoor Recreation Investments** **\$2.5 million**

The Governor recommends \$2.5 million to fund the strategic plan that was developed by the Outdoor Recreation Council (Council). The Council was created in January 2016 through an Executive Order and charged with developing a strategic plan to grow and promote recreation in Rhode Island. The funds will be directed to local recreation matching grants, state and local recreation programming (including environmental education and event programming), and recreation-related acquisition and maintenance. Among the Council's key recommendations in the strategic plan are:

- Establishing a sustainable funding stream for recreation-related investments;
- Promoting and supporting more active lifestyles among all Rhode Islanders;
- Improving access to information on local outdoor recreation opportunities;
- Improving transportation within and between recreational facilities for all users; and,
- Building a diverse constituency for outdoor recreation.

**Personnel Costs****(\$197,596)**

The Budget decreases general revenue funded personnel costs by \$197,596 relative to the FY2017 Budget as Enacted. The changes include a decrease in the Seasonal Recreation Program to reflect actual expenditures in FY2017 and a decrease due to the transfer of the Property Control and Supply Officer to the Office of the Director.

**Eisenhower House (1.0 FTE)****\$150,000**

The Governor transfers management of the Eisenhower House from the Historical Preservation and Heritage Commission to the Department of Environmental Management (DEM). The transfer includes 1.0 FTE Site Manager position, \$150,000 in general revenue, and \$138,150 in restricted receipts. The restricted receipts represent the revenue, minus the 10.0 percent indirect cost recovery, currently raised through rental fees at the facility and deposited in the general fund. The Site Manager positions is projected to cost \$95,365 in FY2018.

Eisenhower House is an 1873 mansion overlooking the East Passage of Narragansett Bay. The house was built as the Commandant's Residence at Fort Adams, and was occupied by President Dwight D. Eisenhower in 1958 and 1960 as the Summer White House. Located within Fort Adams State Park, Eisenhower House is surrounded by broad lawns and commands remarkable views of Newport Harbor to the east and Narragansett Bay to the west. Today the facility is used to host weddings and other functions.

**Minimum Wage Increase****\$122,000**

Article 20 of the Budget increases the minimum wage from \$9.60 to \$10.50 per hour effective October 1, 2017. This increase will impact the seasonal workers in DEM for the March through June of 2018 and cost an estimated \$122,000. The minimum wage was last increase on January 1, 2016, from \$9.00 to \$9.60 per hour.

**Local Agriculture and Seafood Act****\$100,000**

An increase of \$100,000 in general revenue (\$200,000 total) is included in the Budget to provide additional grants through the Local Agriculture and Seafood Act Grant program. 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. The Department indicates that applications for grants far exceed available funding.

**Beach Parking Fee Payments to Host Communities****\$62,500**

The Budget includes an increase of \$62,500 (\$502,417 total) for beach parking fees paid to host communities. Article 13 of the FY2017 Budget as Enacted reduced beach parking fees to their pre-2011 level and, in an effort to hold communities harmless from the reduction, simultaneously increased the local share up to the corresponding level of 20.0 percent. It is the increase in the local share that resulted in the increased payment to host

**Beach Parking Fees - Reimbursements to Host Communities**

	South				
	Summer Charlestown	Westerly Narragansett	Kingstown		Total
<b>2009</b>	\$21,534	\$211,669	\$234,972	\$25,726	\$493,901
<b>2010</b>	23,801	238,226	266,054	29,866	557,947
<b>2011</b>	15,466	155,051	162,476	11,365	344,358
<b>2012</b>	22,915	181,980	204,614	27,851	437,360
<b>2013</b>	18,233	161,937	188,342	26,328	394,840
<b>2014</b>	18,244	171,464	185,084	29,053	403,845
<b>2015</b>	17,935	194,124	196,868	32,108	441,035
<b>2016</b>	29,099	221,114	214,462	37,742	502,417

communities. For the summer of 2015, beach parking fees totaled \$3.8 million, in 2016 the total is \$3.2 million, reflecting a decrease of (\$707,276) an 18.5 percent reduction. In contrast, the local share payment

to host communities for the summer of 2015 was \$441,035 compared to \$502,417 for 2016, an increase of \$61,382 or 1.9 percent.

*Analyst Note: The decrease in parking fees sunset on October 1, 2016; however, fees have traditionally been determined through departmental regulation. DEM is expected to change the regulations to reflect the pre-2011 level. The change in local share is established by statute; however, the relevant language does not sunset.*

**Merchandising (1.0 FTE) (restricted receipts)**

**\$121,978**

The Budget includes \$121,978 in restricted receipts for the salary and benefits of 1.0 FTE Chief Program Development position to manage a new initiative recommended by the Outdoor Recreation Council. The Outdoor Recreation Council was created in January 2016 through Executive Order and charged with developing a strategic plan to grow and promote recreation in Rhode Island. One recommendation provided in the council report to the Governor on December 14, 2016, is to expand collaboration between the state tourism campaigns and recreational advocates by exploring the creation of a unified merchandising brand. The campaign is intended to market the State's recreational assets and generate revenue for future investments.

**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 FY2017 for the program, consistent with the FY2017 Budget as Enacted. In FY2018, the Budget adds 2.0 FTE positions to reflect the addition of 2.0 FTE Environmental Scientist positions.

<b>Bureau of Environmental Protection</b>	<b>General Revenue</b>
FY2017 Enacted	\$13,917,429
<i>Target and Other Adjustments</i>	
Environmental Scientists (2.0 FTEs)	(255,893)
Clean Diesel Program	175,000
<b>FY2018 Enacted</b>	<b>Informational</b>
	<b>\$13,836,536</b>

**Environmental Scientists (2.0 FTEs)**

**\$175,000**

The Budget provides \$175,000 in general revenue for the salary and benefits of 2.0 FTE Environmental Scientist positions to work on storm water compliance and permitting. In order to reduce pollution, DEM is working to enhance state programs and build municipal capacity to manage storm water runoff. The positions will be assisting municipalities with their obligations under Federal and State storm water regulations, responding to citizen complaints on alleged violations of water pollution requirements, and using outreach and other tools to correct problems

**Clean Diesel Program**

**Informational**

The FY2017 Budget as Enacted included \$2.0 million for the new Rhode Island Clean Diesel Fund established within DEM; however, due to implementation delays the funding is being shifted into FY2018. The public comment period on the draft regulations closed on January 31, 2017. The regulations will be submitted to the Office of Regulatory Reform in February 2017 and are scheduled to be filed with the Secretary of State around March 1, 2017.

The program is intended to reduce emissions from heavy-duty engines operating on state roads and helping companies improve supply chain efficiency as described in the United States Environmental Protection Agency's SmartWay Program. Grants for up to 50.0 percent of project costs will be awarded by DEM pursuant to rules and regulations promulgated by the Department. To be eligible for funding, equipment must be registered with the Rhode Island Division of Motor Vehicles, be garaged in Rhode Island, and certified by DEM that 50.0 percent or more of the vehicle miles traveled or hours operated are in Rhode Island for at least five years following the grant award. Administrative and outreach costs for the program are capped at \$200,000 annually or 10.0 percent of the fund appropriation, whichever is greater.

### **CAPITAL PROJECTS**

The Budget includes a total of \$10.1 million in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2017 and \$14.9 million in FY2018, including:

- \$5.7 million in FY2017 (including a \$2.6 million carryforward) and \$2.5 million in FY2018 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.
- \$1.5 million in FY2017 (including a \$69,851 carryforward) and \$1.8 million in FY2018 for the Fort Adams Sailing Improvements project including the new Mid-Park Marine and Education center. In FY2017 there is also \$3.6 million in private funding for the center.
- \$1.1 million in FY2017 (including a \$62,259 carryforward) and \$5.5 million in FY2018 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.
- \$254,195 in FY2017 (including a \$20,000 carryforward) and \$2.2 million in FY2018 for repairs to "high-hazard" state-owned dams. The Department began design of repairs for the lower J.L. Curran Management Area in Cranston with construction expected to begin in FY2018 and be completed in FY2018. The design for the reconstruction of the Wyoming Pond upper dam in Hope Valley began in FY2016 with construction expected to begin in FY2018. The reconstruction of the Trestle Trail culvert replacement and the Silver Spring dam reconstruction project are next on the priority list.

## Coastal Resources Management Council

Expenditures By Program	FY2016	FY2017	FY2017			FY2018		
	Spent	Enacted	Governor	Change from Enacted		Governor	Change from Enacted	
Coastal Resources Management Council	\$4.4	\$7.3	\$8.4	\$1.1	15.3%	\$5.2	(\$2.1)	-28.5%
<b>Expenditures By Source</b>								
General Revenue	\$2.4	\$2.5	\$2.5	\$0.0	2.0%	\$2.6	\$0.1	4.3%
Federal Funds	1.8	4.1	5.2	\$1.1	25.8%	1.6	(\$2.5)	-60.2%
Restricted Receipts	0.2	0.3	0.3	-	0.0%	0.3	-	0.0%
Other Funds	-	0.5	0.5	\$0.0	0.0%	0.8	\$0.3	64.3%
<b>Total</b>	<b>\$4.4</b>	<b>\$7.3</b>	<b>\$8.4</b>	<b>\$1.1</b>	<b>15.3%</b>	<b>\$5.2</b>	<b>(\$2)</b>	<b>-28.5%</b>
Authorized FTE Levels	29.0	29.0	29.0	-	-	29.0	-	-

*\$ 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 FY2018

The Governor's FY2018 Budget includes an all funds decrease of \$2.1 million (28.5 percent) from the FY2017 Budget as Enacted, including a general revenue increase of \$105,894, a federal funds decrease of \$2.5 million, and an other funds increase of \$303,225.

The decrease in federal funds is primarily due to a \$2.6 million federally-funded project to restore 30.0 acres of salt marsh in Ninigret Pond and develop two designs for salt marsh restoration in the same area. The project is scheduled for completion in October 2017 with most of the expenditures occurring in FY2017. The funding from the National Fish & Wildlife Service of the United States Department of the Interior was matched with \$321,775 in RICAP funds through the South Coast Restoration project in the Capital Budget.

The increase in other funds is due primarily to increased RICAP funding, relative to the FY2017 Budget as Enacted, for Rhode Island Coastal Storm Risk Study. 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. The RICAP funds in this project will be used as the state share for the cost of the study being conducted by the USACE.

The Governor recommends 29.0 FTE positions in FY2017 and FY2018, consistent with the FY2017 Budget as Enacted.

Central Management	General Revenue
FY2017 Enacted	\$2,452,438
<i>Target and Other Adjustments</i>	<i>35,140</i>
Ocean Engineer (6 months)	55,754
Environmental Services	15,000
Personnel	Informational
Agency Database	Informational
<b>FY2018 Governor</b>	<b>\$2,558,332</b>

***Ocean Engineer (6 months)******\$55,754***

The Budget provides \$55,754 in salary and benefits to fund the Ocean Engineer position for six months in FY2018. The position has been vacant and does not require an increase in the FTE cap. The engineer will provide in-house expertise on issues related to increased storm surge, such as reducing or limiting erosion and making infrastructure more resilient. The position will also be responsible for reviewing architectural and engineering plans to ensure compliance with the building code and other permitting activities.

***Environmental Services******\$15,000***

The Budget provides \$15,000 in general revenue to continue monitoring locations within the long-term beach profile network and to add new sites on Block Island. The monitoring, which collects data on dune volume, storm protection, and erosion management, was begun in 1962 by Robert McMaster of the University of Rhode Island and continued, until recently, by State Geologist Jon Boothroyd. The Council's Shoreline Change (Beach) Special Area Management Plan recognizes the need for comprehensive planning and monitoring to address the impacts of storm surge, flooding, sea level rise and erosion, and the Salt Ponds Region Special Area Management Plan is a management tool to help municipalities address coastal issues such as development patterns. The monitoring of this long-term database supports the Agency's mission to help protect the coastal resources of the State and provides data to guide both the state and the municipalities in development and storm protection management decisions.

***Personnel******Informational***

For FY2018, the CRMC requested 4.0 new FTE positions to handle increasing permitting requests for projects to modify coastal areas in an effort to address coastal erosion, increased storm surge, and damage from previous storms. The additional personnel are also requested to address the economic development projects in the Metro-bay region, the increasing amount of habitat restoration projects, the reconstruction of the Urban Coastal Greenway along the Cranston, East Providence, Pawtucket and Providence waterfronts, and the regulation of the current and anticipated wind farms. In addition, the CRMC is also working on the Shoreline Change "Beach" Special Area Management Plan (SAMP) and experimental erosion control regulations. The Governor does not recommend the new positions.

***Agency Database******Informational***

The CRMC requested \$150,000 to replace the failing regulatory database with a more efficient and manageable cloud-based system. The replacement would be a cloud-based system developed, supported, and maintained by an outside vendor. The Department would implement the data system at no cost with assistance from GL Solutions, a technology consulting firm specializing in government systems; however, the Department will pay \$12,344 monthly for the support plan. The support plan will allow the Department to add new features and functions after the database is launched. The support plan costs about \$150,000 annually. The Governor does not recommend the funding for the new database but recommends that the CRMC join the state-wide e-permitting project and seek funding from the Division of Information Technology.

**CAPITAL PROJECTS**

The Budget provides Rhode Island Capital Plan (RICAP) funding totaling \$471,775 in FY2017 and \$775,000 in FY2018 for capital projects, including the following:

- ***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. The Budget provides RICAP funds totaling \$150,000 in FY2017 and \$525,000 in FY2018 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.

- ***South Coast Restoration Project:*** The Budget provides RICAP funding of \$321,775 in FY2017 to match the federal National Fish & Wildlife Service grant for sediment removal and habitat restoration in Ninigret Pond.
- ***Narragansett Bay SAMP:*** The Budget includes \$250,000 in RICAP funds to update the Coastal Resources Management Program (RICRMP) to current federal standards and develop a Narragansett Bay Special Area Management Plan (SAMP) to protect the Bay's fisheries, as well as recreation- and marine-based resources. Due to the creation of the original Ocean SAMP, Rhode Island, through the Council, has legal standing for a role in management of federal waters up to 30 miles offshore, instead of only within the traditional three-mile limit. SAMPs are resource management plans and implementation programs developed to manage specific geographic areas with specific resources. In May 2016, the Council marked the five-year anniversary of the Ocean SAMP: the first SAMP in the nation to venture out into federal offshore waters for future uses and preservation. However, the Ocean SAMP starts at the mouth of the Narragansett Bay, leaving a significant gap in the Council's ability to manage the Bay's resources. The Bay is managed pursuant to the federally-approved RICRMP which was developed in the early 1970's; consequently, some of the policies are outdated and inconsistent with current regulations of the National Oceanic Atmospheric Administration (NOAA), the federal regulatory agency that regulates federal coastal waters.



## Department of Transportation

Expenditures By Program	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$8.1	\$9.2	\$13.3	\$4.1	44.6%	\$11.6	\$2.4	25.5%
Infrastructure-Engineering	335.6	367.9	377.5	9.5	2.6%	384.0	16.0	4.4%
Infrastructure-Maintenance	50.0	98.3	139.6	41.3	42.0%	112.0	13.7	13.9%
Management and Budget	1.4	3.0	4.1	1.1	36.2%	2.9	(0.1)	-2.2%
<b>Total</b>	<b>\$395.1</b>	<b>\$478.5</b>	<b>\$534.5</b>	<b>\$56.0</b>	<b>11.7%</b>	<b>\$510.5</b>	<b>\$32.0</b>	<b>6.7%</b>
<b>Expenditures By Source</b>								
Federal Funds	\$254.1	\$272.4	\$271.5	(\$0.9)	-0.3%	\$275.4	\$3.0	1.1%
Restricted Receipts	2.9	0.2	3.6	3.4	1903.2%	3.2	3.0	1657.9%
Other Funds	138.2	205.9	259.3	53.4	26.0%	231.9	26.1	12.7%
<b>Total</b>	<b>\$395.1</b>	<b>\$478.5</b>	<b>\$534.5</b>	<b>\$56.0</b>	<b>11.7%</b>	<b>\$510.5</b>	<b>\$32.0</b>	<b>6.7%</b>
Authorized FTE Levels	701.0	701.0	741.0	40.0	5.7%	775.0	74.0	10.6%

*\$ 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 FY2018

The Budget allocates a total of \$510.5 million to RIDOT, an increase of \$32.0 million in total funds from the FY2018 Budget as Enacted (6.7 percent).

The Budget includes an FTE authorization of 775.0, an increase of 74.0 FTE positions relative to the FY2017 Budget as Enacted, reflecting the restoration of positions eliminated, but not identified, by the General Assembly in the FY2017 Budget as Enacted, plus additional new positions. These include the following new positions: 2.0 Assistant Administrative Officers, 14.0 Bridge Maintenance Workers, 1.0 Chief Civil Engineer for Road Design, 1.0 Civil Engineering Associate, 1.0 Highway Maintenance Operator I, 6.0 Highway Maintenance Operator II, 1.0 Planner, 1.0 Principal Civil Engineer, 3.0 Road Maintenance Supervisors, 1.0 Supervising Environmental Scientist, 2.0 Electrical Inspectors, and 1.0 Engineering Technician. These are in addition to the net 40.0 FTEs recommended to be added by the Governor in the revised FY2017 Supplemental Budget.

### RhodeWorks

The General Assembly enacted “The Rhode Island Bridge Replacement, Reconstruction and Maintenance Fund Act of 2016,” in February 2016. The legislation, also known as “Rhode Works”, 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 previously 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 the five years from FFY2016 through FFY2020. 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.

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 maintaining bridges under RITBA control: Newport/Pell; Mt. Hope; Jamestown/Verrazano; and Sakonnet River.

The truck-only tolling plan received formal federal approval in September 2016 at which time the RIDOT executed a series of Memoranda of Understanding with the Federal Highway Administration regarding which bridge locations toll revenue could be used to maintain. In December 2016 RIDOT issued the RFP for the Design-Build-Operate-Maintain (DBOM) contract for the tolling program, including gantry design and construction, all operational elements, testing and acceptance, and long-term maintenance of the tolling equipment and facilities. According to the Department the contract is expected to be awarded in spring

#### 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

2017. RIDOT estimates that tolling facilities will take approximately a year and half to build, reaching completion by the end of 2018.

Refinancing of the existing GARVEE bonds was completed in June 2016 and produced approximately \$130.0 million in savings and, since September 2016, \$300 million in new federal GARVEE bonds (2.8 percent interest rate) have been issued.

### ***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 are deemed necessary to carry out the responsibilities of the department.

Article 15 also 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 is now 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.

The reorganization is being implemented in three phases. The first phase is to transition the Department to a project-management orientation and to develop new job descriptions accordingly. Phase I is complete and RIDOT has begun working on the second phase which will look to define and establish new performance metrics. The third phase will focus on defining goals and training.

### ***Sustainable Transportation Funding***

The FY2015 Budget as Enacted provided 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.
- 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 and used as part of the state match towards the department's federal highway program funds. Two-year registrations and driver's license fees 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.

<b>State Matching Funds</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>
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
<b>Total Additional Revenue</b>	<b>\$11.4</b>	<b>\$16.8</b>	<b>\$16.8</b>	<b>\$16.8</b>	<b>\$16.8</b>	<b>\$16.8</b>
2010 G.O. Bonds - Issued	7.6	-	-	-	-	-
RICAP	21.0	23.2	23.2	23.2	23.2	23.2
<b>Total State Match for Federal Funds</b>	<b>\$40.0</b>	<b>\$40.0</b>	<b>\$40.0</b>	<b>\$40.0</b>	<b>\$40.0</b>	<b>\$40.0</b>

*\$ 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.
- The transfer of 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.
- The phased-in 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

<b>New Fees and Surcharges</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>
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
<b>Total New Fees Charges</b>	<b>\$16.6</b>	<b>\$23.1</b>	<b>\$23.2</b>	<b>\$23.3</b>	<b>\$23.4</b>	<b>\$23.5</b>
<b>Existing General Revenue being Transferred to the Highway Maintenance Account</b>						
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
<b>Total Revenue Transferred from General Fund</b>	<b>\$17.0</b>	<b>\$31.2</b>	<b>\$56.6</b>	<b>\$67.0</b>	<b>\$66.3</b>	<b>\$66.1</b>
<b>Total Revenue to Highway Maintenance Account</b>	<b>\$33.6</b>	<b>\$54.3</b>	<b>\$79.9</b>	<b>\$90.3</b>	<b>\$89.7</b>	<b>\$89.5</b>

\$ 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 34.0 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). The Department of Revenue's Office of Revenue Analysis (ORA) is responsible for both estimating the gas tax yield as well as determining the impact of the CPI-U. ORA does not believe that inflation will change significantly enough in FY2018 to warrant a change in the 34.0 cent per gallon tax rate.

<b>Year</b>	<b>Per Penny Yield</b>
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*	4,549,836
2018*	4,545,480

\* Dept. of Revenue estimate

According to ORA the motor fuel tax is expected to generate \$4.5 million per penny in revenue in both FY2017 and FY2018, with RIDOT receiving 19.25 cents per gallon of gasoline sold (\$78.4 million in FY2018).

The following table shows the distribution of motor fuel tax proceeds in cents per gallon.

## 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
FY2018	-	0.1925	0.1075	0.0350	0.0050	0.3400

The following table shows the use of motor fuel tax revenue in FY2018:

Motor Fuel Tax Use (FY2018)	Revenue	Percent of total revenue
DOT	\$78.4	53.1%
Transit Operations (RIPTA/DHS)	42.0	28.5%
GARVEE Debt Service (DOT)	9.1	6.2%
Turnpike and Bridge	2.3	1.5%
UST Fund	15.9	10.8%
<b>Total - Estimated<sup>1</sup></b>	<b>\$147.7</b>	<b>100.0%</b>

\$ in millions.

<sup>1</sup> Includes \$8.7 million Carry Forward Balance

Source: Budget Office

### 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, the 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 21<sup>st</sup> Century (MAP-21)." Although an improvement over the short-term extensions of SAFETEA-LU, the two-year authorization was still too short to do effective long-term planning based on 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.

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.

### ***Providence to Newport Ferry***

In FY2017, RIDOT piloted a nine-week ferry service from Providence to Newport Ferry that ran seven days a week through Labor Day. The pilot was made possible through a \$500,000 federal Congestion Mitigation and Air Quality Improvement grant (CMAQ). RIDOT contracted with New Jersey-based SeaStreak, the operator of the New Bedford-to-Martha's Vineyard ferry, to be the ferry operator. Over 30,000 trips were made during the pilot. According to the Department, RIDOT will once again use CMAQ funding to expand upon the pilot in the summer of 2017 (FY2018). The new season will run from June 16th to September 30th, 40 days longer than the 2016 season. Also in the 2017 season, the ferry will offer 4 trips on weekdays and 5 trips on weekends, as compared to 3 trips on weekdays and 4 trips on weekends in 2016.

### **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.

	<b>FY2016</b>	<b>FY2017</b>	<b>FY2017</b>	<b>Change from</b>		<b>FY2018</b>	<b>Change from</b>	
<b>Central Management</b>	<b>Actual</b>	<b>Enacted</b>	<b>Governor</b>	<b>Enacted</b>		<b>Governor</b>	<b>Enacted</b>	
Federal Funds	\$6.0	\$6.6	\$8.7	\$2.1	31.6%	\$6.8	\$0.1	2.2%
Other Funds	2.2	2.6	4.6	2.0	77.6%	4.8	2.2	85.0%
<b>Total</b>	<b>\$8.1</b>	<b>\$9.2</b>	<b>\$13.3</b>	<b>\$4.1</b>	<b>44.6%</b>	<b>\$11.6</b>	<b>\$2.4</b>	<b>25.5%</b>

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

Other funds increase by \$2.2 million due primarily to personnel salaries and benefits (\$389,505).

Federal funds within Central Management decrease by a net of \$145,757 in FY2018, reflecting changes in several federal grants. The table on the following page summarizes these changes.

Federal Grant	FY2017	FY2018			
	Enacted	Governor	Change from Enacted		
Fatality Analysis Reporting System	\$40,000	\$40,000	\$0	0.0%	
Min. Penalties for Repeat Offenders DWI or DUI	898,483	912,981	14,498	1.6%	
NHTSA <sup>1</sup> - Alcohol Impaired Driving Countermeasures	300,000	300,000	-	0.0%	
NHTSA - Child Safety and Booster Seat Incentive	50,000	50,000	-	0.0%	
NHTSA - Fatality Report/Seatbelt Use/Repeat DUI	-	-	-	0.0%	
NHTSA - Grant to Prohibit Racial Profiling	-	-	-	0.0%	
NHTSA - Map-21 405 Funds	2,090,068	2,205,490	115,422	5.5%	
NHTSA - Motorcyclist Safety Grant	50,000	5,000	(45,000)	-90.0%	
NHTSA - Occupant Protection Incentive Grant	54,040	-	(54,040)	-100.0%	
NHTSA - State and Community Highway Safety Progra	2,053,031	2,167,908	114,877	5.6%	
NHTSA - State Traffic Safety Infm. Syst.	500,000	500,000	-	0.0%	
Primary Seat Belt Law	575,000	575,000	-	0.0%	
<b>Total</b>	<b>\$6,610,622</b>	<b>\$6,756,379</b>	<b>\$145,757</b>	<b>2.2%</b>	

<sup>1</sup> NHTSA - 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.

Infrastructure-Engineering	FY2016	FY2017	FY2017		FY2018			
	Actual	Enacted	Governor	Change from Enacted	Governor	Change from Enacted		
Federal Funds	\$248.1	\$265.8	\$262.8	(\$3.0)	-1.1%	\$268.6	\$2.8	1.1%
Other Funds	84.6	102.0	111.0	9.1	8.9%	112.2	10.2	10.0%
Restricted Receipts	2.9	0.2	3.6	3.4	1903.2%	3.2	3.0	1657.9%
<b>Total</b>	<b>\$335.6</b>	<b>\$367.9</b>	<b>\$377.5</b>	<b>\$9.5</b>	<b>2.6%</b>	<b>\$384.0</b>	<b>\$16.0</b>	<b>4.4%</b>

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

The Governor recommends \$384.0 million in total funding for the Infrastructure-Engineering Program in FY2018, a 4.4 percent increase over the FY2017 Budget as Enacted. This increase includes a net \$2.8 million increase in federal funds, \$10.2 million more in other funds, and \$3.0 million in additional restricted receipts.

### 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. In the first quarter of FY2017, both the Federal Highway Administration and the Federal Transit Administration gave final approval to Rhode Island's 10 Year Plan, making it one of only three states with one.

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 from FFY2016-FFY2020 than under the previous federal authorization.

#### **Highway Improvement Program - Projects**

The Governor recommends \$173.8 million from federal funds for Highway Improvement Program projects. The project categories are summarized in the following table:

<b>Program</b>	<b>FY2018 Governor</b>	<b>Share of Total</b>
Administrative	\$5.7	3.3%
Bike/Pedestrian	5.2	3.0%
Bridge Program	24.0	13.8%
CMAQ <sup>1</sup>	5.2	3.0%
Highway Program	14.7	8.5%
Interstate Program	9.6	5.5%
GARVEE Projects	26.2	15.1%
Federal Highway Earmark Projects	17.4	10.0%
Pavement Management Program	16.3	9.4%
Traffic Safety Program	18.5	10.6%
Transit	26.1	15.0%
Other	4.9	2.8%
<b>Total</b>	<b>\$173.8</b>	<b>100.0%</b>

<sup>1</sup> Congestion Mitigation and Air Quality Improvement Program  
\$ in millions

#### **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-way; coordinates and schedules paving and crack-sealing; works with local communities to advance joint projects; and maintains all highway lighting and signage.

	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
Infrastructure-Maintenance	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Other Funds	\$50.0	\$98.3	\$139.6	\$41.3	42.0%	\$112.0	\$13.7	13.9%

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

For FY2018, the Budget includes an increase of \$13.7 million in other funds, including an increase of \$6.3 million for the Road and Bridge Maintenance Program. The increase reflects the final phase of the transfer of Department of Motor Vehicle fees initially begun in FY2016, as authorized by Article 21 of the FY2015 Budget as Enacted. These funds will be used to pay for reconstructions and repairs of the bridge assets in FY2018.

The Governor recommends an appropriation of \$26.1 million in personnel costs in FY2018, an increase of \$2.7 million than the FY2017 Budget as Enacted. This recommendation includes a change in both the number and classification mix of the staff within the infrastructure and maintenance program. These include 14.0 additional Bridge Maintenance Workers, 2.0 Electrical Inspectors, 3.0 new Road Maintenance Supervisors, 6.0 Highway Maintenance Operator II FTE positions, and 1.0 Chief Civil Engineer to support design efforts for road and bridge maintenance.

The Governor also recommends \$19.6 million in total other funds for winter maintenance in FY2018, a decrease of \$1.7 million as compared to the enacted level. This appropriation remains above the \$14.5 million average cost of the winter maintenance operations from FY2012 to FY2016. To support the work of the additional infrastructure-maintenance staff, the Governor also recommends \$6.8 million in FY2018 for the purchase of vehicles and heavy equipment.

## 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.

	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
Management and Budget	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Other Funds	\$1.4	\$3.0	\$4.1	\$1.1	36.2%	\$2.9	(\$0.1)	-2.2%
<b>Total</b>	<b>\$1.4</b>	<b>\$3.0</b>	<b>\$4.1</b>	<b>\$1.1</b>	<b>36.2%</b>	<b>\$2.9</b>	<b>(\$0.1)</b>	<b>-2.2%</b>

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

The Management and Budget program is funded through motor fuel tax proceeds, without federal funding. The Governor recommends \$2.9 million in gas tax revenues for the program, representing a \$66,843 reduction as compared to the enacted level. This decrease is associated with the shifting of personnel costs to the Infrastructure and Maintenance program.

## 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 \$2.0 million in Rhode Island Capital Plan (RICAP) funding through FY2022 to repair and renovate existing state highway maintenance facilities. Projects include the conversion of the Belleville maintenance facility's heating system from oil to natural

gas, bathroom renovations at the Gloucester Maintenance Facility, and roof repairs at the Little Compton Maintenance Facility. Additionally, funds will be used to move an existing fuel pump from the Lincoln to the Smithfield facility.

**Portsmouth Facility:** The Budget includes \$923,150 in general obligation bond funds, \$2.8 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 either store either salt supplies or house the vehicles indoors.

**Salt Storage Facilities:** The Budget includes \$2.0 million of RICAP funding in FY2017 and \$1.0 million in FY2018 to construct covered salt storage facilities across the state where salt is currently stored uncovered. Demolition of the old facilities is underway (five locations have been closed to date) and construction of new salt storage facilities at Dillon's Corner (Narragansett) and the former Lincoln Maintenance Facility have begun. Future projects include salt storage facilities in East Providence, Pawtucket, Newport, and Portsmouth.

**Vehicle Equipment Replacement Plan:** The Budget includes \$14.0 million in RICAP funds, along with \$14.5 million in motor fuel tax revenue through FY2022 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 \$2.0 million in RICAP funds through FY2021 for major capital repairs, including HVAC and roofing repairs at train stations in Woonsocket, South Kingstown, and Westerly.



## Rhode Island Public Transit Authority

Revenues by Source	FY2016	FY2017	FY2017	Change from		FY2018	Change from	
	Actual	Enacted	Revised <sup>1</sup>	FY2017	FY2017	Board	FY2017	FY2017
				Enacted	Enacted		Revised	Revised
Motor Fuel Tax	\$44.1	\$44.0	\$43.5	(0.5)	-1.2%	\$43.4	(0.0)	-0.1%
Passenger Revenue	20.9	23.8	22.6	(1.2)	-5.0%	25.8	3.2	14.2%
Special Revenue	0.8	1.2	0.9	(0.3)	-28.6%	0.8	(0.1)	-10.6%
Other Revenue	10.4	11.0	11.0	0.0	0.1%	14.4	3.4	30.5%
Federal Funds	23.8	24.7	33.4	8.7	35.3%	43.9	10.5	31.5%
Department of Human Services	0.8	-	1.0	1.0	-	1.0	(0.0)	-0.3%
State Highway Fund Revenues	2.7	4.0	4.5	0.5	11.7%	4.3	(0.2)	-4.5%
General Revenue Appropriation	2.0	-	0.9	0.9	-	-	(0.9)	-100.0%
<b>Total</b>	<b>\$105.5</b>	<b>\$108.7</b>	<b>\$117.8</b>	<b>\$9.1</b>	<b>8.4%</b>	<b>\$133.6</b>	<b>\$15.8</b>	<b>13.4%</b>
<b>Expenditures by Category</b>								
Salaries, Wages, and Benefits	\$73.5	\$74.9	\$74.9	(\$0.0)	0.0%	\$75.8	\$0.9	1.2%
Contract Services	8.9	11.2	12.6	1.4	12.1%	19.2	6.6	52.9%
Operating Costs	15.1	15.4	21.2	5.8	37.7%	29.7	8.5	40.3%
Utilities	1.8	2.0	1.8	(0.2)	-9.1%	1.8	(0.0)	-1.0%
Insurance and Settlements	4.4	5.1	6.0	0.9	17.4%	6.4	0.4	6.7%
Capital Match	-	0.1	0.4	0.3	297.5%	0.3	(0.1)	-16.9%
Revolving Loan Fund	-	0.7	0.5	(0.2)	-34.3%	0.7	0.2	43.8%
Debt Service	-	-	-	-	-	1.6	1.6	-
Self-Insurance Reserve	-	0.3	0.3	(0.1)	-16.7%	0.3	-	-
Other	0.0	-	0.0	0.0	-	0.0	-	-
<b>Total</b>	<b>\$103.7</b>	<b>\$109.7</b>	<b>\$117.6</b>	<b>\$7.9</b>	<b>7.2%</b>	<b>\$135.8</b>	<b>\$18.2</b>	<b>15.5%</b>
Surplus/(Deficit)	<b>\$1.8</b>	<b>(\$1.0)</b>	<b>\$0.2</b>			<b>(\$2.2)</b>		
Authorized FTE Levels	817.0	818.0	831.0	13.0	1.6%	838.0	7.0	0.8%

<sup>1</sup> The FY2017 Revised Budget and FY2018 Recommended Budget was approved by the Board on September 26, 2016, and that the Senior/Disabled fare revenue does not commence until January 2017, with general revenues offsetting the delay. \$ 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 FY2018

The FY2018 Budget approved by the Board for submission to the State Budget Office reflected a deficit of \$2.2 million.

Passenger revenue increases by \$3.2 million in FY2018 from the FY2017 Revised Budget, and reflects the implementation of the new fare structure that started on July 1, 2017.

A one-time general revenue appropriation \$900,000, which was included in the FY2017 Revised Budget, is not included in the Governor's FY2018 proposal. This appropriation offset half a year of the costs of the

Free Fare program for low income seniors and disabled and allowed the program to continue for the first seven months of FY2017. The program transitioned to a Reduced Fare program in February 2017.

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, 2016, is \$55.5 million.

**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 \$4.0 million in FY2017. For FY2018, RIPTA expects its share of this account to increase by \$353,750 to \$4.3 million as the percentage of motor vehicle related fees transferred into the HMA increases from 75.0 percent to 100.0 percent.

### **Fare Changes/Reduced Fare Program**

In 2015 RIPTA conducted a comprehensive study that reviewed all fare products offered to customers as well as the rates that are charged. The goals of the fare study were 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 projected operating deficits of approximately \$2.6 million in FY2016 and \$4.4 million in FY2017, and each year thereafter.

Based on the study's recommendations, the RIPTA Board adopted a new fare structure in December 2016. Implementation of the changes is being done in phases. The changes and their implementation dates are summarized here:

<b>New Fare Structure - Implementation</b>						
<b>Fare Product</b>	<b>Full Fare</b>			<b>Reduced Fares<sup>1</sup></b>		
	<b>Previous</b>	<b>New</b>	<b>Effective Date</b>	<b>Previous</b>	<b>New</b>	<b>Effective Date</b>
<b>Cash</b>						
Base Fare	\$2.00	\$2.00	7/1/2016	\$0.00	\$0.50	February, 2017
Transfer	0.50	1.00	7/1/2016	0.00	0.25	February, 2017
Smart Card	n/a	n/a		n/a	n/a	
<b>Trip-Based</b>						
RIPTIKs	20.00	discontinue	7/1/2016	n/a	n/a	
15-Ride Pass	26.00	discontinue	7/1/2016	n/a	n/a	
10-Ride Ticket	n/a	n/a		0.00	5.00	February, 2017
<b>Time-Based</b>						
Day Pass	6.00	6.00	3/1/2016	n/a	n/a	n/a
7-Day Pass	23.00	25.00	3/1/2016	n/a	n/a	n/a
Monthly Pass	62.00	70.00	3/1/2016	n/a	n/a	n/a

<sup>1</sup> The Reduced Fare program was originally supposed to take effect in July 2016. The General Assembly appropriated \$900,000 to RIPTA to extend the Free Fare program until January 2017. RIPTA delayed implementation until February 2017.

The Reduced Fare program was originally supposed to begin in July 2016. Previously, eligible low-income seniors and disabled had their rides fully subsidized under RIPTA's Free Fare program. RIPTA indicated that the program supported approximately 5.0 million trips per year at an unsubsidized cost of around \$21.0 million. \$2.5 million from the State's fuel tax revenue annually went towards the program. The Free Fare program contributed significantly to the operating deficits noted above. With an estimated \$1.7 million in direct fare box revenue if fully in place in FY2017, the Reduced Fare model was expected to help alleviate the operating deficit. However, transitioning the Free Fare program was effectively delayed for seven months when the General Assembly appropriated \$900,000 to RIPTA for the program in the FY2017

Budget as Enacted. These funds are not available in FY2018. The Reduced Fare program began in February 1, 2017.

**Bus Passes for the Elderly**

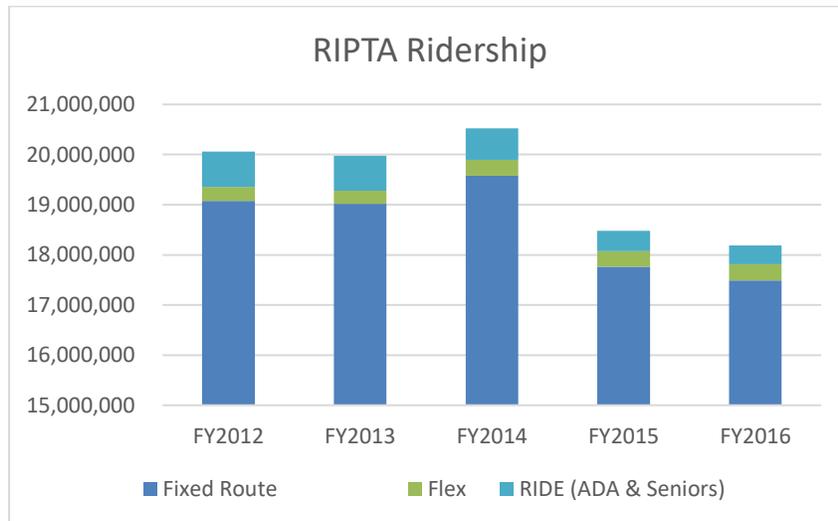
In an effort to mitigate the impact the elimination of the free fare program, the Governor provides \$300,000 in general revenue, through the Department of Human Services’ Division of Elderly Affairs (DEA), to fund free bus fares to high-need elderly individuals at risk of institutionalization, disabled individuals, and elderly or disabled veterans. The proposal will enable RIPTA to offer this population discount cards and a limited number of free tickets to this population who were previously able to ride fare-free. The intent of this initiative is to distribute a fixed number of tickets to intermediaries who will then issue the tickets to this target population on a first-come-first served basis. Intermediaries will include a number of full-service senior centers located throughout the state, as well as the Aging and Disability Resource Center at The POINT. Distribution sites will be locations with standing relationships with DEA who are currently providing comprehensive services to seniors living in the community.

As of February 1, 2017, the Division is running a pilot program similar to this proposed initiative. Under the pilot program, DEA is only able to purchase enough fare products to serve 42.0 percent of the senior population carrying the qualifying reduced fare bus pass. Currently, the Division is distributing fare products with a value of \$5 (10 one-way trips) per month. Data from RIPTA shows that on average, seniors use more than 30 one-way trips per month. Under the proposed initiative the Division anticipates to purchase five-thousand \$5 fare cards per month and expect to serve, at minimum, the same percentage of the population they are currently serving under the pilot program. According to the Division, this program is intended to mitigate the impact of the elimination of the free bus pass program upon RI’s vulnerable seniors, but does not replace the Free Fare program.

**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 FY2016, RIPTA’s total ridership was 18.2 million passengers, a net decrease of 1.6 percent from FY2015. The largest decrease, 7.2 percent, was in RIDE senior and disabled transportation program. The following table shows ridership, by category, for RIPTA for FY2012 through FY2016.



*Analyst Note: According to RIPTA, the 11.0 percent decline in ridership between FY2014 and FY2016 is related to the hiring of LogistiCare by the State in 2014, which had a strong impact on both the fixed route and RIdE. Prior to this RIPTA served as both the broker of ADA services and as a provider. LogistiCare has been the designated broker since FY2014 and shifted trips away from RIdE as a provider. For business reasons RIPTA decided to cease being a LogistiCare provider in FY 2017. Also, impacting ridership during FY2016 was the requalification of Senior/Disabled Pass holders as part of the implementation of the new fare structure. The process identified riders who either no longer were interested in the program or who were no longer eligible.*

## SELECTED CAPITAL PROJECTS

The Governor recommends \$105.3 million in capital expenditures, of which \$9.1 million is Rhode Island Capital Plan (RICAP) funded and \$96.2 million is funded by the Federal Transit Administration (FTA) and other federal funds, between FY2017 and FY2022, including the following:

**Bus Purchases:** RIPTA has a fixed route fleet of 235 fixed route vehicles, including 206 fixed route buses, 10 fixed route trolleys, and 19 flex zone buses (less than 30 feet long). During FY 2017, RIPTA has retired 15 buses that were put into service in 2004 and 9 buses that were put into service in 2005. These vehicles were replaced with 24 new, fuel-efficient buses, which are equipped with emission control devices devised to meet EPA guidelines for Clean Air standards.

In FY 2018, RIPTA will purchase 29 buses and will retire the remaining 2005 fleet. The local required match of 20% for this vehicle purchase is currently budgeted to come to RIPTA from RIDOT using the Highway Maintenance account. Prior budgets funded this match using RICAP after RIPTA's portion of the State Fleet Replacement Revolving Loan fund became exhausted. Vehicles were determined to be an ineligible use of RICAP funds and was pulled from the budget resulting in the replacement of the remaining 2005 fleet to be delayed.

The Budget includes \$11.6 million in FY2017, including \$9.4 million in FTA funds and \$2.2 million from the State Fleet Replacement Fund; and in FY2018 the Budget includes \$12.8 million for bus purchases including \$12.5 million in FTA funds and \$273,496 from the State Fleet Replacement Fund.

**Paratransit Vehicles:** RIPTA maintains a fleet of 117 vehicles for the paratransit program, also known as RIdE. FTA guidelines recommends that Paratransit vehicles should be retired at the end of their 5-year useful life. In spite of uncertainties within the paratransit program, the age of the Paratransit fleet requires the continued replacement of vehicles that are past their useful life.

Paratransit vehicles are funded via a fee charged for all trips provided via the paratransit program. The proceeds from this fee are put into the Paratransit Revolving Loan fund, an internal RIPTA mechanism which funds the match for paratransit vehicles. Proceeds from this fee have fallen as the trip volume under the program have been reduced. RIPTA continues to review this funding mechanism to determine the long-term impact on paratransit fleet replacement.

The Budget includes \$1.4 million in both FY2017 and FY2018 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.

**Farebox Upgrade:** The Governor recommends \$5.5 million in FY2018 to upgrade RIPTA's vehicle fareboxes from a mechanical process to a digital process. The project is an extension of the recommendations of the fare study conducted by RIPTA in FY2015. The project will be financed using \$4.4 million in Federal Transit Administration Funds and \$1.1 million in RIPTA operating funds.

### **Mass Transit Hub Infrastructure**

RIPTA, in partnership with the Rhode Island Department of Transportation (RIDOT) is combining state and federal dollars to improve transit capacity, improve rail services at Providence Station, establish

intermodal connections, and support economic development. These funds include a \$35.0 million general obligation bond authorization approved by the voters in the November 2014 general election and a \$650,000 Transportation Investment Generating Economic Recovery (TIGER) awarded in FY2014 from the U.S. Department of Transportation.

The infrastructure improvements will consist of three major transit projects:

- Decentralization of RIPTA layovers by transitioning from one downtown Providence hub (Kennedy Plaza) into two planned transit centers: the Providence Station Transit Center (north downtown, adjacent to Providence Train Station, serving over 20+ routes, and the Hospital hub (south downtown), serving an additional 20+ routes. By decentralizing route termini, routes will be simplified and cover more ground within downtown, making it easier for more riders to get to more places without transferring. Kennedy Plaza, while remaining an important transit center, is planned to become a pedestrian-focused urban space and gateway for visitors, residents and businesses.
- Reprogramming Kennedy Plaza into a “superstop” that would continue to serve most RIPTA routes, but eliminates layovers. Superstops are locations where multiple transit services meet that provide for a convenient transfer between routes and that connect passengers with community activity centers.
- Developing Transit Emphasis Corridors that feature frequent headways, transit signal priority technology, superstops, and potential for dedicate bus and bike lanes.

The funds for these projects have been allocated within the State’s 10-year plan. The plan calls for the State to contribute these funds to a public-private partnership responsible for the planning and construction of the intermodal facility in tandem with a complimentary, secondary uses (residential, office, commercial, etc.). The Department of Administration, through its Division of Capital Asset Management and Maintenance, advertised a request for qualifications (RFQ) in July, 2016, as a part of a multi-stage process to identify a public-private partner for the development of the Providence Station Transit Centers. Four responses were received by the September 1, 2016, due date and RIDOT will announce the award in late Summer 2017, with construction beginning in fall 2018.





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## SPECIAL REPORTS

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## Personnel

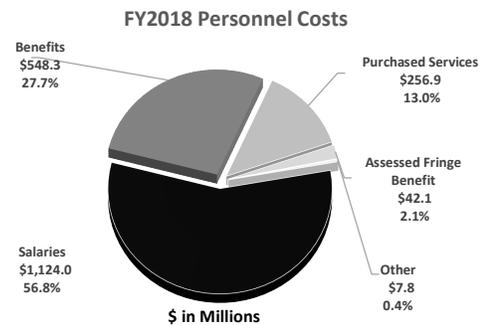
The Governor's FY2018 Budget includes a total of \$1,979.1 million for personnel expenditures, a decrease of \$6.4 million compared to the FY2017 Budget as Enacted, and \$53.3 million less than the Governor's FY2017 Revised Budget recommendation. Salaries and benefits total \$1,672.3 million and comprise 84.5 percent of FY2018 personnel expenditures (53.4 percent of the salaries and benefits costs are supported by general revenue).

The Governor's FY2017 Supplemental Budget includes \$2,032.4 million for personnel expenditures, an increase of \$46.9 million compared to the FY2017 Budget as Enacted. Salaries and benefits total \$1,634.4 million and comprise 80.4 percent of FY2017 revised personnel expenditures (51.6 percent of the salaries and benefits costs are supported by general revenue). Purchased services decrease \$44.2 million, (\$3.4 million in general revenue), largely due to decreasing 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 FY2018 total \$1,124.0 million, comprising 56.8 percent of total personnel costs, an increase of \$11.2 million (1.0 percent) from the FY2017 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 \$548.3 million and comprise 27.7 percent of total personnel costs. Benefits increase \$24.2 million (4.6 percent) from the FY2017 Budget as Enacted, primarily due to increased medical benefit costs.

Purchased services costs are \$256.9 million (13.0 percent) of the total personnel costs. Purchased services decrease \$44.2 million (-14.7 percent) from the FY2017 Budget as Enacted.



Expenses by Description	FY2015 Actual	% of Total	FY2016 Actual	% of Total	FY2017 Enacted	% of Total	FY2017 Governor	% of Total	FY2018 Governor	% of Total
Salaries	\$1,043.0	55.6%	\$1,066.8	55.2%	\$1,112.8	56.0%	\$1,104.4	54.3%	\$1,124.0	56.8%
Benefits	478.3	25.5%	480.9	24.9%	524.1	26.4%	530.0	26.1%	548.3	27.7%
Purchased Services	310.5	16.6%	339.5	17.6%	301.1	15.2%	349.8	17.2%	256.9	13.0%
Assessed Fringe Benefits	38.8	2.1%	39.6	2.0%	42.5	2.1%	42.2	2.1%	42.1	2.1%
Other	4.4	0.2%	5.3	0.3%	5.0	0.3%	6.0	0.3%	7.8	0.4%
<b>Total</b>	<b>\$1,875.0</b>	<b>100.0%</b>	<b>\$1,932.1</b>	<b>100.0%</b>	<b>\$1,985.5</b>	<b>100.0%</b>	<b>\$2,032.4</b>	<b>100.0%</b>	<b>\$1,979.1</b>	<b>100.0%</b>

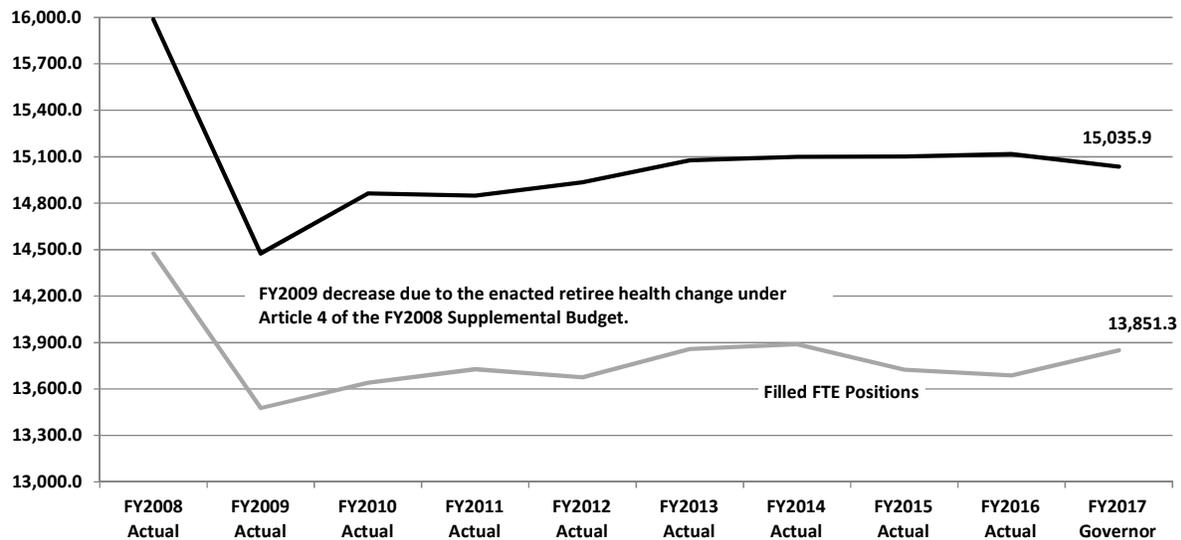
\$ in millions. Totals may vary due to rounding.

Expenses by Function	FY2015	FY2016	FY2017 Enacted	FY2017 Governor	FY2018 Governor	% of Pers. Budget	FY2018	
							General Revenue	FY2018 General Revenue %
General Government	\$295.3	\$273.0	\$285.9	\$303.0	\$295.9	15.0%	\$178.9	60.5%
Human Services	471.5	518.6	489.4	521.6	450.5	22.8%	204.2	45.3%
Education	555.6	577.9	611.8	600.9	615.4	31.1%	167.6	27.2%
Natural Resource	56.4	54.7	63.5	66.7	63.5	3.2%	33.3	52.4%
Public Safety	391.0	400.2	415.6	420.6	426.1	20.6%	390.1	91.6%
Transportation	105.2	107.7	119.3	119.6	127.7	6.5%	-	-
<b>Total</b>	<b>\$1,875.0</b>	<b>\$1,932.1</b>	<b>\$1,985.5</b>	<b>\$2,032.4</b>	<b>\$1,979.1</b>	<b>100.0%</b>	<b>\$974.1</b>	<b>49.2%</b>

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

## FTE POSITIONS

The FY2017 Budget as Enacted authorizes 14,952.6 FTE positions. At the start of the fiscal year, 13,679.6 FTE positions (91.5 percent of the original enacted authorized amount) were filled, leaving 1,273.0 FTE positions vacant, a rate of 8.5 percent. Over the last nine fiscal years, the state vacancy rate has averaged 8.4 percent, or 1,261.0 FTE positions. Since the start of the fiscal year, the State has a net increase of 171.7 filled FTE positions. As of February 18, 2017, 13,851.3 FTE positions (92.6 percent of the authorized amount) were filled, leaving 1,101.3 FTE positions vacant. Since the start of the fiscal year, the State has a net increase of 171.7 FTE positions.



The following table illustrates the number of FTE positions by government function.

Government Function	FY2017 Enacted	FY2017 Governor	Change to Enacted	FY2018 Governor	% of Total	FY18/FY17	FY18/FY17
						Governor Change	Enacted Change
General Government	2,342.7	2,380.4	37.7	2,402.9	15.9%	22.5	60.2
Human Services	3,619.6	3,618.6	(1.0)	3,561.6	23.6%	(57.0)	(58.0)
Education	3,909.9	3,908.9	(1.0)	3,918.9	26.0%	10.0	9.0
Public Safety	3,205.6	3,212.2	6.6	3,231.2	21.4%	19.0	25.6
Natural Resources	428.0	429.0	1.0	432.0	2.9%	3.0	4.0
Transportation	701.0	741.0	40.0	775.0	5.1%	34.0	74.0
<b>Subtotal</b>	<b>14,206.8</b>	<b>14,290.1</b>	<b>83.3</b>	<b>14,321.6</b>	<b>95.1%</b>	<b>31.5</b>	<b>114.8</b>
Sponsored Research	745.8	745.8	-	745.8	4.9%	-	-
<b>Total FTE Positions</b>	<b>14,952.6</b>	<b>15,035.9</b>	<b>83.3</b>	<b>15,067.4</b>	<b>100.0%</b>	<b>31.5</b>	<b>114.8</b>

**FY2017:** The Governor's FY2017 Revised Budget proposes 15,035.9 FTE positions, a net increase of 83.3 FTE positions from the FY2017 Budget as Enacted. Major FTE changes include:

- An increase of 40.0 FTE positions in the Department of Transportation:** The Governor adds 40.0 new positions within DOT. These personnel changes are associated with the ongoing reorganization of the Department. These positions are: 1.0 Accountant, 1.0 Administrator Civil Rights Program, 2.0 Assistant Chiefs of Planning, 1.0 Assistant Director of Financial and Contract Management, 3.0 Bridge Inspectors, 1.0 Building Superintendent, 1.0 Business Management Officer, 1.0 Chief Implementation Aide, 1.0 Contracts Specialist I, 1.0 Contracts Specialist II, 1.0 Deputy Chief Engineer, 1.0 Executive Assistant; 1.0 Highway Maintenance Operator I, 4.0 Highway Maintenance Operator II, 1.0 Internet Communications Specialist, 1.0 Manager (Construction Management), 1.0 Managing Engineer, 1.0 Mechanical Parts Storekeeper, 4.0 Principal Civil Engineer, 1.0 Principal

Environmental Scientist, 3.0 Project Manager I, 1.0 Project Manager II, 1.0 Senior Civil Engineer, 1.0 Senior Environmental Scientist, 2.0 Senior External Equal Opportunity Compliance Officer, 2.0 Supervising Bridge Safety Inspector, and 1.0 Supervising Civil Engineer.

- **An increase of 26.7 FTE positions in the Department of Labor and Training:** There is an increase of 26.7 FTE positions within the Department of Labor and Training. This increase includes: 14.2 FTE positions within the Income Support Program associated with claims processing services; 1.0 FTE position associated with the Real Jobs Rhode Island workload within Workforce Development Services; 4.0 FTE positions within the Workforce Regulation and Safety program associated with workplace fraud caseloads; 1.5 FTE positions within Central Management, including 1.0 Administrative Officer and 0.5 Legal Counsel; 1.0 Investigative Auditor and 1.0 Senior Monitoring and Evaluation Specialist to augment existing staff to create the Compliance and Integrity Unit; 1.0 Chief of Information and Public Relations to assist in meeting the demands of the Marketing and Communications Unit; 1.0 Principal Research Technician to meet the demands of the State Workforce and Education Alignment Project (SWEAP) funded by a grant from the National Skills Coalition; 1.0 Assistant Coordinator of Employment and Training Programs for the LEAP (Linking to Employment Activities Pre-release) program, which provides employment services for formerly incarcerated individuals; and, 1.0 Assistant Chief of Planning, a new position created to meet the demands within the Governor’s Workforce Board.
- **An increase of 9.0 FTE positions in the Department of Business Regulation:** This net increase is associated with several personnel changes that are recommended by the Governor in FY2017 and are included in FY2018. These positions include 1.0 Senior Management & Methods Analyst FTE position in Central Management, 3.0 Bank Examiner FTE positions in Banking Regulation, 3.0 Insurance Examiner, 1.0 Senior Insurance Examiner, and 1.0 Licensing Aide position in Insurance Regulation.
- **An increase of 6.4 FTE positions in the Department of Public Safety:** The FY2017 Budget as Enacted authorized a total of 610.2 FTEs across all divisions at the Department of Public Safety. This is 23.2 FTE positions less than the Department was authorized for in FY2016. DPS identified a net reduction of 17.0 positions across several divisions, bringing the total authorized positions recognized by DPS to 616.2. DPS, however, did not fully implement the enacted reductions, resulting in 6.4 FTE positions more than enacted by the General Assembly in FY2017.
- **An increase of 3.0 FTE positions in the Public Utilities Commission:** The Budget adds 2.0 Administrative Assistants, one for the Division and one for the Commission, and a 1.0 Chief of Program Development position. The Administrative Assistants are required to assist Commission and Division staff with energy policies. The Chief of Program Development position is required to meet the increased demand in Energy Facilities Siting Board filings, rate modernization, and the changes to evolving energy policy.
- **A decrease of 1.0 FTE position in the Office of the General Treasurer:** The Budget includes a decrease of 1.0 FTE position reflecting the elimination of the Director of Member Services position for the CollegeBoundSaver Program, which was not funded in the enacted budget.
- **A decrease of 1.0 FTE position in the Office of Health and Human Services:** The Budget transfers 1.0 FTE position, an Interdepartmental Manager, to a vacant position within the Governor’s Office.
- **A decrease of 1.0 FTE position in the Department of Children, Youth, and Families:** The Budget transfers 1.0 FTE position, an Interdepartmental Manager, to a vacant position within the Governor’s Office.
- **An increase of 1.0 FTE position in the Office of Child Advocate:** 1.0 federally-funded Case Management Coordinator position is added in FY2017.

- **A decrease of 1.0 FTE position in the Historical Preservation and Heritage Commission:** The Budget includes a decrease of 1.0 FTE position to account for the transfer of the Eisenhower House events coordinator to the Department of Environmental Management.
- **An increase of 1.0 FTE position at the Department of Environmental Management:** The Budget includes 1.0 FTE position transferred from the Historical Preservation and Heritage Commission for the management of the Eisenhower House.
- **An increase of 0.2 FTE position in Judiciary:** The Budget includes a 0.2 FTE position technical adjustment.

**FY2018:** The Governor's FY2018 Budget proposes 15,067.4 FTE positions, a net increase of 114.8 FTE positions from the FY2017 Budget as Enacted, and an increase of 31.5 FTE positions from the Governor's recommendation for the FY2017 Revised Budget. The major changes include:

- **A decrease of 99.0 FTE positions in the Department of Human Services:** The Budget includes a reduction of 60.0 FTE positions due to the implementation of the new UHIP system. Additionally, there is a shift of 39.0 FTE finance positions to the Executive Office of Health and Human Services. This consolidation will allow for coordination among finance departments by centralizing staff at EOHHS office space; however, the financing for the FTE positions will remain in the Department of Human Services to maximize federal financing participation.
- **An increase of 90.0 FTE positions in the Office of Health and Human Services:** The Governor transfers 90.0 FTE positions from the Department of Human Services (DHS), Department of Children, Youth, and Families (DCYF), the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH), and the Department of Health (DOH) to consolidate finance staff to the Executive Office of Health and Human Services.

The consolidation will allow for coordination among finance departments by centralizing staff at EOHHS office space. The financing for the FTE positions will remain in the respective departments to maximize federal financing participation.

- **An increase of 74.0 FTE positions in the Department of Transportation:** The Governor recommends increasing DOT's authorized level of FTEs in FY2018 to 775.0, 74.0 positions more than the FY2017 enacted level. This increase consists of the following new positions: 2.0 Assistant Administrative Officers, 14.0 Bridge Maintenance Workers, 1.0 Chief Civil Engineer for Road Design, 1.0 Civil Engineering Associate, 1.0 Highway Maintenance Operator I, 6.0 Highway Maintenance Operator II, 1.0 Planner, 1.0 Principal Civil Engineer, 3.0 Road Maintenance Supervisors, 1.0 Supervising Environmental Scientist, 2.0 Electrical Inspectors, and 1.0 Engineering Technician. These are in addition to the net 40.0 FTEs recommended to be added by the Governor in the revised FY2017 Supplemental Budget.
- **An increase of 50.4 FTE positions in the Department of Public Safety:** This increase consists of numerous personnel adjustments, the majority of which are attributable to the integration of the Emergency Management Agency with the DPS. This reorganization results in a total increase of a 29.0 FTE positions at DPS. Within the State Police, important FTE changes include a net 3.0 FTE position add, including the addition of 1.0 Cyber Analyst and 1.0 Computer/Cyber Forensic Analyst position that the Governor recommends be converted from federal grant funding that is ending in FY2018. The budget also includes the addition of 2.0 civilian Senior Planning and Program Specialists to relieve uniform personnel from duties in the Planning, Research, and Accreditation Bureau in order to focus on law enforcement; and the transfer of 1.0 Data Processing System Manager to the Department of Administration's Division of Information of Technology. The Budget also includes the addition of 1.0 Assistant Explosives and Flammable Liquids Technician to assist the Fire Marshal; 5.0 Screener positions to assist Capitol Police with the security at state buildings; and

2.0 Capitol Police Officers to provide security at the Department of Health and the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals. Within Central Management, the Governor adds several new civilian positions including a 1.0 Chief of Motor Pool and Maintenance, 1.0 Project Manager I, 1.0 Director of Public Information, 1.0 Executive Assistant to the new Commissioner of Public Safety, 1.0 Director of Policy, and the transfer of 4.0 FTE positions associated with human resource functions to the DOA. These are in addition to the net 6.4 FTE positions, including the 1.0 Commissioner of Public Safety position, recommended to be added by the Governor in the FY2017 supplemental budget.

- **A decrease of 29.0 FTE positions in the Rhode Island Emergency Management Agency:** The Budget transfers the Rhode Island Emergency Management Agency and the associated FTE positions into a re-organized Department of Public Safety, further consolidating state public safety agencies into a single entity.
- **An increase of 24.2 FTE positions in the Department Labor and Training:** There is a net increase of 24.2 FTE positions within the Department of Labor and training. The following positions are added in the FY2017 Supplemental Budget and the FY2018 Budget: 14.2 FTE positions within the Income Support Program associated with claims processing services; 1.0 FTE position associated with the Real Jobs Rhode Island workload within Workforce Development Services; 4.0 FTE positions within the Workforce Regulation and Safety program associated with workplace fraud caseloads; 1.5 FTE positions within Central Management, including 1.0 Administrative Officer and 0.5 Legal Counsel; 1.0 Investigative Auditor and 1.0 Senior Monitoring and Evaluation Specialist to augment existing staff to create the Compliance and Integrity Unit; 1.0 Chief of Information and Public Relations to assist in meeting the demands of the Marketing and Communications Unit; 1.0 Principal Research Technician to meet the demands of the State Workforce and Education Alignment Project (SWEAP) funded by a grant from the National Skills Coalition; 1.0 Assistant Coordinator of Employment and Training Programs for the LEAP (Linking to Employment Activities Pre-release) program, which provides employment services for formerly incarcerated individuals; 1.0 Assistant Chief of Planning, a new position created to meet the demands within the Governor's Workforce Board. Additionally, in FY2018 there is a decrease of 2.5 FTE positions within the Board of Review, including 2.0 Referees and 0.5 Lawyer.
- **An increase of 16.0 FTE positions in the Department of Revenue:** The Governor includes an increase of 16.0 FTE positions. The FTE increase includes 8.0 FTE positions to reduce wait times at the Registry of Motor Vehicles, including 2.0 Motor Vehicle Appeals Officers and 6.0 Customer Service Representative I positions. The Division of Taxation adds 2.0 Taxpayer Service Specialists; 2.0 Revenue Agent I positions; 1.0 Teller; 2.0 Data Analyst I; and 1.0 Supervising Revenue Officer.
- **An increase of 10.0 FTE positions in Public Higher Education:** The Budget includes 10.0 new FTE positions for the administrative staff at the newly created Nursing Education Center.
- **An increase of 9.0 FTE positions in the Department of Business Regulation:** This net increase is associated with several personnel changes that are recommended by the Governor in FY2017 and are included in FY2018 FTE totals. These positions include 1.0 Senior Management & Methods Analyst FTE position in Central Management, 3.0 Bank Examiner FTE positions in Banking Regulation, 3.0 Insurance Examiner, 1.0 Senior Insurance Examiner and 1.0 Licensing Aide position in Insurance Regulation.
- **An increase of 6.0 FTE positions in the Public Utilities Commission:** The Budget adds 1.0 Deputy Chief of Legal position, 1.0 Fiscal Management Officer, and a 1.0 Regulatory Research Specialist. These three positions are required to handle the increase work involving regulatory research and analysis, increased fiscal and financial reporting requirements, and a projected increase in administrative proceedings. In addition, the Budget adds 2.0 Administrative Assistants, one for the Division and one for the Commission, and a 1.0 Chief of Program Development position. The

Administrative Assistants are required to assist Commission and Division staff with energy policies. The Chief of Program Development position is required to meet the increased demand in Energy Facilities Siting Board filings, rate modernization, and the changes to evolving energy policy.

- **An increase of 5.0 FTE positions in the Department of Administration:** The Budget merges 5.0 FTE positions from the Department of Public Safety into the information technology (1.0 FTE position) and human resource (4.0 FTE positions) service centers consolidated in the Department of Administration.
- **A decrease of 4.0 FTE positions in the Department of Health:** The Budget includes a net decrease of 4.0 FTE positions. The FTE increases include 3.0 FTE positions to reflect the lead consolidation effort; 1.0 FTE Health Program Administrator to address the backlog of Department regulation; 1.0 FTE Nursing Care Evaluator to inspect health care facilities; and 1.0 FTE Public Health Promotion Specialist to investigate complaints against medical professionals. The FTE reductions include 1.0 FTE to reflect the consolidation of the heads of the Center for Professional Boards and Commissioner and the Center for Professional Licensing into one position; 2.0 FTE positions are transferred to the Office of the Health Insurance Commissioner as part of the consolidation of the utilization review process; Additionally, there is a shift of 7.0 FTE positions to reflect the centralization of finance and human services functions. This consolidation will allow for coordination among finance departments by centralizing staff at EOHHS office space; however, the financing for the FTE positions will remain in the Department of Health to maximize federal financing participation.
- **An increase of 4.0 FTE positions at the Department of Environmental Management:** The Budget includes 4.0 new FTE positions including: 1.0 FTE position transferred from the Historical Preservation and Heritage Commission for the management of the Eisenhower House; 1.0 FTE position for a new merchandising program, and 2.0 FTE positions for Environmental Scientists to work on reducing storm water and other pollution into waterways.
- **An increase of 3.0 FTE positions in the Department of Corrections:** The Governor includes an increase of 3.0 FTE positions associated with mental health services. This increase includes 2.0 Clinical Social Workers and 1.0 Administrative Assistant.
- **An increase of 1.0 FTE position in the Executive Office of Commerce:** The increase reflects the addition of 1.0 Assistant Administrator, Financial Management FTE position within the Central Management program.
- **A decrease of 1.0 FTE position in the Office of the General Treasurer:** The Budget includes a decrease of 1.0 FTE position reflecting the elimination of the 1.0 Director of Member Services position for the CollegeBoundSaver Program, which was not funded in the enacted budget.
- **An increase of 1.0 FTE position in the Office of the Child Advocate:** The Budget include 1.0 case management coordinator position in FY2018. The additional FTE position is expected to increase general revenue expenditures by \$23,306 in FY2018. The additional case management coordinator will support the Victims of Crime Act (VOCA) program which provides assistance to victims and their families seeking support through the OCA.
- **An increase of 1.0 FTE position in the Office of the Public Defender:** There is an increase of 1.0 FTE attorney position in the Office of the Public Defender.
- **An increase of 0.2 FTE position in Judiciary:** The Budget includes a 0.2 FTE position technical adjustment.

## PERSONNEL REFORMS

The Governor includes language in the Budget (Article 6) to amend several statutory provisions pertaining to the State personnel system in an attempt to modernize the system, including:

**Department Directors' Salaries:** The Governor would repeal RIGL 36-4-16.4, eliminating the required 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 3 amends RIGL 36-6-3 and 36-6-5 to allow the directors' salaries to be set by the Governor 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 \$130,100 for the Director of Revenue to \$205,706 for the Secretary of Commerce.

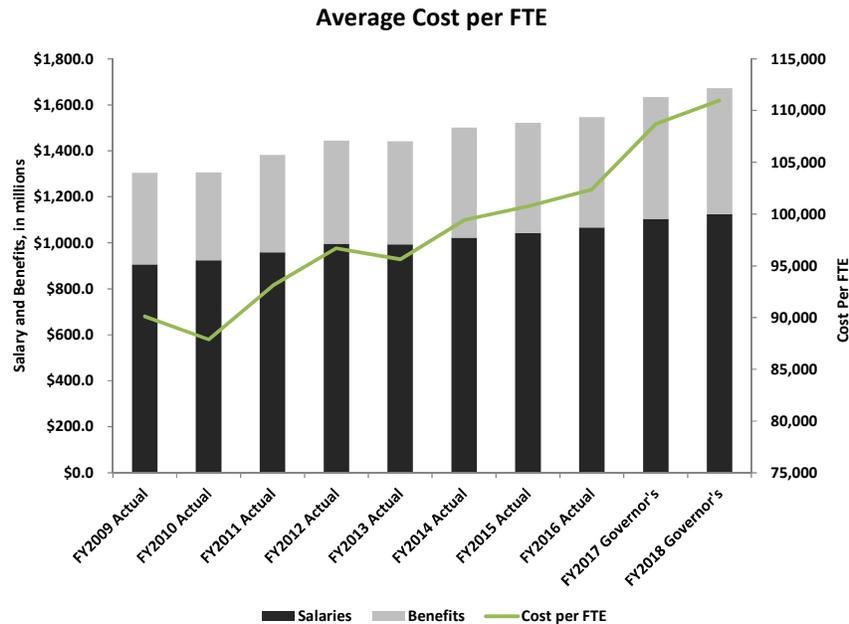
Most state employee salaries are not subject to public hearing and General Assembly authorization. Consequently, in many departments there are employees who earn more than the department director. According to the Department of Administration there is no direct savings anticipated with passage of this section, nor are there any identified expenditure increases.

**Personnel/Merit System Reforms:** The Budget amends RIGL 36-4-16.2 and 36-4-29 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.
- Provides that a promotional appointee, who was promoted on or after July 1, 2017, and whose position restoration privileges are not covered by a collective bargaining agreement as of June 30, 2017, may be restored to their former classification, if they are dismissed from their promoted position during the probationary period. The section changes the act of restoring the person to their former position, from a requirement to a discretionary action.

## AVERAGE COST PER FTE

The projected average cost per FTE position is \$110,986 in FY2018, reflecting an increase of 2.1 percent over the FY2017 Governor's Revised Budget. Statewide, total salary costs annually increased on average by 2.4 percent and benefit costs increased 3.6 percent since 2009. 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 74.8 percent of the total FY2018 purchased service expenditure recommendation in the Governor's FY2018 budget.

Purchased Services	FY2014	FY2015	FY2016	FY2017	FY2017	FY2018	FY18 to
	Actual	Actual	Actual	Enacted	Governor	Governor	FY17
Design & Engineering	\$44.8	\$43.3	\$47.9	\$47.5	\$48.7	\$46.8	(\$0.7)
Management & Consultant Services	80.0	101.7	79.3	94.7	88.8	74.9	(19.8)
Training & Educational Services	44.4	42.2	48.5	44.7	50.3	43.4	(1.3)
Information Technology	74.9	61.7	107.4	44.8	95.1	27.1	(17.7)
Medical Services	10.6	13.1	15.5	15.7	16.7	16.6	0.9
Other Contracts	13.0	15.9	12.7	15.1	15.6	15.4	0.3
Clerical & Temporary Services	5.3	3.7	3.7	4.0	5.2	5.3	1.3
Buildings & Grounds Maintenance	6.2	6.6	5.6	7.1	6.5	6.7	(0.4)
Legal Services	5.4	6.3	4.9	5.1	6.1	5.0	(0.1)
University & College Services	17.7	16.0	14.0	22.4	16.8	15.7	(6.7)
<b>Total</b>	<b>\$302.3</b>	<b>\$310.5</b>	<b>\$339.5</b>	<b>\$301.1</b>	<b>\$349.8</b>	<b>\$256.9</b>	<b>(\$44.2)</b>

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

Does not include Internal Service Funds

For the FY2018 Budget, the Governor recommends \$256.9 million for purchased service expenses, of which \$57.6 million (22.4 percent) is general revenue. The FY2018 Budget recommendation reflects a decrease of \$44.2 million from the Governor’s FY2017 Budget as Enacted and a decrease of \$92.9 million from the Governor’s FY2017 Budget as Revised, reflecting the decrease in federal funding for the Unified Health Infrastructure Project (UHIP) within the Executive Office of Health and Human Services. Approximately \$239.9 million (93.4 percent) of the appropriation funds services in seven state departments.

**Purchased Services**

Department	FY2017 Enacted	FY2017 Governor	FY2018 Governor	FY2018 General Revenue
Health and Human Services	\$92.9	\$116.4	\$57.7	\$13.5
Transportation	38.7	39.3	38.8	-
Elementary and Secondary Education	38.5	42.7	36.3	5.0
University of Rhode Island	22.5	18.4	18.3	2.0
Human Services	15.0	19.2	16.2	3.8
Administration	15.4	22.6	14.0	7.5
Corrections	13.3	12.9	13.2	12.6
Health	9.1	10.2	9.6	1.3
Environmental Management	7.0	9.1	8.3	0.2
Revenue	4.3	7.1	5.3	1.4
Higher Education	4.5	4.6	4.9	0.1
Labor and Training	5.8	8.2	4.8	0.1
DCYF	5.0	4.9	4.2	2.1
All Other Agencies	29.1	34.2	25.3	8.0
<b>Total</b>	<b>\$301.1</b>	<b>\$349.8</b>	<b>\$256.9</b>	<b>\$57.6</b>

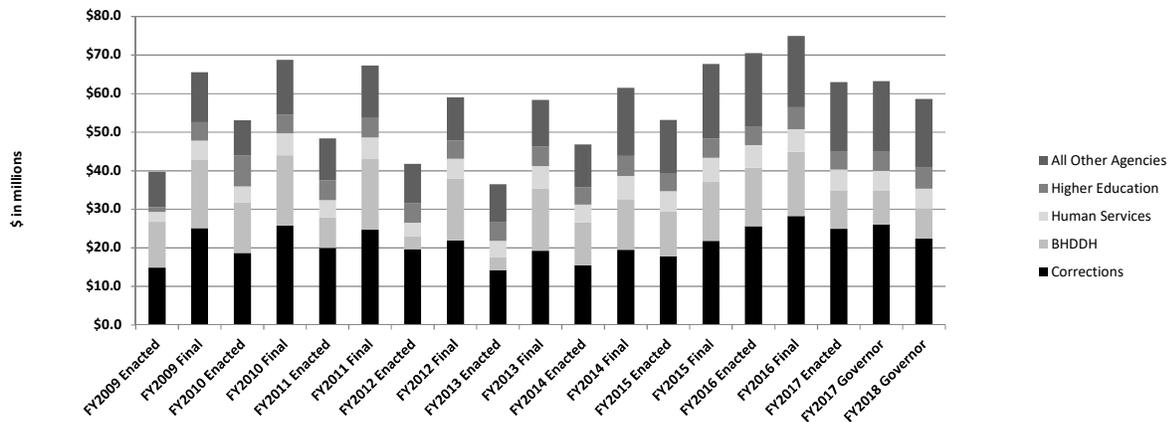
*\$ in Millions*

*Does not include Internal Service Funds*

**OVERTIME**

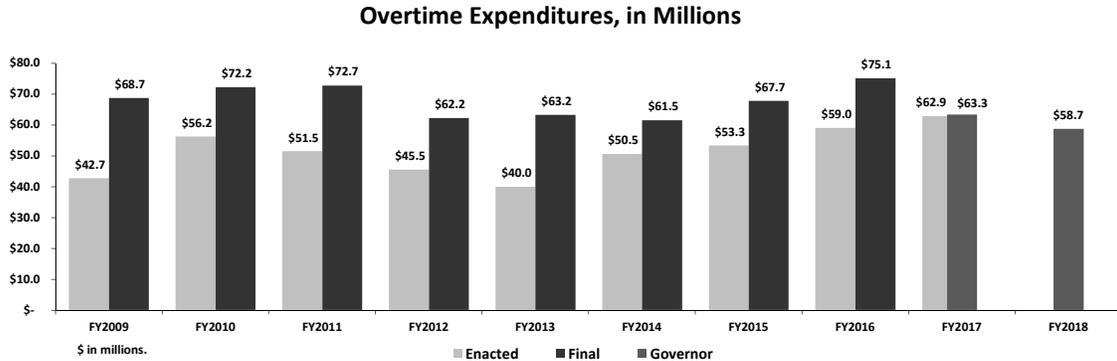
Overtime costs in FY2018 are projected to total \$58.6 million, \$4.4 million less than the FY2017 Budget as Enacted and \$4.7 million less than proposed in the Governor’s FY2017 Revised Budget. General revenue supports 67.4 percent of overtime expenses. 38.2 percent of the total FY2018 projected overtime expenditures for the State occur with the Department of Corrections, which is projected to decrease 10.4 percent in FY2018.

**Overtime Costs**



State agencies regularly over spend their overtime appropriation. Over the last six fiscal years, overtime expenditures have exceeded enacted amounts by an average of \$17.1 million (34.4 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 FY2018 projected rates for individual and family health insurance are 11.8 percent higher than the rates for FY2017.

**Health Insurance Rates Annual Employer Cost per Employee**

	FY2001	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2017	FY2018	% Change
Individual	Actual*	Actual	Enacted	Governor	Governor	FY18/FY17							
Medical	\$2,772	\$5,970	\$6,020	\$6,558	\$6,559	\$7,062	\$6,967	\$7,525	\$7,358	\$7,601	\$8,051	\$8,495	11.8%
Dental	241	327	360	349	350	376	382	405	393	405	408	414	2.2%
Vision	41	82	83	83	84	63	59	60	57	79	57	57	-27.8%
<b>Total</b>	<b>\$3,054</b>	<b>\$6,379</b>	<b>\$6,463</b>	<b>\$6,991</b>	<b>\$6,993</b>	<b>\$7,501</b>	<b>\$7,408</b>	<b>\$7,990</b>	<b>\$7,808</b>	<b>\$8,085</b>	<b>\$8,516</b>	<b>\$8,966</b>	<b>10.9%</b>
<b>Family</b>													
Medical	\$7,772	\$16,736	\$16,877	\$18,386	\$18,386	\$19,799	\$19,531	\$21,093	\$20,626	\$21,307	\$22,571	\$23,815	11.8%
Dental	674	917	1,008	978	978	1,052	1,068	1,132	1,100	1,133	1,143	1,160	2.4%
Vision	88	173	177	177	177	173	161	165	157	162	157	157	-3.1%
<b>Total</b>	<b>\$8,533</b>	<b>\$17,827</b>	<b>\$18,062</b>	<b>\$19,540</b>	<b>\$19,541</b>	<b>\$21,024</b>	<b>\$20,760</b>	<b>\$22,390</b>	<b>\$21,883</b>	<b>\$22,602</b>	<b>\$23,871</b>	<b>\$25,132</b>	<b>11.2%</b>

Source: State Budget Office

\* Medical included BCBSRI & United Healthcare

Dental projected to increase 3.0% January 1, 2017

**State Employee Health Plan Costs**

The FY2018 proposed total employer expenditure for state employee health plan costs is \$208.3 million, of which \$107.2 million is general revenue. This is \$16.2 million higher than the FY2017 Budget as Enacted, and \$12.5 million more than the Governor’s proposed FY2017 Revised Budget.

### State Employee Health Plan Total Costs

Health Plan	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2017	FY2018	FY18 to FY17	% Change
	Actual	Enacted	Governor	Governor	Change	FY18/FY17						
Medical	\$126.7	\$148.6	\$145.9	\$155.2	\$162.1	\$157.5	\$164.1	\$179.5	\$183.3	\$195.5	\$16.0	8.9%
Dental	9.0	9.2	9.2	9.3	9.8	9.7	9.6	11.0	10.9	11.2	0.2	1.8%
Vision	1.6	1.6	1.5	1.4	1.4	1.4	1.3	1.6	1.6	1.6	-	0.0%
<b>Total</b>	<b>\$137.3</b>	<b>\$159.4</b>	<b>\$156.6</b>	<b>\$165.9</b>	<b>\$173.3</b>	<b>\$168.6</b>	<b>\$175.0</b>	<b>\$192.1</b>	<b>\$195.8</b>	<b>\$208.3</b>	<b>\$16.2</b>	<b>8.4%</b>

\$ in millions

### 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%	\$145.00
25,000 - 34,999	13.5%	46,350 - 92,700	20.0%	\$48,670 - \$95,481	20.0%	193.31
35,000 - 44,999	13.5%	Over \$92,700	25.0%	Over \$95,481	25.0%	241.65
45,000 - 74,999	20.0%					
75,000 - 89,999	20.0%					
Over \$90,000	25.0%					

### 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%	\$68.96
45,000 - 74,999	20.0%	46,350 - 92,700	20.0%	Over \$95,481	25.0%	86.23
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

## STATE EMPLOYEES AND TEACHERS ACTUARIAL VALUATION REPORT

Gabriel Roeder Smith and Company (GRS), actuary to the State Retirement Board, submitted the June 30, 2016, actuarial valuation reports covering state employees, teachers, municipal employees, state police, and judges.

The actuarial valuation impacts the employer contribution rates approved by the Board (certified) for FY2019. There is no impact to the FY2017 certified employer contribution rates. The GRS analysis reflects continuing drop in payroll growth and investment return below the assumed 7.5 percent annual return. The Board approved the employer contribution rates as presented by GRS.

### Active Employee to Retiree Ratio

According to GRS, the ratio of active employees to retirees, although slightly better, continues to negatively impact the State Retirement Fund. Beginning in 1999, the active employee ratios have decreased for state employees and teachers. The 2016 valuation illustrates the flat ratio of active state employee per state retiree and active teachers per teacher retiree. This trend translates into less available payroll to spread out the impacts of volatile markets, leading to increased employer contribution rates.

Membership												
State Employees	1999	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Active	13,369	12,817	12,572	11,970	11,142	11,122	11,233	11,166	11,280	11,301	11,194	11,083
Retired	9,067	10,041	10,163	10,396	11,023	11,421	11,271	11,200	11,139	11,103	11,041	11,058
Active to Retiree Ratio	1.5	1.3	1.2	1.2	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Teachers	1999	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Active	13,282	14,343	14,146	13,999	13,689	13,530	13,381	13,212	13,193	13,266	13,272	13,206
Retired	6,043	8,873	9,118	9,337	9,749	10,213	10,347	10,622	10,776	10,838	10,902	11,087
Active to Retiree Ratio	2.2	1.6	1.6	1.5	1.4	1.3	1.3	1.2	1.2	1.2	1.2	1.2

Source: GRS

### Fund Value

In 1999, the funded ratio of the system was over 80.0 percent. By 2010, the pre-RIRSA funded ratio was 48.4 percent for state employees and teachers. After passage of the pension reforms in 2011, the post-RIRSA funded ratio became 59.8 percent for state employees and 61.8 percent for teachers. It was projected that there would be a continued decrease in the funded rate after passage of RIRSA and then begin to increase. Passage of the pension settlement act in 2015 precipitated an increased in the Unfunded Actuarial Accrued Liability (UAAL).

According to GRS, the 2016 funded ratio is 56.0 percent for state employees and 58.3 percent for teachers. For state employees, the unfunded actuarial accrued liability (UAAL) increased from \$1,895.3 million to \$1,935.9 million and for teachers the UAAL increased from \$2,655.1 million to \$2,694.1 million. The increase in the UAAL is attributable to investments performing below the assumed 7.50 percent benchmark and payroll inflation assumptions well below projected rates.

Employer Contribution Rates	FY2018 Certified	FY2019 Certified	Change
State Employees	24.87%	25.75%	0.88%
Teachers - State Share	9.89%	10.06%	0.17%
Teachers - Local Share	13.24%	13.45%	0.21%
Total Teachers	23.13%	23.51%	0.38%

Source: GRS June 30, 2016, Actuarial Valuation

Projected Employer Contribution	FY2018	FY2019	Change
State Employees	\$183.4	\$190.3	\$6.9
Teachers - State	104.5	107.8	3.3
<b>Total State Cost</b>	<b>\$287.9</b>	<b>\$298.1</b>	<b>\$10.2</b>
Teachers - Local	\$139.9	\$144.1	\$4.2
<b>Total State and Local Cost</b>	<b>\$427.8</b>	<b>\$442.2</b>	<b>\$14.4</b>

Source: GRS June 30, 2016, Actuarial Valuation

\$ in millions

ERSRI Funded Value History	State Employees	Teachers
1999	84.5%	82.1%
2000	81.6%	80.6%
2001	77.9%	77.4%
2002	71.7%	73.2%
2003	64.5%	64.2%
2004	59.6%	59.3%
2005	56.3%	55.4%
2006	54.6%	52.7%
2007	57.5%	55.4%
2008	61.8%	60.3%
2009	59.0%	58.1%
2010	48.4%	48.4%
2010*	59.8%	61.8%
2011	57.4%	59.7%
2012	56.3%	58.8%
2013	56.5%	59.0%
2014	56.1%	58.2%
2015	56.6%	58.8%
2016	56.0%	58.3%

Source: GRS

\* Reflects post-RIRSA values

## SUMMARY OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

The Unfunded Actuarial Accrued Liability (UAAL) payment for state employees is \$147.3 million in FY2017, \$149.6 million in FY2018, and is projected to be \$157.9 million in FY2019. The following table illustrates the components of the UAAL payment and the remaining amortization period.

### State Employees

Purpose	Remaining Balance as of June 30, 2016	FY2017 Amortization Payment	FY2018 Amortization Payment	FY2019 Amortization Payment	Amortization Years Remaining
FY1991 and FY1992 Deferrals	\$28.9	\$2.2	\$2.3	\$2.4	17
Original 2011 RIRSA Base	1,829.1	140.0	144.6	149.3	17
2014 Experience Study	(49.6)	(3.7)	(3.8)	(3.9)	18
2014 Mediation Settlement	118.7	8.8	9.1	9.3	18
2015 Experience Base	(32.6)	-	(2.6)	(2.7)	19
New Experience Base This FY	41.3	-	-	3.5	20
<b>UAAL</b>	<b>\$1,935.8</b>	<b>\$147.3</b>	<b>\$149.6</b>	<b>\$157.9</b>	

Source: GRS 2016 Actuarial Valuation

\$'s in millions

The Unfunded Actuarial Accrued Liability (UAAL) payment for teachers is \$197.5 million in FY2017, \$199.4 million in FY2018, and is projected to be \$208.0 million in FY2019. The following table illustrates the components of the UAAL payment and the remaining amortization period.

### Teachers

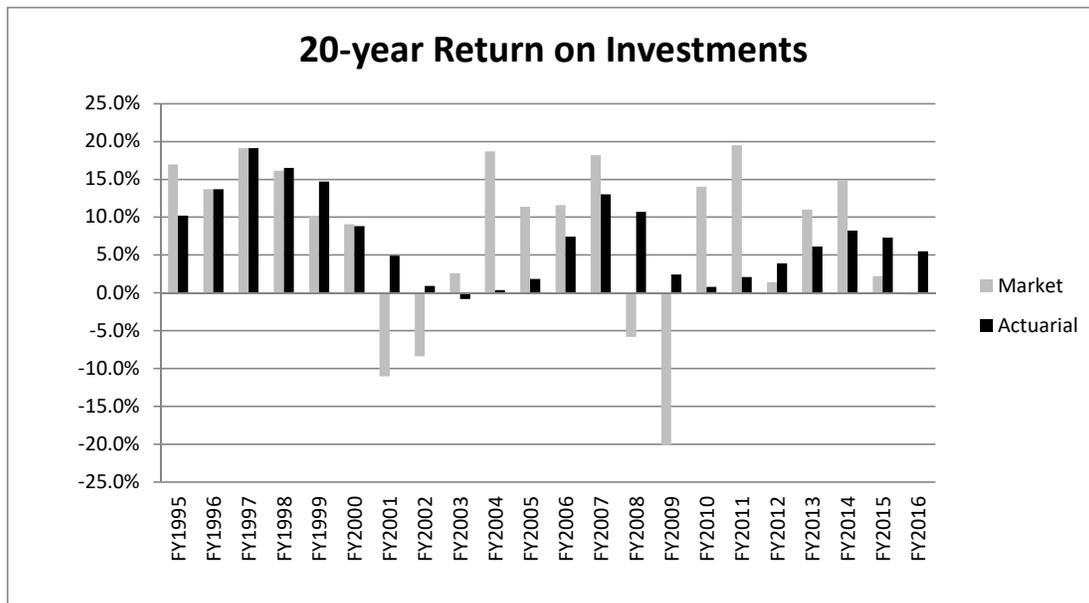
Purpose	Remaining Balance as of June 30, 2016	FY2017 Amortization Payment	FY2018 Amortization Payment	FY2019 Amortization Payment	Amortization Years Remaining
FY1991 and FY1992 Deferrals	\$38.0	\$3.0	\$3.1	\$3.1	17
Original 2011 RIRSA Base - State	1,008.7	78.7	81.0	83.5	17
Original 2011 RIRSA Base - Local	1,536.7	106.5	109.7	113.0	21
2014 Experience Study - State	(16.7)	(1.3)	(1.3)	(1.3)	18
2015 Experience Study - Local	(25.1)	(1.7)	(1.8)	(1.8)	21
2014 Mediation Settlement - State	68.4	5.2	5.3	5.5	18
2015 Mediation Settlement - Local	102.6	7.1	7.3	7.5	21
2015 Experience Base	(47.9)	-	(3.9)	(4.0)	19
New Experience Base This FY	29.3	-	-	2.5	20
<b>UAAL</b>	<b>\$2,694.0</b>	<b>\$197.5</b>	<b>\$199.4</b>	<b>\$208.0</b>	

Source: GRS 2016 Actuarial Valuation

\$'s in millions

## RETURN ON INVESTMENTS

The market rate on the return on investments was -0.2 percent in FY2016, far below the 7.5 percent projected rate of return that is adopted by the State Retirement Board. The actuarial rate of return was 5.5 percent based on a 5-year average smoothing rate.



- The assumed rate of return and the projected rate for annual payroll inflation will be discussed in the scheduled 2017 Experience Study.
- Contribution rates are expected to increase in short term to recognize deferred losses, but should begin to drift lower over the next decades.
- The 2016 investment performance was below the 7.50 percent expectation.
- The cost of living adjustments (COLA) limit still increases. For 2017, it is \$26,098 and increase by 0.74 percent to \$26,291 in 2018.
- Plans funded below 80.0 percent with suspended COLAs will receive an interim COLA in 2017.

*Analyst Note: An interim COLA will be granted to all units and plans every fourth year following the fourth consecutive year of the UAAL average being below 80.0 percent.*

#### **MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM VALUATION REPORT**

The GRS analysis indicates that over the past year, there were three new units created, there were no closed or merged unit changes, and there were no new COLA elections in the units participating under the Municipal Employees' Retirement System (MERS). For MERS, the 2016 UAAL for all units combined is \$297.0 million compared to last year's figure of \$272.0 million, an increase of \$25.0 million. The funded ratio for all MERS decreased from 83.8 percent to 83.0 percent in 2016. GRS provided a list detailing the employer contribution rates for each component unit in each community.

The average employer contribution rate for general employees increased from 11.91 percent in 2018 to 12.23 percent for 2019 and for police and fire personnel the average employer contribution rate increased from 15.90 percent in 2018 to 17.20 percent for 2019.

- According to the actuary, 71 units possess a funding ratio exceeding 80.0 percent, same as last year and 31 units have a funding ratio over 100.0 percent, a decrease of 1 unit from last year.

## STATE POLICE AND JUDGES VALUATION REPORT

Gabriel Roeder Smith and Company (GRS) presented the June 30, 2016 actuarial valuation analysis regarding the full retirement system covering judges and state

police. The actuarial valuation impacts the employer contribution rates to be certified for FY2018 and for FY2019. The increase in the employer contribution rate for the State Police reflects liability losses from salary increases greater than assumed in the previous valuation report and due to a lower rate of return on investments from the assumed rate of 7.5 percent. Conversely, the reduction in the employer contribution rate for judges reflects a liability gain from fewer retirements than assumed in the previous valuation.

The analysis reflects all recent pension changes enacted since 2008, but does not include benefits for state judges hired before January 1, 1990 and state police hired before July 1, 1987, as they are funded on a pay-as-you-go basis from the state's general assets.

	FY2018	FY2019
<b>Certified Employer Contribution Rates</b>	<b>Certified</b>	<b>Certified</b>
State Police	12.22%	14.74%
Judges	21.13%	20.28%

Source: GRS June 30, 2016 Actuarial Valuation

### State Police Retirement Benefit Trust

<b>Membership</b>	<b>30-Jun-15</b>	<b>30-Jun-16</b>	<b>Change</b>
Active	237	246	9
Retirees and Beneficiaries	39	56	17
Inactive	25	47	22
<b>Total</b>	<b>301</b>	<b>349</b>	<b>48</b>
<b>Projected Payroll for Contributions</b>	<b>\$21.4</b>	<b>\$26.5</b>	<b>\$5.1</b>
<b>Projected Employer Contribution</b>	<b>2.6</b>	<b>3.9</b>	<b>1.3</b>
<b>Unfunded Liability</b>	<b>1.5</b>	<b>11.7</b>	<b>10.2</b>
<b>GASB Funded Ratio</b>	<b>98.7%</b>	<b>91.4%</b>	<b>-7.3%</b>

\$ in Millions

Source: GRS June 30, 2016 Actuarial Valuation

## TEACHER SURVIVOR BENEFIT PLAN VALUATION REPORT

GRS presented the June 30, 2016, actuarial valuation summary regarding the retirement systems covering the Teacher Survivor Benefit Plan (TSBP). The TSBP provides survivor benefits for teachers who do not participate in Social Security. Participation is mandatory for all eligible teachers within the 24 school districts that are not covered by Social Security. The annual contribution is 2.0 percent of salary, up to \$192 per year. The contribution is split equally between the member and the employer, i.e. each contributing \$96 per year.

<b>Membership</b>	<b>30-Jun-14</b>	<b>30-Jun-16</b>	<b>Change</b>
Active	7,139	7,028	(111)
Retirees and Beneficiaries	3,673	3,685	12
Survivors	537	517	(20)
Inactive nonretired vested	253	401	148
Inactive nonretired nonvested	714	1,182	468
<b>Total</b>	<b>12,316</b>	<b>12,813</b>	<b>497</b>
<b>Unfunded Liability</b>	<b>(\$101.8)</b>	<b>(\$99.6)</b>	<b>\$2.2</b>
<b>GASB Funded Ratio</b>	<b>153.0%</b>	<b>153.0%</b>	<b>0.0%</b>

Source: GRS Actuarial Valuation June 30, 2016



## Revenue

The Governor's FY2018 Budget proposal increases general revenue collections by an estimated \$52.0 million (1.4 percent) above the November 2016 revenue estimate, excluding the annually-enacted hospital license fee. The Governor includes \$169.0 million for the fee. New revenue initiatives include an enhanced sales and use tax collection initiative aimed at remote internet sellers, shifting reserve funds from quasi-public agencies to general revenue, an increase in the cigarette tax, new fee and penalty adjustments, and enhanced tax compliance programs.

### FY2018 GENERAL REVENUE ADJUSTMENTS

<b>Governor's Recommended Revenue Changes</b>	<b>FY2018</b>
Hospital License Fee	\$169.0
Remote Seller's Sales Tax Collections	34.7
Transfers from Quasi-Public Agencies	13.3
Increase Excise Tax on Cigarettes	8.7
Manufacturing Investment Tax Credit	(3.5)
New Revenue Officer FTEs	2.0
Manufacturing Job Training Tax Credit	(2.0)
OHHS Initiatives	(1.6)
Delay in License Plate Reissuance	(1.1)
Medical Marijuana Restricted Receipt Surplus	0.7
Department of Labor and Training Fee and Penalty Changes	0.3
Rent Increase - Public Utilities Commission	0.2
Eisenhower House Revenue	(0.2)
<b>Total</b>	<b>\$220.5</b>

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

#### **Hospital License Fee**

**\$169.0 million**

For FY2018, the Budget includes \$169.0 million pursuant to Article 14, which reinstates the annually-enacted Hospital License Fee. Like many states, Rhode Island levies a licensing fee on hospitals which is used, in part, to help fund the state share of the Medicaid Disproportionate Share Hospital (DSH) payments. This licensing fee assessed on hospitals, except those located in Washington County, is equal to 5.652 percent of a hospital's fiscal year 2016 net patient revenues. Through a waiver submitted to the Centers for Medicare and Medicaid Services, hospitals located in Washington County receive a 37.0 percent discounted rate of 3.561. These license fees are payable by July 10, 2018, but are accrued as FY2018 revenues by the State Controller.

#### **Remote Sellers Sales Tax Collections**

**\$34.7 million**

The Budget includes \$34.7 million in additional revenue based on a proposal to capture sales and use taxes by encouraging remote sellers to register, collect, and remit the sales and use tax. Article 9 creates a new statutory framework designed to accomplish this. It is based on a similar Colorado initiative that has withstood U.S. Supreme Court review and is being replicated in states across the country. In January 2017, the major e-commerce company Amazon agreed to collect and remit sales tax to Rhode Island beginning February 1, 2017, essentially complying with the requirements of this article already. The estimated \$34.7 million fiscal impact of this article includes the tax revenue from Amazon.

The proposal specifically requires remote sellers and other online marketplace retailers to either register, collect, and remit sales/use tax for each transaction, or to do each of the following: post a notice on its website informing Rhode Island purchasers that sales or use tax is due on certain purchases; notify RI

purchasers at the time of sale that sales or use tax is due on the product or service purchased; email RI purchasers that sales or use tax is due; and send RI purchasers an annual notice detailing their cumulative annual purchases from the seller.

These requirements are only applicable to those remote sellers that have made at least \$100,000 in annual gross revenue from Rhode Island sales or those that have had 200 or more annual Rhode Island sales transactions.

A minimum penalty of \$20,000 is established for failing to comply with the above requirements. The article also exempts online marketplace retailers that facilitate sales for a seller or retailer that is registered to collect and remit taxes in Rhode Island.

The table below shows the estimated annual impact of the initiative.

<b>Projected Revenue - Article 9</b>					
	<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>
Sales/Use Tax from Remote Sellers	\$34.7	\$40.0	\$44.0	\$46.0	\$47.0

*\$ in millions*

*Source: Office of Revenue Analysis*

### **Transfers from Quasi-Public Agencies**

**\$13.3 million**

Under Article 1, the Governor transfers approximately \$13.3 million in reserves from five quasi-public agencies to support the General Fund.

<b>Agency</b>	<b>Amount</b>
Resource Recovery Corporation	\$6.0
Bridge and Turnpike Authority	2.6
Narragansett Bay Commission	2.5
Health and Educational Building Corporation	1.2
Infrastructure Bank	1.0
<b>Total</b>	<b>\$13.3</b>

*\$ in millions*

**Rhode Island Resource Recovery Corporation:** The article requires the Rhode Island Resource Recovery Corporation (RIRRC) to transfer \$6.0 million to the State Controller by the end of FY2018. The tipping fee cannot be increased to cover the transfer since the rate was recently set through the administrative rules process; however, the transfer equates to a \$20 increase in the municipal tip fee. According to the Corporation, the remaining alternatives include requesting a subsidy from the State or increasing commercial solid waste volume. Increasing the volume, however, will shorten the lifespan of the landfill. Taking the funds from RIRRC without increasing revenues risks pushing RIRRC into default on its bond covenants. Borrowing would be difficult since RIRRC recently issued bonds for infrastructure projects and the transfer of funds to the State undermines the Corporation's financial projections.

**Rhode Island Bridge and Turnpike Authority:** The article requires the Rhode Island Bridge and Turnpike Authority to transfer \$2.6 million to the State Controller by the end of FY2018. RIBTA indicates that the majority of its revenue is dedicated to bondholders through various indentures, including funds from current tolls and the gasoline tax. RIBTA indicates that its revenue and income forecast is made to coincide with the planned expenditures for the Newport Pell, Sakonnet, Jamestown, and Mt. Hope Bridges and their approaches (including the length of Route 138 between Newport and Jamestown). A change to this forecast would result in the alteration of construction schedules, the delay of needed repair projects, and/or the cancellation of projects. If the fund transfer were to occur, and in order to meet its existing capital plan, RIBTA indicates that its Board would likely reassess the current toll structure and potentially increase tolls.

**Narragansett Bay Commission:** The article requires the Narragansett Bay Commission (NBC) to transfer \$2.5 million to the State Controller by the end of FY2018. According to the NBC, if transferred to the rate

payer, the transfer would impact some of the State's poorest communities that are already projected to face future rate increases due do capital improvement projects. According to NBC, the rate increase necessary to generate \$2.5 million is \$12.36, or 2.6 percent, per year for the average single-family homeowner. 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.

**Health and Educational Building Corporation:** The article requires the Rhode Island Health and Educational Building Corporation (RIHEBC) to transfer \$1.2 million to the State Controller by the end of FY2018. RIHEBC has indicated that the transfer of these funds would severely limit its ability 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 also provides grants to nonprofit institutions for innovative educational or technological projects, feasibility studies, and other healthcare initiatives. In addition, the program provides other assistance such as \$1.0 million to fund the assessment by the School Building Authority to document the conditions of the schools and to help defray the costs associated with administering the School Building Authority Capital Fund, as well as the costs associated with financing school projects for communities.

**Rhode Island Infrastructure Bank:** The article requires the Rhode Island Infrastructure Bank (RIIB) to transfer \$1.0 million to the State Controller by the end of FY2018. According to the RIIB, since agency leverages its capital with private sector capital in the bond market by four to five times, transferring \$1.0 million would reduce its capacity to invest in local infrastructure projects by \$5.0 million and impair its ability to fully execute its new programs. According to RIIB, \$5.0 million of infrastructure investment would create or support 135 jobs.

RIIB requires capital to execute new programs in Municipal Roads & Bridges, the Efficient Building Fund, and Brownfield Remediation. It is currently focused on funding FY2017 projects in advance of the Spring/Summer construction period. The State did not contribute capital to RIIB in FY2017 for Municipal Roads & Bridges despite project demand of over \$10.0 million nor has RIIB received state capital to execute the new Brownfield Remediation Fund which is ready to launch. Demand from municipalities, especially schools, for energy efficient and renewable energy projects through the Efficient Building Fund has been strong and RIIB requires capital to make these environmental investments. RIIB continues to see increased demand in the Community Septic System Loan Program (CSSLP) which provides 1.0 percent, long-term loans to homeowners to remediate cesspools or damaged septic systems. The proposed transfer would have a negative impact on RIIB programs and the homeowners and municipalities that benefit from these programs.

### **Increase Excise Tax on Cigarettes**

**\$8.7 million**

The Governor proposes an increase of \$0.50 on the excise tax levied per pack of cigarettes, which raises the tax from \$3.75 to \$4.25 per pack of twenty, or to the equivalent of \$0.21 per cigarette. According to the Budget documents, total retail price will increase by \$0.58, from \$9.49 to \$10.07 per individual pack. This amount is \$0.22 less than the total retail price in Massachusetts, and \$0.07 per pack below Connecticut. The additional excise tax would generate an additional \$8.7 million (combined excise and sales taxes) in revenue above the projections from the November 2016 Revenue Estimating Conference.

<b>Cigarette Tax Revenue Impact</b>	
<b>Revenue Item</b>	<b>FY2018</b>
Cigarette Excise Tax	\$6.5
Cigarette Floor Tax	1.0
Sales and Use Tax	1.1
<b>Total</b>	<b>\$8.7</b>

*\$ in millions*

*Source: Office of Revenue Analysis*

Impact of Cigarette Excise Increase and Regional State Comparison							
	Rhode Island			Massachusetts		Connecticut	
		Current	Proposed				
Base Price per Pack in \$		\$4.39	\$4.39		\$4.16		\$4.39
Excise Tax in \$		3.75	4.25		3.51		3.90
<i>Subtotal base price + Excise</i>		8.14	8.64		7.67		8.29
Wholesale Markup	2.0%	0.16	0.17	2.0%	0.15	6.5%	0.54
Wholesale Cartage	0.75%	0.06	0.07	0.75%	0.06	0.0%	0.00
Retail Markup	6.0%	0.50	0.53	25.0%	1.97	8.0%	0.71
<i>Total Base Cost</i>		8.87	9.41		9.85		9.54
Sales Tax	7.0%	0.62	0.66	6.25%	0.62	6.4%	0.61
<b>Total Price per Pack</b>		<b>\$9.49</b>	<b>\$10.07</b>		<b>\$10.47</b>		<b>\$10.14</b>

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.

#### **Manufacturing Investment Tax Credit**

**(\$3.3 million)**

The Budget reduces general revenues by \$3.3 million to accommodate the creation of a Manufacturers Refundable Investment Tax Credit through Article 2. The credit is designed to incentivize Rhode Island manufacturers to invest in and expand their businesses, and thereby contribute to the overall growth and expansion of the State's manufacturing sector. The Commerce Corporation may award a refundable tax credit up to \$200,000 to use against costs associated with financing manufacturing capital assets such as plant and equipment. Under the program, a manufacturer is only able to redeem the credit if its value exceeded the tax liability in the year the credit is available. Manufacturers have to apply on an annual basis to the Commerce Corporation and awards are based on competitive factors set forth in the application.

#### **New Revenue Officer FTEs**

**\$2.0 million**

The Budget includes \$2.0 million for enhanced collection of owed taxes, fines, and penalties. The proposal allows the Division of Taxation to hire 4.0 new Revenue Officer I positions, who assist in collecting taxes on delinquent accounts and securing of delinquent tax returns, and 2.0 Data Analyst positions, who are responsible for conducting full analysis of taxation databases and providing this to revenue agents and officers to identify areas to audit.

#### **Manufacturing Job Training Tax Credit**

**(\$2.0 million)**

The Budget reduces general revenues by \$2.0 million to accommodate the creation of a specific Manufacturers Job Training Tax Credit. Through Article 2, the Budget creates a new tax credit, administered by the Commerce Corporation and intended to promote investment in manufacturing by reducing a business's tax burden. The credit may be taken against personal income and business corporation tax liabilities and is refundable to the extent the credit exceeds the business's tax liability for the tax year in which the credit was issued. Credits carried forward beyond the issued year are not refundable. Credits are capped at \$200,000 per business in any given tax year. Payment of redeemed tax credits are made from a new account within the Commerce Corporation and is contingent upon state budget appropriation. The Budget includes \$3.5 million in increased general revenue expenditures in FY2018 for the estimated tax credits.

To be eligible to take and/or redeem the refundable investment tax credit a business must:

- Meet the definition of a manufacturer as set forth under the existing Investment Tax Credit Program [44-33-1(b)(1) and (2)] as well as those entities described in major groups 20-39 of the federal Standard Industrial Classification Manual.
- Apply to the Commerce Corporation *prior* to making the investment that would give rise to the requested tax credit. When considering an application, Commerce Corporation shall take into account the nature and amount of the investment; the necessity of the investment and/or credit; whether the applicant is within a target sector; the number of jobs resulting, and whether or not the credit is applicable to a manufacturer located in a municipality where family poverty levels exceed the state median.
- Enter into an incentive agreement with the Commerce Corporation setting forth the eligibility terms and conditions governing the approval and use of the credit. Expenses used for calculating this tax credit cannot be used for calculating any other Rhode Island tax credit.
- Qualifying investments consist of tangible property, including real property such as buildings and structural components of buildings acquired, constructed, reconstructed or erected for use by the taxpayer in the production of goods by manufacturing. The property must also be depreciable (per §167 of Internal Revenue Code), have a minimum useful life of four years, be acquired by purchase (per §179d of the Internal Revenue Code), and have a location in Rhode Island at the date first placed in service.

The Commerce Corporation is required to annually report the number of businesses that have entered into an incentive agreement during the preceding fiscal year to the Division of Taxation. The first report is due September 1, 2018. The report and a copy of each incentive agreement must be made available publicly on the Commerce Corporation's website. Additionally, the Office of Management and Budget is charged with providing the Governor, by December 1<sup>st</sup> of each year, the amount necessary to fund the Refundable Investment Tax Credit. The article does not provide a sunset date for this tax credit.

#### ***OHHS Initiatives***

***(\$1.6 million)***

The Budget reduces revenue by \$1.6 million due to proposed reductions in payment rates related to Medicaid as provided in Article 13. Payment rates are reduced for institutional long-term care facilities providing nursing and/or hospice care to Medicaid beneficiaries through both the traditional "per diem" reimbursement system and the new managed long-term care program. It is anticipated that this initiative will generate an all-funds expenditure savings of \$11.8 million. However, reduced payments equate to reduced taxable revenue subject to the health care provider tax. The result is a loss of \$630,273 in revenue. Similarly, the Budget lowers payments to hospitals and includes adjustments that reduce Medicaid payments, thereby lowering the available taxable revenue base subjected to the insurance premium tax. These changes are estimated to lower collections under the insurance premiums tax by \$980,954.

#### ***Delay License Plate Reissuance***

***(\$1.1 million)***

Through Article 4, the Budget delays the license plate reissuance from April 1, 2017, to April 1, 2018, resulting in a loss of \$1.1 million in revenue in FY2018. The Governor cites the release of the Rhode Island Modernization Systems (RIMS) as the reason for the delay. RIMS is a database designed to provide a real-time and customer-centric computer system to replace the DMV's current legacy system. RIMS is estimated to be implemented in July 2017. The DMV's legacy system would need to be reprogrammed to accommodate the plate reissuance on April 1, 2017, which could be time consuming and costly.

Under RIGL 31-3-33, the DMV is required to issue new reflective license plates for all registered vehicles every 10 years. 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 four 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; the FY2016 Budget as Enacted delayed the reissuance to July 1, 2016; and the FY2017 Budget as Enacted delayed the reissuance to April 1, 2017. Funding for the initiative shifts from FY2017 to FY2018.

The license plate reissuance delay saves \$3.0 million in expenditures in the proposed FY2017 revised budget; funding for the initiative shifts from FY2017 to FY2018. Under current law, individuals are charged \$6.00 above the regular registration fee per license plate. Delaying the reissuance results in a loss of \$935,975 in revenue in FY2017 and \$1.1 million in FY2018.

**Medical Marijuana Restricted Receipt Surplus \$670,641**

The Budget includes an increase of \$670,641 in general revenue by authorizing the transfer of the end of fiscal year surpluses within the medical marijuana restricted receipt accounts within the Departments of Health and Business Regulation, through Article 7. These accounts were established to finance the administration of the medical marijuana program within each department. Collections from patient, cardholder, cultivator, and compassion center fees are estimated to exceed estimated departmental expenditures through the end of FY2018.

**Department of Labor and Training Fee and Penalty Changes \$305,000**

Through Article 21, the Budget includes a \$305,000 in net additional departmental revenue associated with a series of proposed fee and penalty changes. In order to advance the use of apprenticeship for workforce development training, the Governor eliminates the \$120/year fee for apprentice sponsors and the \$20-\$24/year fee for registered apprentices depending on the trade. This change is estimated to reduce revenue by \$45,000. Several penalties are increased within the programs of the Workforce Regulation and Safety Division including: violations of wage and hour law (from 15.0 to 25.0 percent of back wages; 25.0 to 50.0 percent for subsequent violations); the misclassification of employees (from \$500 to \$1,000 for each employee misclassified); violation of payroll records law (from \$10 to \$25 for late filings, max fine for report from \$100 to \$200); and electrical trade license violations (from \$500 to \$1,500 for first, \$950 to \$2,000 for subsequent). The increases fines are estimated to yield \$350,000 in new revenue.

**Rent Increase – Public Utilities Commission \$160,380**

The Budget includes an additional \$160,380 in revenue from increased rent from the Public Utilities Commission and the Division of Public Utilities and Carriers for their office space at 89 Jefferson Boulevard, Warwick. According to the Warwick Tax Assessor's Office, the current rental rate of \$13.81 per square foot is below the market rent for similar space. Based on this input the Division of Capital Asset Management is recommending an increase to \$19.75 per square foot.

**Eisenhower House Revenue (\$153,500)**

The Governor reduces general revenue by \$153,500 by establishing a restricted receipt account into which proceeds from the rental of the Eisenhower House for private events are deposited. These funds will now be used by the Department of Environmental Management to improve and maintain the historic property within Fort Adams, Newport.

*Analyst Note: While the Governor's budget proposal includes a general revenue decrease of \$153,500 based on the decrease in departmental receipts from rental income, the net decrease in general revenue would be \$138,150 due to the deposit of the 10.0 percent indirect cost recovery (\$15,350) into general revenue.*

**FY2017 SUPPLEMENTAL CHANGES**

**Delay License Plate Reissuance (\$935,975)**

The Budget delays a statutorily-required license plate reissuance until April 1, 2018. 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 \$935,975 in general revenue in FY2017.

**Attorney General Restricted Receipt****\$401,323**

The Budget transfers \$401,323 from the Attorney General's Settlement restricted receipt account to general revenue in FY2017. Current law requires that proceeds from all multi-state settlements, to which Rhode Island is a party, be deposited into a restricted receipt account within the Office of the Attorney General (AG). The AG is permitted to retain 10.0 percent of each settlement, up to a cap of \$65,000, to cover costs associated with membership in the multi-state initiatives. Over several of the past years this cap has not been adhered to and funds above it have been allowed to accumulate. The cumulative total of excess funds is \$401,323.

**Medical Marijuana Restricted Receipt Surplus****\$264,370**

The Budget includes \$264,370 more in general revenue by authorizing the transfer of end of fiscal year surpluses within the medical marijuana restricted receipt accounts within the Departments of Health and Business Regulation. These accounts were established to finance the administration of the medical marijuana program within each department. Collections from patient, cardholder, cultivator, and compassion center fees are estimated to exceed estimated departmental expenditures through the end of FY2017.

**Refunding Bond Cost of Issuance Excess****\$67,400**

The Budget includes \$67,400 in additional revenue in FY2017 attributable to the transfer of the surplus balance in the escrow account that is used for recording cost of debt issuance expenses related to the refunding of bond issuances. According to the State Controller all cost of issuance expenses for prior debt have been paid, rendering the \$67,400 in remaining balance surplus funds.

## STATE POLICE AND JUDGES VALUATION REPORT

Gabriel Roeder Smith and Company (GRS) presented the June 30, 2016 actuarial valuation analysis regarding the full retirement system covering judges and state

police. The actuarial valuation impacts the employer contribution rates to be certified for FY2018 and for FY2019. The increase in the employer contribution rate for the State Police reflects liability losses from salary increases greater than assumed in the previous valuation report and due to a lower rate of return on investments from the assumed rate of 7.5 percent. Conversely, the reduction in the employer contribution rate for judges reflects a liability gain from fewer retirements than assumed in the previous valuation.

The analysis reflects all recent pension changes enacted since 2008, but does not include benefits for state judges hired before January 1, 1990 and state police hired before July 1, 1987, as they are funded on a pay-as-you-go basis from the state's general assets.

	FY2018	FY2019
<b>Certified Employer Contribution Rates</b>	<b>Certified</b>	<b>Certified</b>
State Police	12.22%	14.74%
Judges	21.13%	20.28%

Source: GRS June 30, 2016 Actuarial Valuation

### State Police Retirement Benefit Trust

<b>Membership</b>	<b>30-Jun-15</b>	<b>30-Jun-16</b>	<b>Change</b>
Active	237	246	9
Retirees and Beneficiaries	39	56	17
Inactive	25	47	22
<b>Total</b>	<b>301</b>	<b>349</b>	<b>48</b>
<b>Projected Payroll for Contributions</b>	<b>\$21.4</b>	<b>\$26.5</b>	<b>\$5.1</b>
<b>Projected Employer Contribution</b>	<b>2.6</b>	<b>3.9</b>	<b>1.3</b>
<b>Unfunded Liability</b>	<b>1.5</b>	<b>11.7</b>	<b>10.2</b>
<b>GASB Funded Ratio</b>	<b>98.7%</b>	<b>91.4%</b>	<b>-7.3%</b>

\$ in Millions

Source: GRS June 30, 2016 Actuarial Valuation

## TEACHER SURVIVOR BENEFIT PLAN VALUATION REPORT

GRS presented the June 30, 2016, actuarial valuation summary regarding the retirement systems covering the Teacher Survivor Benefit Plan (TSBP). The TSBP provides survivor benefits for teachers who do not participate in Social Security. Participation is mandatory for all eligible teachers within the 24 school districts that are not covered by Social Security. The annual contribution is 2.0 percent of salary, up to \$192 per year. The contribution is split equally between the member and the employer, i.e. each contributing \$96 per year.

<b>Membership</b>	<b>30-Jun-14</b>	<b>30-Jun-16</b>	<b>Change</b>
Active	7,139	7,028	(111)
Retirees and Beneficiaries	3,673	3,685	12
Survivors	537	517	(20)
Inactive nonretired vested	253	401	148
Inactive nonretired nonvested	714	1,182	468
<b>Total</b>	<b>12,316</b>	<b>12,813</b>	<b>497</b>
<b>Unfunded Liability</b>	<b>(\$101.8)</b>	<b>(\$99.6)</b>	<b>\$2.2</b>
<b>GASB Funded Ratio</b>	<b>153.0%</b>	<b>153.0%</b>	<b>0.0%</b>

Source: GRS Actuarial Valuation June 30, 2016

## Municipal Aid

For FY2018, Distressed Community Relief Aid, Motor Vehicle Excise Tax Reimbursement, and Library Aid are funded at the FY2017 Enacted level. The Budget includes an additional \$3.2 million for the Payment in Lieu of Taxes (PILOT) program allowing for a full 27.0 percent reimbursement rate. The increase is due primarily to a higher assessed value for property in Providence due in large part to the City's full revaluation as of the December 31, 2015, assessment date. Meal and Beverage Tax and Hotel Tax collections are projected to increase by a total of \$1.9 million for FY2018 based on historic collection rates.

Tables showing impacts by community are included at the end of this analysis.

Municipal Aid FY2016 - FY2018								
Program	FY2016	FY2017 Enacted	FY2017 Governor	Change from Enacted		FY2018 Governor	Change from Enacted	
Payment in Lieu of Taxes	\$40.1	\$42.0	\$42.0	\$0.0	0.0%	\$45.2	\$3.2	7.7%
Distressed Communities	10.4	12.4	12.4	0.0	0.1%	12.4	-	0.0%
Motor Vehicle Excise Tax	10.0	10.0	10.0	-	0.0%	10.0	-	0.0%
Municipal Incentive Aid	5.0	-	0.1	0.1		-	-	0.0%
State Aid to Libraries								
Grant-in-Aid	8.8	9.4	9.4	-	0.0%	9.4	-	0.0%
Library Construction	2.7	2.2	2.2	-	0.0%	2.3	0.1	4.4%
<b>Total Direct Aid</b>	<b>\$76.9</b>	<b>\$75.9</b>	<b>\$76.1</b>	<b>\$0.2</b>	<b>0.2%</b>	<b>\$79.3</b>	<b>\$3.3</b>	<b>4.4%</b>
Public Service Corporations Tax	\$14.3	\$13.6	\$13.6	\$0.0	0.0%	\$13.6	\$0.0	0.0%
Meals & Beverage Tax	25.2	27.2	27.2	(0.0)	-0.2%	28.9	1.7	6.1%
Hotel Tax	9.0	9.8	10.5	0.8	7.7%	10.7	0.9	9.3%
Airport Impact Fees	1.0	1.0	1.0	-	0.0%	1.0	-	0.0%
<b>Total Indirect Aid</b>	<b>\$49.5</b>	<b>\$51.6</b>	<b>\$52.3</b>	<b>\$0.7</b>	<b>1.4%</b>	<b>\$54.1</b>	<b>\$2.6</b>	<b>5.0%</b>
<b>Total Aid</b>	<b>\$126.4</b>	<b>\$127.5</b>	<b>\$128.4</b>	<b>\$0.9</b>	<b>0.7%</b>	<b>\$133.4</b>	<b>\$5.9</b>	<b>4.6%</b>

*\$ 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 it 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 FY2018, PILOT increases by \$3.2 million from the FY2017 level, to \$45.2 million. The increase in FY2018 is primarily due to an increased assessed value for property in Providence due in large part to the City's full revaluation as of the December 31, 2015, assessment date. 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 represented 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%
2018	45.2	7.7%	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.

For FY2018, the Distressed Community Relief Fund is maintained at the FY2017 level of \$12.4 million. The City of Johnston is newly qualified as a distressed community and will receive a 50.0 percent appropriation of \$601,333. 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 Johnston's appropriation will be divided among the remaining 7 distressed communities. East Providence exited the program in FY2017. Cranston entered the program in FY2017 and will exit in FY2018; therefore, the City will receive a 50.0 percent payment in each fiscal year.

<b>Municipality</b>	<b>FY2017</b>	<b>FY2018</b>	<b>Change</b>
	<b>Enacted</b>	<b>Budget</b>	
Central Falls	\$223,894	\$225,398	\$1,504
Cranston	1,341,001	1,341,001	-
East Providence	817,097	-	(817,097)
Johnston	-	601,333	601,333
North Providence	1,032,992	1,030,137	(2,855)
Pawtucket	1,523,936	1,539,903	15,967
Providence	5,604,286	5,797,634	193,348
West Warwick	891,916	924,370	32,454
Woonsocket	949,336	924,681	(24,655)
<b>Total</b>	<b>\$12,384,458</b>	<b>\$12,384,458</b>	<b>\$0</b>

The Budget requires that any community classified as "distressed" be mandated 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.

**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 FY2018, 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.

<b>Fiscal Year</b>	<b>Total Funding</b>	<b>% Change</b>
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%
2018	10.0	0.0%

*\$ in millions.*

In FY2018, under Article 11, the Governor proposes to make significant changes to the Motor Vehicle Excise Tax, which include:

- Reducing the maximum taxable motor vehicle value from 100.0 percent of clean retail value, to 70.0 percent of clean retail value, as reported in defined automobile guides

- Preventing municipalities from decreasing motor vehicle exemptions below current levels
- Allowing municipalities to increase ratios of assessment so long as they do not exceed 100.00 percent

According to the Budget Office, the motor vehicle excise tax totaled \$220.6 million (based on 12/31/15 certifications), or about 9.0 percent of total local tax revenues, in FY2017. The valuation changes proposed in the article take effect in July 2018, resulting in a loss of approximately \$58.0 million to municipalities in FY2019. The Governor indicates an intent to provide state funding to municipalities to account for this loss in the FY2019 Budget.

#### FY2015 - FY2017 Motor Vehicle Exemptions

Municipality	FY2015	FY2016	FY2017	Municipality	FY2015	FY2016	FY2017
Barrington	\$1,500	\$2,000	\$2,000	Narragansett	\$6,000	\$6,000	\$6,000
Bristol	3,000	3,000	2,000	Newport	6,000	6,000	6,000
Burrillville	1,250	1,250	1,250	New Shoreham	1,000	1,000	1,000
Central Falls	1,250	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	2,500	2,000
East Greenwich	6,000	6,000	6,000	Providence	1,000	1,000	2,000
East Providence	500	500	500	Richmond	500	500	500
Exeter	500	500	500	Scituate	6,000	6,000	6,000
Foster	2,000	500	500	Smithfield	2,000	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	1,000

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 sunset of the program was technically in FY2016; however, \$137,340 has been reappropriated to FY2017 for Johnston as the municipality 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 FY2018 at the FY2017 level of \$9.4 million; however, distribution is based on qualifying data from the

Fiscal Year	Library Aid		Total Aid	% Change
	Grant in Aid	Construction		
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	8.8	2.7	11.5	4.5%
2017	9.4	2.2	11.6	0.7%
2018	9.4	2.3	11.7	0.9%

\$ in millions.

statutory reference year. Current law reimbursement of 25.0 percent of second prior year expenses would require an additional appropriation of \$835,533.

#### **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 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 FY2018, the Budget includes \$2.3 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. In 2017, public library construction reimbursement was approved for Barrington Public Library (\$61.4 million); reimbursement will begin in FY2018. The Providence Public Library has submitted a preliminary application for the reimbursement of a \$20.0 million renovation project; the state share of the project has not yet been determined but is estimated at approximately \$7.0 million. If approved, reimbursement would begin in FY2020. Letters of intent to apply for public library construction reimbursement have been received from Providence Community Library (Olneyville) and libraries in Jamestown and Narragansett, which approved a bond referendum for library construction in 2016. Timelines and costs for these projects have not been determined.

#### **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 \$937,228 for the Property Revaluation program in FY2018, an increase of \$377,327 from the FY2017 Budget as Enacted, and is based on anticipated reimbursements. The following communities

will be reimbursed for statistical updates in FY2018: Barrington, Cranston, East Greenwich, Exeter, Narragansett, Newport, and Tiverton. The following communities will be conducting full property revaluations in FY2018: Foster, Middletown, Pawtucket, and Woonsocket.

<b>Property Revaluation Reimbursement</b>		
<b>Fiscal Year</b>	<b>State Reimbursement</b>	<b>% Change</b>
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%
2018	0.9	67.4%

*\$ in millions.*

### **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 FY2018 Budget provides \$13.6 million be distributed to municipalities on July 31, 2017. This is consistent with FY2017, 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 FY2017, the Office of Revenue Analysis anticipates \$27.2 million in collections, increasing to \$28.9 million in FY2018.

### **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, 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).

### **Public Service Corporation**

<b>Fiscal Year</b>	<b>Total Funding</b>	<b>% Change</b>
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	13.6	4.2%
2018	13.6	0.0%

*\$ in millions.*

### **Meals & Beverage Tax**

<b>Fiscal Year</b>	<b>Total Funding</b>	<b>% Change</b>
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	27.2	8.2%
2018	28.9	6.1%

*\$ in millions.*

### **Hotel Tax**

<b>Fiscal Year</b>	<b>Total Funding</b>	<b>% Change</b>
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	10.5	8.7%
2018	10.7	1.5%

*\$ in millions.*

An additional 1.0 percent tax, which was enacted in FY2005, is distributed entirely to the city or town where the occupancy occurred. Total distribution to municipalities is estimated at \$10.5 million for FY2017 and \$10.7 million for FY2018.

## 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 \$940,513 in FY2016. The FY2017 and FY2018 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 FY2017 and FY2018. 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.

<b>FY2016 Actual</b>	<b>1.0 Million Passengers</b>	<b>Distribution on Landings</b>	<b>All Airports and Communities to \$25,000</b>	<b>Total</b>
Warwick T.F. Green	<b>\$600,000</b>	<b>\$162,513</b>	<b>\$0</b>	<b>\$762,513</b>
Block Island	-	38,261	-	38,261
Middletown-Newport Airport <sup>1</sup>	-	59,063	-	59,063
North Central	-	45,825	-	45,825
Smithfield			2,087	2,087
Lincoln			2,087	2,087
North Kingstown-Quonset	-	49,120	-	49,120
Westerly	-	45,217	-	45,217
	<b>\$600,000</b>	<b>\$400,000</b>	<b>\$4,174</b>	<b>\$1,004,173</b>

<sup>1</sup> 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 contributed \$3.5 million from its board designated administrative fund to capitalize this program in FY2015. The Budget did not include any additional funding for the Municipal Road and Bridge Fund in FY2017; however, the RI Infrastructure Bank indicates that it has \$8.0 million in funding available for projects in FY2017. The FY2018 Budget does not provide an additional appropriation for FY2018. The amount of revolved funds available for FY2018 is unknown at this time.

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 development 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 municipalities for road and bridge projects as follows:

<b>Municipal Road and Bridge Fund</b>					
<b>Borrower</b>	<b>Program Year</b>	<b>Amount Requested</b>	<b>Amount Borrowed</b>	<b>Loan Outstanding</b>	<b>Credit Limit Remaining</b>
East Providence	2014	\$1,215,000	\$1,215,000	\$991,000	\$0
Newport	2014	4,000,000	1,500,000	1,215,000	-
Warwick	2014	1,600,000	1,600,000	1,008,700	459,300
Burrillville	2014	680,000	680,000	127,055	484,945
New Shoreham	2014	255,000	255,000	158,469	65,531
Westerly	2014	625,000	225,000	-	210,094
Pawtucket	2014	7,000,000	3,500,000	3,222,000	-
Cumberland	2014	500,000	500,000	324,899	133,101
Coventry	2014	340,000	340,000	276,000	-
West Warwick	2015	150,515	150,515	134,515	-
Bristol	2015	500,000	500,000	472,000	-
Hopkinton	2015	253,000	253,000	157,104	67,896
Pawtucket	2015	5,000,000	5,000,000	4,789,000	-
East Greenwich	2015	2,000,000	2,000,000	1,789,000	-
Coventry	2015	900,000	900,000	775,009	66,991
Bristol	2016	1,175,000	1,175,000	580,682	594,318
Cranston	2016	1,755,000	1,755,000	51,850	1,703,150
New Shoreham	2016	296,000	296,000	2,960	293,040
Pawtucket	2016	3,000,000	3,000,000	1,636,754	1,363,246
<b>TOTAL</b>		<b>\$31,244,515</b>	<b>\$24,844,515</b>	<b>\$17,711,997</b>	<b>\$5,441,612</b>

### ***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 \$333,674 on July 1, 2016, and ending with a payment of \$3,393 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 included \$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. No funding is provided in FY2018.

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 purpose of the program is to provide loans, matching grants, or other forms of financing, with recipients providing 30.0 percent match, 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. The Governor budgets \$1.3 million for the Main Street RI Streetscape Program (Main Street RI) in FY2018, a \$250,000 increase above the FY2017 Budget as Enacted. Seven awards totaling \$999,400 have been made to date and are listing in the following table:

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

The Governor recommends expanding Main Street RI to include a new technical assistance component for improving the local regulatory environment in a manner that supports sustained economic development at the local-level. Article 2 of the Budget establishes a new Municipal Zoning and Permitting Technical Assistance Fund within Main Street RI. The article authorizes the Commerce Corporation within available appropriations, to award grants, loans and other methods of financing that provide municipalities access to technical assistance related to evaluating and streamlining zoning and permitting practices. The funds may receive federal, state or other resources. The Governor recommends that the additional \$250,000 in general revenue provided in FY2018 be dedicated for this new fund.

***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.

In January 2016, the City of Providence was awarded \$246,597 for reimbursement over 12 years, corresponding to 10.0 percent of the forgone revenue from the tax stabilization agreement approved by the City Council. The project is with PRI, a division of the Procaccianti Group, and is for an internationally-branded, upscale, 154-room extended-stay hotel in downtown Providence. The new 112,160 square foot, 9-story building will occupy the site of the currently vacant John E. Fogarty Memorial Building, and is estimated to cost \$40.0 million in total. The new hotel will employ up to 80 full and part-time positions.

## FY2017 Direct Municipal Aid to Cities and Towns

Municipality	FY2017 Enacted	Payment In Lieu of Taxes	Distressed Communities Relief Fund	Municipal Incentive Aid	Motor Vehicle Excise Tax	Library Grant-in- Aid <sup>1</sup>	Library Construction Aid	Total FY2017 Municipal Aid	Change from FY2017 Revised
Barrington	\$607,756	\$15,995	\$0	\$0	\$217,477	\$374,284	\$0	\$607,756	\$0
Bristol	1,511,676	954,792	-	-	94,294	185,859	276,731	1,511,676	-
Burrillville	780,612	145,198	-	-	200,798	165,414	269,202	780,612	-
Central Falls	375,132	24,507	223,894	-	96,208	30,523	-	375,132	-
Charlestown	95,319	-	-	-	44,097	51,221	-	95,319	-
Coventry	489,165	-	-	-	244,791	244,374	-	489,165	-
Cranston	8,263,498	5,322,139	1,341,001	-	1,005,084	595,274	-	8,263,498	-
Cumberland	746,351	135	-	-	247,485	287,647	211,083	746,351	-
East Greenwich	709,944	434,980	-	-	81,417	134,295	59,252	709,944	-
East Providence	2,052,991	248,601	817,097	-	501,297	422,447	63,549	2,052,991	-
Exeter	220,165	-	-	-	92,110	52,087	75,968	220,165	-
Foster	107,416	-	-	-	72,955	34,462	-	107,416	-
Glocester	181,183	-	-	-	102,420	78,763	-	181,183	-
Hopkinton	105,592	-	-	-	69,295	36,298	-	105,592	-
Jamestown	137,097	-	-	-	22,042	115,055	-	137,097	-
Johnston	682,187	-	-	137,340	422,637	122,211	-	682,187	-
Lincoln	409,124	-	-	-	198,583	210,541	-	409,124	-
Little Compton	49,293	-	-	-	12,896	36,397	-	49,293	-
Middletown	263,857	-	-	-	63,006	147,598	53,254	263,857	-
Narragansett	213,889	-	-	-	60,810	153,079	-	213,889	-
Newport	2,063,682	1,357,719	-	-	77,989	417,539	210,435	2,063,682	-
New Shoreham	158,478	-	-	-	6,714	88,318	63,446	158,478	-
North Kingstown	511,567	1,737	-	-	185,691	293,678	30,461	511,567	-
North Providence	1,614,996	-	1,032,992	-	389,770	192,234	-	1,614,996	-
North Smithfield	256,780	-	-	-	177,990	78,789	-	256,780	-
Pawtucket	3,257,863	554,958	1,523,936	-	794,500	384,468	-	3,257,863	-
Portsmouth	201,600	-	-	-	84,669	116,931	-	201,600	-
Providence <sup>3</sup>	38,908,536	30,137,743	5,604,286	-	1,882,415	1,284,092	-	38,908,536	-
Richmond	92,955	-	-	-	65,687	27,268	-	92,955	-
Scituate	173,151	-	-	-	68,633	104,517	-	173,151	-
Smithfield	1,264,851	710,097	-	-	255,759	298,995	-	1,264,851	-
South Kingstown	563,601	198,218	-	-	139,730	225,653	-	563,601	-
Tiverton	502,954	-	-	-	59,170	116,085	327,699	502,954	-
Warren	149,967	-	-	-	92,183	57,784	-	149,967	-
Warwick	3,580,976	1,712,951	-	-	964,536	739,844	163,644	3,580,976	-
Westerly	947,752	159,333	-	-	216,507	318,145	253,767	947,752	-
West Greenwich	86,702	-	-	-	54,390	32,312	-	86,702	-
West Warwick	1,286,324	-	891,916	-	231,779	162,630	-	1,286,324	-
Woonsocket	1,697,549	-	949,336	-	402,183	181,300	164,730	1,697,549	-
<b>Total</b>	<b>\$75,322,533</b>	<b>\$41,979,103</b>	<b>\$12,384,458</b>	<b>\$137,340</b>	<b>\$10,000,000</b>	<b>\$8,598,411</b>	<b>\$2,223,221</b>	<b>\$75,322,533</b>	<b>\$0</b>

<sup>1</sup> Providence Library Aid includes \$1.0 million for the Statewide Reference Library Resource Grant.

**FY2018 Direct Municipal Aid to Cities and Towns  
Distressed**

Municipality	FY2017 Enacted	Payment In Lieu of Taxes	Communities Relief Fund	Motor Vehicle Excise Tax	Library Grant- in-Aid	Library	Total FY2018 Municipal Aid	Change from FY2017
						Construction Aid		
Barrington	\$607,756	\$16,157		\$217,477	\$380,070	\$158,661	\$772,365	\$164,609
Bristol	1,511,676	1,035,981		94,294	187,103	282,400	1,599,778	88,102
Burrillville	780,612	97,322		200,798	170,118	261,561	729,799	(50,813)
Central Falls	375,132	25,295	225,398	96,208	27,075		373,976	(1,156)
Charlestown	95,318			44,097	50,815		94,912	(406)
Coventry	489,165			244,791	238,140		482,931	(6,234)
Cranston	8,263,498	5,287,952	1,341,001	1,005,084	582,746		8,216,783	(46,715)
Cumberland	746,350	135		247,485	285,364	207,771	740,755	(5,595)
East Greenwich	709,944	459,869		81,417	132,321	57,240	730,847	20,903
East Providence	2,052,991	243,053		501,297	415,613	61,766	1,221,729	(831,262)
Exeter	220,165			92,110	52,931	75,968	221,009	844
Foster	107,417			72,955	34,371		107,326	(91)
Glocester	181,183			102,420	77,938		180,358	(825)
Hopkinton	105,593			69,295	35,323		104,618	(975)
Jamestown	137,097			22,042	126,828		148,870	11,773
Johnston	681,286		601,333	422,637	124,168		1,148,138	466,852
Lincoln	409,124			198,583	203,414		401,997	(7,127)
Little Compton	49,293			12,896	35,067		47,963	(1,330)
Middletown	263,858			63,006	145,593	51,353	259,952	(3,906)
Narragansett	213,889			60,810	191,652		252,462	38,573
Newport	2,063,682	1,405,248		77,989	411,403	203,310	2,097,950	34,268
New Shoreham	158,478			6,714	74,303	64,335	145,352	(13,126)
North Kingstown	511,567	1,712		185,691	282,085	29,206	498,694	(12,873)
North Providence	1,614,996		1,030,137	389,770	202,114		1,622,021	7,025
North Smithfield	256,779			177,990	78,305		256,295	(484)
Pawtucket	3,257,862	554,958	1,539,903	794,500	409,155		3,298,516	40,654
Portsmouth	201,600			84,669	113,853		198,522	(3,078)
Providence	39,672,196	33,303,459	5,797,634	1,882,415	1,265,199		42,248,707	2,576,511
Richmond	92,955			65,687	26,001		91,688	(1,267)
Scituate	173,150			68,633	104,815		173,448	298
Smithfield	1,264,851	718,669		255,759	294,639		1,269,067	4,216
South Kingstown	563,601	204,036		139,730	218,810		562,576	(1,025)
Tiverton	502,954			59,170	123,043	321,483	503,696	742
Warren	149,967			92,183	56,598		148,781	(1,186)
Warwick	3,580,975	1,690,561		964,536	739,962	126,341	3,521,400	(59,575)
Westerly	947,752	161,199		216,507	318,791	253,767	950,264	2,512
West Greenwich	86,702			54,390	33,299		87,689	987
West Warwick	1,286,325		924,370	231,779	162,506		1,318,655	32,330
Woonsocket	1,697,549		924,681	402,183	186,880	166,898	1,680,642	(16,907)
<b>Total</b>	<b>\$76,085,291</b>	<b>\$45,205,606</b>	<b>\$12,384,457</b>	<b>\$10,000,000</b>	<b>\$8,598,411</b>	<b>\$2,322,060</b>	<b>\$78,510,534</b>	<b>\$2,425,243</b>

## FY2017 Revised Indirect Local Aid to Cities and Towns

Municipality	FY2017 Enacted Indirect Aid	Public Service Corp. Tax	Meals and Beverage Tax	Hotel Tax	FY2017 Total Indirect Aid	Change from FY2017 Enacted
Barrington	\$398,042	\$209,719	\$182,745	\$1,131	\$393,595	(\$4,447)
Bristol	797,373	289,577	472,049	49,785	811,411	14,038
Burrillville	434,507	207,376	201,219	-	408,595	(25,912)
Central Falls	385,751	249,834	129,109	125	379,068	(6,683)
Charlestown	358,714	100,263	167,344	59,564	327,171	(31,543)
Coventry	1,007,788	450,490	412,792	113,054	976,336	(31,452)
Cranston	3,007,373	1,038,680	1,898,481	19,411	2,956,572	(50,801)
Cumberland	949,027	436,817	501,532	-	938,349	(10,678)
East Greenwich	861,602	168,882	717,530	1,750	888,162	26,560
East Providence	1,691,296	607,219	1,016,671	59,733	1,683,623	(7,673)
Exeter	190,516	85,909	106,243	62	192,214	1,698
Foster	78,080	59,761	18,993	174	78,928	848
Glocester	212,484	126,732	79,817	2,689	209,238	(3,246)
Hopkinton	160,711	104,846	55,281	1,189	161,316	605
Jamestown	234,613	70,086	97,881	24,558	192,525	(42,088)
Johnston	1,004,463	373,181	619,224	9,784	1,002,189	(2,274)
Lincoln	1,318,677	274,218	830,688	120,139	1,225,045	(93,632)
Little Compton	136,094	44,943	60,643	7,586	113,172	(22,922)
Middletown	1,857,988	207,028	768,356	975,936	1,951,320	93,332
Narragansett	1,235,200	203,230	704,121	203,610	1,110,961	(124,239)
Newport	5,122,274	316,689	2,399,673	2,872,545	5,588,907	466,633
New Shoreham	756,296	11,497	382,472	702,190	1,096,159	339,863
North Kingstown	1,036,627	339,927	588,906	94,827	1,023,660	(12,967)
North Providence	787,403	414,648	368,893	28	783,569	(3,834)
North Smithfield	436,483	155,854	332,869	3,742	492,465	55,982
Pawtucket	1,844,060	918,089	860,137	50,975	1,829,201	(14,859)
Portsmouth	467,287	223,391	243,377	23,632	490,400	23,113
Providence	10,081,211	2,298,821	5,570,941	2,270,366	10,140,128	58,917
Richmond	260,577	98,461	149,928	4,579	252,968	(7,609)
Scituate	219,430	134,071	67,860	7,829	209,760	(9,670)
Smithfield	1,232,126	276,509	833,263	196,653	1,306,425	74,299
South Kingstown	1,496,271	393,252	883,165	210,758	1,487,175	(9,096)
Tiverton	454,161	203,475	239,276	1,290	444,041	(10,120)
Warren	450,382	135,886	377,395	2,109	515,390	65,008
Warwick	5,341,634	1,056,511	2,872,428	1,369,291	5,298,230	(43,404)
Westerly	1,862,488	292,589	924,908	706,203	1,923,700	61,212
West Greenwich	343,951	78,764	145,540	120,834	345,138	1,187
West Warwick	890,273	372,833	368,425	151,535	892,793	2,520
Woonsocket	1,156,381	529,588	547,126	67,917	1,144,631	(11,750)
<b>Total</b>	<b>\$50,559,616</b>	<b>\$13,559,647</b>	<b>\$27,197,299</b>	<b>\$10,507,585</b>	<b>\$51,264,530</b>	<b>\$704,916</b>

## FY2018 Indirect Local Aid to Cities and Towns

<b>Municipality</b>	<b>FY2017 Enacted Indirect Aid</b>	<b>Public Service Corp. Tax</b>	<b>Meals and Beverage Tax</b>	<b>Hotel Tax</b>	<b>FY2018 Total Indirect Aid</b>	<b>Change from FY2017 Enacted</b>
Barrington	\$398,042	\$209,719	\$194,161	\$1,131	\$405,011	\$6,969
Bristol	797,373	289,577	501,539	53,444	844,560	47,187
Burrillville	434,507	207,376	213,789	-	421,165	(13,342)
Central Falls	385,751	249,834	137,175	125	387,134	1,383
Charlestown	358,714	100,263	177,798	59,523	337,584	(21,130)
Coventry	1,007,788	450,490	438,580	116,310	1,005,380	(2,408)
Cranston	3,007,373	1,038,680	2,017,085	19,577	3,075,342	67,969
Cumberland	949,027	436,817	532,865	-	969,682	20,655
East Greenwich	861,602	168,882	762,356	1,160	932,398	70,796
East Providence	1,691,296	607,219	1,080,186	59,170	1,746,575	55,279
Exeter	190,516	85,909	112,880	28	198,817	8,301
Foster	78,080	59,761	20,180	182	80,123	2,043
Glocester	212,484	126,732	84,803	2,805	214,340	1,856
Hopkinton	160,711	104,846	58,735	1,209	164,790	4,079
Jamestown	234,613	70,086	103,996	24,426	198,508	(36,105)
Johnston	1,004,463	373,181	657,909	10,256	1,041,346	36,883
Lincoln	1,318,677	274,218	882,583	125,321	1,282,122	(36,555)
Little Compton	136,094	44,943	64,431	7,593	116,967	(19,127)
Middletown	1,857,988	207,028	816,358	987,413	2,010,799	152,811
Narragansett	1,235,200	203,230	748,109	206,281	1,157,620	(77,580)
Newport	5,122,274	316,689	2,549,588	2,876,320	5,742,597	620,323
New Shoreham	756,296	11,497	406,366	716,245	1,134,108	377,812
North Kingstown	1,036,627	339,927	625,697	98,053	1,063,677	27,050
North Providence	787,403	414,648	391,939	12	806,599	19,196
North Smithfield	436,483	155,854	353,664	3,925	513,443	76,960
Pawtucket	1,844,060	918,089	913,872	49,731	1,881,692	37,632
Portsmouth	467,287	223,391	258,582	24,415	506,388	39,101
Providence	10,081,211	2,298,821	5,918,974	2,314,376	10,532,171	450,960
Richmond	260,577	98,461	159,294	4,803	262,558	1,981
Scituate	219,430	134,071	72,100	7,866	214,037	(5,393)
Smithfield	1,232,126	276,509	885,319	202,292	1,364,120	131,994
South Kingstown	1,496,271	393,252	938,339	215,664	1,547,255	50,984
Tiverton	454,161	203,475	254,224	1,290	458,989	4,828
Warren	450,382	135,886	400,972	937	537,795	87,413
Warwick	5,341,634	1,056,511	3,051,877	1,386,595	5,494,983	153,349
Westerly	1,862,488	292,589	982,690	731,517	2,006,796	144,308
West Greenwich	343,951	78,764	154,633	124,254	357,651	13,700
West Warwick	890,273	372,833	391,441	156,602	920,876	30,603
Woonsocket	1,156,381	529,588	581,307	69,712	1,180,607	24,226
<b>Total</b>	<b>\$50,559,616</b>	<b>\$13,559,646</b>	<b>\$28,896,396</b>	<b>\$10,660,564</b>	<b>\$53,116,606</b>	<b>\$2,556,991</b>



## Education Aid

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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, 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 established a per-pupil spending amount and allocated 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 more. FY2018 represents the seventh 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 FY2018 recommendation is based on student enrollments as of March 2016, adjusted for projected charter school enrollments for the 2017 to 2018 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 2017 enrollments, subject to the transition period.

**Step 2 - Core Instruction Amount:** The core instruction amount provides a base level of funding per pupil (\$9,163 in FY2018, a 2.0 percent increase from the FY2017 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 \$3,665 based on the Governor's FY2018 core instruction amount of \$9,163 ( $\$9,163 \times 0.40 = \$3,665$ ), for each student whose family income is at or below one hundred eighty-five percent (185%) of federal poverty guidelines.

**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.

$$\text{Total Foundation Budget} = (\$9,163 \times \text{RADM}) + (0.40 \times \$9,163 \times \text{students in poverty})$$

**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:

$$\text{State Share Ratio (SSR)} = \sqrt{\frac{EWAV^2 + \%PK - 6poverty^2}{2}}$$

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 FY2018. 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.

Governor's FY2018 Education Aid Calculator<sup>1</sup>

Districts	PK-12 RADM (Projected based on March 2015 Data)		Poverty RADM (Projected based on March 2016 Data)		Core Instruction Funding (C = \$9,163)		Student Success Factor Funding (F = 0.4*\$9,163 = \$3,665)		EWAU		State Share Ratio		State Share of Foundation Budget		FY2017 Enacted (excludes group home and categoricals)		Change in State Funding		FY2018 (Year 7) formula Change if + is L/1; if - is L/4	
	A	B	A*C=D	B*F=G	D+G=H	Total Foundation	PK6	%Poverty	EWAU	I	H*J=I	K	J-K=L	M	N	O	P	Q	R	S
Barrington	3,304	179	\$30,274,552	\$656,071	\$30,930,623	5.5%	21.8%	15.9%	\$4,917,337	\$5,215,104	(\$297,767)									
Burrillville	2,369	796	21,707,147	2,917,499	24,624,646	35.8%	68.0%	54.3%	13,380,997	12,982,040	398,957									
Charlestown	841	200	7,706,083	733,040	8,439,123	26.0%	0.0%	18.4%	1,551,514	1,687,921	(34,102)									
Coventry	4,663	1,550	42,727,069	5,681,060	48,408,129	34.1%	59.9%	48.7%	23,593,240	22,704,444	888,796									
Cranston	10,168	4,675	93,169,384	17,134,810	110,304,194	43.6%	60.5%	52.7%	58,164,992	54,827,149	3,337,843									
Cumberland	4,380	972	40,133,940	3,562,574	43,696,514	24.7%	54.6%	42.4%	18,516,317	17,659,354	856,963									
East Greenwich	2,434	174	22,302,742	637,745	22,940,487	9.5%	9.9%	9.7%	2,225,700	2,626,313	(400,613)									
East Providence	5,223	2,880	47,858,349	10,555,776	58,414,125	55.7%	65.0%	60.5%	35,357,414	32,245,114	3,112,300									
Foster	275	66	2,519,825	241,903	2,761,728	25.4%	51.8%	40.8%	1,126,636	1,163,998	(37,362)									
Glocester	535	81	4,902,205	296,881	5,199,086	15.8%	52.5%	38.8%	2,015,573	2,502,877	(487,304)									
Hopkinton	1,122	284	10,280,886	1,040,917	11,321,803	25.7%	57.0%	44.2%	5,005,652	5,386,069	(380,417)									
Jamestown	635	60	5,818,505	219,912	6,038,417	10.7%	0.0%	7.6%	456,869	438,902	17,967									
Johnston	3,238	1,460	29,669,794	5,351,192	35,020,986	47.2%	57.3%	52.5%	18,383,733	15,770,318	2,613,415									
Lincoln	2,869	777	26,288,647	2,847,860	29,136,507	30.9%	49.6%	41.3%	12,039,708	10,906,917	1,132,791									
Little Compton	373	59	3,417,799	216,247	3,634,046	13.7%	0.0%	9.7%	352,043	413,267	(61,224)									
Middletown	2,294	697	21,019,922	2,554,644	23,574,566	32.8%	28.7%	30.8%	7,265,271	8,134,323	(869,052)									
Narragansett	1,290	273	11,820,270	1,000,600	12,820,870	22.7%	0.0%	16.1%	2,057,919	2,114,201	(56,282)									
Newport	2,153	1,346	19,727,939	4,933,359	24,661,298	65.9%	0.0%	46.6%	11,491,755	10,720,594	771,161									
New Shoreham	113	17	1,035,419	62,308	1,097,727	15.1%	0.0%	10.7%	117,208	110,826	6,382									
North Kingstown	3,849	844	35,268,387	3,093,429	38,361,816	26.1%	27.3%	26.7%	10,245,191	10,846,006	(600,815)									
North Providence	3,501	1,523	32,079,663	5,582,100	37,661,763	46.3%	67.0%	57.6%	21,688,549	19,547,302	2,141,247									
North Smithfield	1,712	335	15,687,056	1,227,842	16,914,898	23.0%	40.5%	32.9%	5,570,693	5,960,086	(389,393)									
Pawtucket	8,724	6,886	79,938,012	25,238,567	105,176,579	79.8%	87.4%	83.7%	88,018,408	82,687,909	5,330,499									
Portsmouth	2,354	382	21,569,702	1,400,106	22,969,808	17.3%	10.1%	14.2%	3,253,696	4,019,920	(766,224)									
Providence	22,429	19,199	205,516,927	70,368,175	275,885,102	87.9%	86.9%	87.4%	241,127,525	230,869,652	10,257,873									
Richmond	1,133	191	10,381,679	700,053	11,081,732	19.6%	47.5%	36.3%	4,026,506	4,840,982	(814,476)									
Scituate	1,380	262	12,644,940	960,282	13,605,222	16.3%	28.5%	23.2%	3,158,551	3,711,978	(553,427)									
Smithfield	2,372	364	21,734,636	1,334,133	23,068,769	16.5%	32.8%	26.0%	5,989,201	5,536,267	452,934									
South Kingstown	3,217	649	29,477,371	2,378,715	31,856,086	20.8%	8.9%	16.0%	5,096,227	6,994,271	(1,898,044)									
Tiverton	1,832	580	16,786,616	2,125,816	18,912,432	34.4%	34.1%	34.3%	6,477,570	6,230,844	246,726									
Warwick	9,068	3,158	83,090,084	11,574,702	94,664,786	36.4%	44.0%	40.4%	38,224,886	37,368,197	856,689									
Westerly	2,950	1,088	27,030,850	3,987,738	31,018,588	40.9%	0.0%	28.9%	8,970,783	8,724,889	245,894									
West Warwick	3,467	1,731	31,768,121	6,344,461	38,112,582	51.2%	73.9%	63.6%	24,228,708	23,016,375	1,212,333									
Woonsocket	5,700	4,364	52,229,100	15,994,933	68,224,033	80.9%	90.9%	86.0%	58,703,639	56,033,685	2,669,954									
Bristol-Warren <sup>2</sup>	3,308	1,212	30,311,204	4,442,222	34,753,426				13,076,884	14,731,387	(1,654,503)									
Exeter-West Greenwich <sup>2</sup>	1,624	241	14,880,712	883,313	15,764,025				4,067,086	5,231,063	(1,163,977)									
Charlho	-	-	-	-	-	-	-	-	-	153,282	(153,282)									
Foster-Glocester	1,114	214	10,207,582	784,353	10,991,935	19.8%	53.3%	39.5%	4,346,563	4,743,256	(396,693)									
Central Falls	2,361	2,055	21,633,843	7,531,986	29,165,829	90.5%	97.5%	94.1%	27,434,877	34,316,653	(6,881,776)									
<b>District Total</b>	<b>130,374</b>	<b>61,824</b>	<b>\$1,194,616,962</b>	<b>\$226,597,325</b>	<b>\$1,421,214,287</b>				<b>\$791,725,419</b>	<b>\$773,173,735</b>	<b>\$18,551,684</b>									
Charter School Total	9,073	6,565	83,135,899	24,062,038	107,197,937				84,058,206	75,177,727	8,880,479									
Davies	875	570	8,017,625	2,089,164	10,106,789				8,182,676	11,043,048	(2,860,372)									
Met School	818	563	7,495,334	2,063,508	9,558,842				6,709,217	9,209,491	(2,500,274)									
Urban Collaborative	138	108	1,264,494	395,842	1,660,336				1,421,625	1,115,290	306,335									
<b>Total</b>	<b>141,278</b>	<b>69,630</b>	<b>\$1,294,530,314</b>	<b>\$255,207,876</b>	<b>\$1,549,738,190</b>				<b>\$892,097,142</b>	<b>\$869,719,291</b>	<b>\$22,377,851</b>									

<sup>1</sup> Based on March 2016 enrollment updated for projected charter school growth.

<sup>2</sup> 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.

$$\text{Tuition} = (\text{local appropriation to education} - \text{debt service} - \text{capital projects} / \text{District RADM}) - \text{local tuition reduction}$$

**Local Charter and State School Tuition Reduction:** Article 11 of the FY2017 Budget changed the above calculation to subtract a district-specific amount from the tuition paid for each student attending a charter or state school. The amount of the reduction is calculated based on differences in expenses between each district and charter schools. The expenditure data used for the calculation is the prior previous fiscal year; consequently, the calculation of unique costs for FY2018 will be based on FY2016 data from the Uniform Chart of Accounts (UCOA). The reduction will be the greater of 7.0 percent of the district's per-pupil funding or the per-pupil value of each district's costs in the delineated expenditure categories. The categories include each district's costs for non-public textbooks, transportation for non-public students, retiree health benefits, out-of-district special education tuition and transportation, services for students age eighteen to twenty-one, pre-school screening and intervention, career and technical education tuition and transportation costs, debt service, and rental costs minus the average charter school expenses for the same categories. For districts using the reduction for costs categories, there is an additional reduction for tuition payments to mayoral academies where teachers do not participate in the state's teacher retirement system equivalent to the per-pupil, unfunded liability cost. The table on the following page shows the projected FY2017 tuition savings for districts sending students to public schools of choice, including charter and state schools as provided in the enacted budget. The FY2018 data was not available as of March 8, 2017.

**Projected Reduction in Sending District Tuition to Public Schools of Choice (FY2017)**

<b>LEA</b>	<b>Projected PSOC Enrollment</b>	<b>Enacted Per Pupil Tuition Reduction</b>	<b>Projected Mayoral Academy Enrollment</b>	<b>Additional Mayoral Academy Reduction</b>	<b>Total Tuition Reduction</b>
Barrington	10	\$883	0	\$0	\$8,830
Burrillville	34	478	5	-	16,252
Charlestown	-	-	-	-	-
Coventry	63	639	-	-	40,238
Cranston	320	643	64	-	205,650
Cumberland	496	569	431	-	281,999
East Greenwich	8	959	-	-	7,673
East Providence	107	942	-	819	100,794
Foster	-	811	-	-	-
Glocester	-	858	-	-	-
Hopkinton	-	-	-	-	-
Jamestown	15	2,109	-	970	31,635
Johnston	62	1,199	-	1,011	74,338
Lincoln	276	873	210	-	241,005
Little Compton	1	1,171	-	-	1,171
Middletown	16	751	-	-	12,009
Narragansett	27	1,280	-	-	34,552
Newport	28	1,963	-	1,177	54,964
New Shoreham	-	2,784	-	-	-
North Kingstown	136	832	-	-	113,177
North Providence	150	622	26	-	93,267
North Smithfield	38	729	9	-	27,718
Pawtucket	1,648	213	533	731	740,647
Portsmouth	9	886	-	-	7,974
Providence	4,344	327	618	-	1,420,488
Richmond	-	-	-	-	-
Scituate	16	858	-	-	13,732
Smithfield	25	839	1	-	20,982
South Kingstown	115	1,024	-	-	117,711
Tiverton	20	921	1	-	18,422
Warwick	126	924	16	-	116,433
Westerly	47	1,012	-	-	47,564
West Warwick	36	626	-	-	22,536
Woonsocket	314	184	80	-	57,776
Bristol-Warren	38	1,789	-	904	67,982
Exeter-West Greenwich	41	1,530	-	993	62,730
Chariho	85	822	-	-	69,870
Foster-Glocester	9	4,048	-	1,016	36,432
Central Falls	1,449	245	462	918	779,121
<b>Total</b>	<b>10,109</b>		<b>2,456</b>		<b>\$4,945,672</b>

Source: Rhode Island Department of Elementary and Secondary 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. 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.

<b>Calculation</b>	<b>District A</b>	<b>District B</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 and then subtracting the per-pupil, local tuition reduction.

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 Group Home aid category was created by the General Assembly in 2001 to provide state support to districts hosting group homes in exchange for relieving the resident sending district of financial responsibility for students placed in group homes. When enacted, the Act maintained the current funding for group homes as a categorical grant program; however, the FY2017 Budget as Enacted increased the per-bed funding amount. The Group Home aid category provides \$17,000 annually per bed, except for group home beds associated with Bradley Hospital Children's Residential and Family Treatment (CRAFT) Program, which received \$26,000 per bed.

The FY2018 Budget includes \$4.1 million to fund group home beds. This is \$688,863 less than the FY2017 Budget as Enacted. This adjustment represents the most recent update on the number of group home beds per district and the decrease required pursuant to RIGL 16-7-22(1)(ii) to reduce the average daily

District	FY2017 Enacted			Group Home Aid				FY2018 Governor Total Aid	
	FY2017 Enacted	Number of Beds	Aid based on bed count	FY2018 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	\$82,140	8	\$136,000	8	-	\$0	(\$1,907)	(\$1,907)	\$80,233
Coventry	99,129	8	136,000	8	-	-	(13,147)	(13,147)	85,982
Cranston	47,702	4	68,000	4	-	-	(6,760)	(6,760)	40,942
East Providence	550,150	34	740,000	34	-	-	(74,152)	(74,152)	475,998
Lincoln	119,396	9	153,000	9	-	-	(14,104)	(14,104)	105,292
Middletown	334,390	22	374,000	22	-	-	(11,841)	(11,841)	322,549
Newport	184,817	14	238,000	14	-	-	(30,505)	(30,505)	154,312
North Providence	185,742	16	272,000	16	-	-	(31,941)	(31,941)	153,801
North Smithfield	108,137	8	136,000	8	-	-	(1,484)	(1,484)	106,653
Pawtucket	458,964	50	850,000	50	(3)	(51,000)	(113,530)	(164,530)	294,434
Portsmouth	600,518	37	629,000	37	-	-	(9,688)	(9,688)	590,830
Providence <sup>1</sup>	819,684	100	1,700,000	100	4	68,000	(285,735)	(217,735)	601,949
Smithfield	235,340	16	272,000	16	-	-	(16,628)	(16,628)	218,712
South Kingstown	253,242	16	272,000	16	-	-	(3,519)	(3,519)	249,723
Warwick	407,284	30	510,000	30	-	-	(52,682)	(52,682)	354,602
Woonsocket	75,400	8	136,000	8	-	-	(27,705)	(27,705)	47,695
Bristol-Warren	117,362	8	136,000	8	-	-	(8,779)	(8,779)	108,583
Exeter-West Greenwich	117,674	8	136,000	8	-	-	(1,756)	(1,756)	115,918
<b>Total</b>	<b>\$4,797,072</b>	<b>396</b>	<b>\$6,894,000</b>	<b>396</b>	<b>1</b>	<b>17,000</b>	<b>(705,863)</b>	<b>(\$688,863)</b>	<b>\$4,108,209</b>

<sup>1</sup> Providence experienced the 4 bed increase in December 2016 update bringing the total FY2017 aid to \$887,685.

**Categorical Programs:** 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 to address the priorities and funding needs of the districts. These categories include Transportation, High-Cost Special Education, Career & Technical Education, Early Childhood, and the Regionalization Bonus. Article 11 of the FY2017 Budget as enacted added two new aid categories: English Learners and Density Fund. (The Central Falls, Davies and Met School Stabilization Funds are addressed in the relevant sections of this analysis.)

- 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 Budget funds this category at \$6.4 million in FY2018, level with the previous year.

#### FY2018 Governor's Categorical Education Aid

Categorical	Change from	
	Enacted	Total Funding
Transportation	-	\$6.4
Early Childhood	1.1	6.2
High-Cost Special Education	-	4.5
Career & Tech. Schools	-	4.5
English Learners	-	2.5
Public School Choice Density	(0.6)	0.9
Regionalization Bonus	-	-
<b>Total</b>	<b>\$0.5</b>	<b>\$25.0</b>

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

- 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 Budget funds this category at \$6.2 million in FY2018, an increase of \$1.1 million over the FY2017 Budget as Enacted. The additional funds are needed as a match to the third year of the federal Pre-Kindergarten Expansion grant (\$6.0 million).
- 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 \$64,141 for FY2018). The program provides for a pro-rata reduction in reimbursements to districts based on available funding. The Budget funds this category at \$4.5 million in FY2018, level with the FY2017 Budget as Enacted.

Article 11 of the FY2017 Budget as Enacted required the Department to collect data on those educational costs that exceed four times the core foundation amount. As of March 1, 2017, the data has not been reported.

- **Career and Technical Schools:** This fund contributes toward the initial investment needed to transform existing programs or create new programs and the costs associate with facilities, equipment maintenance and repair, and supplies associated with higher-cost programs at career and technical schools. The Budget funds this category at \$4.5 million in FY2018, level with the previous year. In FY2017, \$1.0 million was added to provide a grant to the Career and Technical Trust/Board to distribute to career and technical programs in the State based on the Discretion of Trust/Board. This was a one-time grant.

Previously, the Department recommended criteria for the allocation of funds appropriated to this categorical program by the General Assembly. Article 11 of the FY2017 Budget as Enacted empowered the Department to develop the criteria for the distribution of funds. As of March 1, 2017, the criteria have not been reported.

- **English Learners:** Article 11 of the FY2017 Budget as Enacted established a categorical fund for English Learners (EL). The fund provides additional aid of 10.0 percent of the per-pupil core instruction amount for each qualified EL student. This additional aid is then multiplied by the state share. When the article was originally enacted, the additional the per-pupil weight was \$898 for each identified English learner. In FY2018, the per-pupil weight increases to \$916, to reflect 10.0 percent of the \$9,163 core instruction amount. This amount is then multiplied by the state share ratio. The formula is provided below.

*(Per-pupil core instruction amount x number of EL students) x 10.0 percent x state share ratio = additional state support per EL student*

This support is then ratably reduced based on the total amount appropriated.

The Article restricted the funds to provide new services to EL students and required that the funds be managed in accordance with requirements enumerated by the Commissioner. The Article also required the Department to collect performance reports and approve the use of funds prior to expenditure to ensure the funded activities align to innovative and expansive activities. Distribution is subject to a pro-rata reduction based on the funds available. The Budget provides \$2.5 million in FY2018, level with the previous fiscal year and approximately one-half of the estimated full funding amount.

- **Public School of Choice Density Aid:** Article 11 of the FY2017 Budget as Enacted established a new category of state aid for districts where 5.0 percent or more of the average daily membership enrolls in a public school of choice, such as Davies, the Met, or a charter school. Such districts receive an additional \$175 in FY2017, \$100 in FY2018, and \$50 in FY2019 for each student attending a public school of choice. The per-pupil amount is intended 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. In FY2018, the budget includes \$938,900 in density aid to be divided among six qualifying communities: Central Falls,

Cumberland, Lincoln, Pawtucket, Providence, and Woonsocket. This represents a decrease of \$553,325 from the FY2017 Budget as Enacted.

- **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 Budget provides no funding in FY2018, the seventh 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.

The following table shows the Governor's proposed education aid including the formula distribution, categorical aid, and group home aid.

FY2018 Education Aid <sup>1</sup>									
Districts	FY2017 Enacted	FY2018	High-cost			Public		FY2018 Aid	
	(excludes group home and categorical)	(Year 7) formula Change	Transportation	Special Education (>\$64,140)	Group Home Aid <sup>2</sup>	English Learners	School Choice Density		Stabilization Funding
Barrington	\$5,215,104	(\$74,442)	\$98,248	\$90,740	\$0	\$1,040	\$0	\$0	\$5,330,690
Burrillville	12,982,040	398,957	30,522	34,017	80,233	667	-	-	13,526,436
Charlestown	1,687,921	(34,102)	-	-	-	75	-	-	1,653,894
Coventry	22,704,444	888,796	12,890	42,598	85,982	598	-	-	23,735,308
Cranston	54,827,149	3,337,843	770,393	826,679	40,942	63,609	-	-	59,866,616
Cumberland	17,659,354	856,963	112,141	46,167	-	11,956	59,800	-	18,746,382
East Greenwich	2,626,313	(100,153)	72,124	132,020	-	436	-	-	2,730,740
East Providence	32,245,114	3,112,300	3,182	151,856	475,998	33,166	-	-	36,021,616
Foster	1,163,998	(9,340)	16,803	47,363	-	-	-	-	1,218,824
Glocester	2,502,877	(121,826)	-	17,807	-	-	-	-	2,398,858
Hopkinton	5,386,069	(95,104)	-	-	-	181	-	-	5,291,146
Jamestown	438,902	17,967	-	21,195	-	124	-	-	478,188
Johnston	15,770,318	2,613,415	300,054	91,538	-	21,250	-	-	18,796,575
Lincoln	10,906,917	1,132,791	-	44,486	105,292	2,704	32,600	-	12,224,789
Little Compton	413,267	(15,306)	-	-	-	40	-	-	398,001
Middletown	8,134,323	(217,263)	-	69,700	322,549	8,443	-	-	8,317,753
Narragansett	2,114,201	(14,070)	-	37,224	-	131	-	-	2,137,486
Newport	10,720,594	771,161	-	34,945	154,312	22,484	-	-	11,703,496
New Shoreham	110,826	6,382	-	19,706	-	262	-	-	137,175
North Kingstown	10,846,006	(150,204)	-	41,603	-	2,839	-	-	10,740,244
North Providence	19,547,302	2,141,247	161,785	174,064	153,801	17,190	-	-	22,195,389
North Smithfield	5,960,086	(97,348)	20,757	54,325	106,653	808	-	-	6,045,280
Pawtucket	82,687,909	5,330,499	117,792	164,505	294,434	212,850	184,100	-	88,992,088
Portsmouth	4,019,920	(191,556)	-	62,991	590,830	405	-	-	4,482,590
Providence	230,869,652	10,257,873	294,916	794,219	601,950	1,526,070	465,400	-	244,810,079
Richmond	4,840,982	(203,619)	-	-	-	-	-	-	4,637,363
Scituate	3,711,978	(138,357)	36,823	27,480	-	-	-	-	3,637,924
Smithfield	5,536,267	452,934	80,494	32,071	218,712	743	-	-	6,321,221
South Kingstown	6,994,271	(474,511)	120,504	104,934	249,723	1,505	-	-	6,996,425
Tiverton	6,230,844	246,726	-	74,075	-	980	-	-	6,552,626
Warwick	37,368,197	856,689	4,833	558,269	354,602	11,888	-	-	39,154,478
Westerly	8,724,889	245,894	-	160,026	-	1,892	-	-	9,132,701
West Warwick	23,016,375	1,212,333	48,417	18,030	-	15,337	-	-	24,310,493
Woonsocket	56,033,685	2,669,954	16,245	48,463	47,695	128,073	38,100	-	58,982,214
Bristol-Warren <sup>3</sup>	14,731,387	(413,626)	1,165,683	117,966	108,583	5,898	-	-	15,715,892
Exeter-West Greenwich <sup>3</sup>	5,231,063	(290,994)	915,494	102,904	115,918	825	-	-	6,075,210
Chariho	153,282	(38,321)	1,607,479	102,084	-	-	-	-	1,824,524
Foster-Glocester	4,743,256	(99,173)	295,498	77,754	-	323	-	-	5,017,658
Central Falls	34,316,653	(1,720,444)	48,284	57,534	-	183,861	158,900	6,755,095	39,799,883
<b>District Total</b>	<b>\$773,173,735</b>	<b>\$32,050,963</b>	<b>\$6,351,360</b>	<b>\$4,481,338</b>	<b>\$4,108,209</b>	<b>\$2,278,655</b>	<b>\$938,900</b>	<b>\$6,755,095</b>	<b>\$830,138,255</b>
Charter School Total	75,177,727	9,003,457	-	18,662	-	190,810	-	-	84,390,656
Davies	11,043,048	(715,093)	-	-	-	9,767	-	3,018,801	13,356,523
Met School	9,209,491	(625,068)	-	-	-	10,505	-	757,584	9,352,511
Urban Collaborative	1,115,290	275,504	-	-	-	5,204	-	-	1,395,998
<b>Total</b>	<b>869,719,291</b>	<b>\$39,989,762</b>	<b>\$6,351,360</b>	<b>\$4,500,000</b>	<b>\$4,108,209</b>	<b>\$2,494,939</b>	<b>\$938,900</b>	<b>\$10,531,480</b>	<b>\$938,633,942</b>

<sup>1</sup> Based on March 2016 enrollment updated for projected charter school growth.

<sup>2</sup> Based on final 12/31/2016 report from Rhode Island Department of Education.

<sup>3</sup> 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

The following table shows the difference in education aid as proposed by the Governor relative to the FY2017 Budget as Enacted.

FY2018 Enacted Education Aid - Change to FY2017 Budget as Enacted<sup>1</sup>

Districts	FY2017 Enacted (includes group home and categorical)	FY2018 (Year 7) Formula Change	Transportation (change from FY2017)	High-cost Special Education (change from FY2017)	Group Home <sup>2</sup> (change from FY2017)	English Learners	Public School Choice Density	Stabilization Funding	Total Change	FY2018
										Education Aid
Barrington	\$5,412,982	(\$74,442)	\$24,824	(\$32,375)	\$0	(\$299)	\$0	\$0	(\$82,292)	\$5,330,690
Burrillville	13,111,213	398,957	(3,988)	22,215	(1,907)	(54)	-	-	415,223	13,526,436
Charlestown	1,687,921	(34,102)	-	-	-	75	-	-	(34,027)	1,653,894
Coventry	22,874,403	888,796	(16,491)	2,248	(13,147)	(501)	-	-	860,905	23,735,308
Cranston	56,028,986	3,337,843	172,984	329,149	(6,760)	4,414	-	-	3,837,631	59,866,617
Cumberland	17,980,588	856,963	(42,813)	(31,190)	-	9,833	(27,000)	-	765,794	18,746,382
East Greenwich	2,810,468	(100,153)	32,003	(11,739)	-	162	-	-	(79,727)	2,730,740
East Providence	33,101,437	3,112,300	(13,897)	(111,846)	(74,152)	7,775	-	-	2,920,180	36,021,616
Foster	1,199,425	(9,340)	7,896	20,844	-	-	-	-	19,400	1,218,825
Glocester	2,546,748	(121,826)	(20,210)	(5,854)	-	-	-	-	(147,890)	2,398,858
Hopkinton	5,386,681	(95,104)	-	-	-	(432)	-	-	(95,536)	5,291,145
Jamestown	473,875	17,967	-	(13,745)	-	91	-	-	4,313	478,189
Johnston	16,142,240	2,613,415	(34,049)	68,131	-	6,838	-	-	2,654,335	18,796,575
Lincoln	11,192,951	1,132,791	-	(72,415)	(14,104)	1,266	(15,700)	-	1,031,837	12,224,788
Little Compton	413,267	(15,306)	-	-	-	40	-	-	(15,266)	398,000
Middletown	8,621,817	(217,263)	-	(73,618)	(11,841)	(1,344)	-	-	(304,065)	8,317,752
Narragansett	2,150,151	(14,070)	-	1,492	-	(87)	-	-	(12,665)	2,137,486
Newport	10,938,355	771,161	-	18,407	(30,505)	6,078	-	-	765,141	11,703,496
New Shoreham	131,168	6,382	-	(181)	-	(193)	-	-	6,007	137,175
North Kingstown	10,897,113	(150,204)	-	(7,235)	-	571	-	-	(156,868)	10,740,245
North Providence	20,168,708	2,141,247	(13,287)	(72,159)	(31,941)	2,822	-	-	2,026,682	22,195,390
North Smithfield	6,177,520	(97,348)	(16,428)	(16,781)	(1,484)	(199)	-	-	(132,241)	6,045,279
Pawtucket	83,927,607	5,330,499	(50,787)	29,577	(164,530)	24,023	(104,300)	-	5,064,481	88,992,088
Portsmouth	4,787,380	(191,556)	-	(103,563)	(9,688)	16	-	-	(304,791)	4,482,589
Providence	235,212,370	10,257,873	(93,821)	(39,287)	(217,735)	(14,523)	(294,800)	-	9,597,706	244,810,077
Richmond	4,841,145	(203,619)	-	-	-	(163)	-	-	(203,782)	4,637,363
Scituate	3,794,602	(138,357)	(10,181)	(8,139)	-	-	-	-	(156,677)	3,637,925
Smithfield	5,961,895	452,934	6,167	(83,422)	(16,628)	276	-	-	359,327	6,321,222
South Kingstown	7,485,517	(474,511)	(35,117)	22,551	(3,519)	1,505	-	-	(489,092)	6,996,426
Tiverton	6,284,270	246,726	-	20,953	-	676	-	-	268,356	6,552,625
Warwick	38,252,321	856,689	(32,917)	125,727	(52,682)	5,340	-	-	902,157	39,154,478
Westerly	8,904,660	245,894	-	(17,847)	-	(6)	-	-	228,041	9,132,701
West Warwick	23,082,050	1,212,333	(8,825)	18,030	-	6,904	-	-	1,228,443	24,310,493
Woonsocket	56,340,792	2,669,954	3,242	7,355	(27,705)	5,426	(16,850)	-	2,641,421	58,982,214
Bristol-Warren <sup>3</sup>	16,003,657	(413,626)	225,875	(88,320)	(8,779)	(2,916)	-	-	(287,765)	15,715,892
Exeter-West Greenwich <sup>3</sup>	6,384,057	(290,994)	12,434	(28,629)	(1,756)	98	-	-	(308,847)	6,075,210
Charlho	1,809,332	(38,321)	749	52,764	-	-	-	-	15,192	1,824,524
Foster-Glocester	5,130,308	(99,173)	(34,130)	20,330	-	323	-	-	(112,650)	5,017,658
Central Falls	39,687,299	(1,720,444)	(59,232)	43,369	-	(27,604)	(94,675)	1,971,170	112,584	39,799,882
<b>District Total</b>	<b>\$797,337,279</b>	<b>\$32,050,963</b>	<b>\$0</b>	<b>(\$15,203)</b>	<b>(\$688,863)</b>	<b>\$36,234</b>	<b>(\$553,325)</b>	<b>\$1,971,170</b>	<b>\$32,800,975</b>	<b>\$830,138,254</b>
Charter School Total	75,310,452	9,003,457	-	15,203	-	61,546	-	-	9,080,206	84,390,657
Davies	12,591,659	(715,093)	-	-	-	8,201	-	1,471,756	764,864	13,356,522
Met School	9,342,007	(625,068)	-	-	-	10,505	-	625,068	10,504	9,352,511
Urban Collaborative	1,115,290	275,504	-	-	-	5,204	-	-	280,708	1,395,998
<b>Total</b>	<b>\$895,696,687</b>	<b>\$39,989,763</b>	<b>\$0</b>	<b>(\$0)</b>	<b>(\$688,863)</b>	<b>\$121,689</b>	<b>(\$553,325)</b>	<b>\$4,067,994</b>	<b>\$42,937,257</b>	<b>\$938,633,942</b>

<sup>1</sup> Based on March 2016 data updates.

<sup>2</sup> Based on final 12/31/2016 report from the Department of Children, Youth and Families.

<sup>3</sup> 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 FY2018, the minimum state share is 35.0 percent and the maximum is 96.7 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 FY2018, the budget provides \$80.0 million, level funded with the FY2017 Budget as Enacted. For FY2018, the Department projects expenditures of \$70.9 million in school housing aid, level funded with the FY2017 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**

<b>Municipality</b>	<b>Local Savings</b>	<b>State Savings</b>	<b>Total Savings</b>
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
<b>Total Savings</b>	<b>\$12,489,103</b>	<b>\$3,122,350</b>	<b>\$15,611,453</b>

**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 FY2018, the Budget provides \$9.1 million in general revenue to capitalize the Capital Fund, consistent with the FY2017 Budget as Enacted.





**DEPARTMENT OF ADMINISTRATION*****Debt Service*** ***(\$8.4 million)***

The Governor recommends \$8.4 million less in general revenue financing for State debt service. The reduction reflects the delay of a new bond issuance originally slated for FY2016 that will now take place in the spring of 2017.

***Rhode Island Health Benefits Exchange (federal)*** ***\$6.8 million***

The Budget includes \$7.9 million in federal funds, reflecting an increase of \$6.8 million from the FY2017 Budget as Enacted. The majority of the increase is in contract services with \$4.9 million more for management and \$1.9 million more for information technology consultants.

***Information Technology (restricted receipts)*** ***\$6.1 million***

The Governor recommends an additional \$6.1 million in restricted receipts for the Information Technology Investment Fund (ITIF) to finance adjusted current year phasing in of several major State information technology projects, including the Time, Leave and Attendance System; Statewide ePermitting Platform; Integrated Budget Development System; DLT Imaging System; and the Unified Health Infrastructure Project (UHIP).

***Rhode Island Health Benefits Exchange (restricted receipts)*** ***(\$2.6 million)***

The Budget includes \$6.0 million in restricted receipts from the Health Reform Assessment authorized under the FY2016 Budget as Enacted. This reflects a decrease of \$2.6 million from the FY2017 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 decrease in restricted receipts reflects a lower number of insured enrollees than previously projected. This is partly due to problems with the Unified Health Infrastructure Project (UHIP) as well as from the withdrawal of United Healthcare from the HealthSource RI marketplace.

**DEPARTMENT OF BUSINESS REGULATION*****Office of the Health Insurance Commissioner (federal)*** ***\$910,686***

The Governor recommends \$910,686 in additional federal funds based on the receipt of two new awards secured by the Office of the Health Insurance Commissioner – the Market Reform grant and an Innovation Model Initiative grant. These programs will support staff and operations previously funded by a series of expiring federal Rate Review grants.

**EXECUTIVE OFFICE OF COMMERCE*****Shifting Funds from Stay Invested in RI Wavemaker Fellowship*** ***(\$1.5 million)***

The Governor shifts \$1.5 million in general revenue from the Stay Invested in RI Wavemaker Fellowship to the First Wave Closing Fund, bringing the latter's balance to \$12.0 million.

***Rental of Outside Property*** ***\$28,525***

The Governor adds \$28,525 in general revenue to facilitate the move of the Executive Office of Commerce from its temporary offices inside the State House to leased space with the Commerce Corporation in Providence.

**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 April 1, 2017 to April 1, 2018.

**OFFICE OF THE GENERAL TREASURER*****Unclaimed Property (restricted receipts)******\$2.1 million***

The Governor adds \$2.1 million in restricted receipts for Unclaimed Properties based on adjusted estimates of property payments from the November 2016 Revenue Estimating Conference.

**DEPARTMENT OF HUMAN SERVICES*****Caseload Estimating Conference Changes******(\$4.9 million)***

General Revenue expenses decrease by \$4.9 million due to revised caseload estimates. The majority of this decrease is due to the Department receiving a 12-month waiver for new federal rules under the reauthorization of the Child Development Block Grant. The November CEC adopted an estimate of 9,023 childcare subsidies, which is 580 less than enacted. The decrease in the Child Care Program is slightly offset by an increase of \$3,442 in the Supplemental Security Income (SSI) program and an increase of \$28,800 in the General Public Assistance (GPA) program.

***Unified Health Infrastructure Project******\$290,116***

The Governor recommends adding \$290,116 in general revenue to fund salaries and IT system support associated with correcting UHIP system errors. The majority of this funding will support hiring 35.0 temporary positions to address system backlogs and errors.

The Unified Health Infrastructure Project (UHIP) is the largest Information Technology (IT) project undertaken by the State, intended to fully integrate health and human service programs. Phase II of UHIP, released September of 2016, was intended to expand the system to serve as a portal through which residents apply for and enroll in health and human service programs such as Child Care, SNAP, GPA, and SSI programs. Phase II of the UHIP project has been plagued with technical failures resulting in delays in eligibility and payments to providers and individuals. These challenges led to the Governor's decision to seek the resignation of the Director of DHS, the Director of Information Technology, and the Secretary of Health and Human Services. The Governor has replaced these key positions with acting leaders, published an analysis of the current conditions of the project, and proposed short-term and long-term solutions to improve the performance of the system.

*Analyst Note: The Administration released the report, An Assessment of the Unified Health Infrastructure Project, on February 15, 2017. The report identified the current challenges with the UHIP system which have led to the disruption of services and payments for beneficiaries and providers. It also details corrective actions that are being taken immediately, as well as short-term goals to correct the deficiencies.*

*The Administration report states that budget risks include: previous caseload forecasts may be incorrect for programs that are having issues with eligibility or enrollment; program or personnel savings may not be achieved within the original timeframe because relevant functionality is working partially or not at all; potential delays in savings because the system is not yet accurately making payments to some providers, resulting in some potential overpayments; and the State may be subject to federal penalties due to difficulties with administering certain programs.*

**EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES*****Caseload Increases*****\$8.0 million**

The Governor increases general revenue by \$8.0 million over the FY2017 enacted budget primarily due to increased expenditures in hospital, pharmacy, and medical service that were adopted in the November 2016 Caseload Estimating Conference. Increased expenditures are offset by reduction in spending in home and community-based services, nursing facilities, and Rhody Health populations.

**DEPARTMENT CHILDREN, YOUTH, AND FAMILIES*****Child Welfare Division*****\$6.3 million**

The Governor increases general revenue by \$6.3 million over the FY2017 enacted budget, due to increased expenditures within the Child Welfare (CW) Division and the Behavioral Healthcare (BH) Division. Increased expenditures in CW and BH are related to contracted provider services for residential and community-based placements and personnel costs.

***Juvenile Correctional Services*****(\$1.8 million)**

The Governor reduces general revenue spending by \$1.8 million in FY2017 related to the reorganization of the educational program at correctional facilities.

**DEPARTMENT OF BEHAVIORAL HEALTHCARE, DEVELOPMENTAL DISABILITIES, AND HOSPITALS*****Division of Developmental Disabilities*****\$2.4 million**

The Governor increases general revenue by \$2.4 million in general revenue expenditures related to programming for services in the Division of Developmental Disabilities for individuals with intellectual and developmentally disabilities. Budget overruns are due to the Department's inability to achieve savings associated with the FY2017 budget initiative to transition individuals from group homes to supported living arrangements (SLAs).

***Eleanor Slater Hospital*****\$2.8 million**

The Governor increases general revenue by \$2.8 million related to unachieved overtime and reorganization savings at Eleanor Slater Hospital in the Division of Hospitals and Community Rehabilitation Services.

***Opioid Treatment*****\$2.0 million**

The Governor adds \$2.0 million in general revenue to the Division of Behavioral Healthcare (BH) related to the transfer of funding for opioid treatment from the Department of Corrections to the Division of BH. This transfer is intended to support the Division's maintenance of effort (MOE) requirements for the Substance Abuse Primary Prevention Block grant they are currently awarded.

**DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION*****Interdepartmental Cost Allocation*****\$109,450**

The Budget includes a \$109,450 interdepartmental transfer representing 50.0 percent of the salary and benefits of a Deputy Chief of Staff in the Governor's Office who works on education policy issues. The FY2017 Revised Budget includes interdepartmental cost allocations totaling \$773,194 for staff in the Governor's Office that is charged against nine state agencies. The Budget Office states that these cost allocations reflect Governor's Office staff support to assist these state agencies on various policy and program initiatives such as Real Jobs RI, RhodeWorks, Reinventing Medicaid, and Justice Reinvestment Initiative, etc.

**OFFICE OF THE ATTORNEY GENERAL**

**Personnel** **\$550,801**

The Budget increases general revenue by \$550,801 over the FY2017 enacted budget. The increases include \$305,240 in personnel related expenses, an increase of \$250,000 for costs associated with expert witnesses, and contract service adjustments.

**DEPARTMENT OF CORRECTIONS**

**Correctional Officer Arbitration Award** **\$3.9 million**

The FY2017 Supplemental Budget includes \$12.0 million in general revenue to fund the arbitration award for the Rhode Island Brotherhood of Correctional Officers (RIBCO), which includes 989 correctional officers and nurses. The FY2017 Budget adds \$3.9 million in general revenue above the FY2017 Budget as Enacted. This increase is above what the State had saved in reserve funds, which was based on a 6.0 percent raise that had been negotiated with other state employee unions. The award totals a cumulative wage increase of 10.68 percent.

**JUDICIARY**

**Personnel Costs** **\$1.1 million**

The Budget provides an additional \$1.1 million in personnel costs for five judges appointed by the Governor including one in the Superior Court (\$237,441), two in the Family Court (\$481,844), and two in the Superior Court (\$429,278).

**Personnel Shift to Restricted Receipts** **(\$500,000)**

The Governor's FY2017 Budget includes the transfer of \$500,000 in salaries and wages from general revenue to restricted receipts.

**DEPARTMENT OF ENVIRONMENTAL MANAGEMENT**

**Clean Diesel Program** **(\$2.0 million)**

The FY2017 Budget as Enacted included \$2.0 million for the new Rhode Island Clean Diesel Fund established within DEM; however, due to implementation delays the funding is being shifted into FY2018. The public comment period on the draft regulations closed on January 31, 2017. The regulations become effective on March 22, 2017.

**DEPARTMENT OF TRANSPORTATION**

**New Vehicles and Equipment (other funds)** **\$26.2 million**

The Governor adds \$26.2 million in Highway Maintenance Account funds for the purchase and maintenance of new vehicles and equipment required for the increase in maintenance as part of the RhodeWorks program.





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## ARTICLES

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## Article 1: Relating to Making Appropriations in Support of FY2018

Article 1 outlines the appropriation amounts from all fund sources for FY2018. 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 in Rhode Island Capital Plan Fund projects; expenditure limits for internal service funds; and, 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 FY2019.
- Requires the Public Utilities Commission to pay an annual rent of \$333,420 for the office building at 89 Jefferson Boulevard in the City of Warwick, reflecting an increase of \$160,380. The Commission has paid an annual rent of \$173,040 since moving into the structure.
- 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 \$1.2 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 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 on the number of housing units produced and funding.
- Requires the following transfers be made to the State Controller by June 30, 2018: \$6.0 million from Resource Recovery Corporation; \$1.0 million from the Rhode Island Infrastructure Bank; \$2.5 million from Narragansett Bay Commission; \$1.2 million from Rhode Island Health and Educational Building Corporation; and, \$2.6 million from the Rhode Island Turnpike and Bridge Authority.

### 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, 2018.

<b>Expenditures by Source</b>	<b>FY2016 Final</b>	<b>FY2017 Enacted</b>	<b>FY2018 Governor</b>	<b>Change to Enacted</b>
General Revenue	\$3,547.9	\$3,683.7	\$3,792.7	\$109.0
Federal Funds	2,877.4	2,957.1	3,081.8	124.8
Restricted Receipts	245.7	257.0	273.8	16.8
Other Funds	1,834.2	2,040.9	2,099.7	58.8
<b>Total</b>	<b>\$8,505.2</b>	<b>\$8,938.7</b>	<b>\$9,248.1</b>	<b>\$309.3</b>

*\$ 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; and, Lottery Division funds for award winnings during FY2018.

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.

<b>Internal Service Account</b>	<b>FY2017 Enacted</b>	<b>FY2018 Governor</b>
State Assessed Fringe Benefits	\$41,699,269	\$41,229,448
Administration Central Utilities	14,900,975	24,910,320
State Central Mail	6,190,285	6,838,505
State Telecommunications	3,017,521	3,244,413
State Automotive Fleet	12,543,165	12,510,602
Surplus Property	2,500	3,000
Health Insurance	251,723,462	251,804,700
Other Post-Employment Benefits	63,934,483	63,852,483
Capital Police	1,172,421	1,306,128
Corrections Central Distribution Center	7,094,183	6,784,478
Correctional Industries	7,304,210	7,581,704
Secretary of State Records Center	907,177	807,345
<b>Total</b>	<b>\$410,489,651</b>	<b>\$420,873,126</b>

## FUND TRANSFERS

**Rhode Island Resource Recovery Corporation:** The article requires the Rhode Island Resource Recovery Corporation (RIRRC) to transfer \$6.0 million to the State Controller by the end of FY2018. The tipping fee cannot be increased to cover the transfer since the rate was recently set through the administrative rules process; however, the transfer equates to a \$20 increase in the municipal tip fee. According to the Corporation, the remaining alternatives include requesting a subsidy from the State or increasing commercial solid waste volume. Increasing the volume, however, will shorten the lifespan of the landfill. Taking the funds from RIRRC without increasing revenues risks pushing RIRRC into default on its bond covenants. Borrowing would be difficult since RIRRC recently issued bonds for infrastructure projects and the transfer of funds to the State undermines the Corporation's financial projections.

**Rhode Island Infrastructure Bank:** The article requires the Rhode Island Infrastructure Bank (RIIB) to transfer \$1.0 million to the State Controller by the end of FY2018. According to RIIB, since RIIB leverages its capital with private sector capital in the bond market by four to five times, transferring \$1.0 million would reduce its capacity to invest in local infrastructure projects by \$5.0 million and impair its ability to fully execute its new programs. According to RIIB, \$5.0 million of infrastructure investment would create or support 135 jobs.

RIIB requires capital to execute new programs in Municipal Roads & Bridges, the Efficient Building Fund, and Brownfield Remediation, and is currently focused on funding FY2017 projects in advance of the Spring/Summer construction period. The State did not contribute capital to RIIB in FY2017 for Municipal Roads & Bridges despite project demand of over \$10.0 million nor has RIIB received state capital to execute the new Brownfield Remediation Fund which is ready to launch. Demand from municipalities, especially schools, for energy efficient and renewable energy projects through the Efficient Building Fund has been strong and RIIB requires capital to make these environmental investments. RIIB continues to see increased demand in the Community Septic System Loan Program (CSSLP) which provides 1.0 percent, long-term loans to homeowners to remediate cesspools or damaged septic systems. The proposed transfer would have a negative impact on RIIB programs and the homeowners and municipalities that benefit from these programs.

**Narragansett Bay Commission:** The article requires the Narragansett Bay Commission (NBC) to transfer \$2.5 million to the State Controller by the end of FY2018. According to the NBC, if transferred to the rate payer, the transfer would impact some of the State's poorest communities that are already projected to face future rate increases due to capital improvement projects. According to NBC, the rate increase necessary

to generate \$2.5 million is \$12.36, or 2.6 percent, per year for the average single-family homeowner. 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 \$1.2 million to the State Controller by the end of FY2018. RIHEBC has indicated that the transfer of these funds would severely limit its ability 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 also provides grants to nonprofit institutions for innovative educational or technological projects, feasibility studies, and other healthcare initiatives. In addition, the program provides other assistance such as \$1.0 million to fund the assessment by the School Building Authority to document the conditions of the schools and to help defray the costs associated with administering the School Building Authority Capital Fund, as well as the costs associated with financing school projects for communities.

**Rhode Island Bridge and Turnpike Authority:** The article requires the Rhode Island Bridge and Turnpike Authority to transfer \$2.6 million to the State Controller by the end of FY2018. RIBTA indicates that the majority of its revenue is dedicated to bondholders through various indenture, including funds from current tolls and the gasoline tax. RIBTA indicates that its revenue and income forecast is made to coincide with the planned expenditures for the Newport Pell, Sakonnet, Jamestown, and Mt. Hope Bridges and their approaches (including the length of Route 138 between Newport and Jamestown). A change to this forecast would result in the alteration of construction schedules, the delay of needed repair projects, and/or the cancellation of projects. If the fund transfer were to occur, and in order to meet its existing capital plan, RIBTA indicates that its Board would likely reassess the current toll structure and potentially increase tolls.

#### 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 114.8 FTE positions from the FY2017 Budget as Enacted. Following are the changes included in the Governor's proposal:

<b>Government Function</b>	<b>FY2017 Enacted</b>	<b>FY2018 Governor</b>	<b>Change to Enacted</b>
General Government	2,342.7	2,402.9	60.2
Human Services	3,619.6	3,561.6	(58.0)
Education	3,909.9	3,918.9	9.0
Public Safety	3,205.6	3,231.2	25.6
Natural Resources	428.0	432.0	4.0
Transportation	701.0	775.0	74.0
<b>Subtotal</b>	<b>14,206.8</b>	<b>14,321.6</b>	<b>114.8</b>
Higher Ed. Sponsored Research	745.8	745.8	-
<b>Total FTE Positions</b>	<b>14,952.6</b>	<b>15,067.4</b>	<b>114.8</b>

FTE changes include:

- **A decrease of 99.0 FTE positions in the Department of Human Services:** The Budget includes a reduction of 60.0 FTE positions due to the implementation of the new UHIP system. Additionally, there is a shift of 39.0 FTE finance positions to the Executive Office of Health and Human Services. This consolidation will allow for coordination among finance departments by centralizing staff at EOHHS

office space; however, the financing for the FTE positions will remain in the Department of Human Services to maximize federal financing participation.

- **An increase of 90.0 FTE positions in the Office of Health and Human Services:** The Governor transfers 90.0 FTE positions from the Department of Human Services (DHS), Department of Children, Youth, and Families (DCYF), the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH), and the Department of Health (DOH) to consolidate finance staff to the Executive Office of Health and Human Services.

The consolidation will allow for coordination among finance departments by centralizing staff at EOHHS office space. The financing for the FTE positions will remain in the respective departments to maximize federal financing participation.

- **An increase of 74.0 FTE positions for the Department of Transportation:** The Governor recommends increasing DOT's authorized level of FTEs in FY2018 to 775.0, 74.0 positions more than the FY2017 enacted level. This increase consists of the following new positions: 2.0 Assistant Administrative Officers, 14.0 Bridge Maintenance Workers, 1.0 Chief Civil Engineer for Road Design, 1.0 Civil Engineering Associate, 1.0 Highway Maintenance Operator I, 6.0 Highway Maintenance Operator II, 1.0 Planner, 1.0 Principal Civil Engineer, 3.0 Road Maintenance Supervisors, 1.0 Supervising Environmental Scientist, 2.0 Electrical Inspectors, and 1.0 Engineering Technician. These are in addition to the net 40.0 FTEs recommended to be added by the Governor in the revised FY2017 supplemental budget.
- **An increase of 50.4 FTE positions in the Department of Public Safety:** This increase consists of numerous personnel adjustments, the majority of which are attributable to the integration of the Emergency Management Agency with the DPS. This reorganization results in a total increase of a 29.0 FTE positions at DPS. Within the State Police important FTE changes include the addition of a net 3.0 FTE positions at the State Police, including the addition of 1.0 Cyber Analyst and 1.0 Computer/Cyber Forensic Analyst position that the Governor recommends be converted from a federal grant funding that is ending in FY2018. The budget also includes the addition of 2.0 civilian Senior Planning and Program Specialists to relieve uniform personnel from duties in the Planning, Research, and Accreditation Bureau in order to focus on law enforcement; and the transfer of 1.0 Data Processing System Manager to the Department of Administration's Division of Information of Technology. The Budget also includes the addition of 1.0 Assistant Explosives and Flammable Liquids Technician to assist the Fire Marshal; 5.0 Screener positions to assist Capitol Police with the security at state buildings; and 2.0 Capitol Police Officers to provide security at the Department of Health and the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals. Within Central Management, the Governor adds several new civilian positions including a 1.0 Chief of Motor Pool and Maintenance, 1.0 Project Manager I, 1.0 Director of Public Information, 1.0 Executive Assistant to the new Commissioner of Public Safety, 1.0 Director of Policy, and the transfer of 4.0 FTEs associated with human resource functions to the DOA. These are in addition to the net 6.4 FTEs, including the 1.0 Commissioner of Public Safety FTE position, recommended to be added by the Governor in the FY2017 supplemental budget.
- **A decrease of 29.0 FTE positions in the Rhode Island Emergency Management Agency:** The Budget transfers the Rhode Island Emergency Management Agency and the associated FTE positions into a re-organized Department of Public Safety, further consolidating state public safety agencies into a single entity.
- **An increase of 24.2 FTE positions in the Department Labor and Training:** There is a net increase of 24.2 FTE positions within the Department of Labor and training. The following positions are added in the FY2017 Supplemental Budget and the FY2018 Budget: 14.2 FTE positions within the Income Support Program associated with claims processing services; 1.0 FTE position associated with the Real Jobs Rhode Island workload within Workforce Development Services; 4.0 FTE positions within the

Workforce Regulation and Safety program associated with workplace fraud caseloads; 1.5 FTE positions within Central Management, including 1.0 Administrative Officer and 0.5 Legal Counsel; 1.0 Investigative Auditor and 1.0 Senior Monitoring and Evaluation Specialist to augment existing staff to create the Compliance and Integrity Unit; 1.0 Chief of Information and Public Relations to assist in meeting the demands of the Marketing and Communications Unit; 1.0 Principal Research Technician to meet the demands of the State Workforce and Education Alignment Project (SWEAP) funded by a grant from the National Skills Coalition; 1.0 Assistant Coordinator of Employment and Training Programs for the LEAP (Linking to Employment Activities Pre-release) program, which provides employment services for formerly incarcerated individuals; 1.0 Assistant Chief of Planning, a new position created to meet the demands within the Governor's Workforce Board. Additionally, in FY2018 there is a decrease of 2.5 FTE positions within the Board of Review, including 2.0 Referees and 0.5 Lawyer.

- **An increase of 16.0 FTE positions in the Department of Revenue:** The Governor includes an increase of 16.0 FTE positions. The FTE increase includes 8.0 FTE positions to reduce wait times at the Registry of Motor Vehicles, including 2.0 Motor Vehicle Appeals Officers and 6.0 Customer Service Representative I positions. The Division of Taxation adds 2.0 Taxpayer Service Specialists; 2.0 Revenue Agent I positions; 1.0 Teller; 2.0 Data Analyst I; and 1.0 Supervising Revenue Officer.
- **An increase of 10.0 FTE positions Public Higher Education:** The Budget includes 10.0 new FTE positions for the administrative staff at the newly created Nursing Education Center.
- **An increase of 9.0 FTE positions in the Department of Business Regulation:** This net increase is associated with several personnel changes that are recommended by the Governor in FY2017 and are included in FY2018 FTE totals. These positions include 1.0 Senior Management & Methods Analyst FTE position in Central Management, 3.0 Bank Examiner FTE positions in Banking Regulation, 3.0 Insurance Examiner, 1.0 Senior Insurance Examiner and 1.0 Licensing Aide position in Insurance Regulation.
- **An increase of 6.0 FTE positions in the Public Utilities Commission:** The Budget adds 1.0 Deputy Chief of Legal position, 1.0 Fiscal Management Officer, and a 1.0 Regulatory Research Specialist. These three positions are required to handle the increased work involving regulatory research and analysis, increased fiscal and financial reporting requirements, and a projected increase in administrative proceedings. In addition, the Budget adds 2.0 Administrative Assistants, one for the Division and one for the Commission, and a 1.0 Chief of Program Development position. The Administrative Assistants are required to assist Commission and Division staff with energy policies. The Chief of Program Development position is required to meet the increased demand in Energy Facilities Siting Board filings, rate modernization, and the changes to evolving energy policy.
- **An increase of 5.0 FTE positions in the Department of Administration:** The Budget merges 5.0 FTE positions from the Department of Public Safety into the information technology (1.0 FTE position) and human resource (4.0 FTE positions) service centers consolidated in the Department of Administration.
- **A decrease of 4.0 FTE positions in the Department of Health:** The Budget includes a net decrease of 4.0 FTE positions. The FTE increases include 3.0 FTE positions to reflect the lead consolidation effort; 1.0 FTE Health Program Administrator to address the backlog of Department regulation; 1.0 FTE Nursing Care Evaluator to inspect health care facilities; and 1.0 FTE Public Health Promotion Specialist to investigate complaints against medical professionals. The FTE reductions include 1.0 FTE to reflect the consolidation of the heads of the Center for Professional Boards and Commissioner and the Center for Professional Licensing into one position; 2.0 FTE positions are transferred to the Office of the Health Insurance Commissioner as part of the consolidation of the utilization review process; Additionally, there is a shift of 7.0 FTE positions to reflect the centralization of finance and human services functions. This consolidation will allow for coordination among finance departments by

centralizing staff at EOHHS office space; however, the financing for the FTE positions will remain in the Department of Health to maximize federal financing participation.

- **An increase of 4.0 FTE positions at the Department of Environmental Management:** The Budget includes 4.0 new FTE positions including: 1.0 FTE position transferred from the Historical Preservation and Heritage Commission for the management of the Eisenhower House; 1.0 FTE position for a new merchandising program, and 2.0 FTE positions for Environmental Scientists to work on reducing storm water and other pollution into waterways.
- **An increase of 3.0 FTE positions in the Department of Corrections:** The Governor includes an increase of 3.0 FTE positions associated with mental health services. This increase includes 2.0 Clinical Social Workers and 1.0 Administrative Assistant.
- **An increase of 1.0 FTE position in the Executive Office of Commerce:** The increase reflects the addition of 1.0 Assistant Administrator, Financial Management FTE position within the Central Management program.
- **A decrease of 1.0 FTE position in the Office of the General Treasurer:** The Budget includes a decrease of 1.0 FTE position reflecting the elimination of the 1.0 Director of Member Services position for the CollegeBoundSaver Program, which was not funded in the enacted budget.
- **An increase of 1.0 FTE position in the Office of the Child Advocate:** The Budget include 1.0 case management coordinator position in FY2018. The additional FTE position is expected to increase general revenue expenditures by \$23,306 in FY2018. The additional case management coordinator will support the Victims of Crime Act (VOCA) program which provides assistance to victims and their families seeking support through the OCA.
- **An increase of 1.0 FTE position in the Office of the Public Defender:** There is an increase of 1.0 FTE attorney position in the Office of the Public Defender.

#### **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, 2019, June 30, 2020, and June 30, 2021. These amounts supersede appropriations provided for FY2018 within the FY2017 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 Economic Development and Tax Credits

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This article expands the number and types of tax credits and programs managed by the Commerce Corporation. Specifically, the article:

- Expands the Innovation Initiative voucher program beyond small businesses to include a distinct category of small business manufacturers.
- Creates a Refundable Investment Tax Credit to incentivize Rhode Island manufacturers to invest in their businesses. The Commerce Corporation may award a refundable tax credit up to \$200,000 to use against costs associated with financing manufacturing capital assets such as plant and equipment. A manufacturer is only able to redeem the credit if its value exceeded the tax liability in the year the credit is available. Manufacturers have to apply on an annual basis to the Commerce Corporation, who make awards based on competitive factors set forth in the application.
- Creates a specific Refundable Jobs Training Tax Credit available to qualifying manufacturers for expenses incurred in the training and/or retraining of employees. Similar to the investment tax credit described above, manufacturers may be awarded up to \$200,000 per year, and in order to redeem the credit it must exceed their tax liability in the year the tax credit is available.
- Establishes a Technical Assistance for Municipal Zoning and Permitting Fund (TA Fund) to finance and support technical assistance to cities and towns. This fund helps cities and towns evaluate and streamline zoning, planning, and permitting processes with the goal of advancing local economic development.
- Adds the Refundable Investment Tax Credit and the Refundable Jobs Training Tax Credit as allowable credits against personal income and business corporations tax liabilities.

### FISCAL IMPACT

The Governor recommends an increase of \$1.0 million in general revenue in FY2018 for a total budget of \$2.5 million to fund an expanded Innovation Initiative grant program, administered by the Commerce Corporation, that supports company-based research and development costs for small businesses and manufacturers.

The Governor budgets \$3.5 million for Refundable Manufacturing Investment Tax Credits and \$2.0 million in Refundable Job Training Tax Credits for FY2018.

Section 4 of the article establishes the TA Fund and authorizes it to receive funds from all sources including general revenue appropriations and federal grants. The Governor includes \$250,000 of general revenue for this initiative in FY2018.

### ANALYSIS AND BACKGROUND

This article refines, expands and establishes several economic development incentives and programs, primarily in support of Rhode Island's manufacturing sector.

#### ***Innovation Voucher and Network Initiative Expansion - Manufacturers***

Originally authorized by the General Assembly in 2015, the Innovation Voucher and Network Program (RIGL 42-62.28) was created to provide financial assistance to small businesses (under 500 employees) for research and development technical assistance. This article expands and refines the incentive program by creating a distinct category of small business manufacturer (as defined for property tax exemption purposes under RIGL 44-3-3) to which the Commerce Corporation may issue vouchers. Vouchers may be used to pay for: research and technological development; product development; commercialization; market

development; technology exploration; and improved business practices/strategies that grow business and create operational efficiencies.

The Commerce Corporation is directed, subject to appropriation levels, to reserve up to \$1.0 million in FY2018 for small business manufacturers under this program. The Governor's recommends a total of \$2.5 million in general revenue for the Innovation Initiative's voucher program.

#### ***Refundable Investment Tax Credit***

The Governor creates a new tax credit, to be administered by the Commerce Corporation, intended to promote investment in manufacturing by reducing a business's tax burden. The credit may be taken against personal income and business corporation tax liabilities and is refundable to the extent that the credit exceeds the business's tax liability, exclusively for the tax year in which the credit was issued. Credits carried forward beyond the issued year are not refundable. Credits are capped at \$200,000 for any one business in any given tax year. Payment of redeemed tax credits are made from a new account within the Commerce Corporation and is contingent upon state budget appropriation. The Governor recommends \$3.5 million in general revenue in FY2018.

To be eligible to take and/or redeem the refundable investment tax credit a business must:

- Meet the definition of a manufacturer as set forth under the existing Investment Tax Credit Program [44-33-1(b)(1) and (2)] as well as those entities described in major groups 20-39 of the federal Standard Industrial Classification Manual.
- Apply to the Commerce Corporation *prior* to making the investment that would give rise to the requested tax credit. When considering an application, Commerce Corporation shall take into account the nature and amount of the investment; the necessity of the investment and/or credit; whether the applicant is within a target sector; the number of jobs resulting, and whether or not the credit is applicable to a manufacturer located in a municipality where family poverty levels exceed the state median.
- Enter into an incentive agreement with the Commerce Corporation setting forth the eligibility terms and conditions governing the approval and use of the credit. Expenses used for calculating this tax credit cannot be used for calculating any other Rhode Island tax credit.
  - Qualifying investments consist of tangible property, including real property such as buildings and structural components of buildings acquired, constructed, reconstructed or erected for use by the taxpayer in the production of goods by manufacturing. The property must also be depreciable (per §167 of Internal Revenue Code), have a minimum useful life of four years, be acquired by purchase (per §179d of the Internal Revenue Code), and have a situs in Rhode Island at the date first placed in service.

The Commerce Corporation is required to annually report the number of business that have entered into an incentive agreement during the preceding fiscal year to the Division of Taxation. The first report is due September 1, 2018. The report and a copy of each incentive agreement must be made available publicly on the Commerce Corporation's website. Additionally, the Office of Management and Budget is charged with providing the Governor by December 1<sup>st</sup> of each year, the amount necessary to fund the Refundable Investment Tax Credit. The article does not provide for a sunset date for this tax credit.

#### ***Refundable Job Training Tax Credit***

The Governor also creates a new refundable job training tax credit, to be administered by the Commerce Corporation, intended to improve the State's skilled manufacturing workforce. The credit provides an incentive for employers to invest in training by offering to offset a manufacturer's expenses associated with the training and/or retraining of employees. Similar to the refundable investment tax credit proposal, this credit may be taken against a business's corporate or personal income taxes and is refundable to the extent that the credit exceeds the business's tax liability, exclusively for the tax year in which the credit was issued.

Credits carried forward beyond the issued year are not refundable. Credits are capped at \$200,000 for any one business in any given tax year. Payment of redeemed tax credits are made from a new account within the Commerce Corporation and is contingent upon state budget appropriation. The Governor recommends \$2.0 million in general revenue in FY2018.

To be eligible to take and/or redeem the refundable investment tax credit a business must:

- Meet the definition of a manufacturer as set forth under the existing Investment Tax Credit Program [44-33-1(b)(1) and (2)] as well as those entities described in major groups 20-39 of the federal Standard Industrial Classification Manual.
- Apply to the Commerce Corporation *prior* to making the investment that would give rise to the requested tax credit. When considering an application, Commerce Corporation shall take into account the number of employees proposed to receive training, the amount and necessity of the qualifying training expenses, the necessity of the credit, the number of jobs created or retained as a result of the qualifying training, and whether or not the credit is applicable to an employer located in a municipality where family poverty levels exceed the state median.
- Demonstrate that each employee and expense is qualified under the Job Training Tax credit program.
- An employee for purposes of this tax credit program is one who works a minimum of thirty hours per week within the state and earns or shall earn immediately following the completion of the training and/retraining program no less than one hundred fifty percent (150%) of the hourly minimum wage prescribed by Rhode Island law.
- The credit may be used for the following types of expenses (to be incurred only after the employer has been approved for the program): all reasonable expenses (less any federal, state, or local grant training funds) that are directly attributable to training qualifying employees and for expenses paid to either public or private educational institutions for training services, or paid directly to instructors who conduct training. The training, however, must take place in Rhode Island unless it is established by the that it either cannot be obtained in the state or that it is available at a lower cost at another location.

The Commerce Corporation is required to annually report the number of employers that have entered into an incentive agreement during the preceding fiscal year to the Division of Taxation. The first report is due September 1, 2018. The report and a copy of each incentive agreement must be made available publicly on the Commerce Corporation's website. Additionally, the Office of Management and Budget is charged with providing the Governor by December 1<sup>st</sup> of each year, the amount necessary to fund the Refundable Job Training Tax Credit. The article does not provide for a sunset date for this tax credit.

#### ***Technical Assistance for Municipal Zoning and Permitting Fund***

The article creates a new technical assistance grant program to improve the local regulatory environment in a manner that supports sustained economic development at the local level. A new fund is established out of which the Commerce Corporation is authorized, within available appropriations, to award grants, loans and other methods of financing that provide municipalities access to technical assistance related to evaluating and streamlining zoning and permitting practices. The funds may receive federal, state, or other resources. The Governor recommends \$250,000 of general revenue for FY2018.

The article does not provide for criteria to be used by which grants, loans or other form of financing applications will be judged and awarded. This article leaves this to the Commerce Corporation to develop by rules and regulations. The Commerce Corporation is required to publish a report on the fund to the General Assembly within 60 days after the end of the fiscal year. The report must include information on the commitment, disbursement, and use of all funds allocated under the program. It must also include the economic impact of projects that have been completed using the funds. The article does not permit the authorization of awards after December 31, 2019.

## Article 3: Relating to Rhode Island Promise Scholarship

This article establishes the Rhode Island Promise Scholarship program to provide students with two years of tuition and mandatory fees at an eligible institution, less federal and all other financial aid available to the recipient. In order to build a highly educated and skilled workforce, the article aims to increase the number of students enrolled at the state's public higher education institutions and the number of students who complete their degrees on time by removing financial barriers.

### FISCAL IMPACT

The article requires the General Assembly to annually appropriate the funds necessary to implement the scholarship program. The annual cost is projected to increase from \$10.0 million in FY2018 to \$30.0 million upon full implementation in FY2021. This cost estimate includes several assumptions that are discussed in more detail in the following section.

### ANALYSIS AND BACKGROUND

As part of an effort to provide relief to the middle class and increase access to higher education, the article creates a scholarship program to provide two years of tuition and mandatory fees to students attending one of the State's three public institutions of higher education with no income or merit restrictions. Other costs, such as room and board, textbooks, meal plans, or travel are not included. The article requires the General Assembly to annually appropriate the funds necessary to implement the scholarship program.

#### Projected Costs for Rhode Island Promise Scholarship

	FY2018	FY2019	FY2020 <sup>1</sup>	FY2021 <sup>2</sup>
Scholarships	\$3.0	\$6.0	\$18.0	\$30.0
Promise Preparedness Grants	6.0	6.0	-	-
Implementation Costs	1.0	1.0	-	-
<b>Total</b>	<b>\$10.0</b>	<b>\$13.0</b>	<b>\$18.0</b>	<b>\$30.0</b>
Projected Eligible Recipients <sup>3</sup>	1,461	2,923	5,047	7,171

<sup>1</sup> Includes \$6.0 million for students at CCRI, \$3.0 million for students at RIC, and \$9.0 million for URI.

<sup>2</sup> Includes \$6.0 million for students at CCRI, \$5.8 million for students at RIC, and \$18.2 million for URI.

<sup>3</sup> Assumes 25.0 percent growth in resident enrollment with no attrition at CCRI and RIC, and 20.0% at URI.

\$ in millions

### Scholarships

The financial aid and enrollment management offices at each institution will administer the program under the supervision of the Council on Postsecondary Education (Council). The Council is authorized to promulgate rules and establish procedures for the award, denial, or revocation of scholarships. The article requires the General Assembly to appropriate the funds necessary to implement the program and allows for charitable donations to provide additional support.

*Analyst Note: The Governor's Budget Amendment dated February 3, 2017, deletes the language requiring the deposit of the annual appropriation into a restricted receipt account at each institution. The amendment also specifies that funds can be appropriated to each eligible institution that do not directly provide tuition and fee subsidies but that support and advance the scholarship program. This amendment is included to provide for the \$7.0 million in Promise Preparedness Grants and Implementation costs included in the current cost estimate.*

*In addition, the amendment requires the Office of Management and Budget to oversee the apportionment and disbursement of the funds appropriated for the program in consultation with the OPC. However, while Article 1 appropriates the funding to OPC, it is unclear whether the funds would simply pass through OPC to the institutions or be disbursed by OPC who would then be responsible for verifying the use of the funds.*

The scholarship will cover two years of tuition and any mandatory fees the student is required to pay in order to enroll in classes. Deemed a "last dollar" scholarship, the Program covers tuition and fees minus federal and other financial aid available to the student. Other costs, such as room and board, textbooks, meal plans, or travel are not included. Each qualifying student will receive a scholarship for either their

first two years at the Community College of Rhode Island (CCRI), or their junior and senior years at Rhode Island College (RIC) or the University of Rhode Island (URI).

*Analyst Note: The Governor's Budget Amendment dated February 3, 2017, clarifies that tuition and mandatory fees does not include program fees for specific majors or course fees for specific courses.*

*The language of the article states that an award covers the cost of two years of "tuition and mandatory fees" less federal and other financial aid. It is not clear if the scholarship would cover summer classes or a January term.*

To qualify, a student must satisfy the following criteria:

- Enroll in either CCRI, RIC, or URI beginning in the fall of 2017, or thereafter.
- Qualify for in-state tuition and fees pursuant to the *Residency Policy* adopted by the Council on Postsecondary Education.
- Have satisfied the high school graduation or equivalency diploma condition prior to reaching the age of 19. The student can satisfy this condition with other certification or equivalent documents as recognized by the regulations promulgated by the Council.
- If attending CCRI, the student must enroll on a full-time basis by the fall immediately following high school graduation or the receipt of the high school equivalency diploma.

*Analyst Note: The Governor's Budget Amendment dated February 3, 2017, clarifies that enrollment may occur in the semester immediately following graduation.*

- If attending RIC or URI, the student must be enrolled on a full-time basis, have declared a major, and have accumulated a minimum of 60 credit hours towards a bachelor's degree at the student's current institution.

*Analyst Note: The Governor's Budget Amendment dated February 3, 2017, requires that the student earn the 60 credit hours within their first two years as a first-time, full-time student at their current institution.*

- Have completed the Free Application for Federal Student Aid (FAFSA) form by the deadline prescribed by the applicable institution for each academic year in which the student seeks a scholarship.

*Analyst Note: The Governor's Budget Amendment dated February 3, 2017, requires the completion of any necessary FAFSA verification in addition to the form itself.*

- Be "on track to graduate on time" as determined pursuant to the standards of the applicable institution. For a student attending CCRI this means the student will graduate with an associate's degree within two years. For a student attending RIC or URI, the student will graduate with bachelor's degree within four years.

*Analyst Note: The Governor's Budget Amendment dated February 3, 2017, expands the definition of "on track to graduate on time" to recognize that some students, including those requiring developmental education, are double majors, or are enrolled in certain programs, may require extended time for degree completion.*

- Maintain a minimum of 2.0 grade point average at the postsecondary institution.

*Analyst Note: The Governor's Budget Amendment dated February 3, 2017, deletes the 2.0 grade point average requirement and adds a definition for "good academic standing" that defines it as meeting satisfactory academic progress as defined by each institution. Currently, "good academic standing" requires a 2.0 grade point average. Furthermore, the amendment requires that the student remain in good academic standing to receive the scholarship.*

The student must remain enrolled on a full-time basis throughout the scholarship period unless granted approved medical or personal leave of absence from the enrolling institution. A student who is a member of the National Guard or a reserve unit of a branch of the United States military who is unable to satisfy all

the conditions due to basic or special military training or deployment may continue to receive a scholarship upon completion of the training or deployment. A student is limited to one, two-year scholarship.

The following assumptions are included in the annual cost estimate of \$30.0 million for the program.

- Enrollment of eligible students will increase by 25.0 percent in the first year and that student population will be maintained throughout with no compounding growth.
- There will be no year-over-year attrition of recipient student population; instead, each student eligible in their first year of enrollment at their institution will be eligible for a scholarship. The intent is to increase retention rates at all the institutions.
- The additional students at RIC do not bring in additional Pell dollars; however, at CCRI and URI the Pell grant would remain at the current average per-pupil rate.
- The institutional financial aid for these growth students and for each cohort would remain at current levels.
- The current Rhode Island Promise Scholarships would continue to exist at CCRI since 90.0 percent of current scholarship recipients are adults or part-time students who would not be eligible under the new program. At RIC and URI, the funding is rolled into the new scholarship program. At URI and RIC, the cost estimate assumes that 25.0 percent of the current funding is available to support new scholarships for the first cohort in FY2020, since only the junior class will be eligible, and 100.0 percent will be available in FY2021.
- Tuition and mandatory fee levels remain constant.

**Projected Enrollment for Rhode Island Promise**

	FY2018	FY2019	FY2020	FY2021
CCRI	1,461	2,923	2,923	2,923
RIC	-	-	990	1,980
URI	-	-	1,134	2,268
<b>Total</b>	<b>1,461</b>	<b>2,923</b>	<b>5,047</b>	<b>7,171</b>

*Assumes no attrition  
Source: Budget Office*

**Promise Preparedness Grants**

In the first two years of implementation, the Governor includes \$6.0 million annually in preparedness grants for the institutions to implement necessary capacity building and adjunct program activities. Such activities include adding academic advisors at RIC to help students stay on track to graduate and faculty at URI to ensure course access with increasing enrollment. It assumed that either this money will be then added to the base funding for the institutions in year three or, after the first two years, the revenue from increased enrollment will provide ongoing support for these activities.

**Implementation Costs**

In the first two years of the program, the Governor also includes \$1.0 million annually for costs such as program advertising, outreach, and a FAFSA completion initiative to build capacity to help students complete the necessary federal aid application.

**Reporting and Disbursement**

*Analyst Note: The Governor’s Budget Amendment dated February 3, 2017, adds a reporting requirement that requires each institution to submit a report on or before November 10 and May 10 of each fiscal year to the Director of the Office of Management and Budget, the State Budget Officer, the House Fiscal Advisor, the Senate Fiscal Advisor, the Commissioner of Postsecondary Education, and the chair of the Council on Postsecondary Education. The report must detail the number of students eligible to participate in the program, the amount of federal and institutional aid anticipated to be received by the recipient students, the aggregate tuition and mandatory fee costs attributable to the recipient students, and the total cost of the scholarship program to the State.*

*In addition, the amendment requires the Office of Management and Budget to oversee the apportionment and disbursement of the funds appropriated for the program in consultation with the OPC.*

## Article 4: Relating to Division of Motor Vehicles

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Article 4 makes a number of changes impacting the Division of Motor Vehicles (DMV). The article: establishes in law the technology surcharge fee of \$1.50, which funds the technology restricted receipt account earmarked for the Division's computer system; delays the license plate reissuance one year; and, allocates 0.5 percent of annual Rhode Island Highway Maintenance Account proceeds to the DMV for operating expenses.

### FISCAL IMPACT

This article is anticipated to have the following fiscal impact in FY2018:

- The license plate reissuance delay saves \$3.0 million in expenditures in the proposed FY2017 revised budget; funding for the initiative shifts from FY2017 to FY2018. Under current law, individuals are charged \$6.00 above the regular registration fee per license plate. Delaying the reissuance results in a loss of \$935,975 in revenue in FY2017 and \$1.1 million in FY2018.
- The Budget Office estimates that the DMV technology surcharge will generate \$2.1 million in restricted receipts revenues annually.
- The Rhode Island Highway Maintenance Account proceeds transferred to the DMV are estimated to offset \$471,785 in general revenue costs in FY2018.

### ANALYSIS AND BACKGROUND

#### *Technology Surcharge Fee*

The article establishes a \$1.50 per transaction technology surcharge fee that would sunset on June 30, 2022. Currently, through rules and regulations and authorized under the FY2008 Budget as Enacted, the DMV levies a similar surcharge that sunsets this fiscal year. The fee is deposited into a DMV restricted receipt account that is used to fund costs related to the Division's computer system. The budget includes \$2.1 million in restricted receipt expenses for FY2018.

#### *Delay License Plate Reissuance*

The article delays the license plate reissuance from April 1, 2017, to April 1, 2018. The Governor cites the release of the Rhode Island Motor Vehicle System (RIMS) as the reason for the delay. RIMS is a database designed to provide a real-time and customer-centric computer system to replace the DMV's current legacy system. RIMS is estimated to be implemented in July 2017. The DMV's legacy system would need to be reprogrammed to accommodate the plate reissuance on April 1, 2017, which could be time consuming and costly.

Under RIGL 31-3-33, the DMV is required to issue new reflective license plates for all registered vehicles every 10 years. 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 four 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; the FY2016 Budget as Enacted delayed the reissuance to July 1, 2016; and the FY2017 Budget as Enacted delayed the reissuance to April 1, 2017. Funding for the initiative shifts from FY2017 to FY2018.

#### *Highway Maintenance Fund*

The Transportation Investment and Debt Reduction Act of 2011 created the Rhode Island Highway Maintenance Account within the Intermodal Surface Transportation Fund (ISTF). The account is funded via surcharges associated with licenses, vehicle registrations, inspection stickers, titles, and other related fees. Under current law, RIGL 39-18.1-5, funds from the Rhode Island Highway Maintenance Account are

authorized for projects that appear in the state's transportation improvement program. This article transfers 0.5 percent of the annual Rhode Island Highway Maintenance Account proceeds to the DMV for operating expenses. The estimated revenue transfer will be \$471,785 in FY2018 to partially offset salaries and benefits for DMV Customer Service Representatives and Branch Supervisors.

## Article 5: Relating to Government Reorganization

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This article makes the following changes to the organization of state government:

- Establishes a civilian Commissioner of Public Safety to head the Department of Public Safety (DPS), replacing the previous Director post held by the Superintendent of the State Police.
- Integrates the Emergency Management Agency (EMA) within DPS.
- Designates 10.0 FTE positions to the unclassified service within the State Merit System
- Transfers oversight of the Utilization Review Act (URA), Health Care Accessibility and Quality Assurance Act (HCAQAA), and the Health Plan Modification Act (HPMA) from the Department of Health (DOH) to the Office of the Health Insurance Commissioner (OHIC) to comply with the federal Affordable Care Act (ACA).

### FISCAL IMPACT

The Governor includes an additional \$55,054 in general revenue in FY2017 and \$215,941 FY2018 for the personnel costs associated with the appointment of the Commissioner of Public Safety. Support positions (Policy Director and Executive Assistant) for the Commissioner in FY2018 total \$301,213.

The Governor recommends transferring \$18.5 million and 32.0 FTE positions associated with the EMA to DPS as part of the merger of the two agencies. The Governor shifts \$55,054 in FY2017 and \$215,941 in FY2018 from the Department of Administration (DOA) to the DPS for costs associated with the transfer of the Cybersecurity Director position.

The Governor transfers \$217,268 from the DOH to the OHIC within the Department of Business Regulation (DBR) for costs associated with 2.0 FTE positions that support the oversight functions under the URA, HCAQAA, and the HPMA.

### ANALYSIS AND BACKGROUND

#### *Reorganization of the Department of Public Safety*

This article reorganizes the structure and command of the DPS in several significant ways:

**Commissioner of Public Safety:** Since its establishment in FY2009, the DPS has been led by the Superintendent of the State Police. This proposal creates a new civilian Commissioner of Public Safety to head the Department and thereby brings Rhode Island's state-level, public safety structure into alignment with that of other New England states. The Commissioner is appointed by the Governor and requires the advice and consent of the Senate. A number of personnel changes are proposed within the DPS to support the new Commissioner, including the creation of two new unclassified positions, an Executive Assistant and a Policy Director.

**Consolidation of Emergency Management Agency:** The article integrates the EMA within the DPS, and eliminates it as a stand-alone department by amending RIGL 30-26-5 and thereby creates a seventh division within DPS (State Police, Fire Marshal, E-911, Municipal Police Training, Security Services, Central Management, and EMA). The EMA Director reports to the Governor and the newly established Commissioner. The Director remains an appointment of the Governor that requires confirmation of the Senate. The merger brings with it the transfer of \$18.5 million in general revenue from the EMA along with its and 32.0 positions; the Director is authorized to appoint a new unclassified Executive Assistant position.

**Cybersecurity Officer to DPS:** The article transfers the position of Cybersecurity Officer from the Department of Administration to the DPS.

***Transfer of Oversight for Health Care Plans***

This article transfers the regulatory role and oversight responsibilities for several of the State's key health care insurance related programs from the DOH to OHIC. It does so by first repealing the Health Care Services – Utilization Review Act, the Health Care Accessibility and Quality Assurance Act, and the Health Plan Modification Act. These statutes are replaced with new legislation that charges OHIC with the oversight responsibilities for health plan reviews, utilization reviews, and other regulatory functions mandated by the federal Affordable Care Act.

***Personnel/Merit System Changes***

This article amends RIGL 36-4-2 by designating the following 10.0 FTE positions to the unclassified service within the State Merit System, thereby establishing that individuals hired for these position serve at the pleasure of the Director of the respective state agency.

<b>Position</b>	<b>Department</b>
Chief of Staff	Environmental Management
Chief Public Affairs Officer	Environmental Management
Policy Director	Environmental Management
Legislative Liaison	Health
Medicaid Director	Health and Human Services
Deputy Director	Human Services
Chief of Staff	Human Services
Policy Director	Human Services
Communications/Legislative Coordinator	Human Services
Policy Director	Public Safety

## Article 6: Relating to Government Reform

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This Article makes several changes to the State personnel system and enhances fraud detection on federal and state programs. Specifically, this article:

- Permits the Governor to set the salaries of directors of state departments.
- Eliminates the public hearing process and General Assembly authorization to change salaries of department directors.
- Permits the Governor to delegate authority to the Director of the Department of Administration to approve changes to the pay plan for unclassified employees; and, provides that a promotional appointee may be restored to their former classification if they are dismissed from their promoted position during the probationary period.
- Allows the Office of Internal Audit to use any tax information deemed proper and contained on tax filings or reports for the purposes of fraud detection and prevention for any federal or state program.

### FISCAL IMPACT

Most of the statutory items selected for amendment have no direct savings attached to them. The authorization to use any tax information deemed proper and contained on tax filings or reports for the purpose of fraud detection and prevention is projected to create savings. This is tied to the Governor's \$3.5 million revenue projection related to the Fraud Detection and Prevention Initiative.

### ANALYSIS AND BACKGROUND

**Department Directors' Salaries:** Section 1 repeals RIGL 36-4-16.4, eliminating the required 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 3 amends RIGL 36-6-3 and 36-6-5 to allow the directors' salaries to be set by the Governor 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 \$130,100 for the Director of Revenue 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, nor are there any identified expenditure increases.

**Personnel/Merit System Reforms:** Section 2 amends RIGL 36-4-16.2 and 36-4-29 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 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.
- Provides that a promotional appointee, who was promoted on or after July 1, 2017, and whose position restoration privileges are not covered by a collective bargaining agreement as of June 30, 2017, may be restored to their former classification, if they are dismissed from their promoted position during the probationary period. The section changes the act of restoring the person to their former position, from a requirement to a discretionary action.

**Disclosure of Tax Information:** Section 4 allows the Office of Internal Audit to use any tax information deemed proper and contained on tax filings or reports for the purposes of fraud detection and prevention for any federal or state program.

## Article 7: Relating to State Funds

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This article adjusts or establishes new restricted receipt accounts as follows:

- Authorizes an annual transfer of any surplus from the medical marijuana restricted receipt accounts in the Departments of Health (DOH) and Department of Business Regulation (DBR) to the general fund.
- Exempts five restricted receipt accounts from the 10.0 percent indirect cost recovery charge provisions under RIGL 35-4-27. The proposed exemptions would apply to the Lead Poisoning Prevention account within the Department of Health (DOH); the State Park Merchandizing account within the Department of Environmental Management (DEM); the Office of Energy Resources (OER) Reconciliation Funding account within the Department of Administration (DOA); the Other Post-Employment Benefits System (OPEB) account within DOA; and the Division of Motor Vehicles (DMV) Registry Technology account within the Department of Revenue (DOR).
- Establishes a new fund within DOA to support pay-for-success contracts.
- Establishes a new State Park Merchandizing restricted receipt account within the DEM for the purposes of restocking items sold in visitor centers and gift shops at RI state parks.
- Establishes a new restricted receipt account for the Eisenhower House within DEM and transfers authority to collect fees at the site from the Historical Preservation and Heritage Commission to DEM.
- Authorizes the Division of Taxation (Taxation) to retain a portion of the money collected under contingency fee contracts to be used to support the maintenance of the State Tax Administration and Revenue System (STAARS), the Division's new computer system.

### FISCAL IMPACT

The combined initiatives within this article provide a net increase of, at most, \$490,991 in general revenue in FY2018. The transfer of surplus medical marijuana funds from restricted receipts to the general fund accounts for the largest increase at \$670,641. Loss of the indirect cost recovery for the existing accounts is estimated to total \$41,500. Shifting the Eisenhower House to a restricted receipt represents a net decrease of \$138,150 in general revenue. The fiscal impact of the Performance Improvement Fund and the authorization to use certain funds to support Taxation's STAARS computer system, however, are unknown at this time.

### ANALYSIS AND BACKGROUND

This article addresses various restricted receipts accounts. The changes are explained in detail below.

#### ***Medical Marijuana Restricted Receipt Surplus Transfer***

The article mandates that any surplus funds remaining in the medical marijuana restricted receipt accounts at the Departments of Health and Business Regulation be transferred to the general fund on the last day of the fiscal year. This transfer can only take place after all administrative expenses of the program are paid as well as any outstanding deficits that may exist within these accounts. The article also clarifies that fees paid by compassion centers and compassion center cardholders to the Departments of Health and Business Regulation are to be deposited into the restricted receipt accounts.

By the end of FY2018, collections from patient, cardholder, cultivator, and compassion center fees are estimated to exceed projected estimated departmental expenditures by \$670,641. Based upon the proposed changes in this article, the Governor increases general revenue accordingly.

#### ***Indirect Cost Recovery Exemptions***

State law permits the assessment of a 10.0 percent indirect cost recovery charge on most state restricted receipt accounts in order to support the common costs associated with the collection of funds and

administration of the accounts. RIGL 35-4-27 enumerates those restricted receipts exempted from this assessment. This article expands the list to include the following accounts:

**Lead Poisoning Prevention Account:** This new account within the Department of Health (DOH) is used to support lead inspections; lead hazard technical assistance for families, schools and daycares; the Department of Environmental Management's (DEM) enforcement of lead hazard removal regulations; the State's blood lead testing program and the blood lead screening and testing for the uninsured and underinsured; and the development of the State's lead poisoning database. The account currently exists within the Housing Resources Commission (HRC) at the Executive Office of Commerce. Article 22 transfers this account to the DOH. Receipts are estimated to total \$600,000 annually. Exemption from indirect recovery therefore represents a decrease of approximately \$60,000 in general revenue in FY2018.

**State Park Merchandizing Account:** The article creates a new DEM account. See below for details.

**Office of Energy Resources (OER) Reconciliation Funding Account:** This existing Department of Administration (DOA) account is used to support specific studies requested by the Distributed Generation Board, per their authority under the Renewable Energy Growth law. Reconciliation funding is approved by the Public Utilities Commission under separate docket proceedings. Passage of this article would forgo future general revenue collections by approximately \$19,000.

*Analyst's Note: Through an amendment dated February 13, 2017, the Governor establishes the Office of Energy Resources (OER) Reconciliation Funding restricted receipt account to finance expenses incurred by the Rhode Island Office of Energy Resources. The account will receive revenue generated through the rate reconciliation process provided in The Renewable Energy Growth Program. RIGL 39-26.6-4 authorizes the OER to effectuate the performance of ceiling price and other studies, subject to approval from the Public Utilities Commission, and to recover the cost of the studies through the rate-reconciliation provisions. In addition, the amendment requires the deposit of revenue recovered to finance the costs of the studies, into a restricted receipt account that is exempt from the indirect cost recovery assessment.*

**Other Post-Employment Benefits (OPEB) System Account:** This existing account in DOA is used to pay the expenses of the OPEB Board, and the cost of maintaining, and administering the OPEB System. The statute authorizes the transfer into this account of twenty-five (25) basis points of the five-year average of investments. Based on the account balance as presented within the Governor's FY2018 Budget, the indirect cost recovery loss amounts to approximately \$22,500.

**DMV Registry Technology Account:** This Department of Revenue account is used to support the ongoing costs related to the Division's computer system. Article 4 of the Governor's FY2018 Budget establishes a \$1.50 per-transaction technology surcharge fee that would sunset on June 30, 2022. The DMV currently levies a similar surcharge, originally authorized by the FY2008 Budget as Enacted, that sunsets this fiscal year. The fee is deposited into a DMV restricted receipt account that is used to fund costs related to the Division's computer system. The budget includes \$2.1 million in restricted receipt expenses for FY2018.

*Analyst's Note: Through an amendment dated February 13, 2017, the Governor establishes a new restricted receipt account under the State Police for the receipt of reimbursements from non-state entities for which the State Police provide support. The new account will help better reflect the cost to the State Police that providing service to the entities entail. Previously, these reimbursements were reflected as expenditures credits as opposed to revenue to the Division.*

### **Government Performance Improvement Fund**

Section 3 of this article establishes a new Government Performance Improvement Fund within the Department of Administration to advance, support, and fund pay-for-success (PFS) contracting for service delivery across state government programs. The Governor does not, however, include funding for this initiative in FY2018.

Pay-for-success contracting is a public finance tool that ties payment for service delivery to the achievement of measurable outcomes. Typically, state contracts and grants that support social service delivery are based on the volume of services delivered (e.g., number of people served) or short-term outputs (e.g. certificates awarded in a training program). Pay-for Success contracts are based on actual outcomes, which are longer-term changes; for example, a job training participant who finds and keeps a job, and experiences an increase in earnings.

Under this article PFS contracts require:

- A substantial portion of any payment be conditioned on the achievement of specific outcomes.
- An objective independent evaluator that determines if outcomes have been achieved.
- A determination that the contract will result in significant performance improvements and budgetary savings across impacted agencies if the outcomes are achieved.
- A calculation of the amount and timing of payments that would be earned by the service provider during a year if targets are achieved.

Another characteristic of PFS contracting is the enlistment of private investment into the provision of social services. Because most providers are not in a position to deliver services without a dedicated source of revenue, especially with the risk of not being repaid in the event they do not achieve pre-agreed upon outcomes, PFS contracts often are accompanied by financing agreements that provide upfront capital to support service delivery throughout the contract period. This is accomplished by agreements involving private investors that provide resources upfront and are repaid by a back-end, or outcomes payor, such as the State, once contractually agreed upon outcomes are achieved. This arrangement is referred to as Social Impact Bonding (SIB). SIB shifts financial risk from service providers to investors, with investors underwriting service providers based on their ability to perform.

*Analyst Note: Several projects are currently being implemented to the pilot PFS contracting. These include a reentry programming at the Department of Corrections focused on job placement service for formerly incarcerated individuals and a Department of Human Services initiative attempting to improve workforce participation outcomes in Temporary Assistance for Needy Families (TANF) employment programs.*

In addition to establishing the PIF fund, this article requires that DOA provide an annual report detailing contracts for the prior fiscal year to the Senate and House Finance Committees by December 31<sup>st</sup>.

#### ***State Park Merchandizing Restricted Receipt Account***

The article creates a restricted receipt account within DEM for the deposit of proceeds from the sale of merchandise by DEM to promote Rhode Island's state parks, beaches, and campgrounds. The monies will be used to replenish merchandise stocks and provide additional funding for special park projects that enhance recreational facilities or expand interpretive, educational, and/or recreational programming managed by DEM. The funds cannot be used to supplement the annual operating expenses of the Division of Parks and Recreation. This account is not subject to the 10.0 percent indirect cost recovery provision.

#### ***Eisenhower House Restricted Receipt Account***

Section 4 of the article creates a restricted receipt account within DEM for the deposit of proceeds from the rental fees for the use of the Eisenhower house and the surrounding grounds. All of the rental fees collected, minus the 10.0 percent indirect cost recovery, must be deposited into this account and can only be used for reinvestment and maintenance of the facility. The indirect cost recovery will be deposited into the general fund. The Governor's Budget transfers management of the facility from the Historic Preservation and Heritage Commission to DEM. The transfer is estimated to decrease departmental general revenue receipts by \$153,500 in FY2018. The net general revenue impact is a decrease of \$138,150, due to the recapture of the 10.0 percent indirect cost recovery.

***Division of Taxation Computer System Maintenance Funding***

Over the last four years, the Division of Taxation has been modernizing its information technology system. This State Tax Administration and Revenue System initiative, or STAARS, centralizes all taxpayer information in one computer system and facilitates the coordination of 57 different taxes and fees, amounting to nearly \$3.0 billion annually. This article establishes a structural method to assist in financing future maintenance of this \$25.0 million investment. Under RIGL 44-1-36 the Division of Taxation is authorized to hire tax collectors on a contingency fee basis. This article allows the Director of the Office of Management and Budget to use a portion of the tax monies collected specifically by these contingency fee based contracts (after the contract has been paid) to support and maintain STAARS. The fiscal impact is indeterminable in FY2018.

*Analyst's Note: The Governor's Budget Amendment (GBA) dated February 13, 2017, amended Article 7 to remove the sunset provision of the restricted receipt account in the Council on the Arts.*

- **Council on the Arts:** *Under current law, donations from the Rhode Island Foundation to the Rhode Island Council on the Arts are only allowed to be deposited into a restricted receipt account in FY2010. The amendment strikes the language limiting the deposit of donations to a particular fiscal year, thereby allowing future donations to be deposited into a restricted receipt account for the support and improvement of the arts in the State.*

## Article 8: Relating to Taxes and Revenues

This article makes changes and adjustments to several of the State's tax laws and their enforcement. These amendments include:

- Streamlining state gas tax funding for elderly and disabled transportation services by eliminating the agency pass-through between DHS and RIPTA that pays for these services, and instead directly providing RIPTA the equivalent amount.
- Increasing the excise tax on cigarettes by \$0.50, effectively raising the per-pack tax from \$3.75 to \$4.25.
- Clarifying what constitutes a tobacco product for purposes of taxation and enforcement, as well as increasing the penalties for selling tobacco products without a license from a \$10,000 fine to being charged with a misdemeanor and up to a \$10,000 fine and/or up to a year in prison.
- Strengthening the administrative authority and penalties available to State Tax Officials, including the ability to seek attorney's fees for successful enforcement actions.
- Establishing an expiration date on certificates of exemption from the sales and use tax of four years from issuance. Definitions of sales suppression (including remote data manipulation) are expanded to aid in sales tax enforcement.
- Reducing the income tax withholding rate for corporate income from 9.0 percent to 7.0 percent.
- Requiring businesses to notify the Division of Taxation of the sale of assets.

### FISCAL IMPACT

The Governor recommends that 79.0 percent of DHS's \$0.01 portion of the gas tax be directly transferred to RIPTA to provide transportation services to elderly and disabled riders. This change amounts to \$3.6 million more in direct gas tax revenue for RIPTA in FY2018; the change is budget neutral since there is a corresponding decrease in the portion of the gas tax that goes to DHS.

The Governor's proposal to increase the excise tax on cigarettes by \$0.50 per pack is estimated to yield \$8.7 million in combined excise and sales taxes revenue above the projections from the November 2016 Revenue Estimating Conference for FY2018.

The article makes extensive changes to the enforcement and collections framework across numerous parts of the State's tax laws; however, the fiscal impact of these changes are unknown at this time.

### ANALYSIS AND BACKGROUND

This article makes a variety of changes to the State's revenue and tax laws. These amendments range from tax increases and new distributions to a series of penalty and enforcement enhancements.

#### *Adjustment to Gas Tax Distribution*

This article streamlines a component of the State's gas tax distribution, specifically by eliminating the agency pass-through for programming the Rhode Island Public Transit Authority (RIPTA) provides on behalf of the Department of Human Services (DHS). Under current law the State collects \$0.34 on each gallon of gasoline sold. This levy is used to finance various transportation-related priorities and is distributed on a per-cent basis as shown.

Agency	State Gas Tax Allocation	
	Current	Proposed
DOT	\$0.1925	\$0.1925
RIPTA	0.0975	0.1054
RITBA	0.0350	0.0350
General Fund	-	-
DHS	0.0100	0.0021
DEM	0.0050	0.0050
<b>Total</b>	<b>\$0.3400</b>	<b>\$0.3400</b>

The \$0.01 per-gallon allocation to the DHS supports the transportation needs of low-income elderly and disabled individuals. Traditionally, the DHS transferred 79.0 percent of its allocation directly to RIPTA to subsidize reduced bus fare and paratransit programs for their elderly and disabled riders. The remaining 21.0 percent is retained by DHS to pay for specialized paratransit services for the elderly. This article directs an additional \$0.0079 per gallon to go to RIPTA with the explicit purpose of serving the elderly and disabled population, while reducing DHS's portion to \$0.0021 per gallon. The Office of Revenue Analysis estimates the following distribution based on this change:

<b>\$0.01/gallon DHS Gas Tax Share - Redistribution</b>		
<b>\$0.01/Gallon</b>	<b>FY2017</b>	<b>FY2018</b>
RIPTA Share (\$0.0079/gallon)	\$3,594,370	\$3,590,929
DHS Share (\$0.0021/gallon)	955,466	954,551
<b>Total \$0.01</b>	<b>\$4,549,836</b>	<b>\$4,545,480</b>

### ***Cigarette Tax Increase***

This article increases the excise tax levied on cigarettes by \$0.50 per pack of cigarettes, raising the total tax from \$3.75 to \$4.25 per pack of twenty, or to the equivalent of \$0.21 per cigarette. According to the Budget Office, total retail price will increase by \$0.58, from \$9.49 to \$10.07 per individual pack. This amount is \$0.40 less than the average total retail price in Massachusetts, and \$0.07 per pack below Connecticut. The additional excise tax would generate an additional \$8.7 million (combined excise and sales taxes) in revenue above the projections from the November 2016 Revenue Estimating Conference.

<b>Cigarette Tax Revenue Impact</b>	
<b>Revenue Item</b>	<b>FY2018</b>
Cigarette Excise Tax	\$6.5
Cigarette Floor Tax	1.0
Sales and Use Tax	1.1
<b>Total</b>	<b>\$8.7</b>

*\$ in millions*

*Source: Office of Revenue Analysis*

### **Impact of Cigarette Excise Increase and Regional State Comparison**

	<b>Rhode Island</b>		<b>Massachusetts</b>		<b>Connecticut</b>		
	<b>Current</b>	<b>Proposed</b>					
Base Price per Pack in \$	\$4.39	\$4.39	\$4.16		\$4.39		
Excise Tax in \$	3.75	4.25	3.51		3.90		
<i>Subtotal base price + Excise</i>	8.14	8.64	7.67		8.29		
Wholesale Markup	2.0%	0.16	0.17	2.0%	0.15	6.5%	0.54
Wholesale Cartage	0.75%	0.06	0.07	0.75%	0.06	0.0%	0.00
Retail Markup	6.0%	0.50	0.53	25.0%	1.97	8.0%	0.71
<i>Total Base Cost</i>	8.87	9.41	9.85		9.54		
Sales Tax	7.0%	0.62	0.66	6.25%	0.62	6.4%	0.61
<b>Total Price per Pack</b>	<b>\$9.49</b>	<b>\$10.07</b>	<b>\$10.47</b>		<b>\$10.14</b>		

*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.*

*Analyst Note: The FY2018 Budget includes \$500,000 for tobacco prevention and cessation programs such as anti-smoking media campaigns, targeted cessation efforts, policy development, and advocacy.*

### **Tobacco Enforcement**

This article clarifies, tightens, and modernizes the State’s tobacco laws and provides additional enforcement tools to the Department of Revenue. The proposal is a response to the evolving market of tobacco products, and the need for law enforcement and tax officials to have an up-to-date set of statutes and tools to assist them.

Towards this end, the article addresses new definitions and penalties (RIGL 44-20-1) as follows:

**Cigarettes:** The definition now includes items with or without filters and items made of any material, not just paper.

**Tobacco Products:** The article establishes this new definition which includes: cigars, cheroots, stogies, smoking tobacco (granulated, plug cut, crimp cut, ready rubbed, and any kinds and forms of tobacco suited for smoking), chewing tobacco (Cavendish, twist, plug, scrap, and any other kinds and forms of tobacco for suitable for chewing). It also includes any and all forms of hookah, shisha, and “mu’assel” tobacco, snuff and any other product containing tobacco or tobacco substitutes except cigarettes. This new definition of tobacco products is incorporated throughout RIGL 44-20, wherever the term “cigarettes” is being used.

**Pipe:** A pipe is defined as an apparatus made of any material used to burn or vaporize products so that the smoke or vapors can be inhaled or ingested by the user.

**Place of Business:** The definition now includes (but is not limited to) storage rooms, attics, basements, garages, or other facilities adjacent to the location.

**Sale:** The definition clarifies that holding, storing, or keeping cigarettes and/or tobacco products at a place of business for any purpose is presumed to be holding tobacco for purposes of selling it. It further clarifies that a sale made by employees or other representatives of a licensee are presumed to be a sale made by the licensee.

### **Penalty, Enforcement and Collection Enhancements**

In addition to improved definitions, this article creates a stronger penalty framework across a variety of taxation laws designed to foster greater compliance and aid in their enforcement. These changes include:

- Increasing the penalty for distributing or selling cigarettes and tobacco products without a license from the current fine of up to \$10,000 to a misdemeanor charge, plus a fine of up to \$10,000, or up to one year in prison, or both.
- Increasing the penalties for possessing or selling contraband cigarettes and tobacco products for first offenses from a fine of \$1,000 or five times the retail value of the contraband products, whichever is greater, to ten times the retail value of the contraband products or up to a year in prison, or both. Second offense penalties are increased from a fine of \$5,000 or up to three years in prison (or both) to up to twenty-five times the retail value of the contraband and/or three years in prison. Civil penalties for non-compliance are similarly increased (absent the criminal prison term).
- Increasing the penalty for failing to comply with tobacco reporting rules from a \$5,000 fine for the first offense to a misdemeanor charge, up to one year in prison or a fine of \$5,000 or both.
- Permitting the Tax Administrator to pursue administrative penalties and attorney’s fees (in accordance with the Administrative Procedures Act) whenever a licensee and/or taxpayer violates any provision of

the State's tax laws. These penalties include the revocation or suspension of licenses and permits; the levy of a penalty ranging from \$100 to \$50,000; issuance of a cease and desist order; and/or any combination of these penalties.

- Permitting the recovery of the cost of legal services from violators. These costs can be associated with both in-house attorneys at the Department of Revenue or outside legal counsel as they relate to administrative hearings, court hearings and appeals.
- Permitting the use of a jeopardy determination to protect at-risk tax collections. In the event that the Tax Administrator believes the collection of any tax, interest or penalty will be jeopardized by a delay which could render a person or entity judgment proof and/or frustrate the collection, he or she is authorized to issue a determination stating why the collection is at-risk and require that the amount in question be payable immediately. This decision is appealable for thirty days. Within twenty days from the issuance of the determination, the courts will make a determination as to whether the jeopardy existed
- Increasing the penalty for sales tax violations, including willfully failing to remit any tax to the state that was collected from a customer, from a fine of up to \$10,000 and/or one year in prison to \$25,000 and/or five years in prison.

#### ***Other Tax Amendments***

- This article makes several amendments to the business corporation tax laws (RIGL 44-11) and the sales tax. These include:
  - Reducing the income tax withholding rate used by pass-through entities businesses (sole proprietorships, partnerships, LLCs, and S corporations) from 9.0 percent to 7.0 percent. Pass-through entities don't pay income taxes at the corporate level. Instead, corporate income is allocated among the owners, and income taxes are only levied at the individual owners' level. This is a technical correction to align the withholding rate for pass-through entities with that of other classes of business taxpayers.
  - Requiring that domestic and foreign limited liability companies, domestic and foreign limited partnerships, and other domestic or foreign business entities notify the Division of Taxation of the sale of assets that constitute a tax liability at the time of sale. This brings these classes of businesses in alignment with requirements of domestic and foreign corporations. According to the Division of Taxation, notification helps mitigate the potential for lost revenue due to the consequences of the sale of assets as well as assist in collection enforcement on entities that dissolve in order to evade tax liabilities.
  - Establishing an expiration date for certificates of exemption from the sales and use tax. Under current law certificates do not expire. This article creates a certificate that is valid for four years from the date of issue. Existing certificates would expire four years from the effective date of the article (August 1, 2017).
  - Defining "remote data manipulation" for purposes of sales tax suppression as the "sending, transmitting, transporting or receiving through any electronic means any and all sales transaction data to a remote location for the purpose of manipulating and/or altering said data in any way."

## Article 9: Relating to Remote Sellers Sales Tax Collection

This article creates a new statutory framework designed to improve sales and use tax collections by encouraging remote sellers to register, collect, and remit the sales and use tax. It is based on a similar Colorado initiative that has withstood U.S. Supreme Court review and is being replicated in states across the country. In January 2017, the major e-commerce company Amazon agreed to collect and remit sales tax to Rhode Island beginning February 1, 2017, essentially complying with the requirements of this article already. The estimated \$34.7 million fiscal impact of this article FY2018 includes the tax revenue from Amazon.

The article specifically requires remote sellers and other online marketplace retailers to either register, collect, and remit sales/use tax for each transaction, or to do each of the following: post a notice on its website informing Rhode Island purchasers that sales or use tax is due on certain purchases; notify RI purchasers at the time of sale that sales or use tax is due on the product or service purchased; email RI purchasers that sales or use tax is due; and send RI purchasers an annual notice detailing their cumulative annual purchases from the seller.

These requirements are only applicable to those remote sellers that have made at least \$100,000 in annual gross revenue from Rhode Island sales or those that have had 200 or more annual Rhode Island sales transactions.

A minimum penalty of \$20,000 is established for failing to comply with the above requirements. The article also exempts from these requirements those online marketplace retailers that facilitate sales for a seller or retailer that is registered to collect and remit taxes in Rhode Island.

### FISCAL IMPACT

This article increases general revenue by \$34.7 million for FY2018. The table below shows the estimated annual impact of the initiative.

Projected Revenue - Article 9					
	FY2018	FY2019	FY2020	FY2021	FY2022
Sales/Use Tax from Remote Sellers	\$34.7	\$40.0	\$44.0	\$46.0	\$47.0

*\$ in millions*

*Source: Office of Revenue Analysis*

### ANALYSIS AND BACKGROUND

This article creates a framework designed to facilitate the ability of remote sellers that sell goods and services to Rhode Islanders over the internet to collect and remit sales and use taxes. It also notifies Rhode Island purchasers of their use tax liabilities on purchases from remote sellers.

States' inability to effectively require remote sellers to collect and remit sales tax has had a significant, negative impact on state revenues across the country. The Rhode Island Department of Revenue (DOR) cites U.S. Census Bureau estimates that show annual sales via electronic shopping in the U.S. growing by 77.4 percent between 2010 and 2014. The State's Office of Management and Budget (OMB) estimates the 58.0 percent of e-commerce sales in Rhode Island are made by retailers without a physical presence in the state and thus are potentially subject to the State's use tax.

The Office of Revenue Analysis (ORA) estimates that this trade is worth at least \$34.7 million in sales and use tax revenue in FY2018. The estimate is derived by taking the estimated amount of e-commerce sales in Rhode Island and applying the estimated percentage of those remote sellers without a physical presence (nexus) in state. This represents the potential uncollected taxable sales:

$$\begin{array}{ccccccccc}
 \$835.0 \text{ m} & \times & 59.0\% & = & \$495.9 \text{ m} & \times & 7.0\% & = & \$34.7 \text{ m} \\
 \text{RI Taxable} & & \text{Sales by} & & \text{Taxable} & & \text{Sales} & & \text{New} \\
 \text{Internet} & & \text{Companies} & & \text{Uncollected} & & \text{Tax} & & \text{Revenue} \\
 \text{Sales} & & \text{w/o Nexus} & & \text{Sales} & & \text{Rate} & & 
 \end{array}$$

### **Sales Tax Collection or Notification**

This article provides two sales and use tax compliance options from which remote sellers and related entities must choose if they are to make sales into Rhode Island. A remote seller is a business that sells products or services to customers in the state using the Internet, mail order, or telephone, without having a physical presence in that state. The article provides technical definitions for various entities associated with interstate sales including what constitutes a remote seller, a marketplace provider, a market place seller, and a referrer.

The first option, and most direct, requires a remote seller to register for a permit to make retail sales into the state; and collect and remit sales and use tax on all taxable sales into the state. Failing this, the remote seller must specifically notify Rhode Island purchasers that sales or use tax is due on purchases made from the company and that the State requires the purchaser to file a sales or use tax return. This notification must be done by several methods, including:

- A conspicuously posted notice on its website;
- The immediate notification at the point and time of the purchase;
- An email notification subsequent to and within 48 hours of the time of purchase; and
- An annual purchase notice to those Rhode Islanders who have total purchases of \$100 or more from the remote seller during the previous year. This notice must be provided to the purchaser by January 31 of each year and include: a list of all purchases made during the prior calendar year by the Rhode Island purchaser from the remote seller and the total amount paid for each purchase, the dates of purchase, and the category or type of purchase, including whether it is exempt or not from taxation in Rhode Island.

These requirements established under this article are applicable only to those remote sellers that have either received \$100,000 in gross revenue from sales made to Rhode Island purchasers in the preceding year or have conducted 200 or more sales transactions with Rhode Island purchasers in the preceding year.

*Analyst Note: The Governor requested an amendment to Article 9 on February 27, 2017. The requested changes do not alter the original fiscal impact described above. This Governor's Budget Amendment (GBA) makes three modifications to the original article*

*First, the amendment specifies that remote sellers are to begin complying with the requirements outlined above two weeks after the effective date of the legislation. The Budget Office indicates that this delay provides the Division of Taxation (Taxation) time to make the necessary notifications to remote sellers and others affected by the new requirements thereby supporting better collection and compliance.*

*Second, the amendment expands Taxation's enforcement capacity with a new requirement for those covered entities choosing the second compliance option outlined above (notification requirements). In addition to complying with each of the notifications, a remote seller must also provide written attestation, by February 15 of each year, to the Division that it is in fact in compliance. The format of this submission is to be determined by Taxation.*

*Last, the amendment clarifies that marketplace providers and referrers (those covered entities that facilitate sales on behalf of a remote seller, i.e. Amazon) have 90 days to receive a copy of the remote seller's retail sales permit or its sales and use tax exemption certificate before having to comply with the notification requirement. The Budget Office indicates that period is necessary for Rhode Island to remain in compliance with the Streamlined Sales and Use Tax Agreement.*

***Administration and Penalties***

The Tax Administrator is responsible for promulgating rules and regulations to support the new requirements as well as enforcement of the article's provisions. Towards this end, the Tax Administrator is provided the authority to examine any supporting information related to any tax return under question.

Any remote seller failing to comply with one of the options outlined above is subject to a minimum penalty of \$5 for each infraction; however, there is a minimum \$20,000 penalty per year. Determinations made by the Tax Administrator are appealable to District Court.

***Legal and Constitutional Issues***

The U.S. Supreme Court has historically blocked states from compelling remote sellers to collect and remit sales taxes, in part because of the complexities of doing so. Complying with fifty separate state sales tax codes along with the administrative costs and logistical barriers associated with tax collection have long been considered an undue burden on interstate commerce. Since 2000 many states have worked together to reduce these barriers through the Streamlined Sales and Use Tax Agreement (SSUTA). SSUTA works to align and simplify tax rates and state-level tax administration and to drive states toward uniform tax bases. It requires member states to meet and maintain standards of alignment. Twenty-three states, including Rhode Island, are currently members. Technology advancements, particularly with financial software, have also lowered the cost of complex tax transactions, such as tracking and remittance.

States have continued to enact measures to encourage sales tax collection and notify purchasers of their tax liabilities. According to the OMB, this article is based upon Colorado's remote seller sales tax law that was enacted in 2013. This law was upheld by 10<sup>th</sup> U.S. Circuit Court in February 2016. This ruling has paved the way for numerous agreements between states and remote sellers.

***Amazon Decision to Collect Sales and Use Taxes in Rhode Island***

On January 17, 2017, Amazon, Inc., the largest marketplace provider and internet retailer, announced that it would register with the state for a sales tax permit and begin to collect and remit sales taxes on taxable purchases made by Rhode Islanders effective February 1, 2017. With this announcement, Rhode Island joins a growing number of states for which the internet company has voluntarily decided to collect and remit sales taxes. As of January 23, 2017, Amazon has agreements to collect sales and use taxes on its sales in 35 states. The revenue estimate associated with the Remote Sellers Sales Tax Collection Act implicitly includes the sales and use taxes that Amazon will collect and remit to the State per its announcement.

## Article 10: Relating to Making Revised Appropriations in Support of FY2017

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 FY2017. The Governor's budget includes \$16.7 million in additional general revenue spending compared to the FY2017 Budget as Enacted.

### APPROPRIATIONS

The article increases the total FY2017 appropriations by \$261.8 million, the bulk of which is attributable to an increase in federal fund expenditures of \$141.0 million. General revenue expenditures increase by \$16.7 million. The article outlines funding changes at the program level by fund for each department.

<b>Expenditures by Source</b>	<b>FY2016 Final</b>	<b>FY2017 Enacted</b>	<b>FY2017 Governor</b>	<b>Change to Enacted</b>
General Revenue	\$3,547.9	\$3,683.7	\$3,700.4	\$16.7
Federal Funds	2,877.4	2,957.1	3,098.1	141.0
Restricted Receipts	245.7	257.0	306.8	49.8
Other Funds	1,834.2	2,040.9	2,095.3	54.3
<b>Total</b>	<b>\$8,505.2</b>	<b>\$8,938.7</b>	<b>\$9,200.5</b>	<b>\$261.8</b>

*\$ 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.

<b>Internal Service Account</b>	<b>FY2017 Enacted</b>	<b>FY2017 Governor</b>	<b>Change</b>
State Assessed Fringe Benefits	\$41,699,269	\$39,846,094	(\$1,853,175)
Administration Central Utilities	14,900,975	20,926,448	6,025,473
State Central Mail	6,190,285	6,826,590	636,305
State Telecommunications	3,017,521	3,185,153	167,632
State Automotive Fleet	12,543,165	12,464,443	(78,722)
Surplus Property	2,500	3,000	500
Health Insurance	251,723,462	251,776,824	53,362
Other Post-Employment Benefits	63,934,483	63,934,483	-
Capital Police	1,172,421	1,128,019	(44,402)
Corrections Central Distribution Center	7,094,183	7,047,526	(46,657)
Correctional Industries	7,304,210	7,478,481	174,271
Secretary of State Records Center	907,177	808,527	(98,650)
<b>Total</b>	<b>\$410,489,651</b>	<b>\$415,425,588</b>	<b>\$4,935,937</b>

## FTE POSITION CAP AND APPROVAL

Article 10 revises 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 83.3 FTE positions from the FY2017 Budget as Enacted. Following are the changes included in the Governor's proposal:

### FTE Position Authorization

<b>Expenses by Function</b>	<b>FY2017 Enacted</b>	<b>FY2017 Governor</b>	<b>Change to Enacted</b>
General Government	2,342.7	2,380.4	37.7
Human Services	3,619.6	3,618.6	(1.0)
Education	3,909.9	3,908.9	(1.0)
Public Safety	3,205.6	3,212.2	6.6
Natural Resource	428.0	429.0	1.0
Transportation	701.0	741.0	40.0
<b>Subtotal</b>	<b>14,206.8</b>	<b>14,290.1</b>	<b>83.3</b>
<i>Higher Ed. Sponsored Research</i>	745.8	745.8	-
<b>Total FTE Positions</b>	<b>14,952.6</b>	<b>15,035.9</b>	<b>83.3</b>

FTE changes include:

- **An increase of 40.0 FTE positions in the Department of Transportation:** The Governor adds 40.0 new positions within DOT. These personnel changes are associated with the ongoing reorganization of the Department. These positions are: 1.0 Accountant, 1.0 Administrator Civil Rights Program, 2.0 Assistant Chiefs of Planning, 1.0 Assistant Director of Financial and Contract Management, 3.0 Bridge Inspectors, 1.0 Building Superintendent, 1.0 Business Management Officer, 1.0 Chief Implementation Aide, 1.0 Contracts Specialist I, 1.0 Contracts Specialist II, 1.0 Deputy Chief Engineer, 1.0 Executive Assistant; 1.0 Highway Maintenance Operator I, 4.0 Highway Maintenance Operator II, 1.0 Internet Communications Specialist, 1.0 Manager (Construction Management), 1.0 Managing Engineer, 1.0 Mechanical Parts Storekeeper, 4.0 Principal Civil Engineer, 1.0 Principal Environmental Scientist, 3.0 Project Manager I, 1.0 Project Manager II, 1.0 Senior Civil Engineer, 1.0 Senior Environmental Scientist, 2.0 Senior External Equal Opportunity Compliance Officer, 2.0 Supervising Bridge Safety Inspector, and 1.0 Supervising Civil Engineer.
- **An increase of 26.7 FTE positions in the Department of Labor and Training:** There is an increase of 26.7 FTE positions within the Department of Labor and Training. This increase includes: 14.2 FTE positions within the Income Support Program associated with claims processing services; 1.0 FTE position associated with the Real Jobs Rhode Island workload within Workforce Development Services; 4.0 FTE positions within the Workforce Regulation and Safety program associated with workplace fraud caseloads; 1.5 FTE positions within Central Management, including 1.0 Administrative Officer and 0.5 Legal Counsel; 1.0 Investigative Auditor and 1.0 Senior Monitoring and Evaluation Specialist to augment existing staff to create the Compliance and Integrity Unit; 1.0 Chief of Information and Public Relations to assist in meeting the demands of the Marketing and Communications Unit; 1.0 Principal Research Technician to meet the demands of the State Workforce and Education Alignment Project (SWEAP) funded by a grant from the National Skills Coalition; 1.0 Assistant Coordinator of Employment and Training Programs for the LEAP (Linking to Employment Activities Pre-release) program, which provides employment services for formerly incarcerated individuals; and, 1.0 Assistant Chief of Planning, a new position created to meet the demands within the Governor's Workforce Board.
- **An increase of 9.0 FTE positions in the Department of Business Regulation:** This net increase is associated with several personnel changes that are recommended by the Governor in FY2017 and are included in FY2018 FTE totals. These positions include 1.0 Senior Management & Methods Analyst

FTE position in Central Management, 3.0 Bank Examiner FTE positions in Banking Regulation, 3.0 Insurance Examiner, 1.0 Senior Insurance Examiner and 1.0 Licensing Aide position in Insurance Regulation.

- **An increase of 6.4 FTE positions in the Department of Public Safety:** The FY2017 Budget as Enacted authorized a total of 610.2 FTEs across all divisions at the Department of Public Safety. This is 23.2 FTEs less than the Department was authorized for in FY2016. DPS identified a net reduction of 17.0 positions across several divisions, bringing the total authorized positions recognized by DPS to 616.2. DPS, however, did not fully implement the enacted reductions, resulting in 6.4 FTE positions more than enacted by the General Assembly in FY2017.
- **An increase of 3.0 FTE positions in the Public Utilities Commission:** The Budget adds 2.0 Administrative Assistants, one for the Division and one for the Commission, and a 1.0 Chief of Program Development position. The Administrative Assistants are required to assist Commission and Division staff with energy policies. The Chief of Program Development position is required to meet the increased demand in Energy Facilities Siting Board filings, rate modernization, and the changes to evolving energy policy.
- **A decrease of 1.0 FTE position in the Office of the General Treasurer:** The Budget includes a decrease of 1.0 FTE position reflecting the elimination of the Director of Member Services position for the CollegeBoundSaver Program, which was not funded in the enacted budget.
- **A decrease of 1.0 FTE position in the Office of Health and Human Services:** The Budget transfers 1.0 FTE position, an interdepartmental manager, to the Governor's Office.
- **A decrease of 1.0 FTE position in the Children, Youth, and Families:** The Budget transfers 1.0 FTE position, an Interdepartmental Manager, to the Governor's Office.
- **An increase of 1.0 FTE position in the Office of Child Advocate:** One federally-funded Case Management Coordinator position is added in FY2017.
- **A decrease of 1.0 FTE position in the Historic Preservation and Heritage Commission:** The Budget includes a decrease of 1.0 FTE position to account for the transfer of the Eisenhower House events coordinator to the Department of Environmental Management.
- **An increase of 1.0 FTE position at the Department of Environmental Management:** The Budget includes 1.0 FTE position transferred from the Historical Preservation and Heritage Commission for the management of the Eisenhower House.

## Article 11: Relating to the Motor Vehicle Excise Tax

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Article 11 reduces the maximum taxable motor vehicle value from 100.0 percent of clean retail value, to 70.0 percent of clean retail value, as reported in defined automobile guides. It also prevents municipalities from decreasing motor vehicle exemptions below current levels. The purpose of this article is to provide relief to taxpayers.

### **FISCAL IMPACT**

According to the Budget Office, the motor vehicle excise tax totaled \$220.6 million (based on 12/31/15 certifications), or about 9.0 percent of total local tax revenues, in FY2017. The valuation changes proposed in the article take effect in July 2018, resulting in a loss of approximately \$58.0 million to municipalities in FY2019. The Governor indicates an intent to provide state funding to municipalities to account for this loss in the FY2019 Budget.

In FY2018, state funding for the motor vehicle excise tax payments to cities and towns is level-funded at \$10.0 million in general revenue, where it has been since FY2011. This funding is used to reimburse municipalities for the minimum \$500 exemption required under current state law, ratably reduced. Article 11 prevents municipalities from lowering these exemptions from FY2018 onward. Municipalities are permitted to increase motor vehicle exemptions under this article; however, as is consistent with current law, any additional exemption, or any exemption above \$500, is not subject to reimbursement.

### **ANALYSIS AND BACKGROUND**

The motor vehicle excise tax impacts corporations and private individuals, as well as homeowners and renters alike. The tax applies to all motor vehicles and trailers, including leased vehicles. There are material differences in tax rates, ratios of assessment, and exemption levels among communities.

Article 11 reduces the maximum taxable motor vehicle value from 100.0 percent of clean retail value, to 70.0 percent of clean retail value, as reported in defined automobile guides. According to the Administration, this roughly equates to the trade-in value of vehicles and approximates the taxable values applied in Connecticut. The article also prevents municipalities from decreasing motor vehicle exemptions below current levels.

#### ***Motor Vehicle Tax Rates***

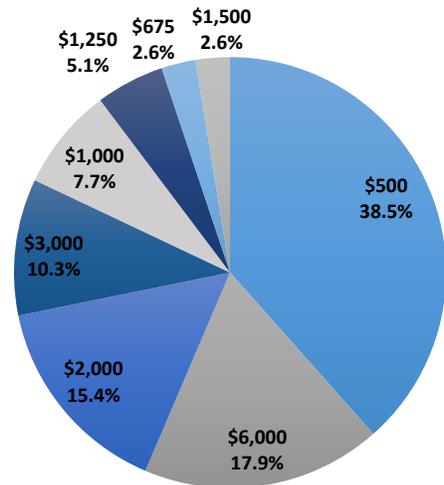
Under current law, for FY2011 and beyond, municipal motor vehicle tax rates are permitted to be lowered, but not raised. Motor vehicle tax rates per thousand dollars of assessed value range by municipality from a low of \$9.75 per thousand in New Shoreham to a high of \$60.00 per thousand in Providence. See table 11.1 for tax rates by municipality.

#### ***Motor Vehicle Exemptions***

The tax assessor in each city and town is required to reduce the taxable value of each vehicle based on the minimum state exemptions level. This was increased over a number of years, reaching \$6,000 from FY2007 through FY2010; however, it has been reduced to \$500 since FY2011. This means that the first \$500 of taxable vehicle value cannot be taxed. The law allows municipalities to provide an additional exemption in excess of \$500; however, these additional exemptions are not subject to reimbursement under current law. Under current law, the State reimburses municipalities for the minimum required state exemption of \$500, ratably reduced based upon an appropriation, which has been \$10.0 million since FY2011.

Municipal Exemption Rates

In FY 2017, out of the 39 municipalities in Rhode Island, fifteen (38.5 percent) give residents the minimum \$500 exemption; 24 municipalities (61.5 percent) give vehicle owners an exemption greater than the minimum \$500 exemption. Of the 24 municipalities offering a higher exemption, seven (17.9 percent) maintained the FY2010 exemption of \$6,000. Under current law, a community offering an exemption higher than \$500 are not reimbursed by the State. Article 11 does not change this.



**Motor Vehicles Ratios of Assessments**

Current law permits municipalities to set motor vehicle ratios of assessment equal to or less than the ratio of assessment used in FY2011, but no higher. Article 11 states that from FY2018 and thereafter, municipalities may increase ratios of assessment so long as they do not exceed 100.00 percent. Currently, all but three municipalities have ratios of assessment at 100.0 percent of presumptive value. Presumptive value is determined by the Rhode Island Vehicle Value Commission, authorized under RIGL 44-34-11, using data from official used car guides, such as that of the National Automobile Dealers Association of New England. Under this article, presumptive value is reduced from 100.0 percent to 70.0 percent clean retail value, or Manufacturer’s suggested retail price (MSRP) for current model year cars. Per current local practice, motor vehicles in Portsmouth are assessed at 70.0 percent of presumptive value, 80.0 percent of presumptive value in Richmond, and 95.0 percent of presumptive value in Scituate. This article would allow cities and towns to increase the municipal ratio of assessment to 100.0 percent. It is unclear how this will impact municipal motor vehicle tax revenues or residents’ motor vehicle tax bills in these municipalities.

*Analyst Note: Per the Department of Revenue and the Governor’s Office, Portsmouth, Richmond, and Scituate assess retail value of vehicles as described above. This could not be found in the municipalities’ ordinances.*

**Motor Vehicle Excise Tax Calculation**

Below is an illustrative example from the Department of Revenue that explains the formula to calculate a motor vehicle excise tax bill in Rhode Island:



**Illustrative Example**

Tax bill for a 2010 Honda Civic in the city of Cranston with clean retail value of **\$12,000**  
 Current law: **\$500** exemption and mill rate of **\$42.44**



**Motor Vehicle Excise Tax by Municipality**

The Governor's proposal impacts taxpayers differently based upon a number of factors. As seen in table 11.2, vehicles taxed at a lower rate have a greater percentage savings than vehicles taxed at a higher rate. For example, a Newport resident with a \$12,000 vehicle valuation saves 60.0 percent on their motor vehicle excise tax bill, while a resident with a vehicle valuation of \$20,000 saves 42.9 percent. Additionally, residents in municipalities with higher exemption rates tend to have a greater savings percentage. Residents in Cumberland, which has the minimum exemption of \$500 (and a tax rate of \$19.87 per \$1,000), with a car valuation of \$12,000 save 31.3 percent. Residents in Tiverton, which has an exemption of \$6,000 (and a tax rate of \$19.14 per \$1,000), with the same car valuation save 60.0 percent. Savings are also a function of the municipality's tax rate.

**Property Tax Cap**

Under RIGL 44-5-2, unless otherwise exempt, municipalities are permitted to increase property tax levies by no more than 4.0 percent above the total amount levied in the previous year. This 4.0 percent cap applies to four classes of property combined: residential real estate, commercial real estate, personal property, and motor vehicles. According to the Budget Office, the motor vehicle excise tax totaled \$220.6 million, or about 9.0 percent of total local tax revenues, in FY2017. Article 11 will reduce tax revenue to municipalities by an estimated \$58.0 million. The Governor has stated an intent to provide state funding to municipalities to account for this loss in the FY2019 budget.

*Analyst Note: Due to this tax revenue loss, municipalities would have room to raise levies on other classes of property while staying under the 4.0 percent cap. Language could be added to ensure that other property tax levies are not adjusted due to the additional tax cap space.*

Table 11.1: Current Motor Vehicle Excise Tax Rate and Levy vs. New Tax Rate and Levy

Municipality	Rate per \$1,000	Exemption	Ratably Reduced MV		Full Funding of \$500 Exemption	Tax Levy TY2014	Governor's Proposed Tax Levy at 70% Value *	Tax Levy Difference
			Direct Municipal Aid					
Barrington	\$42.00	\$2,000	\$217,477		\$810,516	\$5,413,326	\$3,889,767	(1,523,559)
Bristol	17.35	2,000	94,294		351,425	2,337,079	1,536,688	(800,391)
Burrillville	40.00	1,250	200,798		748,356	4,432,540	3,122,820	(1,309,720)
Central Falls	48.65	1,250	96,208		358,557	1,641,475	1,230,700	(410,775)
Charlestown	13.08	500	44,097		164,347	906,163	689,424	(216,739)
Coventry	18.75	500	244,791		912,314	5,133,679	3,899,610	(1,234,069)
Cranston	42.44	500	1,005,084		3,745,851	19,633,250	16,546,748	(3,086,502)
Cumberland	19.87	500	247,485		922,354	5,337,383	4,068,525	(1,268,858)
East Greenwich	22.88	6,000	81,417		303,435	2,172,725	1,227,481	(945,244)
East Providence	37.10	500	501,297		1,868,285	9,819,781	7,929,631	(1,890,150)
Exeter	32.59	500	92,110		343,284	1,963,858	1,471,757	(492,101)
Foster	36.95	500	72,955		271,895	1,313,107	853,976	(459,131)
Glocester	24.37	500	102,420		381,708	2,109,168	1,599,661	(509,507)
Hopkinton	21.18	500	69,295		258,255	1,398,877	1,064,728	(334,149)
Jamestown	14.42	6,000	22,042		82,148	570,773	313,267	(257,506)
Johnston	41.46	500	422,637		1,575,125	8,970,557	6,853,770	(2,116,787)
Lincoln	30.66	3,000	198,583		740,100	4,985,844	3,100,238	(1,885,606)
Little Compton	13.90	6,000	12,896		48,063	323,924	171,268	(152,656)
Middletown	16.05	3,000	63,006		234,815	1,684,877	1,064,608	(620,269)
Narragansett	16.46	6,000	60,810		226,632	1,541,632	829,112	(712,520)
Newport	23.45	6,000	77,989		290,659	136,550	100,730	(35,820)
New Shoreham	9.75	1,000	6,714		25,021	1,966,487	1,045,010	(921,477)
North Kingstown	22.04	3,000	185,691		692,054	4,630,948	2,888,386	(1,742,562)
North Providence	41.95	500	389,770		1,452,635	9,337,386	6,387,191	(2,950,195)
North Smithfield	37.62	675	177,990		663,353	4,302,823	2,973,526	(1,329,297)
Pawtucket	53.30	500	794,500		2,961,025	14,340,452	12,029,293	(2,311,159)
Portsmouth	22.50	2,000	84,669		315,553	1,965,989	2,853,207	887,218
Providence	60.00	2,000	1,882,415		7,015,577	33,962,850	22,317,776	(11,645,074)
Richmond	22.64	500	65,687		244,810	1,309,940	1,557,189	247,249
Scituate	30.20	6,000	68,633		255,790	1,750,690	1,075,449	(675,241)
Smithfield	39.00	2,000	255,759		953,189	6,177,180	4,106,511	(2,070,669)
South Kingstown	18.71	3,000	139,730		520,761	3,504,200	2,132,212	(1,371,988)
Tiverton	19.14	6,000	59,170		220,522	1,439,852	737,365	(702,487)
Warren	26.00	500	92,183		343,558	1,856,570	1,431,121	(425,449)
Warwick	34.60	2,000	964,536		3,594,733	23,019,748	15,274,766	(7,744,982)
West Greenwich	19.02	500	54,390		202,704	1,155,679	868,493	(287,186)
West Warwick	28.47	1,000	231,779		863,816	5,032,081	3,661,542	(1,370,539)
Westerly	29.67	1,500	216,507		806,899	5,194,978	3,337,227	(1,857,751)
Woonsocket	46.58	1,000	402,183		1,498,898	7,733,154	6,143,115	(1,590,039)
<b>Total</b>			<b>\$10,000,000</b>		<b>\$37,269,023</b>	<b>\$210,507,575</b>	<b>\$152,383,889</b>	<b>(\$58,123,686)</b>

\*The Governor's proposed tax levy assumes that all municipalities will raise assessment ratios to 100.0 of presumptive value (determined by the Vehicle Value Commission), which under Article 11 is 70.0 percent of clean retail value. Additionally, some municipalities currently apply an "aging methodology" to determine the taxable value of used vehicles. The Governor's proposal assumes that municipalities will no longer use any existing aging methodologies.

Table 11.2: Motor Vehicle Excise Tax by Municipality

Municipality	Rate per		\$12,000 Vehicle				\$20,000 Vehicle			
	\$1,000	Exemption	Current Tax	New Tax	Savings	% Difference	Current Tax	New Tax	Savings	% Difference
Barrington	\$42.00	\$2,000	\$420.00	\$268.80	\$151.20	-36.0%	\$756.00	\$504.00	\$252.00	-33.3%
Bristol	17.35	2,000	173.50	111.04	62.46	-36.0%	312.30	208.20	104.10	-33.3%
Burrillville	40.00	1,250	430.00	286.00	144.00	-33.5%	750.00	510.00	240.00	-32.0%
Central Falls	48.65	1,250	522.99	347.85	175.14	-33.5%	912.19	620.29	291.90	-32.0%
Charlestown	13.08	500	150.42	103.33	47.09	-31.3%	255.06	176.58	78.48	-30.8%
Coventry	18.75	500	215.63	148.13	67.50	-31.3%	365.63	253.13	112.50	-30.8%
Cranston	42.44	500	488.06	335.28	152.78	-31.3%	827.58	572.94	254.64	-30.8%
Cumberland	19.87	500	228.51	156.97	71.53	-31.3%	387.47	268.25	119.22	-30.8%
East Greenwich	22.88	6,000	137.28	54.91	82.37	-60.0%	320.32	183.04	137.28	-42.9%
East Providence	37.10	500	426.65	293.09	133.56	-31.3%	723.45	500.85	222.60	-30.8%
Exeter	32.59	500	374.79	257.46	117.32	-31.3%	635.51	439.97	195.54	-30.8%
Foster	36.95	500	424.93	291.91	133.02	-31.3%	720.53	498.83	221.70	-30.8%
Glocester	24.37	500	280.26	192.52	87.73	-31.3%	475.22	329.00	146.22	-30.8%
Hopkinton	21.18	500	243.57	167.32	76.25	-31.3%	413.01	285.93	127.08	-30.8%
Jamestown	14.42	6,000	86.52	34.61	51.91	-60.0%	201.88	115.36	86.52	-42.9%
Johnston	41.46	500	476.79	327.53	149.26	-31.3%	808.47	559.71	248.76	-30.8%
Lincoln	30.66	3,000	275.94	165.56	110.38	-40.0%	521.22	337.26	183.96	-35.3%
Little Compton	13.90	6,000	83.40	33.36	50.04	-60.0%	194.60	111.20	83.40	-42.9%
Middletown	16.05	3,000	144.45	86.67	57.78	-40.0%	272.85	176.55	96.30	-35.3%
Narragansett	16.46	6,000	98.76	39.50	59.26	-60.0%	230.44	131.68	98.76	-42.9%
Newport	23.45	6,000	140.70	56.28	84.42	-60.0%	328.30	187.60	140.70	-42.9%
New Shoreham	9.75	1,000	107.25	72.15	35.10	-32.7%	185.25	126.75	58.50	-31.6%
North Kingstown	22.04	3,000	198.36	119.02	79.34	-40.0%	374.68	242.44	132.24	-35.3%
North Providence	41.95	500	482.43	331.41	151.02	-31.3%	818.03	566.33	251.70	-30.8%
North Smithfield	37.62	675	426.05	290.61	135.43	-31.8%	727.01	501.29	225.72	-31.0%
Pawtucket	53.30	500	612.95	421.07	191.88	-31.3%	1039.35	719.55	319.80	-30.8%
Portsmouth	22.50	2,000	225.00	144.00	81.00	-36.0%	405.00	270.00	135.00	-33.3%
Providence	60.00	2,000	600.00	384.00	216.00	-36.0%	1080.00	720.00	360.00	-33.3%
Richmond	22.64	500	260.36	178.86	81.50	-31.3%	441.48	305.64	135.84	-30.8%
Scituate	30.20	6,000	181.20	72.48	108.72	-60.0%	422.80	241.60	181.20	-42.9%
Smithfield	39.00	2,000	390.00	249.60	140.40	-36.0%	702.00	468.00	234.00	-33.3%
South Kingstown	18.71	3,000	168.39	101.03	67.36	-40.0%	318.07	205.81	112.26	-35.3%
Tiverton	19.14	6,000	114.84	45.94	68.90	-60.0%	267.96	153.12	114.84	-42.9%
Warren	26.00	500	299.00	205.40	93.60	-31.3%	507.00	351.00	156.00	-30.8%
Warwick	34.60	2,000	346.00	221.44	124.56	-36.0%	622.80	415.20	207.60	-33.3%
West Greenwich	19.02	500	218.73	150.26	68.47	-31.3%	370.89	256.77	114.12	-30.8%
West Warwick	28.47	1,000	313.17	210.68	102.49	-32.7%	540.93	370.11	170.82	-31.6%
Westerly	29.67	1,500	311.54	204.72	106.81	-34.3%	548.90	370.88	178.02	-32.4%
Woonsocket	46.58	1,000	512.38	344.69	167.69	-32.7%	885.02	605.54	279.48	-31.6%

## Article 12: Relating to Medicaid Reform Act of 2008 Resolution

This article is a joint resolution authorizing the Executive Office of Health and Human Services (EOHHS) 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 appropriations 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 that do not require statutory action, but rather regulatory changes. This article grants OHHS the authority to undertake all actions required to realize the funding levels included in Article 1. Article 12 includes language for the statutory changes needed to implement several of the associated initiatives.

### FISCAL IMPACT

The article includes a total fiscal impact of \$15.6 million in general revenue savings (\$32.0 million all funds) specific to the Healthy Aging Initiative and invests \$3.3 million in general revenues (\$6.8 million all funds) for a net decrease of \$12.3 million in general revenue (\$25.2 million all funds) in the FY2018 Governor's budget. This article seeks authority for a number of other initiatives that also have statutory changes. For these initiatives the fiscal impact is noted in Article 13.

Healthy Aging Initiative	Impacts	General Revenue	All Funds
MCO Administrative Savings	MCOs	(\$7.9)	(\$16.2)
Acuity-Based Payment Reform	Nursing Facilities	(5.2)	(10.7)
Reduced Utilization	Nursing Facilities	(2.5)	(5.1)
Community-Based Investment	Community-Based Providers	3.3	6.8
<b>Net Impact</b>		<b>(\$12.3)</b>	<b>(\$25.2)</b>

*\$ in millions*

### ANALYSIS AND BACKGROUND

This article requests authority from the General Assembly to make 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 to implement the following:

**Healthy Aging Initiative:** The article amends the 1115 waiver authority by changing Integrated Care Initiative (ICI) enrollment, modifying payment methodology, updating the eligibility determination procedures, and promoting options counseling for long-term services and supports (LTSS). The authority to reduce MCO administrative payments and modify payments to nursing facilities are directly related to the authority and fiscal impact of this initiative.

*Analyst Note: The Governor submitted a budget amendment on March 7, 2017, clarifying the authority for the Healthy Aging Initiative making technical changes related to implementation of the initiative and adds the Co-Pay Program offered through the Department of Elderly Affairs (DEA).*

*The community-based investment related to the Healthy Aging Initiative will, in part, be used to fund services through the Co-Payment Program at DEA that provides services enabling individuals to live in the community. The Co-Payment program expansion will allow DEA to obtain federal matching funds and provide assistance for individuals who under are either 250.0 percent of the FPL or between the age of 19 to 65, and need treatment and support services for Alzheimer's disease and other forms of dementia and do not currently qualify for Medicaid services.*

- The ICI was designed to 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 Phase I in November of 2013 and Phase II in July of 2016. The ICI aligns the financing of Medicare and Medicaid and integrates primary, acute, behavioral health, and LTSS for Medicare-Medicaid enrollees. The article will allow EOHHS to move ICI enrolled long-term nursing home residents, out of the program, and into fee-for-service Medicaid saving \$7.9 million in general revenue (\$16.2 million all funds) in FY2018. The savings are generated by removing the administrative expenses, \$381 per-member-per month (pmpm), paid to Managed Care Organizations (MCOs) for ICI enrollees, as well as from reducing estimates for the Risk Share payments. A portion of the savings will then be used to develop enhanced services in the community to prevent entry into nursing facilities.
- The article authorizes reforms to the acuity-based payment to nursing facilities. EOHHS proposes to rebase the acuity-base component of the nursing facility rate that was established in 2013. Acuity payments are established by an assessed measurement of intensity of nursing care for a patient. For example, a patient who is ambulatory (able to walk) would have a lower acuity level than a patient who is unable to walk. The acuity-based payment was originally developed with an average weight of 1.0. Following the adoption of the acuity-based payment, the average weight increased to 1.05 resulting in higher expenditures than anticipated. The Department proposed to rebase acuity weights to the targeted average of 1.0, saving \$5.2 million in general revenue (\$10.7 million all funds). The changes reduce total acuity-based payments from \$207.1 million to \$196.4 million in FY2018.
- LTSS eligibility determinations procedures will be modified to promote a streamlined process to improve the LTSS system and increase home and community-based services. Additionally, the Department projects a lower nursing home utilization, a reduction of 80 individuals to the average daily nursing home census, saving \$2.5 million in general revenue (\$5.1 million all funds) in FY2018.
- The article does not include language specific to reinvestment; however, based on the Governor's proposed budget, \$3.3 million in general revenue (\$6.8 million all funds) will be investing to improve programming for community based programming.

**Payment Rate Adjustments:** The article seeks authority to reduce and/or freeze rates to hospitals, nursing facilities, managed care organizations (MCO), and reform acuity-based payments to behavioral health services.

- **Hospitals:** The article reduces payments to hospitals by 1.0 percent for six months beginning on January 2018 and freezes the scheduled Center for Medicare and Medicaid Services (CMS) Prospective Payment System Hospital Price index increase to take-effect in FY2018. The fiscal impact for this authority is included in Article 13.
- **Nursing Facilities:** The Governor freezes inflation-based rate increases to nursing facilities and adjust acuity-based payments in FY2018. The inflation-based rate is an annual rate increase, based on the national nursing home inflation index, scheduled to go into effect on October 1, 2017. The fiscal impact for this authority is included in Article 13.
- **Managed Care Organizations (MCOs):** The article seeks authority to reduce administrative rates paid to MCOs in FY2018. The fiscal impact of these changes are included in Article 13.
- **Federally Qualified Health Center (FQHC) Payment Reform:** The article seeks approval to change the current alternative payment methodology to FQHCs. This authority will allow EOHHS to move reimbursement into the Managed Care Organizations (MCOs) monthly capitation rates. The fiscal impact for this authority is included in Article 13.

**Beneficiary Liability Collection Enhancements:** The article 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. The article gives EOHHS authority to enhance methods for collection of cost-shares in a timely manner. It is unclear what process or program changes will occur to achieve savings.

*Analyst Note: The FY2017 Budget as Enacted included \$1.5 million in general revenue (\$3.1 million all funds) savings associated with improved beneficiary patient liability collections. Due to delays in implementation, the savings were not achieved in the FY2017 Budget as Enacted. The November Caseload Estimating Conference (CEC) assumed \$1.2 million (\$2.5 million all funds) in the FY2018 projections. This savings initiative is in addition to the already assumed savings projections included in the November CEC.*

**Adult Dental Service Reform:** The article seeks to reform the payment methodology and delivery system for adult dental services, including rates for oral surgery. These adjustments will require changes to the 1115 waiver authority.

*Analyst Note: The Governor submitted a budget amendment on March 7, 2017, removing the request seeking authority for adult dental services.*

**Estate Recovery Collections:** The article proposes to improve the collections of estate recoveries and liens against beneficiaries of long-term services and supports. The article does not state what changes will be made in order to improve collections. The Governor's budget includes a \$250,000 (\$513,769) savings in the FY2018 associated with this initiative.

*Analyst Note: The Governor submitted a budget amendment on March 7, 2017, adding language in Article 13 requiring notice to EOHHS prior to closing of estates.*

**Asthma Treatment:** The Governor proposes to amend the State Plan to include the Home Asthma Response Program (HARP). The inclusion of the program in the State Plan will enable the use of federal financing within the Medicaid program. HARP is designed to reduce emergency room utilization and promote preventative treatment and management for high risk pediatric asthma patients.

*Analyst Note: The Governor submitted a budget amendment on March 7, 2017, to remove the inclusion of HARP services in the Medicaid program. The Budget did not include the cost of the new services; therefore, there is not fiscal impact related to removing the inclusion of HARP in the Medicaid program.*

**Centers of Excellence:** This article seeks authority to cover services that are provided by Centers of Excellence (COEs). COEs promote best practices and treatment for individuals addicted to opioids and are licensed by the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH). In FY2016 BHDDH received funding for the infrastructure development of six COEs over the period of three years. Currently, CODAC is the only licensed COE in operation; however, services that are provided are not yet considered reimbursable COE services.

*Analyst Note: The fiscal impact of adding COE services to the State Plan have not been included in the Governor's FY2018 Budget. The Governor submitted a budget amendment on March 7, 2017, that maintains this request for authority; however, did not include funding for this program.*

**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.

## Article 13: 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 FY2018 Budget and aligning the General Laws with the stated goals of ensuring access to high quality and building an efficient health care delivery system which delivers better health outcomes for Rhode Islanders.

*Analyst Note: The Governor submitted a budget amendment on March 7, 2017, clarifying the authority for the Healthy Aging Initiative making technical changes related to implementation of the initiative and adds the Co-Pay Program offered through the Department of Elderly Affairs (DEA), behavioral health care supports, enhanced long-term services and supports (LTSS), screening, LTSS counseling, and notification to EOHHS prior to the closure of small estates.*

*The fiscal impact for the Healthy Aging Initiative is included in Article 12.*

### FISCAL IMPACT

This article reduces general revenue expenditures by \$19.3 million (\$34.1 million all funds) in FY2018. These adjustments are attributed to an increase in general revenue expenditures of \$2.5 million (\$5.1 million all funds) for a home healthcare worker wage increase, an increase in restricted receipt collections of \$3.8 million 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. Reductions in expenditures include hospital rate reductions saving \$5.2 million in general revenue (\$15.1 million all funds), nursing facility rate freezes and reforms saving \$5.6 million in general revenue (\$11.2 million all funds), payment reforms to Federally Qualified Health Centers (FQHCs) saving \$1.2 million in general revenue (\$3.0 million all funds), and reductions to the Upper Payment Limit (UPL) saving \$4.0 million in general revenue (\$9.9 million all funds).

<b>Article 13 Proposals</b>	<b>General</b>	<b>All Funds</b>
Nursing Facility Rate Freeze and Payment Reform	(\$5.6)	(\$11.2)
Hospital Rate Reductions	(5.2)	(15.1)
Upper Payment Limit (UPL) Reduction	(4.0)	(9.9)
Children's Health Account	(3.8)	-
Wage Increase for Home Health Workers	2.5	5.2
Graduate Medical Education	(2.0)	-
Federally Qualified Health Center Payment Reform	(1.2)	(3.0)
<b>Total</b>	<b>(\$19.3)</b>	<b>(\$34.1)</b>
<i>\$ in millions</i>		

### ANALYSIS AND BACKGROUND

**Nursing Facility Rate Freeze and Payment Reform:** The article proposes to freeze a 3.0 percent inflation-based rate increase to nursing facilities saving \$5.6 million in general revenue (\$11.2 million all funds) in FY2018. The inflation-based rate is an annual increase, based on the national nursing home inflation index, scheduled to go into effect on October 1, 2017.

*Analyst Note: Additionally, the article proposes to modify the acuity-based payment methodology to nursing facilities, saving \$5.2 million in general revenue (\$10.7 million all funds) in FY2018. The fiscal impact is included in Article 12.*

The article authorizes reforms to the acuity-based payment to nursing facilities. EOHHS proposes to rebase the acuity-based component of the nursing facility rate that was established in 2013. Acuity-based payments are established by an assessed measurement of intensity of nursing care for a patient. For example: a patient who is ambulatory (able to walk) would be assessed at a lower acuity level than a patient who is unable to walk. The acuity-based payment was developed with an average weight of 1.0. Following the adoption of the acuity-based payment, the average provider billed weight increased to 1.05 within the first few months resulting in higher expenditures.

According to the Department the increase in the weighted average was not likely the result of patients becoming sicker, rather, providers became more skilled at either the assessment of acuity or accurately billing for it. Re-basing the acuity base is essentially cutting the rate in which nursing facilities are compensated for an individual's level of care needs.

In the FY2017 Budget as Enacted, nursing facilities received the inflation-based rate increase, \$3.9 in general revenue (\$7.9 million all funds), with the condition that 85.0 percent of rate increase was used to increase wages and employee related benefits to certified nursing assistance (CNAs) and other direct care workers at nursing facilities.

*Analyst Note: The Executive Office of Health and Human Services (EOHHS) received approval from the Centers for Medicaid and Medicare (CMS) to create a Health System Transformation Project (HSTP), for up to \$130.0 million in federal matching funds over a five year period for the project. The HSTP is designed to advance the formation and success of Accountable Entities (AE); an integrated provider organization responsible for improving quality of care and outcomes for patients while also managing costs. Funding in year one (\$20.5 million) is designated exclusively to hospitals and nursing homes in FY2017. However, the details of this award are not included in the Governor's Budget.*

**Hospital Rate Reduction:** The article reduces payments to hospitals from Managed Care Organizations (MCOs) and Medicaid by 1.0 percent for six months saving \$885,832 in general revenue (\$2.6 million all funds) and freezes the payment increase currently scheduled to take-effect in FY2018, saving \$4.3 million in general revenue (\$10.7 million all funds). These actions provide a combined general revenue savings of \$5.2 million (\$13.2 million all funds).

Hospital Reductions	General Revenue	All Funds
1.0 Percent Rate Cut	(\$0.9)	(\$2.6)
Rate Freeze	(4.3)	(10.7)
<b>Total</b>	<b>(\$5.2)</b>	<b>(\$13.2)</b>

*\$ in millions*

Hospitals are reimbursed by Medicaid on a fee-for-service basis and by MCOs for in-patient, out-patient, and emergency services. Section 40-8-13.4 allows EOHHS to review these rates annually to make adjustments to the payments by considering factors such as hospital costs, hospital coding, and availability of services to beneficiaries and/or include, but not to exceed the CMS Prospective Payment System Hospital Price Index, an inflation-based index. This article proposes to maintain current rates and will not implement an inflationary increase to payments. The 2018 projected CMS price increase is 3.0 percent for inpatient payments and 1.6 percent for outpatient payments. This article maintains the current rate hospitals are receiving through December 31, 2017, at which point the article proposes to reduce the reimbursement rate by 1.0 percent beginning on January 1, 2018.

**Upper Payment Limit (UPL) Reduction:** This article amends section 40-8.3-10 of the Uncompensated Care statute by reducing the total to 50.0 percent of the total outpatient adjustment for hospitals and adds language to include "government" hospitals and "psychiatric" hospitals. This proposal will yield \$4.0 million in general revenue (\$9.9 million all funds) savings in FY2018.

UPL payments compensate hospitals for the gap between what hospitals receive for Medicaid outpatient and inpatient services and what they would have been paid for those services under Medicare reimbursement principles. In past fiscal years, the State has made UPL payments to hospitals, matched by the federal government, to bring its total Medicaid expenditures up to 100.0 percent of the Medicare upper

payment limit, maximizing available federal funds. This article will reduce the total Medicaid expenditures to 50.0 percent of the Medicare upper payment limit, saving \$4.0 million in general revenue.

The article also contains language to include “government” and “psychiatric” hospitals as participating hospitals for the disproportionate share hospitals (DSH) payments, allowing Eleanor Slater Hospital, Bradley Hospital, and Butler Hospital to receive DSH payments. The FY2017 Enacted budget excluded these hospitals from receiving payments. Previous to this change in FY2017 these hospitals were able to receive DSH payments.

DSH payments, like UPL, are supplemental payments made to hospitals for uncompensated costs. The payments are meant to help close the gap between what the cost of the services they provide and the reimbursement rate they receive from Medicaid

In order to generate the financial resources to provide DSH and UPL payments, Rhode Island assesses hospitals, including ESH, a hospital licensing fee. The 5.652 percent fee is assessed based on total net patient service revenue in 2016. The State generated \$169.0 million in general revenue in FY2017 from the hospital licensing fee. The State then uses this revenue to request a federal match from the Centers of Medicaid and Medicare to fund uncompensated care, DSH, and UPL payments to hospitals. The State redistributes the funds to hospital for calculated uncompensated care amounts and nets \$89.6 million in general revenue for the State.

Fiscal Year	Eleanor Slater Hospital		
	Hospital License Fee	DSH Collection	Loss
FY2012	\$5.8	\$1.5	(\$4.3)
FY2013	\$5.2	\$1.5	(\$3.7)
FY2014	\$5.5	\$1.5	(\$4.0)
FY2015	\$6.5	\$1.5	(\$5.0)
FY2016	\$6.7	\$1.5	(\$5.2)

*\$ in millions*

The Eleanor Slater Hospital (ESH) is a State-operated hospital which 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.

In previous fiscal years, ESH has received the portion of the DSH payments that were associated with their patient population. In FY2018, ESH is projected to pay approximately \$6.7 million and will not receive a DSH payment without the inclusion of “government” and “psychiatric” provision requested in Article 13. The FY2017 Supplemental budget included \$2.8 million general revenue request for an operational deficit at the division of Hospitals and Rehabilitative Services associated with operation of ESH.

**Children’s Health Account:** This article will increase the 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. The Governor projects the increased assessment will generate an additional

#### Children's Health Account Collections

Fiscal Year	Blue Cross Blue	United Health Care	All Other Insurers	Total CHA
	Shield (BCBS)	(UHC)		Assessment
FY2013	\$7.1	\$1.6	\$1.8	\$10.5
FY2014	6.9	1.4	1.9	\$10.2
FY2015	7.2	1.5	2.1	\$10.8
FY2016	5.3	1.6	3.6	\$10.5
FY2017	3.9	2.7	4.0	\$10.6
FY2018**	5.2	3.2	3.5	\$11.9

\* Total assesment includes administrative expense collections

\*Totals vary due to rounding

\*\*Governor's Budget proposal

*\$ in millions*

\$3.0 million in restricted receipts in FY2018. The distribution of the projected increase to insurance companies is below.

*Analyst Note: In FY2018 the administrative fees associated with the collection of the CHA assessment are reduced for a net increase of \$3.6 million available for services.*

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 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 include self-insured products, broadening the base of assessment.

The increase in assessment will allow EOHHS to offset the cost of benefits that commercial insurers are not required to provide for children with special healthcare needs that are provided by Medicaid through programs like Katie Beckett. Currently, this fund offsets approximately 46.0 percent of the expenses incurred by commercially insured children, saving insurers \$10.9 million in benefit costs in FY2015. The increase in assessment will reduce commercial insurer savings and increase general revenue collections to offset Medicaid covered services for the commercially insured. The table below includes the breakdown by insurer and the collection of services covered by the CHA.

**Children's Health Account Billable Cost by Insurer and Total Collection FY2013-FY2015**

Fiscal Year	BCBS	UHC	Total Insurer		Total CHA Collection	Diff	Total FFS Medicaid Program Cost*
			All Other Insurers	Billable Costs*			
FY2013	\$12.7	\$4.5	\$4.7	\$22.0	\$10.5	\$11.5	\$46.8
FY2014	10.9	5.0	6.2	22.1	10.2	\$11.9	47.2
FY2015	9.4	5.4	5.8	20.5	10.8	\$9.7	44.3

*\$ in millions*

*Source: Executive Office of Health and Human Services*

\*Total billable costs is the annual total cost of all insurers billable services that are provided by Medicaid.

\*Total Medicaid fee-for-service (FFS) program costs for children with special healthcare needs commercially and non-commercially insured

Blue Cross Blue Shield of Rhode Island and Massachusetts has the highest utilization of services by their insured lives receiving services that are covered under the CHA, approximately 44.0 percent of total billable services in FY2015. The statutory changes that occurred in FY2015 broadened the base of insurers that are being assessed as well as redistributed the payment requirements by insurers. These adjustments have led to a year over year reduction in assessed cost for BCBS from FY2016 to FY2017. The Governor's proposal would increase assessments across all insurers in FY2018. BCBS will still pay less than the pre-FY2017 levels.

**Wage Increase for Home Health Workers:** The article provides a one-time increase to the base-payment rates to home and community based providers with the intent of increasing wages to home health workers providing care to long-term care beneficiaries living in the community. This proposal will increase general revenue expenditures by \$2.5 million (\$5.1 million all funds) in FY2018.

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 home healthcare workforce in support of the effort to increase community options for individuals receiving long-term services and supports (LTSS). In response to the expressed need, the General Assembly included \$2.0 million (\$4.1 million all funds) for a wage increase for home health workers in the FY2017 Budget as Enacted.

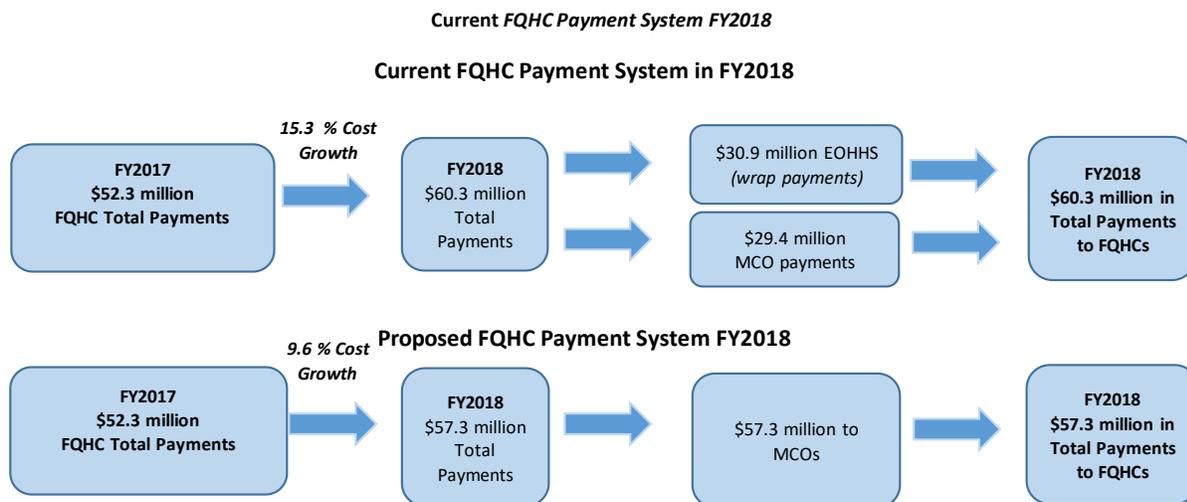
**Graduate Medical Education:** This article repeals the statute governing appropriations for the Graduate Medical Education program. This initiative will save \$2.0 million in general revenue for FY2018. During the 2016 legislative session, the Governor recommended eliminating funding for this program; however, the funding was reinstated in the FY2017 Budget as Enacted. 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, Rhode Island Hospital is the only hospital that qualifies for this funding.

**Federally-Qualified Health Center (FQHC) Payment Reform:** The article amends the alternative payment methodology by requiring reimbursement rates to FQHCs to be included in Managed Care Organizations (MCOs) capitated rates, saving \$1.2 million in general revenue (\$3.0 million all funds) in FY2018.

The federal Prospective Payment System (PPS) rate methodology is how FQHCs seek reimbursement for services. This PPS rate methodology arrangement allows FQHCs take their total operating cost and divide it by their encounters (patient visits) resulting in an encounter rate. All FQHCs have different rates. MCOs pay FQHCs a negotiated encounter rate often lower than the FQHC encounter rate. EOHHS then makes a “wrap” payment to make up the difference between the MCO rate and the FQHC encounter rate.

The Department sees a trend of significantly higher encounters in Medicaid member usage at FQHCs and increasing operational and infrastructure costs at FQHCs. This has resulted in an increase in average encounter rate at FQHCs and higher wrap payments by EOHHS. MCOs set rates with FQHCs and have no incentive to increase payment to the FQHCs, and the FQHCs have little incentive to control costs if EOHHS continues to provide wrap payment to FQHCs.

The Governor’s proposal eliminates the wrap payments made by EOHHS and includes the total cost of current encounter rates in the MCO capitated rate. This initiative is intended to incentivize MCOs to work with the FQHCs to manage costs and strengthen procedure on billable encounters, which are the basis for the reimbursement rate. MCOs will be given the resources that EOHHS previously provided in “wrap” payments to include in their capitated rates.



The savings for this proposal are not assumed by a cut to FQHCs, rather slowing the rate of growth of the FQHC encounter rate and overall annual payments. The November 2016 caseload estimating conference assumed a 15.3 percent growth in average FQHC encounter rates, \$8.0 million all funds in FY2018 over FY2017 Budget as Enacted. The Governor proposes to increase spending to FQHCs by \$5.0 million in FY2018; however, this reduces the spending by \$1.2 million general revenue (\$3.0 million all funds) from projected FY2018 levels without changes.

**FQHC Payments FY2013 through FY2017**

Fiscal Year	EOHHS Wrap Payment	MCO Payment	Annual Payments to FQHC	% EOHHS	
				Wrap Payment total	% MCO Payment of Total
FY2013	\$13.7	\$15.8	\$29.5	46%	54%
FY2014	16.0	19.4	35.4	45%	55%
FY2015	23.2	24.0	47.2	49%	51%
FY2016	25.8	24.7	50.5	51%	49%
FY2017*	26.8	25.5	52.3	51%	49%
FY2018**	30.9	29.4	60.3	51%	49%
FY2018***	-	57.3	57.3	0%	100%

*\$ in millions*

*\*Projection base on November 2016 CEC estimates*

*\*\*Projection based on November 2016 CEC estimates*

*\*\*\*Projections based on Governor's Budget*

## Article 14: Relating to Licensing of Hospital Facilities

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This article reinstates the annually-enacted Hospital License Fee at the rate of 5.652 percent and a discounted rate of 3.561 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, 2016. 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, 2018, but are accrued as FY2018 revenues by the State Controller.

### FISCAL IMPACT

The fee is estimated to raise \$169.0 million in revenue, consistent with FY2017 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.

<b>Fiscal Year</b>	<b>Rate</b>	<b>Revenue</b>
2008	3.480%	\$73.9
2009	5.473%	121.5
2010	5.314%	124.5
2011	5.465%	135.8
2012	5.430%	138.0
2013	5.313%	138.5
2014	5.246%	141.3
2015	5.745%	138.6
2016	5.862%	169.1
2017	5.652%	169.0
2018*	5.652%	169.0

*\*Proposed*

*\$ in millions*

## Article 15: Relating to Behavioral Healthcare, Developmental Disabilities, and Hospitals - Maintenance of Effort

This article co-designates the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals and the Executive Office of Health and Human Services (EOHHS) as 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 the State to demonstrate certain levels of funding for substance abuse programs from year to year. While the article co-designates authority it retains BHDDH as the sole agency responsible for planning, policy development, and implementation of laws and regulations relating to substance abuse.

*Analyst Note: The FY2017 Enacted Budget included language within Article 4 creating a single state entity to meet the MOE requirements of the SAMHSA Block Grant. The Department indicated the language did not satisfy the federal requirements; therefore, the current Budget includes language that has been requested by SAMHSA to satisfy this requirement.*

### FISCAL IMPACT

According to BHDDH, the State is at risk to lose \$7.6 million in SAMHSA grant funding due to failure to meet federal MOE requirements. Additionally, the State has an outstanding \$10.4 million in unmet MOE for FY2015 and FY2016 for the Substance Abuse Block Grants. The Department anticipates with the passage of this article, SAMHSA will approve current and past MOE obligations of the State.

### 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.

BHDDH is charged with the direction and coordination of mental health and substance abuse prevention, treatment, recovery supports, and the 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 FY2017, BHDDH is operating multiple SAMHSA-funded initiatives: Projects for Assistance in Transition for Homelessness and Substance Abuse Prevention and Treatment, Community Mental Health Services Block Grant, PATH Grant, Partnership for Success, Medication Assisted Treatment, Screening Brief Intervention and Referral to Treatment (SBIRT), Healthy Transitions, Rhode Island CABHI Youth Treatment Transitions.

This article co-designates the two agencies as the “single state authority for mental health and substance abuse”, thereby allowing Medicaid expenditures to fulfill the SAMHSA MOE requirements. Currently, EOHHS provides the primary funding source for BHDDH substance abuse services through Medicaid Managed Care Organizations (MCOs). In order to attribute these expenditures toward MOE, SAMHSA requires the State to create statutory and interdepartmental agreement between EOHHS and BHDDH.

## Article 16: Relating to Debt Management Act Joint Resolutions

This article serves as a joint resolution for the issuance of up to \$139.0 million in debt required pursuant to RIGL 35-18-1, commonly known as the Kushner Act, to finance an array of projects across state government. The projects, total costs, financing instruments, annual amounts, and total debt are summarized below.

Proposed Debt Authorizations				
Certificates of Participation (COPS)	Department	Principal	Interest	Total Debt
Information Technology Improvements	Administration	\$16.2	\$4.8	\$21.0
Energy Improvements in State Facilities	Administration	12.0	3.2	15.2
Confined Aquatic Disposal Cells (CAD Cell)	CRMC	10.5	3.1	13.6
Energy Conservation - URI	URI	11.6	5.2	16.8
<b>Total COPS</b>		<b>\$50.3</b>	<b>\$16.3</b>	<b>\$66.6</b>
Revenue Bonds				
White Horn Brook Apartments	URI (RIHBC)	\$88.8	\$84.5	\$173.3
<b>Total (COPS and Revenue Bonds)</b>		<b>\$139.0</b>	<b>\$100.8</b>	<b>\$239.9</b>

*\$ in millions*

### FISCAL IMPACT

The article authorizes \$50.3 million in total state borrowing for four projects, at 5.0 percent interest, over 10-15 years.

Project	Department	Total Cost (w/interest)	Annual Debt Service	Final Payment
Information Technology Improvements	Administration	\$21.0	\$2.0	2028
Energy Improvements in State Facilities	Administration	15.2	1.7	2027
Confined Aquatic Disposal Cells (CAD Cell)	CRMC	13.6	1.4	2028
Energy Conservation - URI	URI	16.8	1.1	2033
<b>Total</b>		<b>\$66.6</b>	<b>\$6.2</b>	

*\$ in millions*

Additionally, \$88.8 million in RIHEBC revenue bonds are authorized, at 5.0 percent interest over 30 years, yielding a total debt service of \$173.3 million that will be financed primarily through University of Rhode Island auxiliary fee revenues.

### ANALYSIS AND BACKGROUND

#### *Information Technology Improvements*

Section 2 authorizes the issuance of debt of \$16.1 million in certificates of participation (COPs) over four years, including financing costs, for four information technology improvement projects. Total debt service at a 5.0 percent borrowing rate after 10-years is projected to be \$21.0 million.

Agency	Project	Project Cost
Department of Revenue	Integrated Tax System Cash and Statistical Reporting	\$2.0
Department of Administration	New Payroll Attendance and Scheduling System	3.5
Department of Health	Vital Records	2.5
BHDDH, Corrections, and Human Services	Electronic Medical Records and Patient Case Management	8.1
<b>Total</b>		<b>\$16.1</b>

*\$ in millions*

- **Integrated Tax System:** The plan includes \$2.0 million in FY2018 for the second phase of the new Integrated Tax System to aid the Department of Revenue with cash transactions and statistical reporting.
- **Payroll, Attendance, and Scheduling System:** The Budget includes \$3.5 million in FY2018 to update current payroll systems in the Department of Administration. The update will allow the system to interface with new payroll attendance and scheduling systems.
- **Vital Records:** This project involves a new vital statistics program for the Department of Health to provide electronic recording capabilities that are compliant with the federal government. The Budget provides \$2.5 million in FY2018.
- **Electronic Medical Records and Patient Case Management:** The plan includes \$8.1 million for a new patient management and electronic medical records system for the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals; Corrections; and, the Veterans' Home under the Department of Human Services.

### ***Energy Efficiency Improvements***

Section 3 authorizes the issuance of \$12.0 million in certificates of participation for various energy efficiency improvements to State facilities, including the State House, state-owned group homes, administrative buildings, parking lots, and health labs. Total debt service cost after 10-years is projected to be \$15.2 million, assuming 5.0 percent interest annually. It is anticipated that increased energy savings will offset a portion of the debt service costs.

### ***Confined Aquatic Dredged Material Disposal Cells***

The article provides for the issuance of \$10.5 million in COPs in FY2018 for Confined Aquatic Disposal (CAD) cells. The total State debt-service obligation is estimated at \$13.6 million over 10 years at an average interest rate 5.0 percent. This project is budgeted in the Coastal Resources Management Council and the funding provides the 35.0 percent state match for a federal project to be performed by the Army Corps of Engineers.

The Army Corps of Engineers has asked the Coastal Resources Management Council to act as the local sponsor to the federal action of maintaining the depths of the Providence River and Harbor Shipping Channel. To maintain the depths, the channels must be dredged to remove sediments that accumulate over time. These areas were last dredge in 2003. To reduce the environmental risk from sediments not suitable for ocean disposal, the dredged sediment is stored in CAD cells. CAD cells are depressions created in the bottom of a body of water for storing contaminated sediments to reduce the risk of the sediment contaminating the entire system. Currently, there are six CAD cells below the Providence River Federal Navigation Channel in the vicinity of the Port of Providence and Simms Metals that were created in the mid 1990's; however, these cells are reaching capacity. This project would provide for the design and construction of additional CAD cells.

***Energy Performance Contract***

The article provides for the issuance of \$11.6 million in COPS for Phase 3 of an Energy Performance Contract at the University of Rhode Island (University), including \$7.0 million in FY2018 and \$4.6 million in FY2019. Total debt is projected at \$16.8 million over 15 years with an average interest rate of 5.0 percent. The payments will be supported through energy savings at the University.

The University entered into an energy performance contract with Noresco, an Energy Service Company (ESCO), to purchase energy saving improvements for buildings and infrastructure. Performance contracting is structured so that the cost of implementing the energy conservation measures is recovered from the cost avoidance achieved by the performance measures. The return on investment for the project is realized over a 12-15 year period. Phase III of this project includes comprehensive multi-campus interior LED dimmable lighting; fume hood upgrades at the Center for Biology and Life Science; replacement of HVAC components; installation of plug load controllers; electric sub-metering throughout the Kingston campus; heating system upgrades; and a continuation of building weatherization upgrades.

***White Horn Brook Apartments***

This article provides for the issuance of Rhode Island Health and Educational Building Corporation (RIHEBC) revenue bonds in the amount of \$88.8 million for the construction of the White Horn Brook Apartments, including \$49.1 million in FY2018 and \$39.7 million in FY2019. The total debt service may not exceed \$173.3 million assuming an interest rate of 5.0 percent over 30 years. Auxiliary fee revenues from the University of Rhode Island (URI) Housing and Residential Life will support approximately 95.0 percent of the total project costs and University general funds will support the remaining 5.0 percent.

## Article 17: Relating to Lease Agreement for Leased Office and Operating Space

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This article authorizes the Council on Postsecondary Education (Council) and the State Properties Committee to approve a lease agreement for additional parking spaces for the Nursing Education Center (NEC) at an estimated cost of \$500,000 annually.

### FISCAL IMPACT

The article provides an estimated annual cost of \$500,000; however, the language does not specify a cap on the cost of the lease. The article provides that the General Assembly approves financing of \$500,000 annually for the off-site parking “but will be later informed by the final lease”. Furthermore, the article does not specify the source of funds for the annual lease payments. The institutions have indicated that the cost will be shared by the University of Rhode and Rhode Island College but the article is silent on this issue. Due to these omissions, the fiscal impact of the article is indeterminable at this time.

### ANALYSIS AND BACKGROUND

The article authorizes the Council on Postsecondary Education and the State Properties Committee to enter into a lease agreement for parking spaces for students attending the Nursing Education Center (NEC). The NEC is a partnership between the State, Rhode Island College, and the University of Rhode Island to provide a state-of-the-art facility to be shared by the institutions. The NEC is located at the South Street Landing property (a.k.a. the South Street Power Station or Dynamo House).

The current lease for the education facility located at South Street Landing includes 200 parking spaces for faculty and staff; however, additional parking is needed for students. The article authorizes a lease agreement for additional parking spaces. The solicitation of proposals for the additional parking issued by the Department of Administration requires an initial contract period of five years with two consecutive two-year options; consequently, the maximum lease period is nine years. While the number of spaces is not specified within the article, the approved financing is estimated at \$500,000 annually, but will “be later informed” by the final lease agreement.

*Analyst's Note: The language of the statute does not clearly provide a limit on the financing that can be approved by the Council and State Properties Committee, the source of funding for the lease payments, or the number of spaces required.*

## Article 18: Relating to Education Aid

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This article makes the categorical fund that provides additional support for English learners (EL) permanent. Article 11 of the FY2017 Budget as Enacted established a category of aid that provides 10.0 percent of the per-pupil core instruction amount, adjusted by the state share ratio, for each English learner, but only in FY2017.

### FISCAL IMPACT

The article does not require an appropriation for EL students but instead allows for the additional support to continue beyond FY2017; consequently, the language of the article does not have a direct fiscal impact on the State. However, the FY2018 Budget contains \$2.5 million in additional support for EL students.

### ANALYSIS AND BACKGROUND

Article 11 of the FY2017 Budget as Enacted established a new categorical fund to provide additional support for costs associated with English learners (EL). The fund provides additional aid of 10.0 percent of the per-pupil core instruction amount for each qualified EL student. This additional aid is then multiplied by the state share. When the article was originally enacted, the additional the per-pupil weight was \$898 for each identified English learner. In FY2018, the per-pupil weight increases to \$916, to reflect 10.0 percent of the \$9,163 core instruction amount. This amount is then multiplied by the state share ratio. The formula is provided below.

$(\text{Per-pupil core instruction amount} \times \text{number of EL students}) \times 10.0 \text{ percent} \times \text{state share ratio} = \text{additional state support per EL student}$

This support is then ratably reduced based on the total amount appropriated.

Qualified EL students are identified pursuant to standards and assessments delineated by the Commissioner. The Department of Elementary and Secondary Education is responsible for collecting performance reports and ensuring that funds are not used to displace local resources; consequently, districts must manage the funds in accordance with requirements enumerated by the Commissioner. The Department is required to approve the use of funds prior to expenditure to ensure the funds align to innovative and expansive activities. Distribution is subject to a pro-rata reduction based on the funds available; consequently, if the amount appropriated does not completely fund the 10.0 percent for each student, each district will receive its proportionate share of the amount available. The Budget level funds the categorical in FY2018 at \$2.5 million, approximately one-half of the estimated full funding amount as estimated in the FY2017 Budget.

The table on the following page outlines the EL funding for districts in FY2017 and FY2018.

English Learner Calculator							
Districts	English Learner (June 2016 Data)	English Learner Funding	State Share Ratio	State Share of English Learner Funding	FY2018 Governor	FY2017 Enacted	Change
	A	(\$9,163*10%)* A = B	C	C * B=D	44.6%		
Barrington	16	\$14,661	15.9%	\$2,331	\$1,040	\$1,339	(\$299)
Burrillville	3	2,749	54.3%	1,494	667	721	(54)
Charlestown	1	916	18.4%	168	75	-	75
Coventry	3	2,749	48.7%	1,340	598	1,099	(501)
Cranston	295	270,309	52.7%	142,538	63,609	59,195	4,414
Cumberland	69	63,225	42.4%	26,791	11,956	2,123	9,833
East Greenwich	11	10,079	9.7%	978	436	274	162
East Providence	134	122,784	60.5%	74,320	33,166	25,391	7,775
Foster	-	-	40.8%	-	-	-	-
Glocester	-	-	38.8%	-	-	-	-
Hopkinton	1	916	44.2%	405	181	613	(432)
Jamestown	4	3,665	7.6%	277	124	33	91
Johnston	99	90,714	52.5%	47,619	21,250	14,412	6,838
Lincoln	16	14,661	41.3%	6,058	2,704	1,438	1,266
Little Compton	1	916	9.7%	89	40	0	40
Middletown	67	61,392	30.8%	18,920	8,443	9,787	(1,344)
Narragansett	2	1,833	16.1%	294	131	218	(87)
Newport	118	108,123	46.6%	50,384	22,484	16,406	6,078
New Shoreham	6	5,498	10.7%	587	262	455	(193)
North Kingstown	26	23,824	26.7%	6,363	2,839	2,268	571
North Providence	73	66,890	57.6%	38,520	17,190	14,368	2,822
North Smithfield	6	5,498	32.9%	1,811	808	1,007	(199)
Pawtucket	622	569,939	83.7%	476,961	212,850	188,827	24,023
Portsmouth	7	6,414	14.2%	909	405	389	16
Providence	4,270	3,912,601	87.4%	3,419,669	1,526,071	1,540,593	(14,522)
Richmond	-	-	36.3%	-	-	163	(163)
Scituate	-	-	23.2%	-	-	-	-
Smithfield	7	6,414	26.0%	1,665	743	467	276
South Kingstown	23	21,075	16.0%	3,371	1,505	-	1,505
Tiverton	7	6,414	34.3%	2,197	980	304	676
Warwick	72	65,974	40.4%	26,640	11,888	6,548	5,340
Westerly	16	14,661	28.9%	4,240	1,892	1,898	(6)
West Warwick	59	54,062	63.6%	34,368	15,337	8,433	6,904
Woonsocket	364	333,533	86.0%	286,990	128,073	122,647	5,426
Bristol-Warren	-	-	-	-	-	-	-
Bristol	27	24,740	28.2%	6,976	3,113	3,485	(372)
Warren	13	11,912	52.4%	6,239	2,784	5,328	(2,544)
Exeter-West Greenwich	-	-	-	-	-	-	-
Exeter	6	5,498	24.7%	1,358	606	309	298
West Greenwich	2	1,833	26.8%	491	219	418	(199)
Chariho	-	-	-	-	-	-	-
Foster-Glocester	2	1,833	39.5%	725	323	-	323
Central Falls	478	437,991	94.1%	411,997	183,859	211,465	(27,606)
<b>District Total</b>	<b>6,926</b>	<b>\$6,346,294</b>		<b>\$5,106,082</b>	<b>\$2,278,654</b>	<b>\$2,242,421</b>	<b>\$36,233</b>
Charter School Total	546	500,300		427,573	190,810	129,264	61,546
Davies	27	24,740		21,886	9,767	1,566	8,201
Met School	31	28,405		23,539	10,505	-	10,505
Urban Collaborative	15	13,745		11,661	5,204	-	5,204
<b>Total</b>	<b>7,545</b>	<b>\$6,913,484</b>		<b>\$5,590,741</b>	<b>\$2,494,939</b>	<b>\$2,373,251</b>	<b>\$121,688</b>

Source: Rhode Island Department of Education

## Article 19: Relating to Electric Vehicle Rebate Program

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This Article creates an Electric Vehicle Rebate Program to be administered by the Office of Energy Resources in the Department of Administration. The Office of Energy Resources is authorized to promulgate rules and regulations to implement this program.

### FISCAL IMPACT

The Governor includes \$250,000 in general revenue in the Office of Energy Resources within the Department of Administration for the first year of the program, which will expire June 30, 2022.

### ANALYSIS AND BACKGROUND

This Article establishes a State funded Electric Vehicle Rebate Program administered by the Office of Energy Resources for the purpose of providing rebates to eligible applicants in connection with the purchase or lease of an electric vehicle purchased or leased within the State. The program will be effective from July 1, 2017, to June 30, 2022.

Currently, the State offers the Driving Rhode Island to Vehicle Electrification (DRIVE) rebate program, begun in 2016. This is a one-time federal program using \$300,000 in federal settlement funds to provide rebates for 164 new vehicles. The program increased in-state electric vehicle use by 32.0 percent, had 14 Rhode Island automobile dealerships participating in electric vehicle sales, and generated approximately \$150,000 in new sales tax revenue. Fifteen states and the federal government offer various rebate or tax incentives to purchase or lease electric vehicles.

The Article requires the appropriation of \$250,000 in FY2018, and requires further unstated appropriations in subsequent years, for the payment of rebates until June 30, 2022. The Office of Energy Resources is authorized to promulgate rules and regulations to implement this program. However, the Article stipulates the following:

- The vehicle must be purchased or leased in State.
- The rebate will be made available to licensed drivers of the State, or to those who can demonstrate their residency in the State.
- Rebate payments cannot exceed the amount appropriated in the Budget.
- At minimum, the application for the rebate shall contain the following information:
  - Proof of purchase or lease;
  - Vehicle cost;
  - Make and model of the vehicle;
  - Auto dealership identification that sold or leased the electric vehicle;
  - Applicant information including name, address, valid driver's license; and,
  - Other relevant information as required by the program rules and regulations.

The Article requires the Office of Energy Resources to file an annual report on its office website by October 1<sup>st</sup> summarizing the activities of the program over the past year, including the amount of rebate payments issued through the program.

## Article 20: Relating to Minimum Wages

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This article increases the minimum wage from \$9.60 to \$10.50 per hour effective October 1, 2017.

### FISCAL IMPACT

The Governor includes \$122,017 to fund the impact of the proposed minimum wage increase on the Department of Environmental Management's seasonal recreational program.

### ANALYSIS AND BACKGROUND

This article increases the minimum wage from \$9.60 per hour to \$10.50 per hour, effective October 1, 2017. Rhode Island increased the minimum wage for four consecutive years in a row, 2013 through 2016. January 1, 2016, marked the most recent increase from \$9.00 per hour to \$9.60 per hour. The Governor's FY2017 Budget proposed to increase the minimum wage from \$9.60 per hour to \$10.10 per hour on January 1, 2017; however, this was not included in the FY2017 Budget as Enacted.

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*	10.50	9.4%

\*Governor's FY2018 Proposal

Connecticut has had three consecutive minimum wage increases since 2014, increasing from \$8.70 per hour to \$10.10 per hour on January 1, 2017. Massachusetts' minimum wage was increased to \$10.00 per hour effective January 1, 2016, and again to \$11.00 per hour on January 1, 2017. Vermont and Maine also increased minimum wage in January 2017.

	2016	2017
Massachusetts	\$10.00	\$11.00
Rhode Island	9.60	*10.50
Connecticut	9.60	10.10
Vermont	9.60	10.00
Maine	7.50	9.00
New Hampshire	7.25	7.25

Amounts in dollars per hour.

\*Governor's proposed increase.

## Article 21: Relating to Department of Labor and Training Fees and Fines

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This article eliminates annual fees for both apprentice sponsors and for registered apprentices to advance the use of apprenticeship programs for workforce development training. The article also increases various penalties related to labor law violations.

### FISCAL IMPACT

The changes proposed in the article are projected to produce a net increase of \$305,000 in general revenue. The Budget also includes an increase of \$125,000 in restricted receipt funding for half a year of penalty increases. The increase in fines is estimated to yield \$350,000 in additional general revenue, while the elimination of apprenticeship fees is estimated to decrease general revenue by \$45,000.

### ANALYSIS AND BACKGROUND

#### *Apprenticeship Fees*

The article eliminates the annual fees associated with the following apprenticeships: \$20 for electricians, oil burner persons, fire alarm installers, electrical sign installers, lighting protection installers, plumbers, irrigators, and water-filtration/treatment system installers; and \$24 for pipefitters, refrigeration/air conditioning technicians, sprinkler technicians, sheet metal masters, and all other apprentices not specifically mentioned. Additionally, the \$120 apprenticeship sponsor annual fee is eliminated. These changes will decrease general revenue by an estimated \$45,000.

#### *Labor Law Violation Penalties*

The article changes or adds the following penalties, which increases general revenue by an estimated \$350,000 and restricted receipts by an estimated \$125,000:

- Unlicensed electrician first violation penalties increase from \$500 to \$1,500 and subsequent violations increase from \$950 to \$2,000. The Budget Office anticipates that this penalty increase will generate an additional \$100,000 in general revenue.
- Administrative penalties on employers who violate wage payment labor laws are added. The penalty is a percentage of the back wages ordered to be paid. The first violation penalty is 15.0 percent to 25.0 percent within a three-year period. Subsequent violations, within the same three-year period, are 25.0 percent to 50.0 percent. It is estimated that there will be an increase of \$150,000 in general revenue due to this new penalty.
- The minimum civil penalty relating to the misclassification of a worker as an independent contractor, when the worker should be considered a paid employee, increases from \$500 to \$1,500. The maximum penalty remains the same at \$3,000. This penalty increase is estimated to add \$100,000 in general revenue.
- Penalties for employers who fail to file employer tax and withholding record reports are increased as described below. These penalty changes will increase the employment security tardy account fund \$125,000.
  - Employers who fail to file a quarterly wage report are fined \$25 per month that the report is late; the penalty shall not exceed \$200. Under current law, the highest penalty is \$150.
  - A penalty on employers who fail to submit unemployment insurance contributions or other payment, as required by regulation, increases from a range of \$10-\$100 to a range of \$25-\$200.

- A penalty on employers who fail to file reports or pay contributions in the manner at the time required by law increases from \$10 to \$25 for each failure in addition to 10.0 percent of the amount due.
- Violators of unemployment insurance law for which a penalty is not specified, has a fine increase from a range of \$20-\$50 to a range of \$25-\$200.

## Article 22: Relating to Lead Poisoning Prevention Programs

This article repeals RIGL 42-128.1, “Lead Hazard Mitigation”, which authorizes the Housing Resource Commission (HRC) as the lead state agency for lead hazard mitigation, planning, education, technical assistance, and project coordination of state financial assistance to property owners for lead hazard mitigation. The article amends RIGL 23-24.6, “Lead Poisoning Prevention Act”, which establishes the Department of Health (DOH) as the lead state agency on lead poisoning prevention efforts and eliminates the Interagency Coordinating Council on Environmental Lead. These prevention efforts include lead screening, detection, education, hazard reduction, and enforcement. The purpose of this article is to consolidate authority on lead-related issues under the Department of Health and streamline and strengthen lead poisoning prevention activities to improve child and family health across the State.

### FISCAL IMPACT

In 2014 the General Assembly established a restricted receipt account at the HRC for the specific purposes of funding housing assistance, lead abatement, and homelessness mitigation. The account is primarily funded by a portion of the tax imposed on the transfer of real estate. This tax was raised in FY2015 from \$2.00 per \$500 of the assessed property’s value (or fractional part of the purchase price), to \$2.30, with all new revenue to be directed to the funding the programs of the Housing Resources Commission; however, HRC has not used this funding for lead abatement activities.

Under current law, the Housing Resource Commission (HRC) restricted receipt account receives \$0.30 of Real Estate Conveyance Tax collections; the article shifts \$0.05 of the HRC’s \$0.30 collection to the Department of Health’s lead screening restricted receipt account. It is estimated that this restricted receipt transfer will total \$590,618 in FY2018, which will fund new program responsibilities and 3.0 new FTE positions (2.0 State Lead Inspectors and 1.0 Data Manager) associated with lead poisoning prevention efforts.

*Analyst Note: Article 22 was amended on February 28, 2017, to have an amount no less than \$590,000 transferred annually from the HRC restricted receipt account to the Department of Health’s lead screening restricted receipt account, in lieu of the \$0.05 transfer. The purpose of this amendment is to establish a consistent funding source annually, as opposed to the original proposal which had the potential to vary from year to year.*

*Additionally, Article 22 refers to DOH’s “lead screening restricted receipt account” as described above. Article 7: Relating to State Funds, exempts a number of restricted receipt accounts from the 10.0 percent indirect cost recovery charge provisions under RIGL 35-4-27. The proposed exemption would apply to what is referred to in Article 7 as the “Lead Poisoning Prevention account”. It appears that Article 7 incorrectly names this restricted receipt account.*

### ANALYSIS AND BACKGROUND

Lead is a heavy metal that can be harmful if inhaled or ingested. Before 1978, lead was used to make paint; consequently, houses built before this time were painted with lead-based paint. In Rhode Island the most common exposure to lead comes from lead-based paint and paint dust found in pre-1978 constructions. DOH reports that an estimated 80.0 percent of homes in Rhode Island were built before 1978.

Lead exposure is most dangerous for children under the age of six. Lead levels present in a child’s blood can have a negative effect on brain development and health. Potential negative health effects include, learning disabilities, decreased intelligence, behavior problems, nervous system and kidney damage, and decreased muscle and bone growth.

The Department of Health tracks the number of children under age six whose blood lead levels are "of concern". Blood lead levels are measured in micrograms per deciliter (mc/dL)). The Centers for Disease Control and Prevention (CDC) currently defines any blood lead level greater than or equal to 5 mc/dL as a level of concern. In 2015, DOH reported new incidents of children under the age of six with blood lead

levels greater than or equal to 5 mc/dL at 4.0 percent. In 2015, “core cities” had a rate of 6.0 percent new cases, 4.0 percent in rural areas, and 3.0 percent in suburban areas. “Core cities” is defined as cities where the child poverty level is greater than 15.0 percent.

The purpose of this article is to improve child and family health by consolidating authority and funding for lead abatement efforts under the Department of Health. Article 22 repeals RIGL 42-128.1, “Lead Hazard Mitigation” and shifts much of the law to RIGL 23-24.6, “Lead Poisoning Prevention Act”. The article notably makes the following changes:

***Rental Properties***

Authority over lead mitigation at rental properties is transferred from the Housing Resource Commission to DOH. Pre-1978 rental dwellings continue to be required to be inspected by a licensed lead inspector; however, owner-occupied two to three unit properties are no longer exempt; and zero-bedroom units and housing for persons with disabilities are now exempt. The mandate for rental property owners to take a three hour lead control awareness seminar is eliminated.

***Foster Care Homes***

Foster homes are no longer held to the same licensure requirements as child care facilities and elementary schools. Any child care facility or elementary school serving children under the age of six is required to demonstrate that they are lead free or lead safe and must undergo lead inspections at specified intervals. Additionally, school yards, public playgrounds, and shelters are removed from this section. Foster homes will now be held to the same standards as residential properties. According to the Department of Health, if a foster home is a pre-1978 construction then the home is required to be deemed lead safe. This change aims to help to address the licensing backlog of foster families.

## Article 23: Relating to Behavioral Healthcare, Developmental Disabilities, and Hospitals

This Article authorizes changes to the developmental disabilities' professional workforce wage structure to strengthen the health care workforce by providing a wage increase to direct support professionals (DSP) and job coaches who support individuals with intellectual and developmental disabilities (I/DD). The proposed resolution changes will increase the base reimbursement rate to providers with the intent of increasing the wage of the DSP worker. The Article requires the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) and the Office of Internal Audit to review the implementation of the increase to ensure the wage is passed-through as intended.

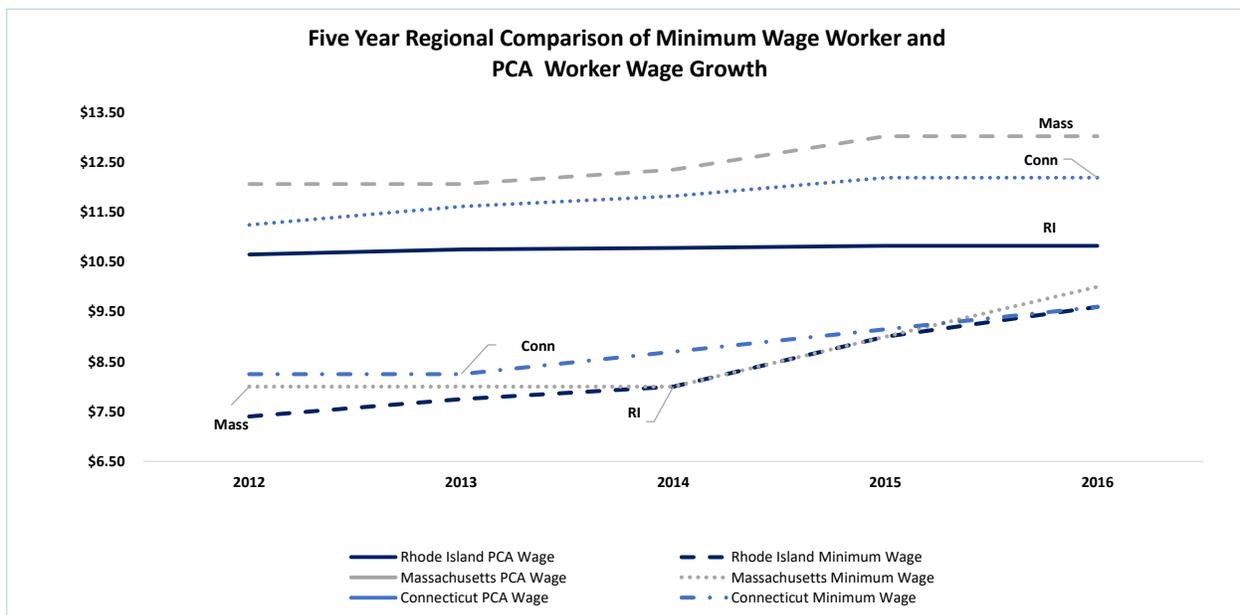
### FISCAL IMPACT

Article 1 increases general revenue expenditures by \$3.0 million (\$6.1 million all funds) to increase wages for DSP workers and job coaches providing care for individuals with I/DD. The Article will increase the DSP wage by increasing the base reimbursement rate to providers by an estimated 5.0 percent according to the Department.

### ANALYSIS AND BACKGROUND

During the 2016 legislative session, the Senate Finance Committee was presented with testimony from community providers and advocates describing the state of the low DSP wage as a barrier to reforms needed to improve the services provided to individuals with I/DD. Providers stated that the low wage and competition with the rising minimum wage depresses their ability to hire and maintain a workforce capable of providing quality services and/or ability to reform program practice.

The U.S. Department of Labor reports industry wages across states. The Personal Care Attendant (PCA) worker category aligns with the primary functions of Direct Support Professional (DSP) as well as the experienced wage. When comparing this category of worker to our neighboring states, Rhode Island DSP/PCA worker wages are considerably lower. Additionally, as the Rhode Island minimum wage has increased by approximately 30.0 percent, over the same period of time the DSP wage has increased by only 1.8 percent.



To address this issue, the General Assembly included \$2.5 million in general revenue (\$5.0 million all funds) in the FY2017 Budget as Enacted to increase the DSP worker wage. On September 14, 2016, BHDDH released updated reimbursement rates to be issued to providers beginning on October 1, 2016, retroactive to July 1, 2016.

Article 23 outlines, in the form of a resolution, the wage challenges and rationale for increases contained in Article 1. Additionally, the Article attempts to strengthen the monitoring of the wage increase by requiring the Office of Internal Audit to conduct a vendor compliance review to ensure the base-rate payment increases are in accordance with the Article.

*Analyst Note: The FY2017 Budget as Enacted included specific language for the wage increase for DSP workers in Article 1. The Governor includes the appropriations for the wage increase for FY2018 within the appropriations for the Division of Developmental Disabilities at BHDDH; however, there is no language directing that the funds be specifically used for the direct care wage increase.*

## **Article 24: Relating to Effective Date**

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This article provides that the Act will take effect on July 1, 2017, except as otherwise provided herein.





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## APPENDIX

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## Summary Tables

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All Funds Expenditures	409
General Revenue Expenditures	410
FTE Positions	411



## ALL FUNDS EXPENDITURES

General Government	FY2016 Final	FY2017 Enacted	FY2017 Governor	Change from		
				Enacted	FY2018 Governor	Enacted
Administration	\$349,623,351	\$391,952,283	\$400,715,432	\$8,763,149	\$391,158,286	(\$793,997)
Business Regulation	13,204,877	15,859,889	16,875,344	1,015,455	15,906,183	46,294
Executive Office of Commerce	73,415,799	79,415,044	79,503,826	88,782	76,792,843	(2,622,201)
Labor and Training	425,337,568	419,517,728	444,584,790	25,067,062	428,383,022	8,865,294
Revenue	458,777,131	485,517,596	491,757,112	6,239,516	501,141,263	15,623,667
Legislature	37,669,916	42,749,302	47,547,814	4,798,512	44,252,464	1,503,162
Lieutenant Governor	1,026,362	1,079,576	1,053,288	(26,288)	1,084,217	4,641
Secretary of State	7,518,125	10,937,570	10,534,006	(403,564)	9,350,797	(1,586,773)
General Treasurer	49,277,318	37,560,433	49,146,897	11,586,464	48,025,446	10,465,013
Board of Elections	1,714,512	1,982,707	2,068,676	85,969	1,548,735	(433,972)
Ethics Commission	1,546,331	1,653,383	1,631,610	(21,773)	1,665,873	12,490
Office of the Governor	4,755,102	5,091,069	5,375,482	284,413	5,397,554	306,485
Commission for Human Rights	1,521,437	1,581,423	1,646,008	64,585	1,690,102	108,679
Public Utilities Commission	7,277,989	8,926,973	9,177,801	250,828	9,733,377	806,404
<b>Total</b>	<b>\$1,432,665,818</b>	<b>\$1,503,824,976</b>	<b>\$1,561,618,086</b>	<b>\$57,793,110</b>	<b>\$1,536,130,162</b>	<b>\$32,305,186</b>
<b>Human Services</b>						
Office of Health and Human Services	\$2,360,301,137	\$2,398,192,585	\$2,489,033,653	\$90,841,068	\$2,466,045,748	\$67,853,163
Children, Youth, and Families	214,952,935	216,489,823	218,284,037	1,794,214	209,069,952	(7,419,871)
Health	128,882,069	162,884,652	169,940,915	7,056,263	171,168,076	8,283,424
Human Services	615,305,121	602,087,123	620,615,953	18,528,830	653,721,813	51,634,690
BHDDH	378,574,897	385,632,555	401,089,576	15,457,021	394,366,931	8,734,376
Governor's Commission on Disabilities	429,998	685,423	778,020	92,597	842,190	156,767
Governor's Commission on the Deaf	455,950	587,746	590,650	2,904	627,910	40,164
Office of the Child Advocate	654,839	795,582	780,155	(15,427)	814,329	18,747
Office of the Mental Health Advocate	545,220	542,009	549,273	7,264	549,563	7,554
<b>Total</b>	<b>\$3,700,102,166</b>	<b>\$3,767,897,498</b>	<b>\$3,901,662,232</b>	<b>\$133,764,734</b>	<b>\$3,897,206,512</b>	<b>\$129,309,014</b>
<b>Education</b>						
Elementary and Secondary Education	\$1,289,122,639	\$1,353,972,840	\$1,358,110,571	\$4,137,731	\$1,398,479,535	\$44,506,695
Public Higher Education	1,082,232,546	1,161,281,203	1,137,268,264	(24,012,939)	1,187,999,008	26,717,805
Council on the Arts	2,995,774	3,030,538	3,731,796	701,258	3,072,310	41,772
Atomic Energy Commission	1,576,882	1,333,049	1,539,039	205,990	1,304,373	(28,676)
Higher Education Assistance Authority	-	-	-	-	-	-
Historical Preservation & Heritage Comm.	2,972,449	2,803,698	3,218,083	414,385	2,538,339	(265,359)
<b>Total</b>	<b>\$2,378,900,290</b>	<b>\$2,522,421,328</b>	<b>\$2,503,867,753</b>	<b>(\$18,553,575)</b>	<b>\$2,593,393,565</b>	<b>\$70,972,237</b>
<b>Public Safety</b>						
Attorney General	\$29,455,187	\$35,142,783	\$46,080,121	\$10,937,338	\$44,129,197	\$8,986,414
Corrections	212,530,274	224,790,655	223,366,125	(1,424,530)	234,218,260	9,427,605
Judiciary	113,538,723	117,067,369	120,252,202	3,184,833	121,038,254	3,970,885
Military Staff	15,372,292	23,177,316	20,996,945	(2,180,371)	38,177,942	15,000,626
Emergency Management Agency	18,635,772	23,994,138	22,158,553	(1,835,585)	-	(23,994,138)
Public Safety	114,278,534	119,972,144	142,334,521	22,362,377	142,343,112	22,370,968
Public Defender	11,380,521	11,897,202	11,866,028	(31,174)	12,438,055	540,853
<b>Total</b>	<b>\$515,191,303</b>	<b>\$556,041,607</b>	<b>\$587,054,495</b>	<b>\$31,012,888</b>	<b>\$592,344,820</b>	<b>\$36,303,213</b>
<b>Natural Resources</b>						
Environmental Management	\$78,795,498	\$102,747,614	\$103,441,715	\$694,101	\$113,264,686	\$10,517,072
Coastal Resources Management Council	4,423,433	7,322,525	8,440,396	1,117,871	5,232,623	(2,089,902)
<b>Total</b>	<b>\$83,218,931</b>	<b>\$110,070,139</b>	<b>\$111,882,111</b>	<b>\$1,811,972</b>	<b>\$118,497,309</b>	<b>\$8,427,170</b>
<b>Transportation</b>						
Transportation	\$395,129,559	\$478,457,845	\$534,458,464	\$56,000,619	\$510,490,328	\$32,032,483
<b>Grand Total</b>	<b>\$ 8,505,208,067</b>	<b>\$ 8,938,713,393</b>	<b>\$ 9,200,543,141</b>	<b>\$261,829,748</b>	<b>\$ 9,248,062,696</b>	<b>\$309,349,303</b>

## GENERAL REVENUE EXPENDITURES

	FY2016 Final	FY2017 Enacted	FY2017 Governor	Change from Enacted	FY2018 Governor	Change from Enacted
<b>General Government</b>						
Administration	\$212,928,494	\$237,083,518	\$229,671,472	(\$7,412,046)	\$248,080,830	\$10,997,312
Business Regulation	8,174,920	10,583,452	10,621,228	37,776	11,115,093	531,641
Executive Office of Commerce	60,458,832	55,574,117	55,735,212	161,095	51,842,819	(3,731,298)
Labor and Training	8,382,043	8,212,636	8,139,796	(72,840)	8,751,313	538,677
Revenue	109,737,194	113,893,951	110,882,648	(3,011,303)	119,391,677	5,497,726
Legislature	36,219,919	41,052,730	45,936,290	4,883,560	42,522,507	1,469,777
Lieutenant Governor	1,026,362	1,079,576	1,053,288	(26,288)	1,084,217	4,641
Secretary of State	6,690,089	10,281,051	9,920,874	(360,177)	8,911,319	(1,369,732)
General Treasurer	2,271,575	2,736,231	2,733,044	(3,187)	2,698,692	(37,539)
Board of Elections	1,714,512	1,982,707	2,068,676	85,969	1,548,735	(433,972)
Ethics Commission	1,546,331	1,653,383	1,631,610	(21,773)	1,665,873	12,490
Office of the Governor	4,755,102	5,091,069	5,375,482	284,413	5,397,554	306,485
Commission for Human Rights	1,242,374	1,258,128	1,247,603	(10,525)	1,258,074	(54)
<b>Total</b>	<b>\$455,147,747</b>	<b>\$490,482,549</b>	<b>\$485,017,223</b>	<b>-\$5,465,326</b>	<b>\$504,268,703</b>	<b>\$13,786,154</b>
<b>Human Services</b>						
Office of Health and Human Services	\$911,535,815	\$936,987,012	\$945,360,040	\$8,373,028	\$938,634,987	\$1,647,975
Children, Youth, and Families	154,742,352	151,773,764	156,296,331	4,522,567	149,855,862	(1,917,902)
Health	25,468,221	25,931,822	25,999,235	67,413	26,325,249	393,427
Human Services	96,094,578	97,636,314	93,147,617	(4,488,697)	95,725,491	(1,910,823)
BHDDH	176,268,226	173,184,239	181,721,907	8,537,668	179,645,532	6,461,293
Governor's Commission on Disabilities	380,615	412,547	420,596	8,049	454,938	42,391
Governor's Commission on the Deaf	406,634	477,746	460,650	(17,096)	498,710	20,964
Office of the Child Advocate	643,280	650,582	635,541	(15,041)	669,708	19,126
Office of the Mental Health Advocate	545,220	542,009	549,273	7,264	549,563	7,554
<b>Total</b>	<b>\$1,366,084,941</b>	<b>\$1,387,596,035</b>	<b>\$1,404,591,190</b>	<b>\$16,995,155</b>	<b>\$1,392,360,040</b>	<b>\$4,764,005</b>
<b>Education</b>						
Elementary and Secondary Education	\$1,064,893,020	\$1,112,847,293	\$1,112,937,359	\$90,066	\$1,158,617,116	\$45,769,823
Public Higher Education	180,874,064	196,357,528	198,610,423	2,252,895	225,782,593	29,425,065
Council on the Arts	1,844,116	1,951,884	1,939,368	(12,516)	1,945,056	(6,828)
Atomic Energy Commission	908,285	981,100	979,682	(1,418)	982,157	1,057
Higher Education Assistance Authority	-	-	-	-	-	-
Historical Preservation & Heritage Comm.	1,362,860	1,202,559	1,162,001	(40,558)	1,168,706	(33,853)
<b>Total</b>	<b>\$1,249,882,345</b>	<b>\$1,313,340,364</b>	<b>\$1,315,628,833</b>	<b>\$2,288,469</b>	<b>\$1,388,495,628</b>	<b>\$75,155,264</b>
<b>Public Safety</b>						
Attorney General	\$24,053,485	\$25,595,982	\$26,146,783	\$550,801	\$26,194,751	\$598,769
Corrections	208,284,387	211,700,506	213,349,798	1,649,292	216,818,823	5,118,317
Judiciary	95,181,220	96,606,091	97,067,590	461,499	98,014,477	1,408,386
Military Staff	2,219,237	2,659,719	2,626,341	(33,378)	2,634,057	(25,662)
Emergency Management Agency	1,762,456	1,848,876	1,847,848	(1,028)	-	(1,848,876)
Public Safety	93,409,462	99,442,148	101,565,164	2,123,016	105,028,142	5,585,994
Public Defender	11,306,039	11,784,382	11,768,208	(16,174)	12,340,235	555,853
<b>Total</b>	<b>\$436,216,286</b>	<b>\$449,637,704</b>	<b>\$454,371,732</b>	<b>\$4,734,028</b>	<b>\$461,030,485</b>	<b>\$11,392,781</b>
<b>Natural Resources</b>						
Environmental Management	\$38,163,784	\$40,206,777	\$38,295,450	(\$1,911,327)	\$43,995,800	\$3,789,023
Coastal Resources Management Council	2,410,069	2,452,438	2,500,547	48,109	2,558,332	105,894
<b>Total</b>	<b>\$40,573,853</b>	<b>\$42,659,215</b>	<b>\$40,795,997</b>	<b>(\$1,863,218)</b>	<b>\$46,554,132</b>	<b>\$3,894,917</b>
<b>Grand Total</b>	<b>\$3,547,905,172</b>	<b>\$3,683,715,867</b>	<b>\$3,700,404,975</b>	<b>\$16,689,108</b>	<b>\$3,792,708,988</b>	<b>\$108,993,121</b>

## FTE Positions

	FY2016	FY2017	FY2017	Change	FY2018	Change
	Actual	Enacted	Governor	from	Governor	from
				Enacted		Enacted
<b>General Government</b>						
Administration	712.7	708.7	708.7	-	713.7	5.0
Business Regulation	98.0	97.0	106.0	9.0	106.0	9.0
Executive Office of Commerce	16.0	16.0	16.0	-	17.0	1.0
Labor and Training	409.5	409.5	436.2	26.7	433.7	24.2
Revenue	514.5	523.5	523.5	-	539.5	16.0
Legislature	298.5	298.5	298.5	-	298.5	-
Lieutenant Governor	8.0	8.0	8.0	-	8.0	-
Secretary of State	57.0	59.0	59.0	-	59.0	-
General Treasurer	84.0	88.0	87.0	(1.0)	87.0	(1.0)
Board of Elections	11.0	12.0	12.0	-	12.0	-
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	51.0	54.0	3.0	57.0	6.0
<b>Total</b>	<b>2,330.7</b>	<b>2,342.7</b>	<b>2,380.4</b>	<b>37.7</b>	<b>2,402.9</b>	<b>60.2</b>
<b>Human Services</b>						
Office of Health and Human Services	187.0	179.0	178.0	(1.0)	269.0	90.0
Children, Youth, and Families	672.5	629.5	628.5	(1.0)	616.5	(13.0)
Health	490.6	503.6	503.6	-	499.6	(4.0)
Human Services	959.1	937.1	937.1	-	838.1	(99.0)
BHDDH	1,419.4	1,352.4	1,352.4	-	1,319.4	(33.0)
Office of the Child Advocate	6.0	6.0	7.0	1.0	7.0	1.0
Governor's Commission on the Deaf	3.0	4.0	4.0	-	4.0	-
Governor's Commission on Disabilities	4.0	4.0	4.0	-	4.0	-
Office of the Mental Health Advocate	4.0	4.0	4.0	-	4.0	-
<b>Total</b>	<b>3,745.6</b>	<b>3,619.6</b>	<b>3,618.6</b>	<b>(1.0)</b>	<b>3,561.6</b>	<b>(58.0)</b>
<b>Education</b>						
Elementary and Secondary Education	337.4	325.1	325.1	-	325.1	-
Public Higher Education	3,513.4	3,551.0	3,551.0	-	3,561.0	10.0
Council on the Arts	8.6	8.6	8.6	-	8.6	-
Atomic Energy Commission	8.6	8.6	8.6	-	8.6	-
Historical Preservation and Heritage Commission	16.6	16.6	15.6	(1.0)	15.6	(1.0)
<b>Total</b>	<b>3,884.6</b>	<b>3,909.9</b>	<b>3,908.9</b>	<b>(1.0)</b>	<b>3,918.9</b>	<b>9.0</b>
<b>Public Safety</b>						
Attorney General	236.1	235.1	235.1	-	235.1	-
Corrections	1,419.0	1,423.0	1,423.0	-	1,426.0	3.0
Judiciary	724.3	723.3	723.5	0.2	723.5	0.2
Military Staff	92.0	92.0	92.0	-	92.0	-
Emergency Management	32.0	29.0	29.0	-	-	(29.0)
Public Safety	633.2	610.2	616.6	6.4	660.6	50.4
Public Defender	93.0	93.0	93.0	-	94.0	1.0
<b>Total</b>	<b>3,229.6</b>	<b>3,205.6</b>	<b>3,212.2</b>	<b>6.6</b>	<b>3,231.2</b>	<b>25.6</b>
<b>Natural Resources</b>						
Environmental Management	399.0	399.0	400.0	1.0	403.0	4.0
Coastal Resources Management Council	29.0	29.0	29.0	-	29.0	-
<b>Total</b>	<b>428.0</b>	<b>428.0</b>	<b>429.0</b>	<b>1.0</b>	<b>432.0</b>	<b>4.0</b>
<b>Transportation</b>						
Transportation	752.0	701.0	741.0	40.0	775.0	74.0
<b>Higher Education Sponsored Research</b>						
Office of Higher Education	1.0	1.0	1.0	-	1.0	-
CCRI	89.0	89.0	89.0	-	89.0	-
RIC	82.0	82.0	82.0	-	82.0	-
URI	573.8	573.8	573.8	-	573.8	-
<b>Total</b>	<b>745.8</b>	<b>745.8</b>	<b>745.8</b>	<b>-</b>	<b>745.8</b>	<b>-</b>
<b>Grand Total</b>	<b>15,116.3</b>	<b>14,952.6</b>	<b>15,035.9</b>	<b>83.3</b>	<b>15,067.4</b>	<b>114.8</b>



## Senate Fiscal Office

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Convention Center Authority

Ethics Commission

General Treasurer

Governor

Human Rights Commission

I-195 Redevelopment District Commission

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Military Staff

Public Utilities Commission

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RI Emergency Management Agency

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Atomic Energy Commission

Coastal Resources Management Council

Elementary and Secondary Education

Environmental Management

Health & Educational Building Corporation

Higher Education

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Resource Recovery Corporation

RI Infrastructure Bank

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Legislature

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RI Commerce Corporation

RI Public Transit Authority

RI Turnpike & Bridge Authority

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Labor and Training

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Child Advocate

Children, Youth, and Families

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Office of Health and Human Services