



SENATE FISCAL OFFICE
REPORT

**GOVERNOR'S BUDGET
FY2019 AND FY2018 SUPPLEMENTAL**

2018-H-7200

BUDGET ANALYSIS

APRIL 4, 2018

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EXECUTIVE SUMMARY

Executive Summary

The Governor's FY2019 Budget recommendation totals \$3,832.3 million in general revenue; \$64.9 million greater than the FY2018 Budget as Enacted. The recommendation includes \$9,377.6 million in all funds; an increase of \$134.7 million above the FY2018 Budget as Enacted.

Expenditures by Source	FY2017 Final	FY2018 Enacted	FY2018 Governor	Change to Enacted	FY2019 Governor	Change to Enacted
General Revenue	\$3,672.5	\$3,767.7	\$3,806.7	\$39.0	\$3,829.3	\$61.6
Federal Funds	2,977.4	3,134.1	3,222.0	87.9	3,091.9	(42.3)
Restricted Receipts	228.0	261.7	275.8	14.1	285.5	23.8
Other Funds	1,881.3	2,079.2	2,157.7	78.4	2,171.1	91.9
Total	\$8,759.2	\$9,242.8	\$9,462.3	\$219.4	\$9,377.7	\$134.9

Expenditures by Function

General Government	\$1,439.7	\$1,503.6	\$1,486.7	(\$16.9)	\$1,546.1	\$42.5
Human Services	3,838.3	3,935.3	4,038.9	103.6	3,897.5	(37.8)
Education	2,435.3	2,589.5	2,608.3	18.7	2,640.3	50.8
Public Safety	545.5	591.6	617.6	26.0	591.7	0.1
Natural Resources	84.6	108.8	115.8	7.0	109.7	0.9
Transportation	415.8	514.1	595.0	81.0	592.4	78.4
Total	\$8,759.2	\$9,242.8	\$9,462.3	\$219.4	\$9,377.7	\$134.9

FTE Authorization	14,959.0	15,160.2	15,186.2	26.0	15,426.3	266.1
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\$ in millions. Totals may vary due to rounding.

The Governor's FY2019 Budget closes the anticipated \$204.0 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.

FY2019 Deficit Solution

Projected deficit (July)	(\$237.3)
Nov REC/CEC	34.9
FY2018 Carry Forward	0.1
Rainy Day Fund	(1.7)
Projected Deficit (January)	(\$204.0)

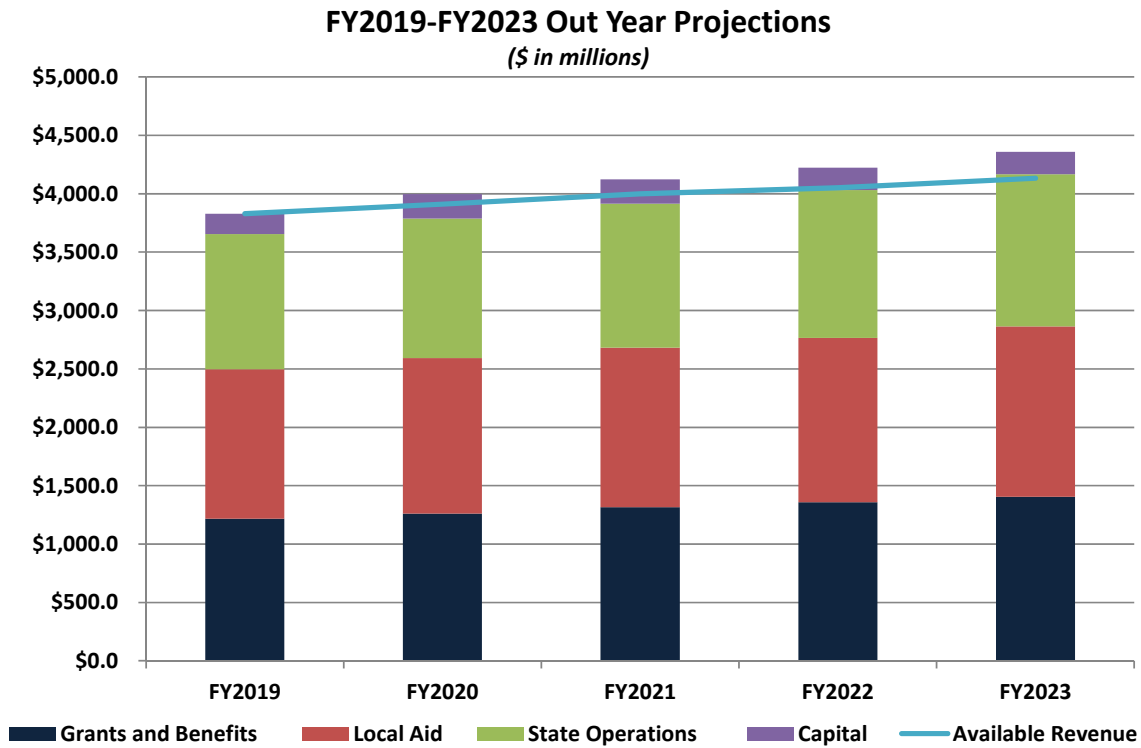
Budget Initiatives

Expenditure Reductions	(\$121.3)
Transfers and Other Operational Changes	22.4
Tax and Fee Changes	61.2
Projected Ending Balance	\$0.9

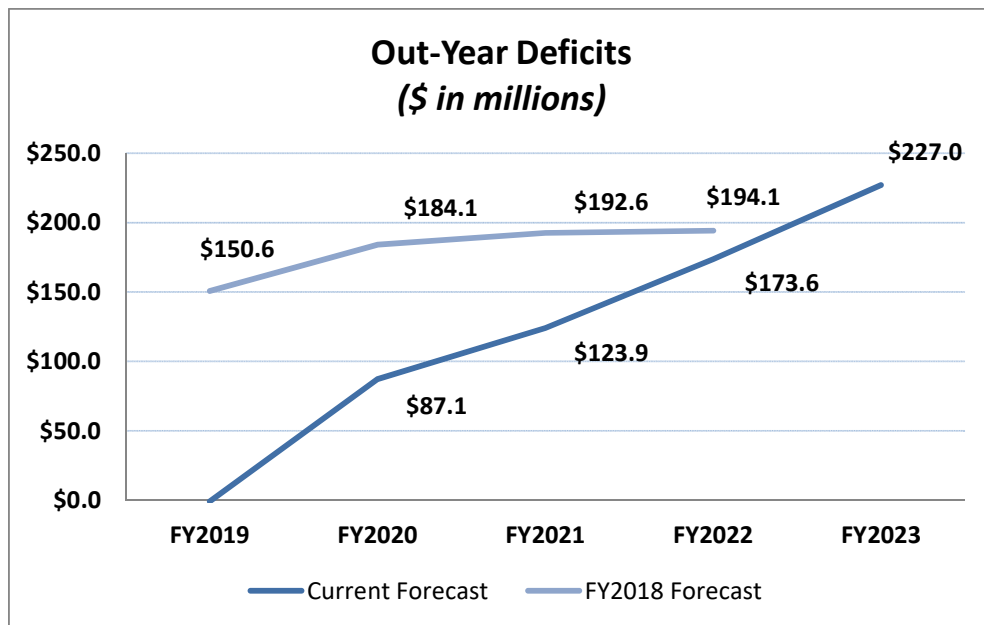
\$ in millions. Totals may vary due to rounding.

FIVE-YEAR FORECAST

The Budget projects out-year deficits increasing from \$87.1 million in FY2020 (2.2 percent of spending) to \$227.0 million in FY2023 (5.2 percent of spending). Projected average annual revenue growth of 1.9 percent, coupled with a projected average annual increase in expenditures of 3.3 percent, creates 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.



Out-year deficit projections are lower than what was forecast one year ago. Increasing base revenue collections and assumed implementation of FY2019 expenditure reductions combine to reduce the FY2022 projected deficit by \$20.5 million.



Revenue Changes

The Governor's FY2019 Budget increases general revenue collections by an estimated \$84.8 million above the November 2017 revenue estimate, excluding the annually enacted hospital license fee. The Governor includes \$182.0 million for the fee. New revenue initiatives include sports betting at the Lincoln and Tiverton casinos, restructuring and enhancements at the Department of Revenue, increases in excise taxes on cigarettes and other tobacco products, and shifting reserve funds from quasi-public agencies to general revenue.

Governor's Recommended Revenue Changes	FY2019
Sports Wagering and Other Lottery	\$27.6
DOR Revenue Enhancements	14.8
Sales Tax Expansion	14.5
Departmental Fees	9.8
Transfers from Quasi-Public Agencies	8.0
Medical Marijuana Program Changes	5.1
Increase Excise Tax on Cigarettes	3.9
DMV Fees	3.1
Other Tobacco	2.3
Repeal Job Training Tax Credit	0.5
DBR Bank Examiners	0.3
Childcare Violation Fines (DCYF)	0.0
Delay in License Plate Reissuance	(1.8)
OHHS Initiatives	(3.2)
Total	\$84.8

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

Sports Wagering and Other Lottery Initiatives: \$27.6 million

The Governor includes \$27.6 million in additional revenue attributable to new gaming and lottery initiatives. Article 4 authorizes sports betting in Rhode Island, contingent upon federal law. State-operated sports wagering would be permitted at the Twin River and Tiverton Casinos. The Department of Revenue's Lottery Division is charged with implementing and overseeing the program. Betting would not be allowed on collegiate sports involving a school based in Rhode Island.

Article 4 also permits the Lottery to undertake time-limited pilot programs, including stadium gaming, for the purpose of identifying and evaluating potential new revenue opportunities.

The Budget Office estimates these initiatives combine to generate \$27.6 million in general revenue in FY2019.

DOR Revenue Enhancements \$14.8 million

The Governor includes \$14.8 million in general revenue related to reorganization and enhancements at the Department of Revenue aimed at securing monies owed the State. These enhancements include:

- **DOR Collections Unit:** The creation of a new division within the Department of Revenue (DOR) that would specialize in the management and collection of delinquent monies owed to the State. The new unit would assist other State agencies maximizing the collection of debt, fines, and other departmental revenues. The Budget Office estimates this initiative to generate \$1.3 million in additional revenue.
- **Restructuring the Division of Taxation:** The reorganization of the Division of Taxation's operations and personnel. The Budget includes 22.0 new FTE positions that will support revenue collection

enhancements and improvements around discovery, collections, and audits. The Budget Office estimates that these changes will result in \$13.5 million in general revenue.

Sales Tax Expansion

\$14.5 million

The Governor recommends expanding the State sales tax to include two new services. The estimated general revenue impact of the change is \$14.5 million.

- **Security Services:** Article 4 imposes the sales tax on investigation, guard, and armored car services within the State. Revenue from this change is estimated to be \$9.7 million.
- **Software Services:** Article 4 also applies the sales tax to “vendor-hosted prewritten computer software”. The tax would apply to the purchase of software service that is accessed through the internet and/or a vendor-hosted server regardless of whether the access is permanent or temporary and regardless of whether any downloading occurs. Revenue is estimated to be \$4.8 million.

Departmental Fees

\$9.8 million

The Governor includes \$9.8 million in additional revenue from changes in various fee structures across several State agencies. The following table summarizes the fee changes:

FY2019 Departmental Fee Revenue Changes			
Department	Fee	Change	Revenue
Department of Business Regulation	Mutual Fund Retailer	\$1,000 to \$1,500	\$4.6
	Claims Adjuster	\$150 to \$250	3.0
Department of Revenue	Registration Reinstatement fee on inspection stickers	Current Law = \$250	2.6
Commerce	Frozen processor license	\$160 to \$0.0	(0.1)
	Hair design shop; chair fee	\$50 to \$0.0	(0.1)
	Wholesale food processor license	\$500 to \$300	(0.1)
	Food Safety License	3 years to 5 years	(0.1)
Total			\$9.8

\$ in millions

Transfers from Quasi-Public Agencies

\$8.0 million

The Governor transfers approximately \$8.0 million in reserves from two quasi-public agencies to support the General Fund.

Agency	Amount
Rhode Island Housing	\$5.0
Resource Recovery Corporation	3.0
Total	\$8.0

\$ in millions

Medical Marijuana Program Changes

\$5.1 million

The Governor includes \$5.1 million in revenue attributable to a series of changes to the medical marijuana program. The following table summarizes these changes:

Medical Marijuana Program/Revenue Changes

Change	Revenue
Compassion Center Expansion (3 to 15)	\$3.0
Manufacturing and Research/Development Licenses	1.2
Acute Pain Eligibility	0.4
Out-of-State Cardholders (MA and CT only)	0.4
Total	\$5.1

\$ in millions

Increase Excise Tax on Cigarettes**\$3.9 million**

The Governor proposes an increase of \$0.25 on the excise tax levied per pack of cigarettes, which raises the tax from \$4.25 to \$4.50 per pack of twenty, or to the equivalent of \$0.23 per cigarette. Floor stock tax is assessed at the same rate per pack of cigarettes. The additional excise, floor, and associated sales taxes from this change is estimated to generate an additional \$3.9 million in revenue.

DMV Fees**\$3.1 million**

The Budget includes \$3.1 million in motor vehicle license and registration fees attributable to two initiatives at the Division of Motor Vehicles at the Department of Revenue.

- **REAL-ID:** The conversion to federally compliant driver's license/identification cards will generate an estimated \$2.1 million in fees. The Governor recommends that these fees do not transfer to the Rhode Island Highway Maintenance Account (RIHMA) but rather remain in the General Fund to fund additional staff at the DMV.
- **Duplicate License and Update Fee Consolidation:** Article 8 combines the duplicate license fee and license update fee. The Governor recommends leaving the estimated \$1.0 million in new revenue in the General Fund rather than transferred to the RIHMA.

Other Tobacco**\$2.3 million**

The Governor recommends several changes to the excise taxes on tobacco products other than cigarettes including taxing electronic cigarettes. The following table summarizes the changes:

Other Tobacco Product Revenue Changes

Change	Revenue
Electronic Nicotine Delivery System Excise Tax	\$0.7
\$0.30 increase of Cigar Tax	0.6
Required purchase from Licensed Dealers, Manufacturers, and Distributors	1.0
Total	\$2.3

\$ in millions

Repeal Job Training Tax Credit**\$450,000**

The Governor repeals the Job Training Tax Credit, effective for tax years beginning on and after January 1, 2018. The repeal is estimated to generate \$450,000 in business corporation revenue.

DBR Bank Examiners**\$284,310**

The Budget includes funding and authorization for 2.0 Bank Examiner FTE positions. The positions will help the Department of Business Regulation (DBR) conduct the statutorily required exams and investigations to protect consumers from institutional insolvency. The two examiners are estimated to bring in \$284,310 in FY2019.

Childcare Violation Fines (DCYF)**\$5,500**

The Governor recommends implementing a progressive penalty approach for childcare violations. Article 15 permits the Department of Children, Youth, and Families to assess a series of administrative penalties for violations of childcare regulations. This new fine structure is estimated to generate \$5,500 in FY2019.

Delay License Plate Reissuance**(\$1.8 million)**

The Governor delays a required license plate reissuance until January 1, 2020. 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 \$1.8 million in general revenue in FY2019.

Under RIGL 31-3-33, the DMV is required to issue new reflective license plates for all registered vehicles every 10 years.

OHHS Initiatives**(\$3.2 million)**

The Governor reduces general revenue by \$3.2 million due to proposed reductions in payment rates related to Medicaid and from other health and human services initiatives. The following table summarizes the impacts:

EOHHS Revenue Impacts	
Initiative	Revenue
Dual Eligibility	(\$307,736)
Elimination of State-Only Contracts	(53,890)
Elimination of Inpatient UPL	(281,284)
Freeze Hospital Rates	(309,050)
Modernize LTSS Eligibility	(222,700)
MCO Administrative Rate Reduction	(111,266)
MCO Medical Rate Reduction	(880,222)
MCO Profit Margin Rate Reduction	(409,468)
NEMT Transportation Reform	(190,377)
Reallocate Perry-Sullivan Funding	(124,000)
Revenue Maximization Initiative	(45,896)
Limit Nursing Home Rate Increase	(296,799)
Total	(\$3,232,688)

FY2018 SUPPLEMENTAL CHANGES**Reduction of the DMV Fee Transfer to RIHMA****\$10.3 million**

The Governor reduces the planned transfer of Division of Motor Vehicle fees to the Rhode Island Highway Maintenance Account. Article 8 lowers the amount of fees to be transferred from 80.0 percent to 60.0 percent in FY2018. This change is estimated to generate \$10.3 million in general revenue in FY2018.

Transfers from Quasi-Public Agencies**\$17.5 million**

The Governor transfers approximately \$17.5 million in reserves from five quasi-public agencies to support the General Fund. The following table summarizes the transfers:

Agency	Amount
Rhode Island Housing	\$5.0
Infrastructure Bank	5.0
Student Loan Authority	3.0
Resource Recovery	3.0
Bridge and Turnpike Authority	1.5
Total	\$17.5

\$ in millions

Expenditure Changes by Agency

Unless otherwise specified, dollar amounts refer to general revenue.

Administration: The Governor includes \$16.3 million in additional general revenue for debt service on general obligation bonds. The increase reflects in part, new issuances, but also reflects increased debt service on bonds refinanced in previous fiscal years that produced short-term savings with the understanding that future payments would increase. There is a similar general revenue increase of \$1.6 million for Certificates of Participation debt service.

The Governor also includes general revenue increases of \$1.1 million for the first principal payment on the I-195 Redevelopment Bonds, and \$2.5 million for debt service related to the Garrahy Courthouse Garage construction.

- **Rotary Funds:** Article 7, Section 10 of the FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for each agency and allow the Department of Administration to draw upon these accounts for billable centralized services and deposit the funds into the rotary accounts under the Department of Administration. Based on this authorization, the Budget contains the following all funds shift and FTE shift to Internal Service Funds:
 - Human Resources - \$10.0 million and 99.0 FTE positions
 - Information Technology - \$30.8 million and 194.0 FTE positions
 - Capital Asset and Maintenance - \$30.4 million

The Governor transfers 23.0 FTE positions along with the Division of Construction Permitting, Approvals, and Licensing to the Department of Business Regulation, The Governor includes a decrease of 3.0 FTE positions reflecting the transfer of the Water Resources Board and its functions from the Division of Planning to the Division of Public Utilities and Carriers.

Business Regulation: The Budget includes a \$6.7 million increase in general revenue (\$8.8 million in all funds) for the Department of Business Regulation (DBR).

The major budget initiatives include the following:

- **Internal Services Transfer:** \$998,693 increase in all funds within DBR. The FY2018 Budget as Enacted mandated the use of rotary accounts to address the centralized services billing costs associated with information technology, capital management and maintenance, and human resources.
- **Consolidation of Building, Construction, and Fire Code Regulatory Functions:** The Governor recommends establishing a new program within DBR that combines several building/construction regulatory responsibilities that are currently spread out across various State agencies. The program would bring together the staff and operations of:
 - The Contractor's Licensing Board
 - The Fire Code Safety Board of Appeal and Review
 - The Office of the State Fire Marshal
 - The Boards for Design Professionals

The Budget includes \$5.4 million in general revenue (\$7.8 million from all funds) for the program and transfers 59.0 FTEs positions to DBR from the State Fire Marshal (36.0) and Department of Administration (23.0).

- **Expansion of the Medical Marijuana Program:** The Governor recommends major restructuring to the State's medical marijuana program that results in an expansion of DBR responsibilities. The number

of State compassion centers permitted to distribute medical marijuana increases from three centers to fifteen. New licenses are established and the oversight of caregivers and authorized purchasers is transferred to DBR from the Department of Health. The Budget includes an increase of \$436,000 in restricted receipts and 3.0 Licensing Aid FTE positions to address the new responsibilities.

Labor and Training: The Governor's Budget increases general revenue expenditures by \$1.6 million (\$24.2 million all funds) relative to the FY2018 Enacted level. The major changes include the following:

- **Internal Services:** The Budget reflects a general revenue increase of \$600,000 for the decentralization of budgetary authority for statewide services provided by the Department of Administration's Division of Human Resources, Capital Asset Management and Maintenance, and Information Technology.
- **Jobs Training Tax Credit:** The Governor repeals the Jobs Training Tax Credit (JTTC) program and reinvests the recovered general revenues into the Real Jobs Rhode Island (RJRI) program. The Governor's Budget includes an additional \$450,000 in general revenue based on the estimated increase in general revenue receipts in the first year after elimination of this tax credit.
- **Opioid Addiction Recovery:** The Governor includes an additional \$400,000 in general revenue to assist Rhode Islanders in recovery from opioid addiction get access to supportive employment services.
- **Real Jobs Rhode Island:** The Governor codifies the Real Jobs Rhode Island (RJRI) program into law to provide assurance to employers that are participating now and those that are contemplating future participation that the RJRI program is Rhode Island's workforce strategy.
- **Unemployment Insurance Tax Formula:** The Governor establishes a formula in the Unemployment Insurance tax laws that would enable the Department to adjust the Job Development Assessment on an annual basis to invest the interest earned by the Employment Security (ED) Fund into the RJRI program. The Budget estimates additional restricted receipt resources of approximately \$7.0 million from this initiative.
- **Workplace Fraud Oversight:** The Governor provides an additional \$600,000 in restricted receipts to fund existing authorized positions to enhance workplace fraud oversight.

Revenue: The Budget includes a \$33.7 million increase in general revenue (\$59.0 million in all funds) for the Department of Revenue (DOR). The Governor recommends two organizational changes within DOR. These changes and other major budget initiatives include:

Reorganization

The Governor recommends several changes to the DOR organizational structure to better support revenue collections and the administration of the tax system. These changes are:

- **Restructuring the Division of Taxation:** \$4.2 million in additional general revenue is budgeted to support the reorganization of Taxation's operations and personnel. The Budget includes \$2.6 million in general revenue to fund 22.0 new FTE positions that will support revenue collection enhancements and improvements around discovery, collections, and audits.
- **Establishing a New Division of Collections:** \$591,609 in general revenue is budgeted to support a pilot unit within the DOR that would centralize the management and administration of revenue collection function across the state. The phased-in unit would seek to develop and hire staff with experience in the management of collecting delinquent debt. The Governor estimates the reorganization would yield \$1.3 million in more revenue in FY2019.
- **Internal Services Transfer:** \$6.2 million increase across all funds within the DOR. The FY2018 Budget as Enacted mandated the use of rotary accounts to address the centralized services billing costs associated with information technology, capital management and maintenance, and human resources.

State Aid

The Budget includes \$115.8 million across all sources of funds for the State Aid program, including an increase of \$20.3 million in general revenue. This increase is attributable to:

- **Motor Vehicle Excise Tax Payment:** \$18.8 million in additional general revenue budgeted for the actual reimbursements to towns and cities under the motor vehicle tax phase out based on current law.
- **PILOT:** \$883,898 in additional revenue to fund the Payment in Lieu of Taxes (PILOT) program at the statutory maximum of 27.0 percent of assessed property taxes on eligible exempt properties.
- **Property Revaluation:** \$693,306 in additional revenue for the Property Revaluation program based on the number of communities scheduled to conduct revaluations and statistical updates in FY2019.

Lottery

The Governor recommends an increase of \$25.0 million across all funds for the Lottery. The major adjustments include:

- **Lottery Sales:** \$21.1 million more from lottery payments as a result from the November 2017 Revenue Estimating Conference.
- **Security:** \$1.9 million in additional funding to cover increased security costs associated with the Tiverton Casino coming online.
- **Personnel:** \$1.7 million in additional personnel costs associated with the expanded casino operations in Tiverton (expected to open in November 2018). 23.0 FTE positions are added to the Lottery staff.
- **Operating Expenses:** \$905,104 for advertising and other operational expenditures.

Secretary of State: The Budget includes \$438,592 within the Information Technology Investment Fund under the Department of Administration to continue the lease of the e-Poll books by the Office of the Secretary of State.

Board of Elections: The Budget adds a \$3.7 million in general revenue reflecting personnel, purchased services, and operating expenditures for voter operating supplies and expenses required in the upcoming General Election year, and \$2.6 million for the Campaign Matching Public Funds program

Executive Office of Commerce: The Governor includes \$37.3 million in general revenue to support new and existing initiatives designed to spur economic development. This includes \$24.0 million for Economic Development Initiatives and Commerce Programs, including:

- **RebuildRI:** \$15.0 million to assist economic development projects through the Rebuild RI program (\$3.0 million more than enacted level).
- **Wavemaker:** \$1.6 million to help retain talented graduates through the Wavemaker Fellowship program (\$800,000 more than enacted level).
- **I-195 Fund:** \$1.0 million for the I-195 Redevelopment Fund (\$1.0 million less than enacted level).
- **First Wave Closing Fund:** \$1.0 million in general revenue to provide gap financing to businesses in sectors deemed critical by the State.
- **Main Street RI:** \$500,000 to enhance local economic activity through the Main Street RI Streetscapes program.
- **Air Service Development:** \$500,000 to develop new air service at T. F. Green Airport.
- **Supply RI:** \$475,000 to fund a new program that would connect small suppliers with some the State's largest commercial purchasers.

- **P-Tech:** \$200,000 to sustain P-Tech, the information technology workforce development initiative.
- **Manufacturing Site Readiness:** \$300,000 to fund a new program to provide technical support to owners of privately held sites with potential to be “pad-ready” locations for siting manufacturers looking to relocate.
- **Polaris Manufacturing Technical Assistance Program:** The Governor includes \$100,000 in 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 provides the EOC’s Central Management program with \$1.3 million in general revenue. This includes the following initiatives:

- **Internal Services Transfer:** \$316,747 increase across all funds within the EOC. The FY2018 Budget as Enacted mandated the use of rotary accounts to address the centralized services billing costs associated with information technology, capital management and maintenance, and human resources.
- **Deputy Secretary:** The Governor recommends an increase in personnel costs of \$82,798, including funding the Deputy Secretary FTE position, which will primarily focus on housing and homelessness.

Executive Office of Health and Human Services: The Governor proposes \$935.9 million in general revenue expenditures (\$2,477.0 million all funds) to fund the Executive Office of Health and Human Services (EOHHS) in FY2019, decreasing general revenue expenditures by \$28.4 million (\$64.6 million all funds) from the FY2018 Budget as Enacted. Major general revenue changes include the following:

Caseload Estimating Conference

- Adds \$66.4 million in general revenue funds to reflect changes adopted at the November 2017 Caseload Estimating Conference.

Hospitals

- Reduces general revenue expenditures by \$5.4 million by freezing current Medicaid reimbursement rates to hospitals.
- Saves \$5.3 million in general revenue by eliminating the inpatient Upper Payment Limit (UPL) funding pool.
- Reduces funding pool in support of Graduate Medical Education (GME) at Rhode Island’s academic Level I trauma center hospital by \$3.3 million. The remaining \$1.5 million targeted for amended program for mental health and substance abuse treatment and training at all of the State’s teaching hospitals.

Managed Care Organizations (MCOs)

- Establishes a “quality withhold” on the medical component of MCO rates for improved care standards and savings, saving \$14.9 million in general revenue.
- Eliminates the guaranteed profit margin component of MCO rates, equivalent to 1.5 percent of administrative and medical premiums, saving \$6.9 million. The guarantees were intended to allow MCOs to bolster their reserves.
- Saves \$1.9 million by reducing MCO administrative rates by 2.5 percent.

Long Term Services and Supports

- Limits the nursing facility per diem increase to 1.0 percent, saving \$2.6 million in general revenue funding. The increase, scheduled to occur on October 1, 2018, is reduced by roughly two-thirds.

- Redirects \$3.0 million in Perry-Sullivan funding; the funds are to be used “for the express purpose of promoting and strengthening community-based alternative” long-term care settings. The budget uses Perry-Sullivan funds in lieu of other general revenues for the home care wage increase enacted in FY2018.

Other Services and Adjustments

- Assumes the Children’s Health Insurance Program will be reauthorized at the federal level at the enhanced match rate that was effective in FY2018. The November 2017 Caseload Estimating Conference removed the funding to reflect current law. The Governor removes \$28.5 million in general revenue based on the assumed reauthorization.
- Restructures the delivery system for dual-eligible recipients of Long-Term Services and Supports, saving \$10.3 million. It is proposed as a transitional arrangement while developing a permanent plan beginning in FY2020.
- Reduces general revenue payments for Long-Term Services and Supports by \$5.3 million from enhanced eligibility verification, including automated asset verification, elimination of retroactive coverage, and by closing loopholes in the resource test.
- Re-procures the State’s non-emergency medical transportation contract, saving \$3.8 million.
- Adds co-payments for various Medicaid services for adults, including inpatient hospital visits, non-emergency visits to emergency rooms, non-preventative physician visits, and prescription drug coverage. This saves \$3.2 million in general revenue funding in FY2019.
- Eliminates several state-only services, including Cortical Integrative Therapy, Community Health Teams- Rhode Island, the Recovery Navigation Program, and the Housing Stabilization Program. The programs are not eligible for federal matching funds and elimination saves \$1.6 million in general revenue funding.
- Maximizes revenue collections by expanding and improving the RIte Share program, saving \$1.6 million.

Department of Children, Youth, and Families: The Budget increases general revenue expenditures by \$2.8 million (\$102,551 all funds) relative the FY2018 Enacted level. The major general revenue changes include the following:

- **Internal Services:** The Budget reflects a general revenue increase of \$3.4 million for the decentralization of statewide services provided by the Department of Administration’s Division of Human Resources, Capital Asset Management and Maintenance, and Information Technology to the agency.
- **Voluntary Extension of Care:** The Governor provides \$1.7 million and 7.0 FTE positions to implement the new Voluntary Extension of Care program which will reform and replace existing programs related to services and care provided to youth 18 to 21 years old, who were formerly in the custody of DCYF.
- **Foster Care Rates:** The Budget includes \$1.1 million for increased foster care rates.
- **Congregate Care:** The Governor reduces general revenue expenditures by \$4.4 million for anticipated savings due to decreased congregate care placements.
- **Increased Federal Claiming:** The Governor includes \$2.5 million for general revenue savings associated with increased federal Title IV-E and Medicaid claiming. Title IV-E of the Social Security Act authorizes the federal Foster Care and Adoption Assistance programs to provide federal matching funds to states.

Health: The Budget includes \$1.6 million within the Information Technology Investment Fund under the Department of Administration to fund an upgrade to the electronic vital records system. To partially offset the costs of the project, the Governor recommends the following fee increases:

- Walk-in certified records request, \$20 to \$22
- Mail-in certified records request, \$20 to \$25
- Duplicate records, \$15 to \$18
- Municipal cost allocation for certified copies, \$6 to \$8

In addition the Governor recommends a net increase of 11.0 FTE positions. This includes 13.0 new FTE positions that are mostly connected to the drug overdose and intervention, offset by the transfer of 2.0 FTE positions (Beauty Shop Inspector and a Health Services Licensing Aide II) to the Department of Business Regulation.

Human Services: The Governor's Budget increases general revenue expenditures by \$12.6 million relative to the FY2018 Enacted level. The major general revenue changes include the following:

- **Internal Services:** The Budget reflects a general revenue increase of \$4.8 million for the decentralization of budgetary authority for statewide services provided by the Department of Administration's Division of Human Resources, Capital Asset Management and Maintenance, and Information Technology.
- **Child Support Enforcement:** The Governor includes general revenue savings of \$1.1 million for child support enforcement. This reduction includes an investment of approximately \$600,000 which will allow the Department to establish paternity subsequent to Medicaid enrollment. The investment will yield approximately \$1.6 million in savings from increased Medicaid match by transitioning families with available cash resources from regular FMAP to enhanced FMAP.
- **Supplemental Security Income:** The Governor includes a general revenue increase of \$1.0 million, reflecting caseloads as adopted by the November 2017 Caseload Estimating Conference.
- **Child Care Incentive:** The Governor provides an additional \$1.5 million in general revenue to provide an incentive to providers with higher Bright Star rankings who will receive additional funding compared with the lower tiers.
- **Child Care:** The Governor includes an additional \$5.6 million in general revenue, reflecting caseloads as adopted by the November 2017 Caseload Estimating Conference. The majority of the increase is related to the Child Development Block Grant reauthorization, which adds federal requirements for funding including 12-month continuous eligibility, services to homeless children and families, prioritization of infants and toddlers, and a graduated phase out.
- **Elderly Affairs:** The Governor includes an additional \$400,000 in general revenue to support senior services and fund programs that increase senior independence and engagement in the community.

Behavioral Healthcare, Developmental Disabilities, and Hospitals: The Governor recommends \$400.7 million in total funding for the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH), including a net \$3.3 million increase in general revenue. The major adjustments and budgets initiatives by department include:

Agency-wide

- **Internal Services Transfer:** \$8.4 million increase across all funds within BHDDH for centralized services. The FY2018 Budget as Enacted mandated the use of rotary accounts to address the centralized services billing costs associated with information technology, capital management and maintenance, and human resources.

Developmental Disabilities

- **Developmental Disability Services:** \$2.4 million of additional general revenue related to authorizations and services for individuals with developmental and intellectual disabilities.
- **RICLAS Consolidation:** \$1.7 million reduction in general revenue related to overtime reductions and facility closures under the Rhode Island Community Living and Supports (RICLAS) program.
- **Enhanced Medicaid Match:** \$530,000 general revenue savings associated with an enhanced match on Medicaid for administrative costs with BHDDH.
- **Consent Decree Court Monitor:** \$450,000 reduction in general revenue related to the transfer of the budget for the Court Monitor contract required by the United States Department of Justice's consent decree from BHDDH to the Executive Office of Health and Human Services.

Behavioral Healthcare Services

- **Behavioral Healthcare Link:** \$1.0 million of additional general revenue for the State's Behavioral Healthcare Link, a statewide resource aimed at providing a 24-hour community-based assessment, triage and treatment for crises.

Hospital and Community Rehabilitation Services

- **Eleanor Slater Hospital Expense Reduction:** \$2.6 million reduction in general revenue to reflect current staffing levels and patient needs.
- **Eleanor Slater Hospital Workers' Compensation Reduction:** \$491,693 decrease in general revenue based on reduced overtime and workers' compensation claims.

Office of the Child Advocate: The Governor increase general revenues by \$43,641 (\$46,386 all funds) and adds a 0.6 FTE position over the FY2018 Enacted authorization of 8.0 FTEs. The additional FTE position will assist with the Office's monitoring responsibilities under the Children's Rights settlement agreement, as well as other statutorily mandated services including DCYF oversight, review of DCYF licensed facilities, family court ordered investigations, and child fatality and near fatality investigations.

Elementary and Secondary Education: The Governor increases funding in the Department by \$18.7 million in general revenue (\$31.3 million all funds). The major changes include the following:

- **Education Aid:** The Governor fully funds the eighth year of the education funding formula with an increase of \$11.0 million in general revenue. Funding for the Early Childhood categorical is increased by \$1.1 million from the Permanent School Fund. All of the other categorical funds are supported at the FY2018 level, except for Public School of Choice Density Aid which is reduced by \$412,500 in general revenue. 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 \$532,453 in general revenue 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 FY2018 Budget as Enacted.
- **Administration of the Comprehensive Strategy (ACES):** The Budget provides an additional \$150,000 for PSAT/SAT testing due to an anticipated increase in participation rates; \$115,102 for the decentralization of statewide services provided by the Department of Administration's Division of Human Resources, Capital Asset Management and Maintenance, and Information Technology to the agency; and \$100,000 for the 3rd Grade Reading program to double proficiency by 2025. The Budget includes a decrease of \$486,883 in general revenues in the ACES program budget to reflect the shift of funding for 3.0 FTE positions associated with the School Building Authority to the School Building Authority Capital Fund.

- **2.0 new FTE positions:** The Governor recommends 2.0 new FTE positions. One position is for a Director of School Construction Services and will be funded through the School Building Authority Capital Fund. The other position will administer the Rhode Island Commission for National Community Services and will be federally funded. The Commission is primarily responsible for the oversight and grant distribution of the AmeriCorps and AmeriCorps Vista programs.
- **Teacher Retirement:** The Budget adds \$5.3 million in general revenue to fund the state's 40.0 percent share of the employer contribution for teacher retirement.
- **School Housing Aid:** The Governor fully funds the school housing aid program, based on updated project completion projections, at \$69.4 million, and recommends \$10.6 million for the School Building Authority Capital Fund, consistent with the FY2018 Budget as Enacted.

Higher Education: The Governor increases funding over the FY2018 Budget as Enacted by \$7.1 million in general revenue for Public Higher Education and does not include any increases in in-state tuition or mandatory fees at the institutions. Changes in general revenue funding include the following:

- **Rhode Island Promise Scholarship:** The Budget provides an increase of \$3.6 million in general revenue for the second year of the Rhode Island Promise Scholarship, for a total appropriation of \$6.4 million.
- **Performance Incentive Funding:** The Governor provides an increase of \$3.0 million (\$1.0 million for each institution) to be distributed based on the specific performance outcomes measured using metrics outlined in statute and promulgated by the Council on Postsecondary Education.
- **43.5 New FTE Positions:** The Governor recommends an increase of 2.0 new grant-funded FTE positions dedicated to higher education attainment, student supports, and financial aid activities, as well as 2.0 new FTE positions at the Westerly Education Center to accommodate the growing demand for services. The increases are partially offset by the elimination of 3.0 FTE positions from the Division of Higher Education Assistance. The Budget also provides for 19.5 new FTE positions at the University of Rhode Island (URI) and 23.0 new FTE positions at Rhode Island College. Sponsored research positions increase by 49.0 FTE positions at URI.

Historical Preservation and Heritage Commission: The Governor's Budget increases general revenue expenditures by \$66,157 relative to the FY2018 Enacted level, including a general revenue increase of \$94,726 for the decentralization of budgetary authority for statewide services provided by the Department of Administration's Division of Human Resources, Capital Asset Management and Maintenance, and Information Technology.

Attorney General: The Governor's Budget increases general revenue expenditures by \$957,971 relative to the FY2018 Enacted level. The major changes include the following:

- **Internal Services:** The Budget reflects a general revenue increase of \$29,581 for the decentralization of budgetary authority for statewide services provided by the Department of Administration's Division of Human Resources, Capital Asset Management and Maintenance, and Information Technology.
- **Personnel:** The Governor includes an additional \$584,818 in general revenue for increases in personnel costs.
- **Criminal Division:** Within the Criminal Division the Governor provides an additional \$193,610 in general revenues, \$187,500 for State Medical Fraud Control, and \$6,100 for an increase in the operational costs in judicial facilities.
- **Google Funds:** The Governor also includes \$10.4 million in Google forfeiture funds for continued renovations on the offices at 180 South Main Street in Providence.

Corrections: The Governor's Budget increases general revenue expenditures by \$14.7 million relative to the FY2018 Enacted level. The major general revenue changes include the following:

- **Internal Services:** The Budget reflects a general revenue increase of \$14.1 million for the decentralization of budgetary authority for statewide services provided by the Department of Administration's Division of Human Resources, Capital Asset Management and Maintenance, and Information Technology.
- **Overtime:** There is an anticipated general revenue savings of \$1.2 million related to a reduction in overtime. These savings are partially achieved through the continued closure of the Bernadette Guay Facility and the hiring of new graduates from the correctional officer training class.
- **Per Capita Inmate Expenses:** The Governor includes an anticipated general revenue savings of \$501,743 related to a decrease in the projected inmate population from 3,059 to 2,865.
- **U.S. Department of Justice Lawsuit Settlement:** The Governor includes \$700,000 for the U.S. Department of Justice Lawsuit Settlement: \$450,000 is for payouts to eligible individuals, and \$250,000 is to complete the formulation of a new Correctional Officer test, as mandated by the settlement.
- **Correctional Officer Positions:** The Governor includes an additional \$1.5 million in general revenue related to the hiring of 70 trainees from the Correctional Officer Academy training class. There are currently 54.0 Correctional Officer positions vacant, the Governor increased the cap by 16.0 FTEs allowing for a total of 70.0 Correctional Officer positions.
- **Justice Reinvestment Initiative:** There is an anticipated savings of \$393,000 related to the Justice Reinvestment Initiative, mainly due to a delay in the initiation of the cognitive behavior therapy contract with Community Solutions.

Public Safety: The Governor recommends an additional \$1.3 million in general revenue to support the operations the Department of Public Safety (DPS). Major FY2019 budget initiatives include:

- **Internal Services Transfer:** \$1.1 million increase across all funds within the DPS. The FY2018 Budget as Enacted mandated the use of rotary accounts to address the centralized services billing costs associated with information technology, capital management and maintenance, and human resources.
- **E-911 Personnel:** The Budget includes \$153,881 to fund 2.0 Telecommunicator FTE positions to assist with the increase calls associated with the Next Generation 9-1-1 service.
- **State Fire Marshal to DBR:** The Governor recommends moving the Office of the State Fire Marshal to the Department of Business Regulation from the Department of Public Safety as part of a consolidation of business and construction permitting functions from across State agencies. The move will transfer 36.0 FTE positions to DBR from DPS.
- **Capital Police Personnel and Operations:** The Budget includes \$144,512 to fund 2.0 Screener FTE positions to assist the Capitol Police at the entrances of State buildings. The Budget also includes \$11,625 to finance the costs of a Capitol Police Academy in FY2019.
- **Injured on Duty Reform:** The Governor includes \$331,986 in savings within the Security Services-Division of Sheriffs based on anticipated staffing levels in response to proposed reforms related to injured-on-duty laws.
- **Municipal Training Academy Fiscal and Operational Reforms:** The Governor recommends that a restricted receipt account be established to support the operations of the Municipal Training Academy. The account would be funded by a newly instituted tuition to be paid by recruits and new statewide physical fitness test fees. DPS estimates that tuition and fees will generate \$255,000 in FY2019. The Governor is also recommending that all Academy activities take place at Camp Fogarty in East Greenwich. Currently, the Academy conducts training across six locations, with most activity taking place at CCRI in Lincoln. The move is estimated to save \$19,474 in general revenue per year.
- **State Police Training Academy:** \$3.2 million to finance an FY2019 training academy for 30 recruits.

- **Vehicles and Maintenance:** \$2.7 million from the Google Forfeiture restricted receipts to replace aging vehicles with over 100,000 miles and \$250,000 in general revenue for maintenance.
- **Information Technology Upgrades:** \$1.1 million from the Google Forfeiture restricted receipts to replace laptops, printers, renew software licenses, fingerprint equipment, and a three-year, phased-in mobile radio upgrade.
- **Naloxone:** \$12,000 from the Google Forfeiture restricted receipts to purchase additional naloxone to assist the State Police with opioid overdoses.

Public Defender: The Budget adds \$173,280 in general revenue and increases the FTE authorization to fund two additional entry-level attorney positions to address the high caseload handled by the current attorney staff.

Environmental Management: The Budget increases general revenue by \$1.9 million (a decrease of \$480,080 all funds). The major changes include the following:

- **Internal Services:** The Budget includes an increase of \$2.6 million in general revenue to reflect the decentralization of statewide services provided by the Department of Administration's Division of Human Resources, Capital Asset Management and Maintenance, and Information Technology to the agency.
- **Clean Diesel Program:** The Governor eliminates funding for the Clean Diesel Program for a reduction of \$1.0 million from the FY2018 enacted level. The program was designed to reduce emissions from heavy-duty diesel engines and assist companies with increasing supply chain efficiencies.
- **Minimum Wage Increase:** The Budget includes an additional \$107,868 to fund the impact of the proposed minimum wage increase on the Department's seasonal recreational program, and an increase of \$124,762 to reflect a projected increase in projected hours based on actual data.

Transportation: The Governor recommends \$592.4 million in total funding for the Department of Transportation (DOT). This includes \$292.0 million in federal funds, \$245.6 million in other funds, \$51.8 million from the Rhode Island Capital Plan Fund, and \$3.0 million in restricted receipts. All funds increase by \$78.4 million relative to the FY2018 Enacted level. This includes a \$6.6 million increase in federal funds, a \$63.8 million increase in other funds, and an \$8.0 million increase in Rhode Island Capital Plan Funds. Major fund changes include the following:

- **Internal Services:** The Budget reflects an increase of \$2.5 million for the decentralization of budgetary authority for statewide services provided by the Department of Administration's Division of Human Resources, Capital Asset Management and Maintenance, and Information Technology. This increase is reflected in the agency gas tax budget.
- **Personnel:** The Governor provides an additional \$1.9 million for personnel costs. The Department plans to hire an additional 20.0 FTE positions, including a number of highway and bridge maintenance operators and laborers to further the Department's goal of relying less on outside contracts for maintenance services.
- **Rhode Island Highway Maintenance Account:** The Governor includes an additional \$22.6 million in other funds related to the Rhode Island Highway Maintenance Account portion of the Intermodal Surface Transportation Fund.
- **RIPTA Transfers:** The Governor includes an additional \$1.8 million for transfers to the Rhode Island Public Transit Authority (RIPTA). \$1.7 million is related to funding for three projects, ongoing transit and security enhancement project, the Downtown Providence Transit Connector project and the Downtown Pawtucket Bus Hub and Transit Corridor project. \$506,976 is due to additional revenues

from the final phase in the remaining Division of Motor Vehicles fees transferred from the General Fund to the Highway Maintenance Account.

- **Road and Bridge Maintenance:** The Governor provides an additional \$22.1 million for road and bridge maintenance, for a total of \$69.4 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.
- **Toll Revenue:** The Governor includes \$41.0 million of toll revenue to reflect the completion and operation of all planned toll gantries.

State Aid and Education Aid

STATE AID TO CITIES AND TOWNS

Distressed Communities Relief Fund: The Distressed Community Relief Fund is maintained at the FY2018 enacted level of \$12.4 million in FY2019. The City of Cranston qualifies for the Distressed Communities Relief Fund and will receive a 50.0 percent appropriation of \$1.2 million. In a year that a newly qualified community enters the program, it receives 50.0 percent of the current law requirement for the first year it qualifies. The remaining 50.0 percent of Cranston's appropriation will be divided among the remaining 7 distressed communities.

Payment in Lieu of Taxes (PILOT): PILOT is funded at \$46.1 million, a \$883,898 increase above the FY2018 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 FY2019 represents full reimbursement at the rate of 27.0 percent.

Motor Vehicle Excise Tax Reimbursement: The General Assembly enacted legislation in 2017 to phase out the motor vehicle excise tax by 2024. Municipalities are reimbursed annually for lost revenue. The Budget includes \$54.7 million in total reimbursement funding for cities and towns, an increase of \$18.8 million over the FY2018 enacted level.

Library Grant-in-Aid: The Governor level funds State Aid to Libraries at the FY2018 enacted amount of \$9.4 million in both FY2019 and revised FY2018.

Library Construction Aid: The Governor recommends \$2.2 million in FY2019 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 FY2019 Budget provides \$13.1 million to be distributed to municipalities on July 31, 2018. This estimate is subject to change upon the receipt of final (December 2017) data in the spring of 2018.

Meals & Beverage Tax: The 1.0 percent tax on gross receipts from the sale of food and beverages is estimated to generate \$27.8 million in FY2018 and \$29.7 million in FY2019 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 \$10.0 million in FY2018 and \$10.9 million in FY2019 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 FY2019. 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 \$1.6 million to reimburse municipalities for a portion of the cost of conducting statistical property revaluations.

Other Municipal Aid

Main Street RI Fund: The Governor includes \$500,000 million in FY2019 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 \$14.3 million in education aid, including an increase of \$11.0 million to fully fund the seventh year of the funding formula.

Eighth Year of Funding Formula: The Budget includes an increase of \$11.0 million to fully fund the education aid formula in the seventh year of the phase in. This increase brings total formula aid funding to \$922.2 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 \$1.7 million. The budget provides a total of \$8.4 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 \$6.8 million in FY2019.

Early Childhood Education: This category provides funding for early childhood education programs. The Governor funds this category at \$7.4 million in FY2019, an increase of \$1.1 million over the FY2018 Budget as Enacted; however, the additional funds are provided from the Permanent School Fund, not general revenues.

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 FY2019 Budget includes \$3.6 million to fund group home beds, \$532,463 less than the FY2018 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 academic and career and technical coursework. The Budget provides an additional \$810,988 (\$4.0 million total) in FY2019.

FY2019 Governor's Education Aid

Categorical	Change from	
	Enacted	Total Funding
Eighth Year of Formula	\$11.0	\$922.2
Central Falls Stabilization	1.7	8.4
Transportation	-	6.8
Early Childhood	1.1	7.4
High-Cost Special Education	-	4.5
Career & Tech. Schools	-	4.5
Davies Stabilization	0.9	4.0
English Learners	-	2.5
Public School Choice Density	(0.4)	0.5
Met School Stabilization	0.6	1.3
Regionalization Bonus	-	-
Group Home Aid	(0.5)	3.6
Total	\$14.3	\$965.7

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

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 \$50 per public school of choice student. Pursuant to current law, this represents reduction of \$50 per student from the FY2018 Budget. Total funding is \$498,000, a reduction of \$412,500 from the enacted level.

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. An additional \$580,264 is recommended to provide a zero net impact on funding relative to FY2018. Total funding is \$1.3 million.

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 FY2019, 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 FY2018 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 FY2018 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 \$69.4 million, and recommends \$10.6 million for the School Building Authority Capital Fund.

Teacher Retirement: The Governor recommends \$107.1 million for the State's share of teacher retirement, an increase of \$5.3 million over the FY2018 Budget as Enacted.

Consolidations, Transfers, and Other Statewide Issues

Unless otherwise specified, dollar amounts refer to general revenue.

Rotary Funds: Article 7, Section 10 of the FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for each agency and allow the Department of Administration to draw upon these accounts for billable centralized services and deposit the funds into the rotary accounts under the Department of Administration.

Rotary accounts are currently used to reimburse one agency for services provided by another. Previously rotary accounts were not used for centralized services that include information technology, capital asset management and maintenance, and human resources. This change will further the transparency of these expenses so that the expenditures will be clearly stated under each agency using the centralized services. It also will provide clarity in reporting the use of federal funds. DOA is required to report on a quarterly basis the fund activities by department and agency.

Water Resources Board: The Governor transfers the Water Resources Board functions and 3.0 FTE positions from the Division of Planning to the Division of Public Utilities and Carriers. This transfers the funding source for the Water Resources Board from general revenue to restricted receipts.

Permitting and Design: The Governor transfers the Division of Construction Permitting, Approvals, and Licensing, consisting of the State Building Code Commission, Contractor's Registration Board, and the Fire Safety Code Board of Appeal along with 26.0 FTE positions to a new consolidated division within the Department of Business Regulation.

Fire Marshal: The Governor's proposal transfers the Office of the State Fire Marshal into a new Building, Design, and Fire Professionals division the Department of Business Regulation.

Administration: The proposed budget includes a statewide savings of \$4.0 million general revenue savings reflecting contract and insurance reductions.

FY2018 Supplemental

Following are items of note in the Supplemental proposal:

- **Administration:** The Governor includes \$137.2 million in general revenue to fund the costs of the State's general obligation debt service in FY2018, or \$1.2 million less than the FY2018 Budget as Enacted. This includes increased costs for general obligation debt because recent debt refinancings produced savings in previous fiscal years but result increased debt service costs in future years. Offsetting the increase is savings reflecting the delay of a new bond issuance from FY2018 to FY2019, and several other smaller adjustments.
 - **Rotary Funds:** Article 7, Section 10 of the FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for each agency and allow the Department of Administration to draw upon these accounts for billable centralized services and deposit the funds into the rotary accounts under the Department of Administration. Based on this authorization, the Budget contains the following all fund shift and FTE shift to Internal Service Funds:
 - Human Resources - \$10.1 million and 100.0 FTE positions
 - Information Technology - \$30.6 million and 194.0 FTE positions
 - Capital Asset and Maintenance - \$30.2 million

There is an increase of \$3.3 million in federal funds to cover information technology and management consultants for the Rhode Island Health Benefits Exchange.

- **Business Regulation:** The Governor recommends shifting \$300,000 in general revenue from the Boards of Design Professionals to restricted receipts associated with the State's Contractor's Registration Board. This recommendation is in anticipation of the establishment of a new program within the Department of Business Regulation (DBR) with the purpose of providing a single point of contact for building and construction professionals. An all-funds transfer of \$888,401 shifts from the Department of Administration to DBR better account for centralized billing between the agencies regarding information technology, capital management and maintenance, and human resources expenditures.
- **Labor and Training:** The Governor increases general revenue by \$881,607 relative to the FY2018 Budget as Enacted. This increase is primarily due to the decentralization of budgetary authority for statewide services provided by the Department of Administration's Division of Human Resources, Capital Asset Management and Maintenance, and Information Technology.
- **Revenue:** The Budget decreases lottery payments by \$4.4 million as a result of the updated revenue estimates from VLT and table games as determined by the November 2017 Revenue Estimating Conference. The State Aid program decreases by \$1.4 million in general revenue and takes into account growth in the motor vehicle excise tax base and new data on local tax calculations.
- **Secretary of State:** The Governor adds \$194,715 in general revenue to complete the Administrative Procedures Act website project. The additional funding will be used to provide training assistance to staff. The Budget adds \$41,907 to begin cyber security testing on the State's Central Voter Registration System to protect against data breaches. The Governor includes \$107,546 in RICAP funds to complete the feasibility study for a new state archive structure.
- **General Treasury:** The Governor adds \$211,948 from the Unclaimed Properties restricted receipt fund based on adjusted estimates of property payments from the November 2017 Revenue Estimating Conference.
- **Commerce:** The Governor recommends that \$1.5 million in restricted receipts (EOC's share of the real estate conveyance tax) be used to make a required payment as part of a federal Housing and Urban Development corrective action plan related to the Neighborhood Stabilization Program. An all-funds

transfer of \$306,701 shifts from the Department of Administration to EOC to better account for centralized billing between the agencies regarding information technology, capital management and maintenance, and human resources expenditures.

- **Executive Office of Health and Human Services:** The Governor increases general revenue by \$14.2 million over the FY2018 Enacted Budget due to \$28.5 million in increased expenditures that were adopted in the November 2017 Caseload Estimating Conference. These increases are partially offset by an assumption that \$7.0 million in federal Children’s Health Insurance Program will be reauthorized; supplanting \$3.6 million in general revenue home care wage increase funding with Perry-Sullivan funding; and elimination of \$4.0 million in Graduate Medical Education funding for RI Hospital.
- **Children, Youth, and Families:** The Governor includes a net increase in general revenue of \$6.7 million (\$5.0 million all funds). Increases in general revenue are primarily due to the reduced savings target for increased Medicaid claiming (\$3.8 million); the decentralization of statewide services provided by the Department of Administration’s Division of Human Resources, Capital Asset Management and Maintenance, and Information Technology to the agency (\$3.4 million); and, increased investments in foster care and offsetting savings in congregate care (\$1.5 million). Reductions from personnel savings through the Voluntary Retirement Incentive Program (\$1.6 million), turnover trends, and the decreasing population at the Rhode Island Training school (\$600,000) partially offset increased costs.
- **Human Services:** The Budget provides an additional \$9.4 million in general revenue relative to the FY2018 Budget at Enacted. The increase is primarily associated with the decentralization of budgetary authority for statewide services provided by the Department of Administration’s Division of Human Resources, Capital Asset Management and Maintenance, and Information Technology (\$4.7 million). Other increases include staff and operating expenditures related to casework demand within the Individual and Family Support Division (\$4.4 million), and staffing for ongoing UHIP backlog and system issues (\$1.1 million). These increases are partially offset by decreases within the General Public Assistance program (\$223,551), and a reduction to account for changes in employee benefit and retirement rates (approximately \$200,000).
- **Behavioral Healthcare, Developmental Disabilities, and Hospitals:** The Governor recommends \$427.2 million in total revised funding for the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) in the current fiscal year, including a net \$15.2 million increase in general revenue.
 - **Internal Services Transfer:** \$8.2 million increase across all funds within BHDDH for centralized services. The FY2018 Budget as Enacted mandated the use of rotary accounts to address the centralized services billing costs associated with information technology, capital management and maintenance, and human resources.
 - **Caseload and Service Utilization:** \$8.0 million of additional general revenue for costs related to direct services to the developmentally disabled services program.
 - **Developmental Disability Services:** \$1.7 million of additional general revenue related to authorizations and services for individuals with developmental and intellectual disabilities.
 - **RICLAS Consolidation:** \$204,078 reduction in general revenue related to overtime reductions and facility closures under the Rhode Island Community Living and Supports (RICLAS) program.
 - **Enhanced Medicaid Match:** \$530,000 general revenue savings associated with an enhanced match on Medicaid for administrative costs with BHDDH.
 - **Consent Decree Court Monitor:** \$450,000 reduction in general revenue related to the transfer of the budget for the Court Monitor contract required by the United States Department of Justice’s consent decree from BHDDH to the Executive Office of Health and Human Services.

- **Behavioral Healthcare Link:** \$303,651 of additional general revenue for the State's Behavioral Healthcare Link, a statewide resource aimed at providing a 24-hour community-based assessment, triage and treatment for crises.
 - **Eleanor Slater Hospital Expense Reduction:** \$1.6 million reduction in general revenue to reflect current staffing levels and patient needs.
- **Office of the Child Advocate:** The Budget decreases general revenue by \$84,443 (an increase of \$30,074 all funds) primarily due to an increase in available federal funding. The recommendation increases contracted professional services (\$30,000) to assist the Office with their increasing workload.
- **Elementary and Secondary Education:** The Budget provides an additional \$317,688 in general revenue across the system. The increase is due primarily to an anticipated increase in student participation in the state-funded PSAT/SAT testing (\$150,000); a shift of funding for Advance Placement tests for low income students from federal funds to general revenue (\$115,000); and, the decentralization of statewide services provided by the Department of Administration's Division of Human Resources, Capital Asset Management and Maintenance, and Information Technology to the agency (\$114,222). Other increases include increased cost associated with the teacher retirement (\$139,942); and an increase in Group Home aid attributable to an increase of five new beds in East Providence (\$85,000). These increases are partially offset by a decrease of funding for the non-public textbook loan program to reflect actual reimbursements requests (\$151,040) and anticipated turnover savings related to the Voluntary Retirement Incentive at Davies (\$82,699).
- **Higher Education:** The Budget decreases general revenue by \$113,599 across the system. Reductions are due primarily to the Voluntary Retirement Incentive at the institutions (\$1.0 million) and the finalization of tenant improvement and debt service costs at the Nursing Education Center (\$337,529), as well a withdrawal from the Information Technology Administrative Implementation fund (\$186,418) and personnel reductions at the Office of the Postsecondary Commissioner (\$151,517). Increases driven primarily by debt service (\$1.4 million), the Rhode Island Promise Scholarship program to meet the higher than anticipated enrollment at the Community College of Rhode Island (\$231,086) partially offset the reductions.
- **Attorney General:** The Budget includes a \$48,690 decrease in general revenue relative to the FY2018 Budget as Enacted. This decrease is partially attributed to a \$78,045 savings in statewide medical care, partially offsetting the decrease is a \$29,355 increase for the decentralization of budgetary authority for statewide services provided by the Department of Administration's Division of Human Resources, Capital Asset Management and Maintenance, and Information Technology. The Budget includes a \$215,074 reduction related to savings in personnel costs across all divisions of the Department. The Governor also includes an additional \$12.5 million in federal funds from Google forfeitures; these funds support ongoing construction of a new Customer Service Center on the Pastore Complex in Cranston, as well as continued renovations at the Department's headquarters in Providence.
- **Corrections:** The Budget increases general revenue by \$11.6 million relative to the FY2018 Budget as Enacted. The increase is primarily associated with the decentralization of budgetary authority for statewide services provided by the Department of Administration's Division of Human Resources, Capital Asset Management and Maintenance, and Information Technology (\$13.8 million), increases in overtime costs in supervisory programs (\$6.2 million), and additional funds for correctional officer training classes (\$325,597). These increases are partially offset by a decrease in personnel costs (\$2.0 million), funding for per capita inmate expenses (\$561,270), the consolidation of inmates in Minimum Security and closure of one module (\$340,773), as well as a decrease attributed to the Rhode Island Brotherhood of Correctional Officers contract settlement that was allocated to its proper accounts (\$6.7 million).

- **Military Staff:** The Budget increases general revenue funded personnel costs by \$484,972. The increase reflects the additional State share for firefighters at the Quonset Air Base that exceeds the federal compensation cap for firefighters injured on duty (IOD).
- **Public Safety:** The Governor includes an additional \$628,335 in general revenue for the Department of Public Safety in FY2018. This net increase is inclusive of the following initiatives:
 - **Vehicles and Maintenance:** \$1.4 million from the federal Google Forfeiture restricted receipts to replace aging vehicles with over 100,000 miles and \$250,000 in general revenue for maintenance.
 - **Information Technology Upgrades:** \$258,850 in general revenue for information technology upgrades at the North Scituate headquarters.
 - **Property Master Plan:** \$200,000 in RICAP funds to pay for the development of a master plan for State Police properties.
 - **Diversity Study:** \$125,000 in general revenue to complete the State Police's diversity study.
 - **State Police Academy:** \$100,712 in Google Forfeiture restricted receipt funds to cover costs associated with the recruitment and testing of candidates for the FY2019 Academy.
- **Environmental Management:** The Budget increases general revenue by \$1.1 million (\$4.6 million all funds) relative to the FY2018 Budget as Enacted. The major changes include an increase of \$2.5 million in general revenue to reflect the decentralization of statewide services provided by the Department of Administration's Division of Human Resources, Capital Asset Management and Maintenance, and Information Technology to the agency. The increase in general revenue is partially offset by a reduction of \$750,000 for the Clean Diesel Program leaving \$250,000 for grant funding, and \$497,707 to reflect staff vacancies as a result of the voluntary retirement incentive.
- **Transportation:** Relative to the FY2018 Enacted level the Budget increases federal funds by \$5.6 million, Rhode Island Capital Plan Fund financing by \$7.3 million, and other funds by \$67.5 million, while decreasing restricted receipts by \$82,050. The Budget includes \$10.3 million less in revenue for the Intermodal Surface Transportation fund, reducing the scheduled phase-in for FY2018 from 80.0 percent to 60.0 percent. The Governor decreases operating transfers to Rhode Island Public Transit Authority (RIPTA) and the Rhode Island Turnpike and Bridge Authority (RITBA) by \$936,146 and \$336,052, respectively, based on revised estimates to the per-penny gas tax yield. The Governor includes an additional \$11.2 million for the purchase of vehicles and heavy equipment for maintenance staff, due to a delay in the planned purchases from FY2017 to FY2018. The Governor includes an additional \$67.5 million in Highway Maintenance Account funding for various capital projects. This increase is mainly from unspent funds from FY2017 that will be used on a number of construction projects, including the reconstruction of the Route 6/10 interchange.



DEPARTMENTAL SUMMARIES

Department of Administration

Expenditures By Program	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted	Enacted	Governor	Enacted	Enacted
Accounts and Control	\$4.0	\$4.4	\$5.2	0.80	0.18	\$5.5	\$1.1	25.0%
Office of Management and Budget	7.5	10.9	11.1	0.2	1.8%	10.6	(0.3)	-2.8%
Capital Asset Management and Maintenance	36.0	40.0	9.8	(30.2)	-	9.8	(30.2)	100.0%
Construction Permitting, Approvals and Licensing	2.9	3.0	3.7	0.7	23.3%	-	(3.0)	-100.0%
Central Management	2.1	3.0	3.2	0.2	6.7%	2.9	(0.1)	-3.3%
Debt Service Payments	168.1	181.3	180.0	(1.3)	-0.7%	183.7	2.4	1.3%
Energy Resources	9.1	12.1	10.6	(1.5)	-12.4%	8.7	(3.4)	-28.1%
General	47.7	56.2	62.2	6.0	10.7%	53.9	(2.3)	-4.1%
Human Resources	10.6	11.3	1.2	(10.1)	-89.4%	1.3	(10.0)	-88.5%
Information Technology	38.3	42.3	11.7	(30.6)	-72.3%	11.9	(30.4)	-71.9%
Legal Services	1.9	2.2	2.1	(0.1)	-4.5%	2.4	0.2	9.1%
Library and Information Services	2.3	2.6	2.8	0.2	7.7%	2.7	0.1	3.8%
Personnel Appeal Board	0.1	0.1	0.1	-	-	0.1	-	-
Personnel and Operational Reforms	-	(30.1)	(8.8)	21.3	-70.8%	(13.7)	16.4	-54.5%
Planning	3.1	5.5	5.0	(0.5)	-9.1%	5.2	(0.3)	-5.5%
Purchasing	3.1	3.4	3.6	0.2	5.9%	3.8	0.4	11.8%
Rhode Island Health Benefits Exchange (HealthSource RI)	11.8	9.6	12.9	3.3	34.4%	8.2	(1.4)	-14.6%
The Office of Diversity, Equity and Opportunity	0.9	1.4	1.2	(0.2)	(0.1)	1.4	-	0.0%
Total	\$349.5	\$359.2	\$317.6	(\$41.6)	-11.6%	\$298.4	(\$60.8)	-16.9%
Expenditures By Source								
General Revenue	\$217.8	\$216.2	\$185.8	(\$30.4)	-14.1%	\$183.0	(\$33.2)	-15.4%
Federal Funds	16.6	13.2	8.3	(4.9)	-37.1%	3.9	(9.3)	-70.5%
Restricted Receipts	26.4	33.2	29.3	(3.9)	-11.7%	25.9	(7.3)	-22.0%
Other Funds	88.7	96.6	94.2	(2.4)	-2.5%	85.6	(11.0)	-11.4%
Total	\$349.5	\$359.2	\$317.6	(\$41.6)	-11.6%	\$298.4	(\$60.8)	-16.9%
Authorized FTE Levels	708.7	696.7	696.7	-	-	667.7	(29.0)	-4.2%

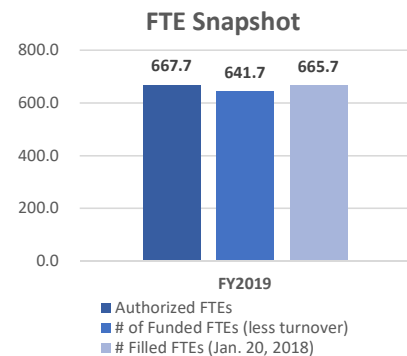
\$ in millions. Totals may vary due to rounding.

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. There are 18 sub-programs with specific functions within the Department of Administration. The Governor's recommended consolidations and reorganizations will reduce the number of sub-programs from 18 to 17.

MAJOR ISSUES AND TRENDS FOR FY2019

The Budget includes an all fund appropriation of \$298.4 million in FY2019, reflecting a net decrease of \$60.8 million from the FY2018 Budget as Enacted. General revenues total \$183.0 million and comprise 61.3 percent of the Department's total appropriation. For FY2019, general revenues decrease \$33.2 million from the previous fiscal year primarily due to the decentralization of statewide services within the Human Resources, Information Technology, and Capital Asset Management and Maintenance programs.

The Budget decreases the Department's FTE positions by 29.0, reflecting the transfer of the Water Resources Board functions and 3.0 FTE positions from the Division of Planning to the Division of Public Utilities and Carriers, and the transfer of the Division of Construction Permitting, Approvals, and Licensing, consisting of the State Building Code Commission, Contractor's Registration Board, and the Fire Safety Code Board of Appeal along with 26.0 FTE positions to a new consolidated division within the Department of Business Regulation.



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.

Accounts and Control	General Revenue
FY2018 Enacted	\$4,130,796
<i>Target and Other Adjustments</i>	<i>(22,360)</i>
Centralized Service Charges	1,135,060
Software Agreements	30,000
FY2019 Governor	\$5,273,496

Accounts and Control	Other Fund Changes
OPEB Administrative Expenses	\$225,295

Centralized Service Charges **\$1.1 million**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

Centralized Service Charges	Amount
Information Technology	\$1,135,060
Capital Asset and Management	-
Human Resources	-
Total	\$1,135,060

Software Maintenance **\$30,000**

The Budget adds \$30,000 in general revenue for new software maintenance agreements. The Department purchased software last year to assist the State Controller's Office in the preparation of the Comprehensive Annual Financial Report (CAFR). The software merges finance information into a single source.

OPEB Administrative Expenses (restricted receipts) **\$225,295**

The Budget level funds personnel and contract service costs associated with the administration of the Other Post Employment Benefit (OPEB) Trust Fund. This includes \$75,295 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.

Office of Management and Budget	General Revenue
FY2018 Enacted	\$8,882,351
<i>Target and Other Adjustments</i>	
Fraud and Waste Data Tool	81,656
Personnel	(1,240,000)
Centralized Service Charges	1,108,900
Special Legal Counsel - Regulatory Reform	346,945
LEAN Management Funding	(170,704)
	30,000
FY2019 Governor	\$9,039,148

Fraud and Waste Data Tool ***(\$1.2 million)***

The Budget removes one-time funding for the Fraud and Waste Data Tool resulting in a \$1.2 million general revenue reduction compared to the FY2018 Budget as Enacted. The appropriation in FY2018 was a one-time expense 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. The Budget includes \$500,000 to maintain the system.

Personnel ***\$1.1 million***

The Budget adds a net \$1.1 million in general revenue for various personnel adjustments within the Office of Management and Budget. Some of the adjustments include:

Program Adjustment	Amount
Office of Internal Audit	\$530,462
Performance Management Office	224,219
Office of Regulatory Reform	150,859
Director's Office	150,628
Federal Grants Management Office	96,369
Budget Office	(43,636)
Total	\$1,108,901

- **Office of Internal Audit - \$530,462.** The Department assumes a smaller reimbursement amount of non-general revenue resources from the Department of Human Services (DHS) related to fraud and full staffing. This reflects those adjustments to items assumed from DHS when Administration proposed the fraud unit in OMB that were not accurate estimations.
- **Performance Management Office - \$224,219.** This funds a position that was previously eliminated under the Human Resources program but added to the Performance Management Office. However, the FTE position and funding remained in the Human Resources program. The Governor adds funding for this position. According to the Department, the proposed salary for FY2019 is \$156,166. The estimated salary and benefit costs is approximately \$243,000 costs for the position. The amount added reflects what is needed in FY2019 to fund the position.

Analyst Note: The General Assembly eliminated personnel costs by \$487,500 in general revenue to fund four new FTE positions proposed by the Governor for FY2018, 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. At that time, 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.

- **Office of Regulatory Reform - \$150,859.** The FY2018 Budget as Enacted includes a net increase of \$150,000 in personnel expenses, which is largely related to the related to the implementation of the Administrative Procedures Act (APA). The FY2018 Budget as Enacted included \$170,704 to support legal service assistance to state agencies working to revise and update rules and regulations as part of a regulatory reform initiative. However, these costs will now shift to personnel expenditures in both FY2018 and in FY2019. Therefore, the increase of \$150,859 reflects the contract service shift less other personnel adjustments. There is a corresponding decrease of funds under contract services.
- **Federal Grants Management Office - \$96,369.** The Department added a position to this program to implement the grants management system. According to the Department, the position is a true unfunded addition and not a FTE position shift from somewhere else.
- **Budget Office – (\$43,636).** Offset by a surplus of \$43,636 in the Budget Office.

Centralized Service Charges

\$346,945

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

<u>Centralized Service Charges</u>	<u>Amount</u>
Information Technology	\$346,945
Capital Asset and Management	-
Human Resources	-
Total	\$346,945

Special Legal Counsel – Regulatory Reform

(\$170,704)

The Budget decreases contract services \$170,704 in general revenue reflecting a shift in funding appropriated in the FY2018 Budget as Enacted to support legal service assistance to state agencies working to revise and update rules and regulations as part of a regulatory reform initiative. Funding for this issue is now listed under the personnel category.

LEAN Initiative**\$30,000**

The Governor includes \$30,000 in general revenues for contracted professional services in the Office of Management and Budget (OMB). This reflects additional funding of the statewide LEAN process improvement program administered by OMB, for management consultant contract services. 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. Total expenses for the LEAN Initiative in FY2019 is \$176,276 (\$30,000 management consultants, \$12,000 Training, and \$134,276 Personnel - 1.0 Chief, Program Development).

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.

Capital Asset Management and Maintenance	General Revenue
FY2018 Enacted	\$33,868,627
<i>Target and Other Adjustments</i>	<i>(21,220)</i>
Decentralized Service Charge Shift	(32,517,628)
Centralized Service Charges	8,474,695
FY2019 Governor	\$9,804,474

Decentralized Service Charge Shift**(\$32.5 million)**

The Budget decreases general revenue expenditures by \$32.5 million to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

Centralized Service Charges**\$8.5 million**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

Centralized Service Charges	Amount
Information Technology	\$176,120
Capital Asset and Management	8,298,575
Human Resources	-
Total	\$8,474,695

CONSTRUCTION PERMITTING, APPROVALS, AND LICENSING

The Division of Construction Permitting, Approvals, and Licensing, consists of the following subprograms: State Building Code Commission, Contractor's Registration Board, and the Fire Code Board of Appeal. The Governor transfers 26.0 FTE positions in FY2019, to the Department of Business Regulation.

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

Construction Permitting, Approvals, and Licensing	General Revenue
FY2018 Enacted	\$1,790,975
<i>Target and Other Adjustments</i>	-
Personnel and Operating Transfer	(1,790,975)
FY2019 Governor	\$0

Personnel and Operating Transfer (\$1.8 million)

The Governor transfers the functions and personnel from the Division of Construction Permitting, Approvals, and Licensing, consisting of the State Building Code Commission, Contractor's Registration Board, and the Fire Safety Code Board of Appeal along with 26.0 FTE positions along with \$1.8 million in general revenue to a new consolidated division within the Department of Business Regulation. Article 3 authorizes and codifies the transfer of the Division of Construction Permitting, Approvals, and Licensing, to the Department of Business Regulation.

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.

Central Management	General Revenue
FY2018 Enacted	\$3,048,657
<i>Target and Other Adjustments</i>	
Personnel Adjustment	(183,885)
Software Maintenance Agreements and IT General Services	(101,000)
Centralized Service Charges	83,307
FY2019 Governor	\$2,869,675
Personnel Adjustment	(\$183,885)

The Budget decreases general revenue \$183,885 reflecting salary and benefit savings.

Software Maintenance Agreements and IT General Services **(\$101,000)**

The Governor includes a net reduction of \$101,000 in general revenue, reflecting a shift in costs from operating expenses to contract services. The Budget reduces software maintenance agreement costs \$250,000, and is offset by an increase of \$149,000 for Information Technology General Service contract costs, resulting in a net reduction of \$101,000.

Centralized Service Charges **\$83,307**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

Centralized Service Charges	Amount
Information Technology	\$83,307
Capital Asset and Management	-
Human Resources	-
Total	\$83,307

DEBT SERVICE

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

Debt Service Payments	General Revenue
FY2018 Enacted	\$138,403,065
<i>Target and Other Adjustments</i>	
General Obligation Bond Changes	20,738,846
Other Debt Service Changes	(17,027,315)
Certificates of Participation (COPs)	(352,681)
38 Studios Debt Service	Informational
FY2019 Governor	\$141,761,915

General Obligation Bond Changes **\$20.7 million**

The Budget includes \$74.1 million in general revenue to fund the costs of the State's general obligation debt service in FY2019, or \$20.7 million more than FY2018. Many of the adjustments contained under

the All Other General Obligation bond adjustments reflect actions resulting from the debt restructuring that occurred in FY2016.

General Obligation Debt	FY2018 Enacted	FY2019 Governor	Change
G.O. Bond New Bond Issue Projected Costs	\$1.6	\$18.9	\$17.3
DEM Debt Service - Clean Water Finance Agency	7.1	9.8	2.7
Garrahy Courthouse Garage	-	2.5	2.5
All Other G.O. Bond Adjustments	44.7	42.9	(1.8)
Total	\$53.4	\$74.1	\$20.7

\$'s in millions

Totals may vary due to rounding.

New General Obligation Bond Debt: The debt service projected for FY2019 increases costs by \$17.3 million in general revenue and is based on the planned issuance of \$154.4 million in bonds in April 2018 and an additional \$130.0 million of bonds in the fall of 2018. The projected debt service is based on a 5.0 percent interest rate. The State traditionally issues bonds in the fall, to have the bond funds that are expected to be needed in that fiscal year.

Analyst Note: It is difficult to compare new bond issuance costs year over year, since issuances are really independent numbers. As an example, the FY2018 enacted number included estimated refunding savings for both GO bonds and COPS that were ultimately spread out to the correct accounts in the revised budget.

DEM Debt Service – Clean Water Finance Agency: The Clean Water Finance Agency debt service increase of \$2.7 million in general revenue is attributable to two things. First, is the new issuance completed last year, which added \$702,810 in expense related to the Clean Water bonds. Second, is attributable to refunding savings the last couple of years, in which the savings were taken in the first and second year instead of spreading over the remaining term of the bond. This action results in debt service costs increasing back to the normal amortization period once the refunding savings are accounted.

Garrahy Courthouse Garage: The Budget includes \$2.5 million in general revenue reflecting first-year debt service for the new Garrahy Courthouse Parking Garage. The FY2016 Budget as Enacted authorized the State to enter into an agreement with the Rhode Island Convention Center Authority to develop, construct, and operate a parking garage. The resolution authorized the issuance of up to \$45.0 million in debt to fund the design and construction of a parking garage and retail space on state-owned land on the site of the existing Garrahy Courthouse surface parking lot. It is anticipated that revenues from the garage in later years, will fully cover the debt service costs. The current projection has construction starting in May 2018 and a construction completion date of September 2019, barring any delays.

Other Debt Service Changes **(\$17.1 million)**

The Budget includes \$41.3 million in general revenue for debt service expenses on five items, reflecting a decrease of \$17.1 million from various adjustments from the FY2018 Budget as Enacted. The adjustments include lower projected debt service for the Rhode Island Convention Center debt as a result of refunding \$64.8 million of 2009 Series A tax exempt bonds, a decrease of \$18.2 million for the Historic Structures Tax Credit debt, and an increase of \$1.8 million for the I-195 Land Acquisition reflecting the first principal payment on the bond debt service.

Other Debt Service	FY2018 Enacted	FY2019 Governor	Change
Convention Center Authority	\$19.6	\$18.9	(\$0.7)
EDC - Fidelity Job Rent Credits	3.4	3.4	-
EDC - Providence Place Mall Sales Tax	3.6	3.6	-
Historic Structures Tax Credit	31.1	12.9	(18.2)
I-195 Land Acquisition	0.7	2.5	1.8
Total	\$58.4	\$41.3	(\$17.1)

\$'s in millions.

Convention Center Authority Debt Service: The Authority refunded revenue bonds on December 20, 2017, covering \$64.8 million of 2009 Series A tax exempt bonds. The previous interest rate on these bonds ranged from 4.25 percent to 5.5 percent. The refunding reduced the interest rates to 2.283 percent to 3.265 percent resulting in a total debt service savings of \$6.0 million. The savings includes \$2.2 million in FY2018. The Budget Office only included \$2.0 million in savings in FY2019 base. The actual savings in FY2019 is \$2.7 million or \$654,522 higher than targeted.

Historic Structures Tax Credit: The FY2009 Budget as Enacted authorized the issuance of \$356.2 million in debt to reimburse State revenues for redeemed historic tax credits. Based on program reviews the full \$356.2 million amount would not be required and only \$150.0 million of the debt was issued. The balance is issued as needed in succeeding fiscal years. Based on projections by the Office of Revenue Analysis, a new debt issuance is not anticipated until later in FY2019. Therefore the debt service cost for FY2019 is \$12.9 million, of which \$9.5 million reflects outstanding debt service payment and \$3.4 million reflects projected new debt service. This is \$18.2 million lower than the amount included in the FY2018 Budget as Enacted.

I-195 Land Acquisition Debt Service: Total principal issued on the I-195 Land Acquisition is \$38.4 million. And for the first 5 years, the debt service reflected interest only payments. Beginning in FY2019, the debt service includes a principal payment of \$1.4 million. The out-year principal payments are: \$1.5 million in FY2020, \$1.7 million in FY2021, \$1.8 million in FY2022, and a balloon payment of \$32.0 million in FY2023. Presently, the capital plan assumes that net proceeds from the I-195 District land sales will be available after FY2022 to offset the balloon payment in FY2023. However, if such proceeds are unavailable, the State can exercise an option and amortize the balance an additional 10 years.

Certificates of Participation (COPs)

(\$352,681)

The Budget includes \$26.3 million in general revenue to cover the debt service on seven projects financed through certificates of participation (COPs). This reflects a decrease of \$352,681 from the FY2018 Budget as Enacted. The largest adjustment, related to the School for the Deaf project, reflects the result of refunding certain certificates of participation that generated savings for FY2018 and FY2019.

Certificates of Participation	FY2018 Enacted	FY2019 Governor	Change
BHDDH - Power Plant	\$2.3	\$2.3	(\$0.0)
COPS - DCYF Training School	4.2	4.2	-
COPS - Energy Conservation	6.5	7.1	0.7
COPS - Kent County Courthouse	4.6	4.6	(0.0)
COPS - School for the Deaf	2.5	1.5	(1.0)
COPS - Technology	5.0	5.0	0.0
COPS - Traffic Tribunal - Debt Service	1.7	1.7	(0.0)
Total	\$26.6	\$26.3	(\$0.4)

\$ in millions

Totals may vary due to rounding

38 Studios Debt Service

Informational

The Budget excludes funding for the 38 Studios Debt service. On March 6, 2017, the Rhode Island Commerce Corporation lawsuit 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

FY	Principal	Interest	Total Debt Service	Capitalized Interest	State Appropriation	Settlements and Other Sources	Cumulative Paid Debt Service	Outstanding Debt Service
2011	\$0	\$2,639,958	\$2,639,958	\$2,639,958	\$0	\$0	\$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	2,369,295	63,244,855	49,342,234
2018	9,455,000	2,923,881	12,378,881	-	-	12,378,881	75,623,736	36,963,353
2019	10,190,000	2,162,639	12,352,639	-	-	12,352,638	87,976,375	24,610,714
2020	10,980,000	1,342,301	12,322,301	-	226,469	9,437,634	100,298,676	12,288,413
2021	11,830,000	458,413	12,288,413	-	12,288,413	-	112,587,089	-
Total	\$75,000,000	\$37,587,089	\$112,587,089	\$23,353,489	\$38,672,256	\$50,561,344		

Source: State Budget Office

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.

Energy Resources	Other Fund Changes
Regional Greenhouse Gas Initiative	(\$3,199,326)
2016 Energy Metrics Grant	(154,450)
Energy Efficiency and Resources Management Council	(126,632)
Reconciliation Funding	94,498

Regional Greenhouse Gas Initiative (restricted receipts) (\$3.2 million)

The Budget includes \$7.0 million in restricted receipts for grant awards as part of the Regional Greenhouse Gas Initiative (RGGI). This reflects a decrease of \$3.2 million from the FY2018 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 (CO₂) emissions from large fossil fuel-fired electric power plants to help address climate change. Central to this initiative is the implementation of a multi-state “cap-and-trade” program with a market-based emissions trading system. The reduction in funds were a result of the regional carbon market auctions. The annual RGGI proceeds fluctuate based upon the pricing from the quarterly competitive auctions with regulated energy users within New England and Mid-Atlantic States. OER received less revenues than in past RGGI auction program years.

2016 Energy Metrics Grant (federal) (\$154,550)

This item reflects 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 \$140,550, reflecting a decrease of \$154,550. The Office of Energy Resources plans on using the remaining federal energy metric grant funds by the end of 2018.

Energy Efficiency and Resources Management Council (restricted receipts) (\$126,612)

The Budget includes \$884,632 in restricted receipts for grant awards as part of the Energy Efficiency and Resource Management Council. This reflects a decrease of \$126,632 from the FY2018 Budget as Enacted. The Energy Efficiency and Resource Management Council funds were used less this past year, due to the use of limited, one-time federal funds from the federal Department of Energy that the Office of Energy Resources used for personnel costs.

Reconciliation Funding (restricted receipts) \$94,498

The Budget includes \$284,498 in restricted receipts 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. The request is \$94,498 more than the FY2018 Budget as Enacted. The Distributed Generation Board had to carry out additional study related services associated with the annual Renewable Energy Growth Program, which increased the use of reconciliation funds.

GENERAL

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

General	General Revenue
FY2018 Enacted	\$14,344,757
<i>Target and Other Adjustments</i>	-
Library Construction Aid	14,843
FY2019 Governor	\$14,359,600

Library Construction Aid \$14,843

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 FY2019, the Budget includes \$2.2 million, an increase of \$14,843 from the FY2018 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.

Human Resources	General Revenue
FY2018 Enacted	\$8,057,188
<i>Target and Other Adjustments</i>	
Personnel, Purchased Services, Operating, and Computers	(7,823,872)
Centralized Service Charges	1,040,941
FY2019 Governor	\$1,274,257

Personnel, Purchased Services, Operating, and Computers **(\$7.8 million)**

The Budget decreases personnel, purchased services, operating, and computer costs by \$7.8 million in general revenue, reflecting the decentralization of statewide services. These services were previously provided by and centralized in the Department of Administration. This budget proposes a statewide decentralization of these services which are now reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

Centralized Service Charges **\$1.3 million**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

Centralized Service Charges	Amount
Information Technology	\$9,760
Capital Asset and Management	-
Human Resources	1,264,497
Total	\$1,274,257

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 FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019, these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. There is a corresponding decrease within the Information Technology program reflecting programs the decentralization of statewide information technology services in the Department of Administration.

Information Technology	General Revenue
FY2018 Enacted	\$22,146,644
<i>Target and Other Adjustments</i>	
	(7,478)
Decentralized Service Charge Shift	(22,139,166)
Centralized Service Charges	1,470,255
FY2019 Governor	\$1,470,255

Information Technology	Other Fund Changes
Decentralized Service Charge Shift	(\$10,438,492)
Information Technology Investment Fund	648,405

Decentralized Service Charge Shift ***(\$22.1 million)***

The Budget decreases general revenue expenditures by \$22.1 million to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

Centralized Service Charges ***\$1.5 million***

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

Centralized Service Charges	Amount
Information Technology	\$1,470,255
Capital Asset and Management	-
Human Resources	-
Total	\$1,470,255

Decentralized Service Charge Shift (all funds) ***(\$10.4 million)***

The Budget decreases all fund expenditures by \$10.4 million to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. This reflects decreases of \$6.5 million in federal funds, \$2.7 million in other funds, and \$1.2 million in restricted receipts. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

Information Technology Investment Fund (restricted receipts) ***\$648,405***

The Budget includes \$10.2 million in restricted receipts for the Information Technology Investment Fund (ITIF), reflecting an increase of \$648,405 in restricted receipts from the FY2018 Budget as Enacted, and an increase of \$245,013 from the Governor's FY2018 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. 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 \$1.4 million annually for the ITIF.

In addition, Article 4 of the FY2018 Budget as Enacted established a new technology surcharge fee of \$1.50 per Division of Motor Vehicle (DMV) transaction. The fee funds the technology investment fund (RIGL 42-11-2.5) and is earmarked for the Division's computer system, Rhode Island Modernization System (RIMS). The surcharge increases the technology investment fund annually by \$2.2 million. The fee sunsets on June 30, 2022.

Each year the Department establishes a list of proposed and approved projects. For FY2018, this list consists of \$11.5 million in approved projects and \$18.0 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 \$21.2 million excluding obligations, approved projects, and approximately \$2.8 million in projected revenues. Excluding the proposed project costs, the Fund would have a balance of \$13.5 million at the end of FY2018. However, if the proposed project costs are included in the equation, the ending balance would be in deficit by \$4.6 million.

Between FY2018 and FY2023, there are \$11.5 million in total approved projects and \$33.9 million in total proposed projects. The projected revenue over the same period totals only \$19.6 million, illustrating that the need is greater than the revenues dedicated to the Fund.

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.

Information Technology Fund	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Total Approved Projects	(\$11,484,669)	(\$10,000)	(\$10,000)	(\$10,000)	(\$10,000)	\$0
Projected FY Beginning Balance	21,209,516	13,494,847	17,084,847	20,674,847	24,264,847	27,854,847
Estimated Sale of Property	170,000	-	-	-	-	-
E-911 Fees	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000
DMV \$1.50 Surcharge	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	-
Projected FY Ending Balance	\$13,494,847	\$17,084,847	\$20,674,847	\$24,264,847	\$27,854,847	\$29,254,847
Unfunded Proposed Projects	(\$18,039,453)	(\$6,501,666)	(\$4,259,666)	(\$2,316,666)	(\$2,241,666)	(\$491,666)

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.

Legal Services	General Revenue
FY2018 Enacted	\$2,170,956
<i>Target and Other Adjustments</i>	<i>89,687</i>
Legal and Clerical Contract Services	100,000
Centralized Service Charges	16,245
FY2019 Governor	\$2,376,888

Outside Legal Contract Services **\$100,000**

The Budget includes \$200,000 in general revenue for contracted professional services reflecting an increase of \$100,000 over the FY2018 Budget as Enacted. On June 30, 2017, the various collective

bargaining unit contracts expired. The Budget includes an additional \$100,000 for outside attorneys to handle the contract negotiations with these units.

Centralized Service Charges **\$16,245**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

Centralized Service Charges	Amount
Information Technology	\$16,245
Capital Asset and Management	-
Human Resources	-
Total	\$16,245

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.

Library and Information Services	General Revenue
FY2018 Enacted	\$1,479,475
<i>Target and Other Adjustments</i>	<i>57,255</i>
Interlibrary Delivery System	(138,889)
Centralized Service Charges	29,011
FY2019 Governor	\$1,426,852

Interlibrary Delivery System **(\$138,889)**

The Budget decreases \$138,889 in general revenue reflects historical spending trends and is not due to a decrease or elimination of services. RIGL 29-6-9 requires that the Office of Library and Information Services fund the Interlibrary Delivery System in its entirety.

Centralized Service Charges **\$29,011**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

Centralized Service Charges	Amount
Information Technology	\$29,011
Capital Asset and Management	-
Human Resources	-
Total	\$29,011

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.

Personnel Appeal Board	General Revenue
FY2018 Enacted	\$145,130
<i>Target and Other Adjustments</i>	<i>4,347</i>
FY2019 Governor	\$149,477

PERSONNEL AND OPERATIONAL REFORMS

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

Personnel and Operational Reforms	General Revenue
FY2018 Enacted	(\$30,080,124)
Personnel and Operating Savings	16,380,124
FY2019 Governor	(\$13,700,000)

Personnel and Operating Savings **\$16.4 million**

The Department of Administration has a centralized account for statewide unspecified 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. The FY2018 Budget as Enacted included \$30.1 million in statewide general revenue savings to be identified in the current fiscal year.

The Governor proposes FY2019 statewide savings of \$13.7 million in general revenue, reflecting decreased statewide savings of \$16.4 million (reflected as a positive number) as compared to the FY2018 Budget as Enacted. The unspecified savings are stated under the Department of Administration to be distributed to State agencies as part of the future FY2019 Revised Budget.

Personnel and Operating Reforms	FY2019 Projected Savings
RICAP Administrative Indirect Cost Recovery	(\$3,700,000)
Waste and Fraud Detection System	(3,500,000)
Contract Savings	(3,000,000)
Workers Compensation Privatization Savings (State Share)	(1,250,000)
Insurance Cost Savings	(1,000,000)
Carry-over of FY2018 \$25.0 m Savings	(900,000)
Prompt Payment Discounts	(350,000)
Total	(\$13,700,000)

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. As part of the FY2019 budget, the Governor transfers the Water Resources Board functions and 3.0 FTE positions from the Division of Planning to the Division of Public Utilities and Carriers.

Planning	General Revenue
FY2018 Enacted	\$1,271,483
<i>Target and Other Adjustments</i>	
Personnel Funding Shift	(476,984)
Water Resources Board Transfer	(409,139)
Centralized Service Charges	112,993
FY2019 Governor	\$498,353

Planning	Other Fund Changes
State Transportation Planning Match	\$491,157

Personnel Funding Shift **(\$476,984)**

The Budget reflects a shift of gas tax revenues to the Department of Administration to fund a portion of the Division of Planning's activities. As part of the \$25.0 million general revenue savings included in the enacted budget, the Governor proposes having the Department of Transportation (DOT) provide the state match for federal highway funds that Planning receives to the Metropolitan Planning Organization as required by FHWA. DOT will provide approximately \$500,000 from Gas Tax per year for 3-years resulting in \$476,984 in general revenue savings

Personnel and Operating Transfer **(\$409,139)**

The Governor transfers the Water Resources Board functions and 3.0 FTE positions from the Division of Planning to the Division of Public Utilities and Carriers. Article 3, Section 12 through 15 authorizes the transfer, as well as to amend general law to transfer the responsibilities of administering the Big River Management Area from the Water Resources Board to the Department of Administration. The transfer of the Board also transfers the funding source of the Water Resources Board from general revenue to restricted receipts.

Analyst Note: The Governor's Budget amendment dated January 25, 2018, makes technical corrections to section 13 regarding the transfer of the Water Resources Board. The drafting of the original article used outdated general law language. The amendment uses the current law language and removes items that were older law language that was inadvertently added back into the proposed article.

Centralized Service Charges**\$112,993**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

Centralized Service Charges	Amount
Information Technology	\$112,993
Capital Asset and Management	-
Human Resources	-
Total	\$112,993

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.

Purchasing	General Revenue
FY2018 Enacted	\$2,630,843
<i>Target and Other Adjustments</i>	<i>(48,917)</i>
Centralized Service Charges	239,715
FY2019 Governor	\$2,821,641

Centralized Service Charges**\$239,715**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

Centralized Service Charges	Amount
Information Technology	\$239,715
Capital Asset and Management	-
Human Resources	-
Total	\$239,715

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.

Rhode Island Health Benefits Exchange (HealthSource RI)	General Revenue
FY2018 Enacted	\$2,625,841
<i>Target and Other Adjustments</i>	-
Contract Services 10.0 Percent Cost Reduction	(262,000)
FY2019 Governor	\$2,363,841

Rhode Island Health Benefits Exchange (HealthSource RI)	Other Fund Changes
Rhode Island Health Benefits Exchange - restricted receipts	(\$1,053,632)
Rhode Island Health Benefits Exchange - federal	Informational

Contract Services **(\$262,000)**

The Governor includes \$2.4 million in general revenue for contract services, a decrease of \$262,000 from the FY2018 Budget as Enacted for the Rhode Island Health Benefit Exchange (HealthSource RI). The decrease reflects a 10.0 percent target reduction on contractual services consistent with the budget requirement established by the Department of Administration. HealthSource RI has four management consultants and the total program budget request was \$2,625,841. This reduces the amount available to \$2,363,841.

Rhode Island Health Benefits Exchange (restricted receipts) **(\$1.0 million)**

The Budget includes \$5.8 million in restricted receipts from the Health Reform Assessment authorized under the FY2016 Budget as Enacted. This reflects a decrease of \$1.0 million from the FY2018 Budget as Enacted, of which personnel costs decrease \$993,188 and contract services decrease \$232,349. These are offset by an increase of \$160,355 in operating costs (\$63,165 reflects centralized service charges) and \$11,550 for computers. 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.

Analyst Note: According to the Budget Office these restricted receipts decreases are wrong and that a budget amendment will be prepared to state the correct amounts. However, the Budget Office did not provide any further detail on this matter.

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

The Budget includes \$138,089 in federal funds for Rhode Island Health Benefits Exchange for FY2019, fairly consistent with the FY2018 Budget as Enacted level, but reflecting a decrease of \$4.1 million from the Governor's recommended FY2018 Revised Budget. 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 FY2019 will fund only personnel costs for one FTE position. Through to the FY2018 Budget as Enacted, the design, development, and implementation of HealthSource RI has been funded with \$139.0 million in federal grants.

HealthSource RI	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Enacted	FY2018 Revised	FY2019 Governor	Total
Federal Funds	\$21.8	\$47.3	\$48.5	\$17.6	\$3.7	\$0.1	\$4.3	\$0.1	\$139.0
Restricted Receipts	-	-	-	2.8	5.5	6.8	6.0	5.8	26.9
Total	\$21.8	\$47.3	\$48.5	\$20.4	\$9.2	\$6.9	\$10.3	\$5.9	\$165.9

\$'s in millions

OFFICE OF DIVERSITY, EQUITY, AND OPPORTUNITY

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

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 Office of Diversity, Equity, and Opportunity	General Revenue
FY2018 Enacted	\$1,282,250
<i>Target and Other Adjustments</i>	<i>(28,888)</i>
FY2019 Governor	\$1,253,362

CAPITAL PROJECTS

The Governor includes \$38.8 million in RICAP funds for various capital projects in FY2019. Significant projects include:

- \$16.9 million in RICAP funds for various projects at the Pastore Center in Cranston, including \$11.8 million for the consolidation of hospitals, \$5.1 million in RICAP funds to renovate various structures at the Center, and \$1.3 million for electrical upgrades.
- \$7.2 million in RICAP fund to renovate 50 Branch Avenue in Providence. The structure is presently occupied by the Board of Elections. The Governor proposes to renovate the structure and move in the State Medical Examiner's Office.
- \$2.7 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.
- \$500,000 in FY2018 and in FY2019 for the Cranston Street Armory stabilization project.
- \$1.0 million in RICAP funds in FY2018 and in FY2019 for the Chapin Health Laboratory. The structure requires renovations and updates to the HVAC and electrical systems that provide insufficient service.

Department of Business Regulation

Expenditures By Program	FY2017	FY2018	FY2018	Change from		FY2019	Change from		
	Actual	Enacted	Governor	Enacted	Enacted	Governor	Enacted	Enacted	
Central Management	\$1.3	\$1.3	\$2.1	\$0.8	61.2%	\$2.2	\$0.9	70.7%	
Banking Regulation	1.5	1.8	1.7	(0.1)	-7.8%	1.9	0.1	5.7%	
Securities Regulation	0.9	1.0	1.0	(0.0)	-2.2%	1.0	0.0	1.9%	
Insurance Regulation	4.9	5.8	5.8	0.0	0.5%	5.9	0.1	2.0%	
Board of Accountancy	0.0	0.0	0.0	-	0.0%	0.0	-	0.0%	
Commercial Licensing, Gaming, and Athletics Licensing	2.1	2.7	2.6	(0.0)	-0.9%	3.3	0.6	23.5%	
Boards for Design Professionals	0.4	0.4	-	(0.4)	-100.0%	-	-0.4	-100.0%	
Building and Design Professionals	-	-	0.3	0.3	-	7.9	7.9	-	
Office of Health Insurance Commissioner	3.1	2.7	2.7	0.0	0.4%	2.4	-0.3	-12.7%	
Total	\$14.1	\$15.6	\$16.2	\$0.6	3.9%	\$24.5	\$8.9	57.2%	
Expenditures By Source									
General Revenue	\$9.9	\$10.8	\$11.0	\$0.1	1.3%	\$17.2	\$6.4	58.7%	
Federal Funds	\$1.6	\$0.9	\$1.0	\$0.2	17.6%	\$0.9	\$0.0	0.0%	
Restricted Receipts	2.6	3.9	4.2	0.3	7.9%	6.4	2.5	64.3%	
Other Funds	-	-	-	-	-	0.1	0.1	-	
Total	\$14.1	\$15.6	\$16.2	\$0.6	3.9%	\$24.5	\$8.9	57.2%	
Authorized FTE Levels	100.0	101.0	106.0	5.0	5.0%	170.0	69.0	68.3%	

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

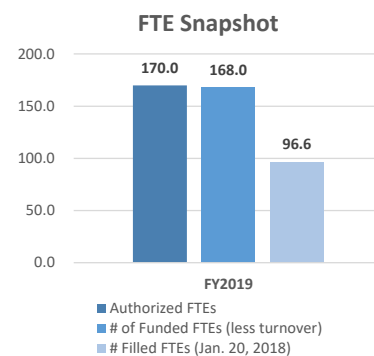
The Department of Business Regulation (DBR) implements state laws mandating the regulation and licensing of designated businesses, professions, occupations and other specified activities. The Department is composed of seven programs: Central Management, Banking Regulation, Securities Regulation, Commercial 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 FY2019

The FY2019 Budget includes an all funds increase of \$8.9 million, or 57.2 percent from the FY2018 Budget as Enacted. The Budget also includes a \$6.4 million increase in general revenue expenditures as compared to the enacted level. These increases are primarily related to the transfer of several regulatory programs to the DBR from other State agencies as well as a shift in centralized services expenses.

The Governor recommends regulatory reorganizations in FY2019 that impact the DBR. The first is proposed under Article 6 and involves the transfer of regulatory and oversight responsibilities for 14 categories of professional licensing from the Department of Health (DOH) to the DBR. This initiative is supported with \$195,068 and 2.0 FTEs who will move from DOH to DBR.

The Governor also creates a new Division of Building, Design, and Fire Professionals at the DBR. This effort involves transferring the State Fire Marshal from the Department of Public Safety and the Division of Construction Permitting, Approvals, and Licensing from the Department of Administration to the DBR and consolidating it with the existing Boards of Design Professionals. The new Division has an all-funds budget of \$7.9 million in FY2019 and 62.0 FTEs.



The Budget also reflects a \$421,628 decrease in federal funds reflecting the expiration of OHIC's federal Health Insurance Enforcement and Consumer Protection grant.

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.

Central Management	General Revenue
FY2018 Enacted	\$1,296,420
<i>Target and Other Adjustments</i>	<i>43,785</i>
Centralized Services Changes	873,022
FY2019 Governor	\$2,213,227

Centralized Service Charges **\$873,022**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$360,447
Capital Asset and Management	367,455
Human Resources	145,120
Total	\$873,022

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.

Banking Regulation	General Revenue
FY2018 Enacted	\$1,743,062
<i>Target and Other Adjustments</i>	<i>(67,361)</i>
Personnel	145,024
FY2019 Governor	\$1,820,725

Personnel **\$145,024**

The Budget authorizes 2.0 Bank Examiner FTE positions and \$145,024 of general revenue to support the additional salary and benefit costs. The positions will help the Department conduct the statutorily required exams and investigations to protect consumers from institutional insolvency. Bank examiners charge an institution for the time spent working directly on its examination and regulatory reviews. The two examiners are expected to be hired in late FY2018 and are estimated each to bring in \$94,770 in general revenue, for a total of \$189,540 FY2019.

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.

Securities Regulation	General Revenue
FY2018 Enacted	\$974,364
<i>Target and Other Adjustments</i>	
	18,457
FY2019 Governor	\$992,821

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.

Insurance Regulation	General Revenue
FY2018 Enacted	\$3,925,436
<i>Target and Other Adjustments</i>	
	-
Personnel	(71,687)
Centralized Services Changes	18,360
FY2019 Governor	\$3,872,109

Personnel **(\$71,687)**

The Governor includes \$3.7 million in general revenue for personnel within the Division of Insurance Regulation, a reduction of \$71,687 in expenditures for FY2019 as compared to the FY2018 Budget as Enacted. This reflects \$86,256 in additional turnover savings, \$91,324 in funding for the addition of 1.0 Insurance Examiner FTE position, and a net reduction of \$76,755 in other salary and benefit expenditures. The Division indicates that the new examiner is required to meet its statutorily-mandated examination schedule. Examiners bill regulated insurance entities directly for their time. The additional position is projected to generate \$94,770 in new revenue.

Centralized Service Charges **\$18,360**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$18,360
Capital Asset and Management	-
Human Resources	-
Total	\$18,360

BOARD OF ACCOUNTANCY

The Board of Accountancy is an autonomous board that is responsible for the licensing of certified public accountants, public accountants, partnerships, corporations, and sole proprietorships. It processes applications and fees, and issues initial certificates and permits to regulated businesses, occupations and professions. The Board of Accountancy is 100.0 percent financed with general revenues. The FY2015 Budget as Enacted eliminated the sole Administrative Aide position for the program. Administrative

responsibilities are assigned to other staff as needed. The remaining funds in the program support operating costs, such as national Certified Public Accountant (CPA) Society dues, legal expenses, and printing and mailings.

Board of Accountancy	General Revenue
FY2018 Enacted	\$6,000
<i>Target and Other Adjustments</i>	
	<i>0</i>
FY2019 Governor	\$6,000

COMMERCIAL LICENSING, RACING AND ATHLETICS

Commercial Licensing, Racing and Athletics (CLRA) 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.

Commercial Licensing and Gaming and Athletics	General Revenue
FY2018 Enacted	\$893,038
<i>Target and Other Adjustments</i>	
	<i>0</i>
Transfer of Professional Licensing and Oversight from DOH to DBR	195,068
FY2019 Governor	\$1,088,106

Commercial Licensing and Gaming and Athletics	Other Fund Changes
Medical Marijuana Personnel	\$416,272

Transfer of Professional Licensing and Oversight from DOH to DBR ***\$195,068***

The Budget shifts \$195,068 in general revenue funding from the Department of Health (DOH) to the DBR along with 2.0 FTE positions to support the Governor's proposal to transfer administration of several professional license categories.

The DOH's Center for Professional Licensing, Boards, and Commissions is responsible for the oversight, certification, and oversight of an array of professionals. Article 6 shifts this work for a set of specific fields to the Commercial Licensing subprogram at the DBR. These include barbers, hairdressers, cosmeticians, manicurists, estheticians, opticians, speech pathologists, audiologists, interpreters of the deaf, hearing aid dealers and fitters, electrologists, funeral directors and embalmers, music therapists, and athletic trainers. To support this work 1.0 Beauty Shop Inspector and 1.0 Health Services Licensing Aid II will move from the DOH to the DBR.

Medical Marijuana Personnel (restricted receipts) ***\$416,272***

Article 17 of the Budget proposes an expansion of the State's' medical marijuana program, including increasing the number of compassion center dispensaries and the creation of a series of new licenses related to the manufacture, testing, transport, disposal, and other activities. To support this work the Budget includes \$416,272 in additional personnel costs associated with a new 1.0 Legal Counsel FTE position, 3.0 Licensing Aid FTE positions, and 1.0 Administrative Officer FTE position.

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.

Boards of Design Professionals	General Revenue
FY2018 Enacted	\$362,455
<i>Target and Other Adjustments</i>	-
Personnel and Operating Transfer	(362,455)
FY2019 Governor	\$0

Personnel and Operating Transfer **(\$362,455)**

The Governor transfers \$362,455 in general revenue and 3.0 FTEs (2.0 Administrative Assistants and 1.0 Administrative Support Specialist) from the Boards of Design Professionals (BDP) program to a newly proposed Division of Building, Design, and Fire Professionals (BDFP) within DBR.

Article 3 of the Budget consolidates various regulatory functions related to the construction and building industry that currently located in different State agencies and places them in the DBR.

DIVISION OF BUILDING, DESIGN, AND FIRE PROFESSIONALS

The Governor proposes the creation of a new Division of Building, Design, and Fire Professionals (BDFP) within the DBR. The new division would be formed by consolidating the disparate programs across State agencies that have regulatory oversight over various licensed professionals, permitting, and safety aspects of the building and construction industry.

Article 3 of the Budget reorganizes portions of three State agencies for the stated purpose of providing a single point of contact for building officials seeking state authorization related to their profession or projects. The programs to be consolidated include the Boards of Design Professionals at the DBR; the Construction Permitting, Approvals, and Licensing (CPAL) program at the Department of Administration; and the State Fire Marshal's Office at the Department of Public Safety. The new division would include 62.0 FTE positions.

	FTE Transfers
Program	FTEs
Boards of Design Professionals	3.0
CPAL Transfer	23.0
Fire Marshal Transfer	36.0
Total	62.0

Building, Design, and Fire Professionals	General Revenue
FY2018 Enacted	\$0
<i>Target and Other Adjustments</i>	(287,732)
Fire Marshal Transfer	3,669,361
CPAL Transfer	1,790,975
Boards of Design Professionals Consolidation	362,455
FY2019 Governor	\$5,535,059

Fire Marshal Transfer **\$3.7 million**

Article 3 moves the State Fire Marshal from the Department of Public Safety to the DBR. This includes \$3.7 million in general revenue and 36.0 FTE positions.

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.

CPAL Transfer**\$1.8 million**

Under Article 3 the Governor transfers \$1.8 million in general revenue and 26.0 FTE positions from the Division of Construction Permitting, Approvals, and Licensing to the new BDFP division at DBR. CPAL consists of the following independent boards:

- State Building Code Commission
- Contractor's Registration Board
- Fire Safety Code Board of Appeal

Boards of Design Professionals Consolidation**\$362,455**

The Budget shifts \$362,455 in general revenue funding and 3.0 FTE positions from the existing Board of Design Professionals to the new BDFP. The program includes the following independent boards:

- Board of Registration for Professional Engineers
- Board of Registration for Professional Land Surveyors
- Board of Examiners of Landscape Architects
- Board of Examination and Registration for Architects

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.

Office of the Health Insurance Commissioner	General Revenue
FY2018 Enacted	\$1,614,318
<i>Target and Other Adjustments</i>	
	23,986
FY2019 Governor	\$1,638,304
Office of the Health Insurance Commissioner	Other Fund Changes
Health Insurance Enforcement and Consumer Protection Grant	(\$421,628)
RIREACH Medicaid Match	70,000

Health Insurance Enforcement and Consumer Protection Grant (federal funds) (\$421,628)

The Budget reflects a \$421,628 reduction in federal funds associated with the expiration of OHIC federal Health Insurance Enforcement and Consumer Protection Grant (HIECP).

The HIECP grant supports OHIC oversight of the State's health insurance system to protect against discrimination, ensure that preventative health services coverage, and to ensure parity for mental health and substance abuse benefits. Awarded in 2016, the original \$1.1 million grant is set to expire in October 2018. OHIC intends to request an extension on the grant in April 2018, the earliest permissible time.

RIREACH Medicaid Match (federal funds)**\$70,000**

The Budget includes a \$70,000 increase in federal funds in anticipation of OHIC receiving an approval on its request for a federal Medicaid match on RIREACH general revenue expenditures. RIREACH is OHIC's

consumer assistance program and provides a live consumer advocacy hotline answering consumer health insurance questions as well as guidance and support. The program also assists in processing insurance complaints and coverage appeals.

According to OHIC, it has been pursuing federal Medicaid matching funds for what has historically been a program funded solely by general revenues. OHIC's RIREACH vendor, the Rhode Island Information Network (RIPIN), has been regularly submitting monthly Medicaid-beneficiary-related documentation to the Executive Office of Health and Human Services, which estimates that at least \$70,000 worth of expenses are valid and sustainable.

Department of Labor and Training

Expenditures By Program	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$1.0	\$2.5	\$2.5	\$0.1	2.9%	\$1.7	(\$0.8)	-32.7%
Income Support	371.3	379.5	382.5	3.0	0.8%	388.5	9.0	2.4%
Injured Workers Services	8.2	8.7	7.8	(0.9)	-10.5%	9.3	0.6	7.2%
Labor Relations Board	0.4	0.4	0.4	-	0.0%	0.4	-	0.0%
Workforce Development Services	39.1	36.0	52.3	16.3	45.1%	50.6	14.6	40.5%
Workforce Regulation and Safety	1.8	2.8	3.0	0.2	6.4%	3.6	0.8	28.5%
Total	\$421.9	\$429.9	\$448.5	\$18.6	4.3%	\$454.1	\$24.2	5.6%

Expenditures By Source								
General Revenue	\$7.0	\$8.1	\$9.0	\$0.9	11.0%	\$9.7	\$1.6	19.8%
Federal Funds	43.9	36.9	51.4	14.4	39.1%	40.9	4.0	10.8%
Restricted Receipts	22.0	24.3	30.6	6.3	25.9%	40.0	15.7	64.4%
Other Funds	349.0	360.6	357.5	(3.0)	-0.8%	363.5	3.0	0.8%
Total	\$421.9	\$429.9	\$448.5	\$18.6	4.3%	\$454.1	\$24.2	5.6%

Authorized FTE Levels	409.5	428.7	428.7	-	0.0%	428.7	-	0.0%
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\$ in millions. Totals may vary due to rounding.

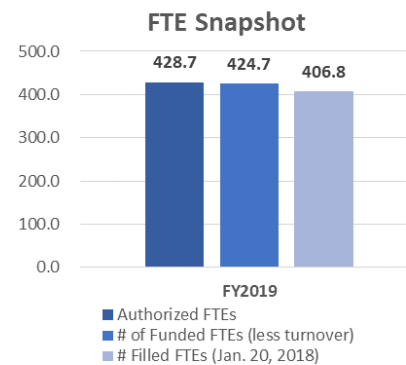
The Department of Labor and Training is charged with providing an array of employment and training services to Rhode Islanders and administering the laws pertaining to workforce regulation, safety and labor law enforcement. The Department consists of six divisions: Central Management, Income Support,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

MAJOR ISSUES AND TRENDS FOR FY2018 AND FY2019

The Governor proposes Article 11, which codifies the Real Jobs Rhode Island (RJRI) program into law and provides alternative funding sources for the program. The article includes a change to the Job Development Assessment, the change would allow the Department to divert an amount, up to the Employment Security Fund's investment earnings for the prior year, to the Job Development Fund during the next calendar year. The Governor adds \$7.0 million in restricted receipts from this change. The Governor also includes an additional \$450,000 in general revenue to help provide continuous funding to RJRI.

The increase in general revenue is also associated with an additional \$400,000 for Opioid Support Employment within workforce development services. These funds will be used to help residents recovering from opioid addiction gain access to supportive employment services offered by the Governor's Workforce Board.

The federal funds increase, occurring mostly within the Income Support program, is due to the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.



The Budget authorizes 428.7 FTE positions in FY2018 and FY2019, consistent with the FY2018 Enacted levels.

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.

Central Management	General Revenue
FY2018 Enacted	\$134,315
<i>Targets and Other Adjustments</i>	
Centralized Service Charges	(34,951)
FY2019 Governor	\$720,670
Centralized Service Charges	\$621,306

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$191,839
Capital Asset and Management	305,844
Human Resources	123,623
Total	\$621,306

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.

Income Support	General Revenue
FY2018 Enacted	\$4,046,748
<i>Targets and Other Adjustments</i>	
Police and Firefighters Relief Fund	3,256
Unemployment Insurance Benefit Statistics	(112,305)
FY2019 Governor	Informational
	\$3,937,699
Income Support	Other Funds
Centralized Service Charges (federal funds)	\$5,727,517
Police and Firefighters' Relief Fund	(\$112,305)

The Budget decreases general revenue by \$112,305 for Police and Firefighters' annuity and tuition benefits, reflecting a decline in the need of services. This reflects a decrease of \$37,322 in tuition benefits paid to the families of deceased or injured police officers and firefighters, and a decrease of \$74,983 in annuity benefit payments.

	FY2018 Enacted	FY2019 Governor	Change
Police Officers' Relief Fund			
Police Officer Annuities	\$805,980	\$774,000	(\$31,980)
Tuition Benefits	197,669	180,000	(17,669)
Supplemental Pension	-	-	-
Total	\$1,003,649	\$954,000	(\$49,649)
Firefighters' Relief Fund			
Firefighter Annuities	\$2,509,003	\$2,466,000	(\$43,003)
Tuition Benefits	428,636	408,983	(19,653)
Supplemental Pension	-	-	-
Total	\$2,937,639	\$2,874,983	(\$62,656)
Grand Total	\$3,941,288	\$3,828,983	(\$112,305)

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.

Centralized Service Charges (federal funds)

\$5.7 million

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and centralized in the Department of Administration. These accounts include accounts for information technology, capital asset management and maintenance, and human resources. Decentralization charges were processed across all funds as applicable throughout the Department.

Centralized Service Charges	Amount
Information Technology	\$2,839,341
Capital Asset and Management	2,397,232
Human Resources	490,944
Total	\$5,727,517

Unemployment Insurance Benefit Statistics

Informational

Rhode Island currently ranks among the top 21 highest UI benefits paid nationally, and has the third highest average UI benefits paid in New England.

12 Months Ending 3rd Quarter 2017 Average UI Benefits Paid				12 Months Ending 3rd Quarter 2017 Average Weekly UI Benefits Paid			
State	Amount	New England	National	State	Amount	New England	National
Massachusetts	\$8,446	1	1	Massachusetts	\$505.34	1	2
Connecticut	6,335	2	9	Connecticut	390.14	2	14
Rhode Island	5,217	3	21	Rhode Island	352.39	3	22
Vermont	4,434	4	29	Vermont	353.99	4	25
Maine	4,146	5	32	New Hampshire	324.64	5	28
New Hampshire	3,955	6	34	Maine	323.68	6	30

Source: US Dept. of Labor/UI Data Summary

Source: US Dept. of Labor/UI Data Summary

As of July 1, 2017

Maximum Weekly UI Benefit			
State	Amount	New England	National
Massachusetts	\$742	1	1
Connecticut	616	2	4
Rhode Island	566	3	8
Vermont	466	4	17
New Hampshire	427	5	28
Maine	418	6	31

Source: US Dept. of Labor

As of July 1, 2017

Maximum Weekly UI Benefit with Dependents Allowance			
State	Rate	New England	National
Massachusetts	\$1,103	1	1
Rhode Island	707	2	3
Connecticut	691	3	4
Maine	627	4	7
Vermont*	466	5	23
New Hampshire*	427	6	31

* 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.

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.

Labor Relations Board	General Revenue
FY2018 Enacted	\$397,335
<i>Targets and Other Adjustments</i>	<i>(10,566)</i>
Centralized Service Charges	17,651
FY2019 Governor	\$404,420
Centralized Service Charges	\$17,651

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and centralized in the Department of Administration. These accounts include accounts for information technology, capital asset management and maintenance, and human resources.

Centralized Service Charges	Amount
Information Technology	\$17,651
Capital Asset and Management	
Human Resources	
Total	\$17,651

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.

Workforce Development Services	General Revenue
FY2018 Enacted	\$704,517
<i>Targets and Other Adjustments</i>	
Real Jobs Rhode Island	450,000
Opioid Support Employment	400,000
Centralized Service Charges	22,681
Governor's Workforce Board	Informational
FY2019 Governor	\$1,577,198

Real Jobs Rhode Island **\$450,000**

The Governor includes \$450,000 in general revenue for the Real Jobs Rhode Island (RJRI) program. The program, now in its fourth year of operating, has served over 325 employers and 2,100 workers by investing in sector-based intermediaries who serve as RJRI Partners and enabling them to design and implement their own initiatives to serve their industry's needs. This funding was previously associated with the Jobs Training Tax Credit which the Governor recommends repealing due to lack of interest and use. The Governor then recommends that this funding be redirected to RJRI to help provide increased funding for the program.

Opioid Support Employment **\$400,000**

The Governor includes \$400,000 in general revenue to provide assistance to Rhode Islanders in recovery for opioid addiction. The Department and the Governor's Workforce Board are working with the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals to develop a program to provide job training and career pathways assistance to recovering addicts. Services that will be provided by the program are not yet finalized but could include case management services, such as assistance with housing and legal matters, which will likely be provided by a contracted vendor as well as creating agreements with employers participating in workforce development services to accept trainee referrals for recovering addicts.

Centralized Service Charges **\$22,681**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and centralized in the Department of Administration. These accounts include accounts for information technology, capital asset management and maintenance, and human resources.

Centralized Service Charges	Amount
Information Technology	\$22,681
Capital Asset and Management	
Human Resources	
Total	\$22,681

Governor's Workforce Board **Informational**

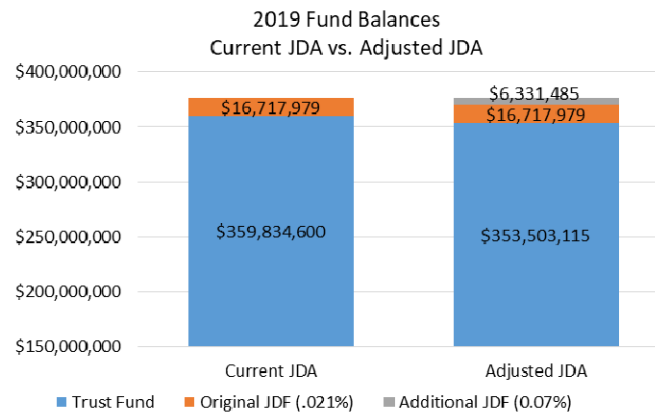
The Governor's Workforce Board (GWB) was created by the General Assembly in 2011 to be the lead coordinator for all workforce development efforts in the State. In 2015 the Governor created the Real Jobs Rhode Island (RJRI) program, through which employers partner with the GWB to create their own workforce development programs based on their specific needs. Article 11 of the Governor's Budget codifies the RJRI program into law.

Article 11 also includes an adjustment to the Job Development Assessment, since 1989 Rhode Island employers have paid a Job Development Assessment (JDA) to support workforce development activities.

The JDA is collected with the State's payroll and unemployment insurance taxes and has been altered over the years the by the legislature.

The adjusted JDA allows the Department to divert an amount, up to the Employment Security Fund's investment earnings for the prior calendar year, to the Job Development Fund (JDF) during the next calendar year. This adjustment would hold both employers and employees harmless as it does not increase employer's total unemployment tax liability but rather alters where the funds are deposited. Less money would be deposited into the Employment Security Trust Fund and more would be directed towards the Job Development Fund. The amount of revenues deposited into the JDF would vary each year based on the amount of interest earned by the UI Trust Fund.

The adjusted job development assessment would be computed by dividing the amount of interest earned by the Employment Security Fund in the prior calendar year by 110.0 percent of the taxable wages in the prior calendar year and adding this percentage to the base job development assessment (currently 0.21 percent). The new adjusted job development assessment would be in effect during the next ensuing calendar year.



*Based on estimated figures.
Totals may vary due to rounding*

Analyst Note: The Governor included an additional \$7.0 million in the Budget due to the change in the JDA formula, based on the interest earned by the Employment Security Fund in 2017. The Senate Fiscal Office estimated an additional \$6.3 million, based on the methodology included in the legislation and information provided by the Department.

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.

Workforce Regulation and Safety	General Revenue
FY2018 Enacted	\$2,811,148
<hr/>	
<i>Targets and Other Adjustments</i>	<i>(113,597)</i>
Centralized Service Charges	202,640
Personnel	150,571
FY2019 Governor	\$3,050,762

Centralized Service Charges **\$202,640**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and centralized in the Department of Administration. These accounts include accounts for information technology, capital asset management and maintenance, and human resources.

Centralized Service Charges	Amount
Information Technology	\$202,640
Capital Asset and Management	
Human Resources	
Total	\$202,640

Personnel**\$150,571**

The Budget increases personnel costs by \$150,571 to provide funding for 4.6 new FTE positions within the authorized levels, 3.0 Labor Standards Examiners, and 1.6 Prevailing Wage Investigators. By adding additional positions the Department will be able to reduce the number of caseloads each investigator oversees, and reduce the time it takes to process a case. New cases are filed daily and there are not enough investigators to address them in a timely manner, leading to an increase in the time it takes to process a case and a decrease in the level of customer service the Department is able to provide to the filer. The Budget also includes an additional \$558,142 in restricted receipts to fund the new FTE positions as the cost of investigators within the unit's labor standards division is shared between general revenue and restricted receipts

CAPITAL PROJECTS

The Budget includes a total of \$4.5 million in capital projects from FY2019 through FY2023, including \$750,000 in FY2019. In FY2018 the Budget included \$1.6 million in RICAP funds for the replacement of concrete walkways throughout the Department's buildings in the Pastore Complex, roof replacements in three of the Department's connecting buildings, and the initial steps of replacing the Donley fire alarm system. Major items for FY2019 include final replacement of the Donley fire alarm system, and addressing the drainage issue the Department faces which causes flooding and structural problems.

Department of Revenue

Expenditures By Program	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted	Enacted	Governor	Enacted	Enacted
Director of Revenue	\$1.3	\$1.2	\$2.0	\$0.8	60.6%	\$2.1	\$0.9	72.3%
Division of Collections	-	-	-	-	-	0.6	0.6	-
Lottery Division	350.4	375.0	370.2	(4.8)	-1.3%	400.2	25.1	6.7%
Municipal Finance	2.9	3.1	2.9	(0.2)	-5.9%	2.2	(0.9)	-30.0%
Office of Revenue Analysis	0.7	0.8	0.7	(0.1)	-8.1%	0.9	0.1	12.1%
Registry of Motor Vehicles	25.1	23.5	29.3	5.8	24.9%	30.3	6.8	29.2%
State Aid	65.9	95.4	94.0	(1.5)	-1.5%	115.8	20.3	21.3%
Taxation	25.1	26.3	25.5	(0.8)	-2.9%	30.4	4.1	15.7%
Grand Total	\$471.4	\$525.4	\$524.7	(\$0.7)	-0.1%	\$582.5	\$57.1	10.9%
Expenditures By Source								
General Revenue	\$110.8	\$143.6	\$148.0	\$4.4	3.0%	\$177.3	\$33.7	23.4%
Federal Funds	3.1	1.6	1.5	(0.1)	-5.1%	2.1	0.5	34.6%
Restricted Receipts	6.0	4.0	3.9	(0.1)	-1.6%	2.1	(1.9)	-47.9%
Other Funds	351.4	376.2	371.3	(4.9)	-1.3%	401.0	24.8	6.6%
Total	\$471.4	\$525.4	\$524.7	(\$0.7)	-0.1%	\$582.5	\$57.1	10.9%
Authorized FTE Levels	523.5	533.5	529.5	(4.0)	-0.7%	612.5	79.0	14.8%

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

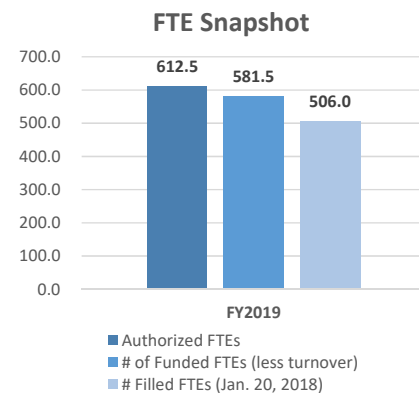
The Department of Revenue (DOR) was created as a separate department within the Executive branch of government as part of the FY2007 Budget as Enacted. The Department is headed by a Director who is appointed by the Governor and subject to the advice and consent of the Senate. The Department has seven 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 FY2018 AND FY2019

The Budget includes total funding of \$582.5 million for DOR, a 10.9 percent increase over the FY2018 Budget as Enacted (\$57.1 million), including a general revenue increase of \$33.7 million.

The increase in general revenue is primarily associated with funding the second year of the Motor Vehicle Excise Tax Phase Out program. The Budget includes the \$36.0 million enacted base funding and \$18.7 million for the next year of the phase out.

The Governor recommends 79.0 new FTE positions, 14.8 percent more than authorized. This significant increase is associated with several major initiatives across the Department. The positions include 32.0 FTE positions to implement the federally mandated Real ID compliance, 23.0 FTE positions required to operate the Tiverton Casino, 22.0 FTE positions in Taxation to support enhanced revenue collections, and 7.0 FTE positions to staff the proposed Division of Collections. The elimination of 3.0 FTE positions in the Municipal Finance Division and 1.0 FTE position in the Lottery Division partially offset personnel increases in FY2019.



- Twin River Tiverton:** The new Twin River Casino in Tiverton is slated to open in September 2018. To support the personnel, operating, and security services that need to be in place upon the opening, the Budget includes \$4.4 million in lottery funds.

- **Real ID:** The Registry of Motor Vehicles begins implementation of the federal Real ID standards in FY2019. Real ID is a minimum security standard for the issuance of driver's licenses and state-issued identification cards mandated by Congress. The Budget includes \$2.1 million and 32.0 new FTE positions to support the rollout of the initiative and an additional \$728,828 for operating.
- **Reorganization of Division of Taxation:** DOR has developed and is implementing a strategic modernization and reorganization plan to better position Taxation to capitalize on efficiencies made possible by the new STAARS integrated tax system. The Division is working on better collaboration among audit, field agents, legal staff, and data analytics to identify revenue enhancements. The Budget includes \$3.4 million to support the personnel, operating, and contract services of the reorganization.
- **Division of Collections:** Article 4 of the Budget establishes a new Division within the Department of Revenue for the purpose of assisting state agencies in the collection of delinquent debt owed to the State. The unit will contract with State agencies to transfer outstanding debt to DOR, where revenue experts will focus on improving collection rates. A 12.0 percent assessment will be imposed to offset collection costs. The Budget includes \$483,069 to fund the unit's 7.0 FTE positions.

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.

Director of Revenue	General Revenue
FY2018 Enacted	\$1,244,266
<i>Target and Other Adjustments</i>	
Centralized Service Charges	768,839
Personnel	131,355
FY2019 Governor	\$2,144,460

Centralized Service Charges **\$768,839**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$0
Capital Asset and Management	-
Human Resources	768,839
Total	\$768,839

Personnel Expenses **\$131,355**

The Governor recommends \$1.4 million for personnel costs within the Director of Revenue's office, an increase of \$131,355, or 10.7 percent, over the enacted level. This net increase includes \$186,958 of increased wage and benefit costs associated with all upcoming step increases and planning values for the office's 11.0 FTEs based on and \$73,772 in turnover savings.

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, instant games (scratch tickets), multi-state pool games (PowerBall and MegaMillions), and the Lucky 4 Life regional game, as well as 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.

Lottery Division	Other Fund Changes
FY2018 Enacted	\$375,039,436
<i>Target and Other Adjustments</i>	<i>5,367,291</i>
Commissions and Prize Payments	17,034,000
Tiverton Casino Personnel	2,743,318
FY2019 Governor	\$400,184,045

Commissions and Prize Payments (other funds)**\$17.0 million**

The net increase of \$17.0 million in Commissions and Prize Payments is based on the November 2017 Revenue Estimating Conference (REC) estimates of VLT net terminal income and other lottery games. Net terminal income from is estimated to total \$485.2 million and net table game revenue (NTGR) is estimated to total \$140.7 million. NTGR is deposited in the State lottery fund for administrative purposes with commissions distributed to Twin River and deductions made for casino operating expenses. The balance is remitted to the general fund.

The increase in payments includes \$9.1 million related to activity at the new casino in Tiverton based on an opening date of October 1, 2018.

Tiverton Casino Personnel (other funds)**\$2.7 million**

The Budget includes \$2.7 million in lottery funds for lottery and contracted personnel services related to opening of the new Twin River Casino in Tiverton.

In November 2016, voters approved relocating the casino gaming license of Newport Grand to Twin River-Tiverton. The \$75.0 million casino will have 1,000 slot machines, 32 table games, and an 80-room hotel. Construction began in July 2017 and the casino was originally planned to open in July 2018. Site work challenges have caused the opening to be delayed to a projected date of September 1, 2018.

The Governor includes \$1.7 million for 8.5 months of funding to support 23.0 new FTEs comprising the casino's compliance team. These Lottery Division employees include 10.0 Compliance Representatives, 3.0 Gaming Operations Investigators, 3.0 Security Inspectors, 2.0 Compliance Supervisors, 1.0 Information Technology Support Specialist, 1.0 Financial Analyst, 1.0 Surveillance Analyst, 1.0 Financial Analyst Supervisor, and 1.0 Senior Compliance Supervisor. In addition to this staff, the Budget also includes \$1.0 million in contracted services to support third party security services for the casino.

DIVISION OF MUNICIPAL FINANCE

The Division of Municipal Finance assists municipalities by providing data analysis, technical assistance, and, training on financial reporting, tax levy, and property valuation issues. The Division calculates the equalized property valuation information and state aid distributions. The Motor Vehicle Value Commission is staffed by the Division and sets 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 through September 2018 for East Providence and through March 2020 for Woonsocket. An Administration and Finance Officer is in place in Central Falls through April 15, 2018.

Municipal Finance	General Revenue
FY2018 Enacted	\$3,111,025
<i>Target and Other Adjustments</i>	<i>(77,761)</i>
Central Falls Support	(600,000)
Personnel	(254,809)
FY2019 Governor	\$2,178,455

Central Falls Support **(\$600,000)**

The Governor eliminates \$600,000 in general revenue from the Division's assistance and grants budget. The FY2018 Budget as Enacted included a one-time appropriation of \$600,000 to assist the City of Central Falls with operating and personnel costs as part of the State's ongoing financial partnership with the City following its emergence from bankruptcy in 2012.

Personnel **(\$254,809)**

The Budget reduces total personnel costs within the Division of Municipal Finance by \$254,809. This reduction is primarily associated with the elimination of 3.0 FTE positions within the Division. These include a vacant 1.0 Data Control Specialist and two positions that have never been filled, a 1.0 Supervisor Local Government Assistant and a 1.0 Programming Services Officer.

The latter FTE position is associated with the Municipal Transparency Portal. The portal is an initiative authorized by the General Assembly in 2016 for the purposes of standardizing financial reporting for municipalities and to provide a digital, online method of data submission to the State. The portal was planned to launch in January 2017; however, difficulties in standardizing data across cities and towns have led to major delays. The Department now projects a spring 2018 implementation. In order to meet the mandated requirements associated with the portal DOR has shifted responsibilities across existing staff while reprioritizing and/or delaying reports and duties that are not statutorily required.

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.

Office of Revenue Analysis	General Revenue
FY2018 Enacted	\$788,009
<i>Target and Other Adjustments</i>	<i>2,000</i>
Software Maintenance Agreements	54,220
Personnel	39,179
FY2019 Governor	\$883,408

Software Maintenance Agreements **\$54,220**

The Budget includes \$54,220 in general revenue to upkeep ORA's economic modeling software. The office uses the software to produce economic and fiscal impact analyses on State revenue. The software must be renewed on a biennial basis.

Personnel**\$39,179**

The Budget provides a net increase of \$39,179 in personnel costs within ORA. This is comprised of an increase of \$70,749 in salary and benefits associated with statewide benefit changes, planned step increases, and other updated planning values. These increases are offset by \$31,570 in turnover.

DIVISION OF MOTOR VEHICLES

The Division of Motor Vehicles (DMV) is responsible for issuing, suspending and revoking all motor vehicle licenses and registrations and for the motor vehicle inspection program. The Division operates a main branch in Cranston with satellite branches in Middletown, Wakefield, Warren, Westerly, and Woonsocket. Additionally, AAA offers some DMV license and registration services at select branch locations.

Registry of Motor Vehicles	General Revenue
FY2018 Enacted	\$21,175,553
<i>Target and Other Adjustments</i>	<i>147,889</i>
Centralized Service Charges	5,461,404
Real ID - Personnel	2,100,000
Real ID - Operating	728,828
License Plate Reissuance	Informational
Suspended Vehicle Registration Reinstatement	Informational
FY2019 Governor	\$29,613,674

Centralized Service Charges**\$5.5 million**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$4,194,080
Capital Asset and Management	1,267,324
Human Resources	-
Total	\$5,461,404

Real ID - Personnel**\$2.1 million**

The Governor provides \$2.1 million and 32.0 new FTE positions to support the implementation of federal Real ID.

Real ID is a minimum security standard for the issuance of driver's licenses and state-issued identification cards that has been mandated by Congress and is regulated by the U.S. Department of Homeland Security (DHS). Congress enacted the Real ID Act in 2005 and prohibits Federal agencies from accepting, for official purposes, licenses or ID cards from states that do not meet these standards. Rhode Island is currently among the 25 states that have a waiver from complying with the law. This waiver is set to end in October, 2020.

The DMV plans to begin issuing Real ID driver's licenses and identification cards beginning in December 2018. Having a Real ID is not mandatory, it is only needed if interacting with federal agencies, and even then there are others forms of ID, such as passports, that are accepted. Because of this, the Registry

estimates that just over half of current license/ID holders will need a Real ID. Real ID's will be issued as part of a standard driver's license renewal (\$61.50 renewal fee) or may be obtained sooner by purchasing a duplicate license (\$25.00 duplicate fee).

The DMV projects approximately 500 additional customers per day from December 2018 to October 2020. In addition to the increased volume, processing Real IDs involves more work. To address the new workload, the DMV is adding 32.0 FTEs to the staff including clerks, customer service representatives, information aides, and licensing aides.

Real ID - Operating Expenses

\$728,828

The Budget provides \$728,828 in general revenue to support the operating expenses associated with the implementation of Real ID.

The Governor includes \$516,328 to fund driver's license imaging. This covers the physical cards on which driver's licenses and identification cards are printed, and accounts for the fact that duplicate licenses are anticipated for Real ID in FY2019. Planned advertising around Real ID is budgeted for \$122,500, and \$90,000 is slated for additional IT hardware and computers to support implementation.

License Plate Reissuance

Informational

Article 8 delays the license plate reissuance from January 1, 2019 to January 1, 2020. The Governor cites the implementation of Real ID as the reason for the delay.

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 enacted in and in 2009 the General Assembly required a full reissuance in 2011. This requirement has been delayed five 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 delayed the reissuance until September 1, 2015; the FY2016 Budget as Enacted delayed the reissuance to July 1, 2016; the FY2017 Budget as Enacted delayed the reissuance to April 1, 2017; and the FY2018 Budget as Enacted delayed it until January 1, 2019.

Session	Date	Reissuance Delays		Reason
		Delay Date		
2011	9/2011	9/2013		\$3.3 million savings initiative
2013	9/2013	9/2015		Budget reduction target initiative
2015	9/2015	7/2016		Need to align plate design w/ state tourism campaign
2016	7/2016	4/2017		RIMs - Staff would have to be taken away from implementation
2017	4/2017	1/2019		Launch of RIMs System/Reprogramming legacy IT system
Article 8	1/2019	1/2020		Real ID - Staff would have to be taken away from implementation

Suspended Vehicle Registration Reinstatement

Informational

The penalty for operating a vehicle without a valid inspection sticker is a fine of \$85 and, under RIGL 31-38-2 and RIGL 31-38-3, may also include suspension of the vehicle's registration. The Division of Motor Vehicles (DMV), however, typically refrains from imposing the latter penalty. The DMV has never been able to determine all of the non-compliant vehicles at any one point in time. Violations are usually only discovered during routine traffic stops. With the advent of the Division's new IT system, the DMV can now identify every expired sticker uniformly and accurately.

The Budget includes \$2.6 million in revenue from the enhanced collections of registration reinstatement fees on cars that have expired inspections stickers.

Analyst Note: The Governor's Office indicated in November 2017 that it had requested that the DMV delay enforcement of the registration suspensions beginning January 1, 2018, at the request of the General Assembly.

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.)

State Aid	General Revenue
FY2017 Enacted	\$94,527,292
<i>Target and Other Adjustments</i>	
Motor Vehicle Excise Tax	18,748,949
PILOT	883,898
Property Revaluation Program	693,305
Distressed Communities Aid	Informational
FY2019 Governor	\$114,853,444

Motor Vehicle Excise Tax**\$18.7 million**

The Governor includes \$54.7 million for the Motor Vehicle Excise Tax and Phase Out program for FY2019. This includes the \$36.0 million enacted base funding and \$18.7 million for the next year of the phase out.

Article 11 of the FY2018 Budget as Enacted decreased the motor vehicle excise tax each year from FY2018 through FY2023, fully eliminating the tax in FY2024. The tax is reduced over this seven-year period by decreasing tax rate caps and assessment ratios, while raising exemption floors and exempting vehicles that are more than 15 years old. Additionally, to ensure taxpayer relief, the bill removes the motor vehicle excise tax from the levy calculation related to the 4.0 percent cap on municipal property tax levy increases.

The sales tax escalator calculation in place since the original 1998 motor vehicle excise tax phase-out attempt was also changed. The previous calculation rounded the sales tax changes so that negative impacts to cities and towns would be minimized.

In FY2019, municipalities will lose an estimated \$54.7 million in forgone motor vehicle excise tax levies; therefore, the Budget is increased by \$54.7 million in general revenue to reimburse municipalities for the lost tax revenue. By FY2024, the estimated cost of eliminating the motor vehicle tax is \$220.6 million in general revenue.

PILOT**\$883,898**

The Payment in Lieu of Taxes (PILOT) program increases by \$883,898 to \$46.1 million in FY2019. 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**\$693,306**

The Budget includes \$1.6 million for the Property Revaluation program in FY2019, an increase of \$693,306 from the FY2018 enacted level, based on anticipated reimbursements, which are required by law. The following communities will be reimbursed for statistical updates in FY2019: Burrillville, Central Falls, East Providence, Jamestown, Johnston, Lincoln, New Shoreham, North Kingstown, North Smithfield, Smithfield, South Kingstown, Warren, Warwick, and West Warwick. Full revaluations are scheduled for Westerly, Little Compton, Providence, and Scituate.

Distressed Communities Aid**Informational**

The Distressed Community Relief program is level-funded in FY2019 as compared to FY2018 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
FY2018**

Municipality	Enacted	FY2019 Budget	Change
Central Falls	\$225,398	\$225,398	\$0.0
Cranston	1,341,001	1,341,001	-
Johnston	601,333	601,333	-
North Providence	1,030,137	1,030,137	-
Pawtucket	1,539,903	1,539,903	-
Providence	5,797,634	5,797,634	-
West Warwick	924,370	924,370	-
Woonsocket	924,681	924,681	-
Total	\$12,384,458	\$12,384,458	\$0.0

DIVISION OF TAXATION

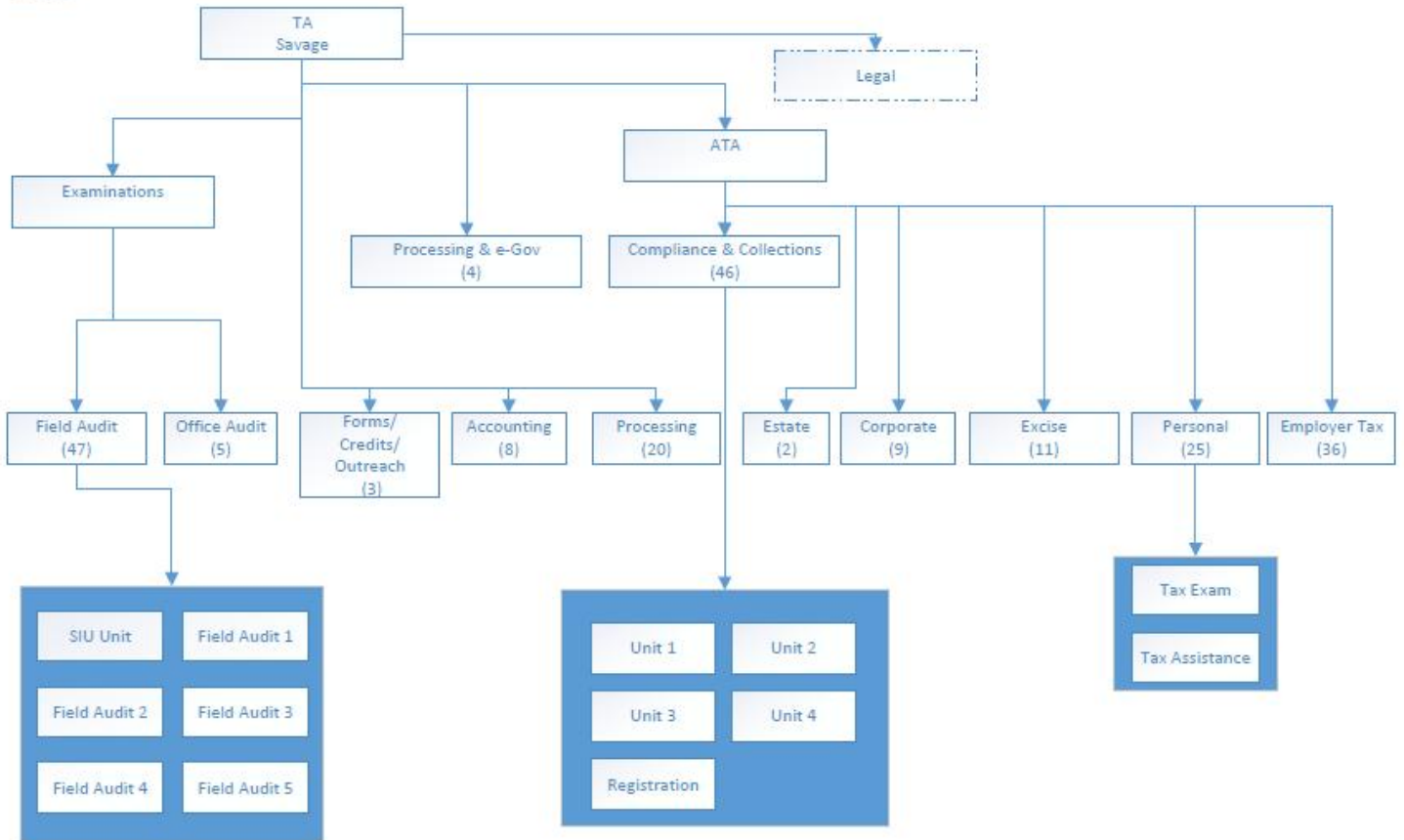
The Division of Taxation assesses, collects, and enforces the State's tax laws. It is responsible for promulgating rules and regulations; preparing taxpayer forms and instructions; registering and recording taxpayer accounts; assessing and collecting taxes due; and enforcing non-compliance through collections, audits, and liens.

Modernization/Reorganization: Since 2013, Taxation has been involved in a multi-phased effort to modernize its operations and make the collection of tax revenue more efficient and accurate. The effort began with implementation of the State Tax Administration and Revenue System (STAARS). The goal of this project has been to acquire and implement a modern tax information technology system that centralizes all taxpayer information into one computer database. The system went live in March 2017, integrating the State's 58 tax categories that previously were siloed on their own mainframes and legacy databases.

The advent of this integrated system has enabled Taxation to pursue alternative ways to organize around staffing, auditing and discovery, and customer interaction to provide a more reliable, efficient and responsive operation. The STAARS platform, for example, has largely replaced manual data entry with scanning/data capture technology. Taxation has been developing a phased-in, strategic reorganization of its business model and staffing structure (See Figures 1 and 2) The first phase, currently underway, combines audit/investigations, operations, and collections/compliance under one Chief of Examinations that reports directly to the Tax Administrator. The audit and investigations section will include a new analytical capacity that will review processes, data, and policy in order to identify and test revenue enhancement opportunities. Tax assessment responsibilities, historically done by units specializing in a specific tax category, will be centralized and cross-trained across categories, supporting efficiency and responsiveness.

Figure 1

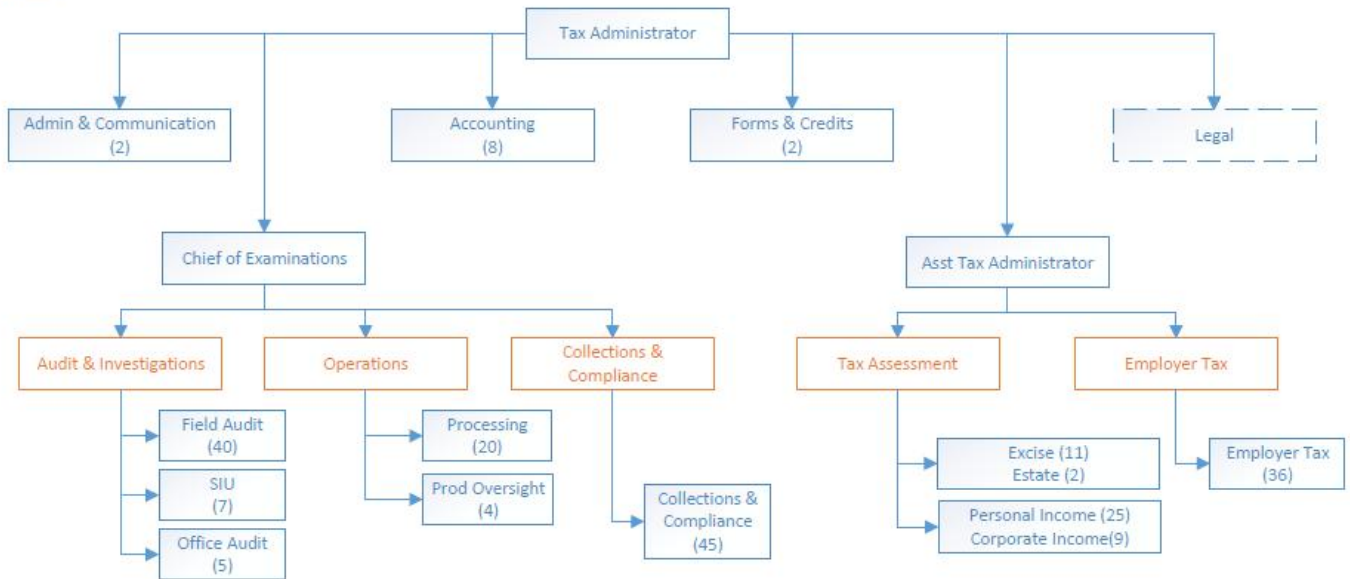
Before



- Processing: Scanning, Mail room, EFT
- PODS: System Oversight, enhancements & fixes, tech vendor mgmt, MeF
- Collections & Compliance: Liens, Levies, Wage Garnishments, TOPS, Top 100, OCA, Bankruptcy, Vendor Offset, Write Off, Registration, Forms Desk, LOGS, Mail, Walk in, Email/chat, Phone, Liquor Licenses, Sales Tax Permit Blocks, License blocks, Employee Leasing

Figure 2

Phase 1



- Processing: Scanning, Mail room, EFT
- PODS: System Oversight, enhancements & fixes, tech vendor mgmt, MeF
- Collections: Liens, Levies, Wage Garnishments, TOPS, Top 100, OCA, Bankruptcy, Vendor Offset, Write Off
- Compliance: Registration, Forms Desk, LOGS, Mail, Walk in, Email/chat, Phone, Liquor Licenses, Sales Tax Permit Blocks, License blocks, Employee Leasing

The reorganization is supported by findings from an Office of Management and Budget study conducted in February 2018. The study recommends that analytics, legal, audit, and collections cooperate for improved collections; that retention be improved through better job description and requirements; and that auditing be more targeted.

Taxation	General Revenue
FY2018 Enacted	\$22,775,987
<i>Target and Other Adjustments</i>	
Reorganization - Personnel	756,025
Reorganization - Operations and Contracted Services	2,229,878
FY2019 Governor	\$27,010,311

Reorganization – Personnel

\$2.2 million

The Budget provides \$2.2 million to support the new staffing structure associated with the planned reorganization, including \$2.1 million for salaries and benefits for 22.0 new FTE positions and \$178,023 to upgrade existing positions. The Governor recommends 22.0 new FTE positions across the various sections within Taxation. The new positions include: 7.0 Revenue Officers, 6.0 Revenue Agents, 4.0 Data Analysts, 3.0 Taxpayer Service Specialists, 1.0 Data Entry Operator, 1.0 Interdepartmental Project Manager, 1.0 Revenue Agent II, 1.0 Supervising Revenue Officer I, and 1.0 Data Analyst II. The funding for upgrade is recommended to stabilize high turnover among Revenue Agents, identified by the Division and the OMB study as a threat to revenue collection.

Reorganization – Operations and Contracted Services

\$1.2 million

The Budget includes \$1.2 million for the expanded operations and contracted services planned as part of the reorganization. Contracted services increase by \$916,421 to meet the expanded scope of the reorganization, including the ongoing responsibilities of Revenue Solutions, Inc. (RSI), the vendor supporting the STAARS platform who retains a presence on-site at Taxation. The capacity of the Division's audit and data analytics is augmented by an additional \$200,000, and \$132,000 is budgeted for additional computers and equipment for the new staff (\$6,000 per FTE for laptops, workstations, and chairs).

DIVISION OF COLLECTIONS

Under Article 4 the Governor establishes a new Division within the Department of Revenue for the purpose of assisting state agencies in the collection of delinquent debt owed to the State. This new Division of Collections may enter into formal agreements with willing State agencies to transfer of the debt to the Division and to remit back any funds successfully recovered. The Division is authorized to use private entities on a contingency basis to assist with the collection of debt. The Division is also authorized to charge interest on the debt and to impose a fee of 12.0 percent of the amount of the referred delinquent debt. The proposed Division is estimated to bring in \$1.3 million in additional revenue to the State.

Division of Collections	General Revenue
FY2018 Enacted	\$0
<i>Target and Other Adjustments</i>	
Personnel	-
Contract Professional Services	483,069
FY2019 Governor	\$591,609

Personnel

\$483,069

The Budget includes \$483,069 to fund the personnel costs associated with the Division of Collections. The Governor recommends 7.0 FTE positions to stand up the new unit: 3.0 Senior Accountants, 2.0 Collection Clerks, 1.0 Chief of Compliance and Collections, and 1.0 Billing Specialist.

Contract Professional Services

\$108,540

The Budget provides \$108,540 in general revenue to hire professional debt collection services on a contingency basis. Use of third-party debt collectors will be used to augment staff resources in recouping delinquent debt.

CAPITAL PROJECTS

- **STAARS:** The Budget includes a total of \$569,022 in capital expenditures from Certificates of Participation to pay for the completion of the new integrated tax system STAARS. The project integrates the State's 58 tax categories into one computer database. The final roll out took place in December of 2017.
- **Lottery Building Roof:** The Department requested \$106,000 to repair the Lottery's roof. The 17 year old roof was patched 5 times in between FY2017 and FY2018 and continues to have major leaks. According to DOR, leaks are jeopardizing centralized computer systems and the warehouse lottery ticket inventory. The Budget does not include planned RICAP funding for this project.

Legislature

Expenditures By Program	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Auditor General	\$4.6	\$5.7	\$5.5	(\$0.3)	-4.5%	\$5.7	(\$0.0)	-0.1%
Fiscal Advisory Staff	1.5	1.8	1.8	(0.0)	-0.2%	1.9	0.0	1.7%
General Assembly	5.6	6.1	8.1	2.0	33.5%	6.8	0.7	11.2%
Joint Comm. on Legislative Services	22.7	23.1	26.5	3.4	14.8%	25.0	1.9	8.1%
Legislative Council	4.0	5.4	5.1	(0.4)	-6.9%	5.2	(0.2)	-3.7%
Special Legislative Commissions	0	0.0	0.0	0.0	0.0%	0.0	0.0	0.0%
Total	\$38.3	\$42.3	\$47.1	\$4.8	11.4%	\$44.6	\$2.4	5.6%
Expenditures By Source								
General Revenue	\$36.9	\$40.5	\$45.4	\$4.9	12.1%	\$42.9	\$2.4	5.9%
Restricted Receipts	1.4	1.7	1.6	(0.1)	-4.9%	1.7	(0.0)	-0.5%
Total	\$38.3	\$42.3	\$47.1	\$4.8	11.4%	\$44.6	\$2.4	5.6%
Authorized FTE Levels	298.5	298.5	298.5	-	0.0%	298.5	-	0.0%

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

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

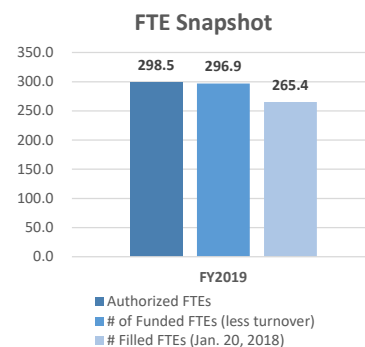
- The General Assembly consists of two chambers, with the Senate composed of 38 members and the House of Representatives with 75 members. The General Assembly meets annually.
- The House Fiscal Advisory Staff provides fiscal research support to the House membership and the House Finance Committee.
-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

MAJOR ISSUES AND TRENDS FOR FY2019

The Budget includes \$44.6 million for the Legislature in FY2019, including \$42.9 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 FY2018 in the revised budget by \$4.9 million. This includes a FY2017 reappropriation of \$7.1 million, less other reductions.

The Budget provides for 298.5 FTE positions for FY2018 and FY2019, consistent with the FY2018 Budget as Enacted.



Lieutenant Governor

Expenditures By Program	FY2017 Actual	FY2018 Enacted	FY2018 Governor	Change from Enacted	FY2019 Enacted	Change from Enacted
Lieutenant Governor	\$1.1	\$1.1	\$1.0	(0.04) -3.4%	\$1.0	(0.05) -4.2%
Expenditures By Source						
General Revenue	\$1.1	\$1.1	\$1.0	(0.04) -3.4%	\$1.0	(0.05) -4.2%
Authorized FTE Levels	8.0	8.0	8.0	-	8.0	-

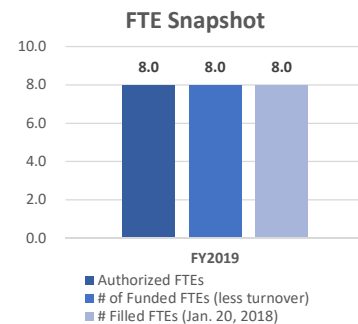
\$ in millions. Totals may vary due to rounding.

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.

MAJOR ISSUES AND TRENDS FOR FY2019

The Lieutenant Governor's budget is entirely financed with \$1.0 million in general revenue for FY2019, a 4.2 percent decrease from the FY2018 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 FY2019 Budget is comprised almost entirely of personnel costs. The Budget includes 8.0 FTE positions for FY2018 and FY2019, consistent with the enacted budget.



Lieutenant Governor	General Revenue
FY2018 Enacted	\$1,084,217
<i>Target and Other Adjustments</i>	0
Personnel	(65,199)
Centralized Service Charges	20,953
FY2019 Governor	\$1,039,971

Personnel **(\$65,199)**

The Budget includes a net general revenue decrease of \$65,199 for personnel expenses, including a decrease of \$50,926 for salaries, longevity, and payroll accrual.

Analyst Note: According to the Office of the Lieutenant Governor the decrease is a mistake caused in part by the use of a new budgeting system. At this time, it unknown whether this will be corrected through a Governor's Budget Amendment.

Centralized Service Charges **\$20,953**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

Centralized Service Charges	Amount
Information Technology	\$20,953
Capital Asset and Management	-
Human Resources	-
Total	\$20,953

Office of the Secretary of State

Expenditures By Program	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Administration	\$3.2	\$3.4	\$3.5	\$0.1	2.9%	\$3.4	-	-
Corporations	2.1	2.2	2.2	-	-	2.3	0.1	4.5%
State Archives	0.5	0.5	0.6	0.1	20.0%	0.5	-	-
Elections and Civics	3.1	1.9	2.0	0.1	5.3%	2.9	1.0	52.6%
State Library	0.6	0.7	0.6	(0.1)	-14.3%	0.6	(0.1)	-14.3%
Office of Public Information	0.4	0.6	0.6	-	-	0.6	-	-
Total	\$9.9	\$9.3	\$9.5	\$0.2	2.4%	\$10.3	\$1.0	10.8%

Expenditures By Source								
General Revenue	\$9.5	\$8.9	\$9.0	\$0.1	1.1%	\$9.9	\$1.0	10.8%
Federal Funds	-	-	0.0	0.0	-	-	-	-
Restricted Receipts	0.4	0.4	0.4	-	-	0.4	-	-
Operating Transfers from Other Funds	0.0	-	0.1	0.1	-	-	-	-
Grand Total	\$9.9	\$9.3	\$9.5	\$0.2	2.4%	\$10.3	\$1.0	10.8%

Authorized FTE Levels	59.0	59.0	59.0	-	-	59.0	-	-
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\$ 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).

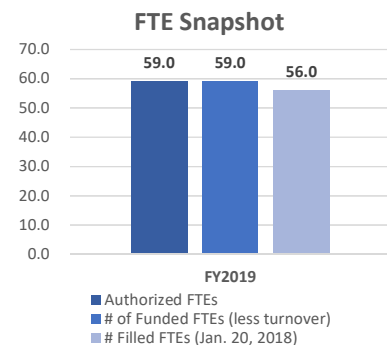
MAJOR ISSUES AND TRENDS FOR FY2018 AND FY2019

The Budget includes 59.0 FTE positions in FY2018 and in FY2019, consistent with the enacted level. General revenue increases \$974,948 for election expenses as compared to the FY2018 Budget as Enacted, because FY2019 is an "on-year" in the general election cycle. These expenses increase in odd-numbered fiscal years when there is a statewide general election.

The FY2018 Revised Budget includes \$107,546 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. The Governor recommends no further appropriation of RICAP funds for the project beyond FY2018.

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.



Administration	General Revenue
FY2018 Enacted	\$3,382,625
<i>Target and Other Adjustments</i>	<i>165,548</i>
Contracted Services	(138,218)
Operating Expenses	(77,726)
Personnel	24,000
Centralized Service Charges	21,354
FY2019 Governor	\$3,377,583

Contracted Services **(\$138,218)**

The Governor includes a net reduction of \$138,218 in general revenue for contracted services, reflecting a decrease of \$150,533 for IT Design consultants partially offset by an increase of \$12,315 for contracted professional services. 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, are scheduled to be complete in FY2018.

Operating Expenses **(\$77,726)**

The Budget includes \$446,332 in general revenue for operating expenses reflecting a net decrease of \$77,726 from the FY2018 Budget as Enacted. The decrease for internet services and for the maintenance and repairs of computer equipment reflects lower costs than originally anticipated by the Agency on the use of Amazon web services cloud storage required to meet the Secretary of State's eGovernment initiatives. Offsetting the decreases is an increase of \$73,647 for computer supplies, and a net increase of \$42,616 in all other operating adjustments.

	FY2018	FY2019	
Operating Expenses	Enacted	Governor	Change
Internet Services	\$213,978	\$90,853	(\$123,125)
Computer Supplies/Software and Equipment	16,908	90,555	73,647
Maintenance/Repairs: Computer Equipment	122,770	51,906	(70,864)
All Other Operating Expenses	170,402	213,018	42,616
Total	\$524,058	\$446,332	(\$77,726)

Personnel **\$24,000**

The Budget adds \$24,000 in general revenue reflecting the addition of two interns from the Administration.

Centralized Service Charges **\$21,354**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$21,354
Capital Asset and Management	-
Human Resources	-
Total	\$21,354

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.

Corporations	General Revenue
FY2018 Enacted	\$2,224,127
<i>Target and Other Adjustments</i>	<i>19,207</i>
Operating Adjustments	40,134
Personnel	23,002
Contract Services	(19,060)
FY2019 Governor	\$2,287,410

Operating Adjustments **\$40,134**

The Governor adds \$40,134 in general revenue that includes \$12,000 for upgrades to the Business Assistance Wizard that provides an interactive business start-up portal, \$12,000 in operating expenses towards the business records scanning project, \$5,000 for additional postage, and \$11,134 in other operating adjustments.

Personnel **\$23,002**

The Governor adds \$23,002 in general revenue reflecting \$12,000 for seasonal staff and \$11,002 for the Laborers' International Union of North America (LIUNA) retirement costs that was inadvertently not included in the agency's budget.

Contract Services **(\$19,060)**

The Governor includes \$30,940 in general revenue to continue funding a contract vendor as part of the business records scanning project, to scan over 38,000 active corporation filings, containing between 2 and 1,000 pages. This reflects a reduction of \$19,060 from the FY2018 Budget as Enacted. The Secretary estimates that 38,000 records will be scanned by the end of FY2019. 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.

State Archives	General Revenue
FY2018 Enacted	\$87,150
<i>Target and Other Adjustments</i>	<i>4,427</i>
FY2019 Governor	\$91,577

State Archives	Other Fund Changes
Historical Records Trust	<i>Informational</i>

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	FY2019
Collections	\$466,886	\$379,423	\$415,273	\$426,512	\$438,290
Expenditures	470,308	378,549	409,008	414,478	415,658

Source: Office of the Secretary of State

Collections for FY2018 and FY2019 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.

Elections and Civics	General Revenue
FY2018 Enacted	\$1,906,470
<i>Target and Other Adjustments</i>	<i>116,948</i>
Election Costs	858,000
FY2019 Governor	\$2,881,418

Election Costs**\$858,000**

The Budget includes \$925,000 in general revenue for election expenses, an increase of \$858,000 as compared to the FY2018 Budget as Enacted, because FY2019 is an "on-year" in the general election cycle. The largest operating expenses are for printing, mailing of ballots and referenda materials, and advertising. These expenses increase in odd-numbered fiscal years when there is a statewide general election.

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018 Enacted	FY2018 Governor	FY2019 Governor
Ballot Printing	\$647,415	\$35,309	\$732,458	\$141,747	\$619,323	\$18,000	\$18,000	\$630,000
Election/Referenda Mailing	60,955	3,004	25,222	34,082	87,513	39,000	42,000	122,000
Referenda Printing/Legal	77,077	-	116,350	-	78,849	-	-	90,000
Legal/Advertising	20,456	-	88,099	42,928	79,059	10,000	33,000	83,000
Total	\$805,903	\$38,313	\$962,129	\$218,757	\$864,744	\$67,000	\$93,000	\$925,000

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.

State Library	General Revenue
FY2018 Enacted	\$723,385

<i>Target and Other Adjustments</i>	2,375
Personnel	(112,524)
FY2019 Governor	\$613,236

Personnel **(\$112,524)**

The Budget reduces personnel \$112,431 in general revenue reflecting a switch in funding source and program for 2.0 FTE positions. Last fiscal year, the Agency budget for State Library program included personnel costs for the Director and an Administrative Assistant. In FY2019 these two positions will be funded using restricted receipts and internal service funds under the State Archives program (40.0 percent Historical Records Trust and 60.0 percent Record Center.

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.

Office of Public Information	General Revenue
FY2018 Enacted	\$587,562

<i>Target and Other Adjustments</i>	6,318
Rhode Island Government Owner's Manual	16,000
FY2019 Governor	\$609,880

Rhode Island Government Owner's Manual **\$16,000**

The Office increases expenses for printing services by \$16,000 in general revenue for the printing of the Rhode Island Government Owner's Manual in FY2019. The 300-page directory is published every two years to reflect the results of the November election. It includes contact information for hundreds of officials, including Congressional delegates, general officers, members of the General Assembly, as well as city and town councils. The FY2017 Budget as Enacted included the funding for the printing requirement for the 2016 election.

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.

CAPITAL PROJECTS

The Office of the Secretary of State recommends establishing 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 in downtown Providence that is susceptible to severe flooding. The FY2018 Revised Budget recommendation includes Rhode Island Capital Plan (RICAP) funding of \$107,546 for a feasibility study to identify and recommend options for a permanent facility. 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 Office of the Secretary of State requested \$49.3 million in RICAP funds spread over FY2019 to FY2023 (\$5.0 million in FY2019) for the new construction of a State Archives structure. However, the Governor does not recommend RICAP funding for FY2019 or beyond.

Office of the General Treasurer

Expenditures By Program	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
General Treasurer	\$3.4	\$3.3	\$3.5	\$0.2	6.1%	\$3.6	\$0.3	10.4%
Employees' Retirement System	10.1	11.0	11.3	0.3	2.7%	11.4	0.4	3.3%
Unclaimed Property	26.3	26.3	26.5	0.2	0.8%	25.6	(0.7)	-2.7%
Crime Victim Compensation Program	2.2	2.2	2.0	(0.2)	(0.1)	2.1	(0.1)	-5.3%
Total	\$42.0	\$42.8	\$43.3	\$0.5	1.2%	\$42.7	(\$0.1)	-0.3%
Expenditures By Source								
General Revenue	\$2.7	\$2.7	\$2.9	\$0.2	7.5%	\$3.0	\$0.3	10.0%
Federal Funds	1.0	1.1	1.0	(0.09)	(0.08)	1.1	(0.0)	(0)
Restricted Receipts	37.6	38.4	38.8	0.4	1.0%	38.0	(0.4)	-1.1%
Other Funds	0.7	0.6	0.6	-	-	0.7	0.1	9.1%
Grand Total	\$42.0	\$42.8	\$43.3	\$0.5	1.2%	\$42.7	(\$0.1)	-0.3%
Authorized FTE Levels	87.0	89.0	89.0	-	-	89.0	-	-

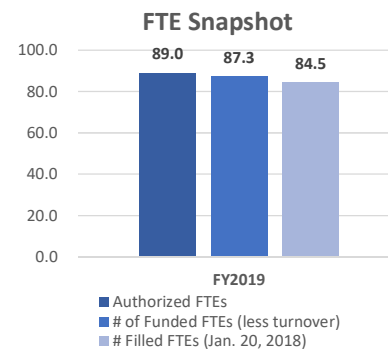
\$ in millions. Totals may vary due to rounding.

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 FY2018 AND FY2019

The Budget includes \$43.3 million in FY2018, of which \$2.9 million (6.7 percent) is general revenue. This reflects an all fund increase of \$575,580 from the FY2018 Budget as Enacted. The increase includes \$360,809 in restricted receipts, \$93,108 in other funds offset by a decrease of \$56,326 in federal funds.

The Budget for FY2019 includes \$42.7 million, of which \$3.0 million (7.0 percent) is general revenue. This reflects an all funds decrease of \$90,279 from the FY2018 Budget as Enacted. The decrease includes \$448,198 in restricted receipts and a decrease of \$15,463 in federal funds. Offsetting this are increases of \$268,940 in general revenue and \$104,442 in other funds. The Budget provides 89.0 FTE positions in FY2018 and in FY2019, consistent with the enacted level.



GENERAL TREASURY

The General Treasury program provides administrative support to the entire agency to ensure operational efficiency and fiscal integrity.

General Treasurer	General Revenue
FY2018 Enacted	\$2,456,017
<i>Target and Other Adjustments</i>	3,341
Centralized Service Charges	224,184
Contract Services	77,350
Operating Adjustments	(76,545)
FY2019 Governor	\$2,684,347

General Treasurer	Other Fund Changes
CollegeBoundSaver Investment Earnings Transfer	Informational

Centralized Service Charges **\$224,184**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$178,255
Capital Asset and Management	45,929
Human Resources	-
Total	\$224,184

Contract Services **\$77,350**

The Budget includes \$150,000 in general revenue for contract services, reflecting an increase of \$77,350, of which the majority (\$76,000) is for a debt affordability study and for the creation of a debt portal for municipalities. This includes increases of \$36,000 for management consultants, \$25,000 for financial services, and \$15,000 for legal services. In addition, the budget includes an increase of \$1,350 for capital police security services.

Contract Services	FY2018	FY2018	Change	FY2019	Change
	Enacted	Governor		Governor	
Actuary	\$3,000	\$3,000	\$0	\$3,000	\$0
Financial Services	2,500	12,500	10,000	2,500	-
Financial Svcs: Other	45,000	45,000	-	70,000	25,000
Legal Services	19,500	37,260	17,760	34,500	15,000
Management Consultants	-	-	-	36,000	36,000
Security Services	2,150	2,150	-	3,500	1,350
Temporary Services	500	500	-	500	-
Total	\$72,650	\$100,410	\$27,760	\$150,000	\$77,350

Operating Adjustments **(\$76,545)**

The Budget includes \$416,409 in general revenue for operating expenses, a reduction of \$76,545 from the FY2018 Budget as Enacted. This includes a reduction of \$75,000 in bank analysis charges reflecting the State's improved cash position and enhanced cash management. In addition, there is a \$23,500 reduction in projected computer supplies, software, and equipment, an increase of \$23,400 in outside printing costs, and a decrease of \$1,445 in all other operating adjustments.

Operating Expenses	FY2018	FY2018	Change	FY2019	Change
	Enacted	Governor		Governor	
Fees: Bank Analysis Charges	\$245,000	\$200,000	(\$45,000)	\$170,000	(\$75,000)
Computer Supplies/Software and Equipment	50,800	13,460	(37,340)	27,300	(23,500)
Printing - Outside Vendors	16,500	33,830	17,330	39,900	23,400
All Other Operating Expenses	180,654	171,708	(8,946)	179,209	(1,445)
Total	\$492,954	\$418,998	(\$73,956)	\$416,409	(\$76,545)

CollegeBoundSaver Investment Earnings Transfer (other funds)**Informational**

This item reflects the transfer of student-based fee revenue 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. Since the FY2018 Budget as Enacted, there is an operating transfer account under Treasury, where, 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.

Employees' Retirement System	Other Fund Changes
FY2018 Enacted	\$10,968,526
<i>Target and Other Adjustments</i>	<i>(4,000)</i>
Personnel	281,364
Operating Expenses	160,425
Contract Services	(154,308)
Centralized Service Charges	107,213
FY2019 Governor	\$11,359,220

Personnel (restricted receipts)**\$281,364**

The Budget increases personnel expenses by \$281,364 within the State Retirement System. The increase reflects full funding of 44.0 FTE positions and reflect statewide benefit and medical adjustments.

Operating Expenses (restricted receipts)**\$160,425**

The Budget includes \$828,525 for operating expenses in FY2019, an increase of \$160,425 from the FY2018 Budget as Enacted, reflecting increased projected costs for miscellaneous expenses, record center overhead charges, office equipment, and computer equipment.

Operating Expenses	FY2018	FY2018	Change	FY2019	Change
	Enacted	Governor		Governor	
Miscellaneous Expenses	\$8,500	\$8,500	-	\$103,000	\$94,500
Records Center: Overhead	18,000	18,000	-	40,000	22,000
Maintenance/Repairs: Office Equipment	27,500	27,500	-	47,500	20,000
Computer Supplies/Software and Equipment	14,000	14,000	-	32,000	18,000
All Other Operating Changes	600,100	600,100	-	606,025	5,925
Total	\$668,100	\$668,100	-	\$828,525	\$160,425

Contract Services (restricted receipts)**(\$154,308)**

The Budget includes \$3.9 million in restricted receipt expenditures for various contracted professional services, of which the largest expenditure is \$2.5 million for IT systems support for the new Ariel computer system. The Office of the General Treasurer replaced the State Retirement System's 10-year-old Anchor (HP) computer system with a new Ariel computer system developed by Morneau Shepell, Ltd. All costs associated in implementing the new computer system are drawn from the Retirement Trust Fund.

The FY2018 Budget as Enacted included \$850,000 for information technology consultant services for planned enhancements to the new Ariel computer system developed by Morneau Shepell, Ltd. The project involved data conversion from the old system that could not occur until the new system became operational. Also included was 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.

IT General Services decreases \$850,000 reflecting the completion of data conversion from the old system to the new system. Other contracted service adjustments include an increase of \$620,692 for IT System Support for the Ariel computer system, an additional \$100,000 to support a temporary data technician conducting death audits, offset by a projected decrease of \$30,000 for continuing office improvements at the General Treasurer's space at 50 Service Avenue in Warwick. The adjustments result in a \$154,308 decrease from the FY2018 Budget as Enacted, reflecting lower than anticipated costs for these services.

Contract Services	FY2018	FY2018	Change	FY2019	Change
	Enacted	Governor		Governor	
IT General Services	\$850,000	\$850,000	-	\$0	(\$850,000)
IT System Support	1,903,200	1,903,200	-	2,523,892	620,692
Other Professional Services	50,000	50,000	-	150,000	100,000
Other Building and Grounds	150,000	150,000	-	120,000	(30,000)
All Other Contract Services	1,119,700	1,119,700	-	1,124,700	5,000
Total	\$4,072,900	\$4,072,900	-	\$3,918,592	(\$154,308)

Centralized Service Charges (restricted receipts)**\$107,213**

The Budget increases restricted receipt expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$2,221
Capital Asset and Management	104,992
Human Resources	-
Total	\$107,213

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.

Unclaimed Property	Other Fund Changes
FY2018 Enacted	\$26,324,334
<i>Target and Other Adjustments</i>	<i>(26,664)</i>
Revenue Collections and Expenditures	(737,020)
Centralized Service Charges	27,180
FY2019 Governor	\$25,587,830

Revenue Collections and Expenditures (restricted receipts) (\$737,020)

Based on Treasury's November 2017 Revenue Estimating Conference testimony, 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 decreases \$737,020, there is an increase of \$1.0 million 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) decreases \$94,755, and decreased the surplus transfer to the general fund by \$1.6 million, resulting in a net decrease of \$737,020. [$\$1,000,000 + (\$94,755) + (\$1,642,265) = (\$737,020)$].

Centralized Service Charges (restricted receipts) \$27,180

The Budget increases restricted receipt expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$0
Capital Asset and Management	27,180
Human Resources	-
Total	\$27,180

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.

Crime Victim Compensation Program	General Revenue
FY2018 Enacted	\$242,675
<i>Target and Other Adjustments</i>	22,508
Contracted Services	10,450
Centralized Service Charges	7,652
FY2019 Governor	\$283,285

Contract Services **\$10,450**

The Budget increases general revenue expenditures \$10,450 for contract services. This includes an increase of \$9,950 on the annual cost of the 5-year contract for the Genoa Crime Victims Compensation Program claims processing program and \$500 for increased security costs.

Centralized Service Charges **\$7,652**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$0
Capital Asset and Management	7,652
Human Resources	-
Total	\$7,652

Board of Elections

Expenditures By Program	FY2017 Actual	FY2018 Enacted	FY2018 Governor	Change from Enacted	Change from Enacted	FY2019 Governor	Change from Enacted	Change from Enacted
Board of Elections	\$2.0	\$1.5	\$1.7	\$0.1	9.1%	\$5.3	\$3.8	242.4%
Expenditures By Source								
General Revenue	\$2.0	\$1.5	\$1.7	\$0.1	9.1%	\$5.3	\$3.8	242.4%
Authorized FTE Levels	12.0	12.0	12.0	-	-	12.0	-	-

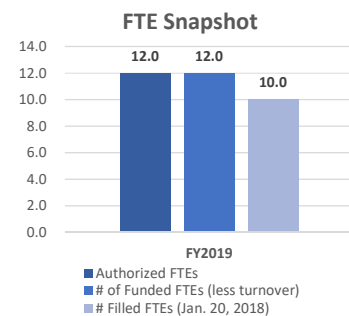
\$ in millions. Totals may vary due to rounding.

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 FY2018 AND FY2019

The Governor includes \$1.7 million in FY2018, which is \$141,016 more than appropriated in the FY2018 Budget as Enacted. The Budget adds \$24,000 in operating costs reflecting telecommunication fees associated with new voting machines, \$52,000 for legal and stenographic services, and \$126,184 for centralized service charges that were previously appropriated under the Department of Administration.

For FY2019, the Governor includes \$5.3 million for FY2019, which is \$3.8 million more than the FY2018 Budget as Enacted. The increase is largely attributable to temporary employees, voting equipment transportation, printing, and postage expenses required in a General Election year. The Budget includes 12.0 FTE positions in FY2018 and in FY2019.



Central Management	General Revenue
FY2018 Enacted	\$1,548,735
<i>Target and Other Adjustments</i>	-
General Election Adjustments	3,637,554
Centralized Service Charges	129,228
FY2019 Governor	\$5,315,517

General Election Adjustments

\$3.6 million

The Governor increases general revenue expenditures by \$3.6 million to reflect personnel, purchased services, and operating expenditures for voter operating supplies and expenses required in a General Election year. The increase includes \$2.6 million in the Campaign Matching Public Funds program, \$504,830 in additional operating costs, \$459,868 for personnel costs (including \$414,375 for seasonal employees who perform election work), and \$52,000 for legal and stenographic services. The General Election operating adjustment reflect increases of \$145,000 to print election and voter registration-related material and \$180,000 to transport the election equipment to and from polling stations.

Centralized Service Charges

\$129,228

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in

each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$54,801
Capital Asset and Management	74,427
Human Resources	-
Total	\$129,228

Ethics Commission

Expenditures By Program	FY2017 Actual	FY2018 Enacted	FY2018 Governor	Change from Enacted	Change from Governor	FY2019 Governor	Change from Enacted	Change from Governor
RI Ethics Commission	\$1.6	\$1.7	\$1.7	0.1	3.9%	\$1.8	0.1	6.3%
Expenditures By Source								
General Revenue	\$1.6	\$1.7	\$1.7	0.1	3.9%	\$1.8	0.1	6.3%
Authorized FTE Levels	12.0	12.0	12.0	-	-	12.0	-	-

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

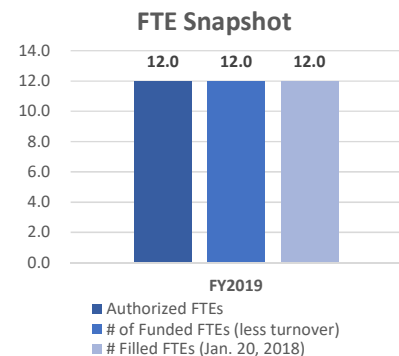
The Rhode Island Ethics Commission is responsible for adopting and disseminating the Rhode Island Code of Ethics, issuing advisory opinions to public officials and employees, enforcing financial disclosure policies and maintaining financial disclosure records, investigating and adjudicating complaints 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 FY2019

The Governor recommends \$1.8 million for FY2019, which provides an increase of \$104,687 (6.3 percent) over the FY2018 Budget as Enacted. This includes a net increase of \$33,931 for target and other adjustments. The Budget also includes an increase of \$25,000 (\$19,726 to \$44,726) for contracted legal services, and an increase of \$45,756 in operating costs, reflecting the use of rotary accounts for billable centralized services, including information technology, capital asset management and maintenance, and human resources. These expenditures will be clearly stated under each agency using the centralized services.

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.

The Budget includes 12.0 FTE positions in FY2018 and FY2019, consistent with the enacted level.



RI Ethics Commission	General Revenue
FY2018 Enacted	\$1,665,873
<i>Target and Other Adjustments</i>	<i>33,931</i>
Centralized Service Charges	45,756
Legal Services	25,000
FY2019 Governor	\$1,770,560

Centralized Service Charges

\$45,756

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

Centralized Service Charges	Amount
Information Technology	\$45,756
Capital Asset and Management	-
Human Resources	-
Total	\$45,756

Legal Services**\$25,000**

The Budget increases general revenue expenditures by \$25,000 to cover anticipated increased legal costs impacting the agency including 2 matters filed in Superior Court. These matters include a challenge to the Commission's constitutional authority to enforce the state's code of ethics on municipal elected officials and a challenge on the Commission's regulatory authority.

Office of the Governor

Expenditures By Program	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Enacted	Enacted	
Governor	\$5.0	\$5.4	\$5.5	\$0.1	1.9%	\$5.5	\$0.1	1.9%
Expenditures By Source								
General Revenue	\$5.0	\$5.4	\$5.5	\$0.1	1.9%	\$5.5	\$0.1	1.9%
Authorized FTE Levels	45.0	45.0	45.0	-	-	45.0	-	-

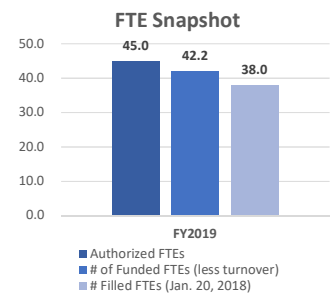
\$ in millions. Totals may vary due to rounding.

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 FY2019

In FY2019 the budget for the Office of the Governor is \$5.5 million in general revenue. The majority of this funding (88.8 percent) supports personnel costs. The Budget includes 45.0 FTE positions in both FY2018 and FY2019, consistent with the enacted budget.

The Governor includes a net increase of \$61,915 in general revenue to cover personnel expenses for 45.0 FTE positions within the Office of the Governor, which includes the addition of \$257,904 for salary costs offset by \$310,592 in projected turnover savings. The \$61,915 reflects longevity costs that are listed separately from salary costs by the Budget Office in FY2019. Salaries for the 45.0 FTE positions in Governor's Office for FY2019 totals \$4.0 million, but the Budget only includes an appropriation of \$3.4 million. The Governor includes a proposal to allocate \$846,619 of the personnel costs for 12.0 FTE positions to other state agencies in FY2019.



Governor	General Revenue
FY2018 Enacted	\$5,397,554
Target and Other Adjustments	61,915
Centralized Service Charges	86,259
Interdepartmental Cost Allocation	Informational
Contingency Fund	Informational
FY2019 Governor	\$5,545,728

Centralized Service Charges **\$86,259**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$86,259
Capital Asset and Management	-
Human Resources	-
Total	\$86,259

Interdepartmental Cost Allocation**Informational**

The Governor allocates \$846,619 of personnel costs to be charged against ten state agencies, as a means to supplement the Governor's Office personnel budget. 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. The following table illustrates the FTE cost allocation to the affected state agencies.

Position	Cost Allocation	Agency	FY2018 Enacted Cost	FY2018 Revised Cost	FY2019 Governor Cost
Policy Analyst	50%	EOHHS	\$0	\$46,726	\$50,903
Policy Analyst	25%	Public Utilities and Carrier:	-	23,363	25,451
Policy Director	50%	Labor and Training	-	67,683	78,950
Policy Analyst	50%	Administration	-	-	64,729
Deputy Chief of Staff ¹	25%	EOHHS	118,176	58,993	61,282
Deputy Chief of Staff	50%	Education	110,613	111,467	116,229
Deputy Chief of Staff	25%	Revenue	-	-	58,114
Deputy Chief of Staff	25%	Public Safety	-	49,198	49,526
Deputy Chief of Staff	50%	Transportation	-	98,397	99,053
Deputy Chief of Staff	50%	Administration	-	117,986	122,566
Deputy Chief of Staff	25%	Commerce	-	58,993	61,282
Education Policy Analyst	50%	Post Secondary Education	55,003	56,716	58,534
Special Assistant	50%	Administration	36,502	-	-
Policy Director	50%	EOHHS	69,831	-	-
Special Counsel	50%	Commerce	98,617	-	-
Deputy Chief of Staff	50%	Administration	118,083	-	-
Policy Analyst	100%	Transportation	91,923	-	-
Policy Analyst	50%	Public Safety	46,508	-	-
Special Counsel	25%	Public Safety	-	-	-
Total			\$745,256	\$689,522	\$846,619

1: FY2018 Enacted cost allocation was 50%

Highlighted portion are positions in FY2018 Budget as Enacted

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 FY2017 Budget as Enacted included \$242,000 in general revenue. At the close of FY2017, the fund balance was \$172,487. The Governor reappropriated \$67,089 to FY2018 for a total amount of \$317,089. To date a total of \$135,655 is spent from the fund leaving a balance of \$181,434. The Governor includes \$250,000 in the contingency fund for FY2019.

Rhode Island Commission for Human Rights

Expenditures By Program	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Commission for Human Rights	\$1,557,321	\$1,690,102	\$1,737,997	\$47,895	2.8%	\$1,808,026	\$117,924	7.0%
Expenditures By Source								
General Revenue	\$1,247,603	\$1,258,074	\$1,292,590	\$34,516	2.7%	\$1,310,456	\$52,382	4.2%
Federal Funds	309,718	432,028	445,407	13,379	3.1%	497,570	65,542	15.2%
Total	\$1,557,321	\$1,690,102	\$1,737,997	\$47,895	2.8%	\$1,808,026	\$117,924	7.0%
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.

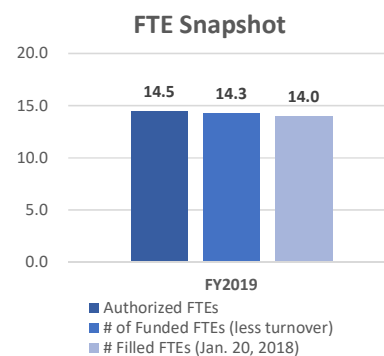
The Commission receives, on average, approximately 400 cases per year and projects an average number of processed cases to be the same each year.

MAJOR ISSUES AND TRENDS FOR FY2019

The Governor recommends \$1.8 million in all funds for FY2019, of which \$1.3 million is general revenue and \$497,570 is federal funds. General revenues increase \$52,382 (4.2 percent) over the FY2018 Budget as Enacted. This includes a net increase of \$13,302 for target and other adjustments and an increase of \$39,280 in operating costs, reflecting the use of rotary accounts for billable centralized services, including information technology, capital asset management and maintenance, and human resources. These expenditures will be clearly stated under each agency using the centralized services. The agency's office is located at 180 Westminster Street in the City of Providence. The lease was renewed on July 19, 2016, and expires in July 2021. The annual lease expense is \$197,738.

During FY2017, it took the Commission an average of 315 days to process a case to final disposition, 16 days shorter than those processed during FY2016 and 15 days longer than those processed during FY2015.

The Budget includes 14.5 FTE positions in FY2018 and in FY2019, consistent with the enacted level.



Commission for Human Rights	General Revenue
FY2018 Enacted	\$1,258,074
<i>Target and Other Adjustments</i>	<i>13,102</i>
Centralized Service Charges	39,280
FY2019 Governor	\$1,310,456

Centralized Service Charges**\$39,280**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

Centralized Service Charges	Amount
Information Technology	\$39,280
Capital Asset and Management	-
Human Resources	-
Total	\$39,280

Public Utilities Commission

Expenditures By Program	FY2017 Actual	FY2018 Enacted	FY2018 Governor	Change from Enacted		FY2019 Governor	Change from Enacted	
Public Utilities Commission	\$8.0	\$9.1	\$10.0	\$0.8	9.2%	\$10.7	\$1.5	16.9%
Expenditures By Source								
Federal Funds	\$0.1	\$0.1	\$0.2	\$0.0	\$0.3	\$0.2	\$0.0	\$0.3
Restricted Receipts	7.9	9.0	9.8	0.8	8.9%	10.5	1.5	9.0%
Grand Total	\$8.0	\$9.1	\$10.0	\$0.8	9.2%	\$10.7	\$1.5	16.9%
Authorized FTE Levels	51.0	51.0	54.0	3.0	5.9%	57.0	6.0	11.8%

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

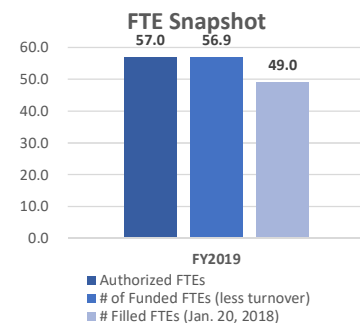
The Public Utilities Commission (PUC) regulates public utilities, Community Antenna Television, common carriers, and major energy facilities; regulates rates; ensures sufficient utility infrastructure to promote economic development; and, cooperates with other states and federal government agencies to 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 FY2018 AND FY2019

The FY2018 Revised Budget provides a total operating budget of \$10.0 million, including \$9.8 million in restricted receipts, and \$165,593 in federal funds. The recommendation represents an increase of \$838,069 (9.2 percent) over the FY2018 Budget as Enacted. The single largest increase is \$574,757 in restricted receipts reflecting the transfer of the Water Resources Board into the Division of Public Utilities and Carriers. As the agency does not receive any general revenue funding, the costs are a pass-through expenditure and are paid by the regulated utilities pursuant to RIGL 39-1-23.

The FY2019 Budget provides a total operating budget of \$10.7 million, including \$10.5 million in restricted receipts and \$168,378 in federal funds. The recommendation represents an all fund increase of \$1.5 million (16.9 percent) over the FY2018 Budget as Enacted, and reflects an increase of \$1.5 million in restricted receipts and \$39,153 in federal funds. The Budget provides a staffing level of 54.0 FTE positions in FY2018 and 57.0 FTE positions in FY2019 for the Commission, an increase of 6.0 FTE positions from the enacted budget.

The FY2018 Budget as Enacted required 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.



Public Utilities Commission	Other Fund Changes
Water Resources Board - Operations Transfer	\$574,757
Budgetary Cap Increases	350,000
New Personnel	341,170
Centralized Service Charges	90,324
New Vehicle	30,000

Water Resources Board – Operations Transfer (restricted receipts) \$574,757

The Governor transfers the Water Resources Board functions and 3.0 FTE positions from the Division of Planning to the Division of Public Utilities and Carriers. The positions are: 1.0 General Manager (currently vacant), 1.0 Staff Director, and a 1.0 Supervising Civil Engineer. The action also transfers the funding source for the Water Resources Board from general revenue to restricted receipts.

Article 3, Section 12 through 15 authorizes the transfer, as well as to amend general law to transfer the responsibilities of administering the Big River Management Area from the Water Resources Board to the Department of Administration. The transfer of the Board also transfers the funding source of the Water Resources Board from general revenue to restricted receipts. Attorneys with the Division of Public Utilities and Carriers in anticipation of the transfer, have begun reviewing the myriad of statutory authority that delineates the authority of the Water Resources Board in anticipation that additional legislation will be drafted prior to concluding the 2018 legislative session.

Analyst Note: The Governor's Budget amendment dated January 25, 2018, makes technical corrections to section 13 regarding the transfer of the Water Resources Board. The drafting of the original article used outdated general law language. The amendment uses the current law language and removes items that were older law language that was inadvertently added back into the proposed article.

Budgetary Cap Increases (restricted receipts) \$350,000

The Budget adds \$350,000 in restricted receipts reflecting an increase in budgetary caps for two accounts. This includes \$250,000 under the Public Utilities Reserve Account and \$100,000 for the Energy Facilities Siting Board.

Public Law 2017 Chapter 90 enacted legislation increasing the Public Utilities Commission's assessment charged to utilities from \$500,000 to \$750,000, a \$250,000 increase. The Governor adjusts contract services for the Public Utilities Reserve Account to account for the assessment change. The following table illustrates the adjustments:

Public Utilities Reserve Account	FY2018	FY2019	Change
	Enacted	Governor	
5.5 Percent Contractor Surcharge	\$2,918	\$2,963	\$45
Financial Services	700,000	1,100,000	400,000
Legal Services	340,000	200,000	(140,000)
Other Temporary Services	53,045	43,000	(10,045)
Total	\$1,095,963	\$1,345,963	\$250,000

RIGL 42-98-17 allows the Public Utilities Commission to assess utilities for all costs associated with a matter before the Commission. The Commission is allowed to pre-invoice utilities the assessment. This item reflects a projected estimate for costs that may occur at the Commission. This is an accounting method to insure sufficient funding is available during the fiscal year.

Personnel – New FTE Positions (restricted receipts) \$341,170

The Governor adds 2.0 Programming Service Officer positions and a 1.0 Associate Public Utilities Administrator position. The two Programming Service Officer positions are required to handle increased work involving regulatory research and analysis, increased fiscal and financial reporting requirements, and to handle a projected increase in administrative proceedings. The Associate Public Utilities Administrator position is required to provide management oversight to engineering, regulatory, and consumer affairs staff at the Division of Public Utilities and Carriers. The projected FY2019 cost for the three positions added in FY2019 is \$341,170 in restricted receipts.

Centralized Service Charges (restricted receipts) \$90,324

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

<u>Centralized Service Charges</u>	<u>Amount</u>
Information Technology	\$90,324
Capital Asset and Management	-
Human Resources	-
Total	\$90,324

New Vehicle (restricted receipts) \$30,000

The Governor includes \$30,000 in restricted receipts for the purchase of a new electric motor vehicle to replace an older 2009 Ford Escape with 100,000 mileage.

CAPITAL PROJECTS

The Governor's 5-year capital plan includes \$606,400 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 FY2018 and FY2022, including the installation of a solar car port canopy, windows, membrane roof, handicap railings and ramp, and to resurface the parking lot.

The Governor recommends \$266,400 in FY2018 and \$50,000 in FY2019. The Governor recommends further restricted receipt expenditures of \$200,000 in FY2020, \$100,000 in FY2021, and \$100,000 in FY2022. 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	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted	Enacted	Governor	Enacted	Enacted
Central Management	\$3.4	\$1.1	\$1.1	(\$0.0)	-0.7%	\$1.3	\$0.1	13.0%
Commerce Programs	3.5	1.3	1.3	-	0.0%	2.1	0.8	63.1%
Economic Development Initiatives Fund	37.7	17.8	14.8	(3.0)	-16.9%	21.0	3.2	17.8%
Housing and Community Development	16.1	23.3	26.0	2.7	11.8%	20.1	-3.2	-13.6%
Quasi-Public Appropriations	12.7	15.1	14.8	(0.3)	-2.2%	18.3	3.3	21.6%
Total	\$73.4	\$58.6	\$58.0	(\$0.6)	-1.0%	\$62.8	\$4.2	7.2%
Expenditures By Source								
General Revenue	\$54.7	\$33.1	\$29.8	(\$3.2)	-9.8%	\$37.3	\$4.3	12.9%
Federal Funds	13.6	17.9	18.9	1.0	5.5%	14.4	(3.4)	-19.3%
Restricted Receipts	4.4	4.7	6.2	1.5	31.6%	4.8	0.0	0.1%
Other Funds	0.7	2.9	3.1	0.2	6.0%	6.3	3.4	117.2%
Total	\$73.4	\$58.6	\$58.0	(\$0.6)	-1.0%	\$62.8	\$4.2	7.2%
Authorized FTE Levels	16.0	17.0	17.0	-	0.0%	17.0	-	0.0%

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

The Executive Office of Commerce (EOC) 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 to be the State's lead agency for economic development throughout Rhode Island.

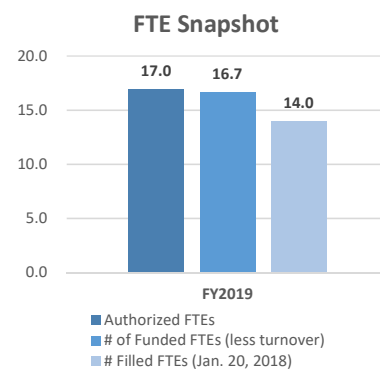
The Housing and Community Development program was transferred to the Executive Office of Commerce in accordance to provisions set under RIGL 42-64.19-7(h) and enacted by the General Assembly in 2013. In addition, the funding and administration for the Rhode Island Commerce Corporation and the I-195 Redevelopment Commission, both 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 FY2019

The Governor recommends \$62.8 million to fund the economic development initiatives and operations of Executive Office of Commerce and the Rhode Island Commerce Corporation. More than half of this, or \$37.3 million, comes from general revenue, a 12.9 percent increase (\$4.3 million) from FY2018 enacted levels. The Governor includes 17.0 FTE positions in FY2018 and in FY2019.

Article 19 of the FY2016 Budget as Enacted established numerous new economic development incentives to spur investment in new capital, critical industry sectors, improving the workforce, promoting innovation. FY2016 appropriations supporting these incentives totaled \$42.6 million. Total general revenue appropriations through FY2019 as recommended by the Governor and inclusive of FY2016 enacted levels totals \$122.5 million, an increase of 188.0 percent over the first year's appropriation total. Nearly 91.6 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 Enacted	FY2017 Enacted	FY2018 Enacted	FY2018 Governor's Revised	FY2019 Governor Proposed	Total Funding Appropriated		Balance
	Supplemental (Final)	Supplemental (Final)				FY2019* /Proposed -	Awarded**	
Rebuild RI	\$1.0	\$25.0	\$12.5	\$9.5	\$15.5	\$51.0	\$84.4	(\$33.4)
I-195 Redevelopment fund	25.0	-	2.0	2.0	1.0	28.0	25.1	2.9
First Wave Closing Fund	5.0	8.5	1.8	1.8	1.0	16.3	2.4	13.9
Wavemaker Fellowship	1.7	2.0	0.8	0.8	1.6	6.1	3.2	2.9
Small Business Assistance Fund	5.5	-	-	-	0.5	6.0	5.4	0.5
Innovation Initiative	1.0	1.5	1.0	1.0	1.0	4.5	5.2	(0.7)
Main Street RI Streetscape Improvement Fund	1.0	1.0	0.5	0.5	0.5	3.0	2.0	1.0
Air Service Development Fund	-	1.5	0.5	0.5	0.5	2.5	2.0	0.5
P-Tech	0.9	1.2	-	-	0.2	2.3	1.3	1.1
Industry Cluster Fund	0.8	0.5	-	-	0.1	1.4	1.1	0.3
Anchor institution Tax Credit	0.8	-	-	-	-	0.8	-	0.8
Manufacturing Investment Tax Credit	-	-	-	-	0.3	0.3	-	0.3
Manufacturing Site Readiness	-	-	-	-	0.2	0.2	-	0.2
Municipal Technical Assistance	-	-	-	-	0.2	0.2	-	0.2
Qualified Jobs Tax Incentive	-	-	-	-	-	-	43.4	(43.4)
Tax Increment Financing	-	-	-	-	-	-	19.2	(19.2)
Tax Stabilization Agreement Incentive	-	-	-	-	-	-	0.2	(0.2)
Total	\$42.6	\$41.2	\$19.1	\$16.1	\$22.6	\$122.5	\$194.7	(\$72.3)

*Total includes FY2016 and FY2017 Final Enacted, FY2018 Governor Revised, and FY2019 Governor; not FY2018 Enacted amounts.

**Total Awards through March 2018. Fiscal Impacts of certain tax credit awards extend out to 2022.

The Governor includes \$22.6 million in general revenue funding for the suite of economic development initiatives, an increase of 18.3 percent (\$3.5 million) over the enacted level.

The Governor also recommends a package of both new and revised incentives designed to spur development in the manufacturing sector in Rhode Island. Article 12 of the Budget authorizes several of these incentives, including a refundable manufacturing tax credit. These incentives are:

- **Manufacturing Investment Tax Credit:** The Commerce Corporation may award a refundable tax credit up to \$300,000 to use against costs associated with financing manufacturing capital assets such as plants or equipment. A manufacturer is only able to redeem the credit if the credit's value exceeds the tax liability in the year the 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.
- **New "Pad-Ready" Site Program:** The Budget provides for a new Manufacturing Site Readiness program that would support the development of an inventory of vetted, pad-ready sites within the State capable of supporting manufacturing facilities. A fund is also created to finance due diligence at a qualifying property, including surveys, environmental assessments, etc.
- **Rebuild RI Expansion:** The Budget expands access to the Rebuild Rhode Island Tax Credit program for small businesses, particularly manufacturers and businesses located within an area designated by Commerce Corporation's Main Street Streetscape Improvement program. Manufacturers and those projects located in local business districts would be exempt from the minimum project size requirements under the program's eligibility requirements.

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.

Central Management	General Revenue
FY2018 Enacted	\$1,138,714
<i>Target and Other Adjustments</i>	
Personnel	20,028
Centralized Service Charges	82,798
FY2019 Governor	\$1,287,095

Personnel **\$82,798**

The Governor recommends \$1.1 million in general revenue for salaries and benefits within the Executive Office of Commerce, representing an increase of \$82,798 over the FY2018 Budget as Enacted. The increase in personnel expenditures is related primarily to the proposed hiring of a new Deputy Secretary of Commerce. This is the second time that the Governor has proposed that the position be funded. The General Assembly authorized the FTE position in FY2018, but did not provide the funding. Personnel costs associated with the position for a full year are \$158,522 in salary and approximately \$88,000 in benefits.

Centralized Service Charges **\$45,555**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	21,570
Capital Asset and Management	-
Human Resources	23,985
Total	\$45,555

COMMERCE PROGRAMS

The Governor recommends \$2.1 million of general revenue in FY2019 to support an array of Commerce Programs primarily focused on developing and retaining workforce talent 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 \$820,000 more than what was appropriated in the FY2018 Budget as Enacted.

Commerce Programs	General Revenue
FY2018 Enacted	\$1,300,000
<i>Target and Other Adjustments</i>	
Wavemaker Fellowship	-
Tax Stabilization Agreement Incentive	800,000
Air Services Development	20,000
FY2019 Governor	\$2,120,000

Wavemaker Fellowship **\$800,000**

The Governor recommends \$1.6 million in general revenue in FY2019, \$800,000 more than the FY2018 enacted level, to fund the Wavemaker Fellowship Program. The increase is meant to better align the

amount of available funds each year to the demand for fellowships. 427 Wavemaker Fellowships have been awarded since 2016. Originally comprised of 215 fellows, the 2016 cohort currently has 208 because some individuals have since become ineligible (e.g. no longer work in the state or no longer have student debt). The conditional funding for the cohort has been reduced from \$788,051 per year (up to four years) to \$712,832 per year. The 2017 cohort has 219 fellows. The Executive Office of Commerce is currently in the process of opening applications for the third cohort. The Governor recommends funding for an FY2019 cohort of 225 fellows.

Budget	Appropriation	Awarded	Balance	Percent Awarded	Obligated	Percent Obligated	Expended	Percent Expended
2016 Enacted (Final)	\$1,700,000	\$1,425,664	\$274,336	83.9%	\$1,425,664	83.9%	\$0	0.0%
2017 Enacted (Final)	2,000,000	1,725,194	549,142	85.2%	1,725,194	85.2%	-	-
2018 Enacted	800,000	-	1,349,142	70.0%	-	70.0%	-	-
<i>Subtotal - Activity to Date</i>	<i>\$4,500,000</i>	<i>\$3,150,858</i>	<i>\$1,349,142</i>	<i>70.0%</i>	<i>\$3,150,858</i>	<i>70.0%</i>	<i>\$0</i>	<i>0.0%</i>
2018 Governor's Revised	800,000	-	1,349,142	70.0%	-	70.0%	-	-
2019 Governor's Proposed	1,600,000	-	2,949,142	51.7%	-	51.7%	-	-
Total	\$6,100,000	\$3,150,858	\$2,949,142	51.7%	\$3,150,858	51.7%	\$0	0.0%

The Wavemaker Fellowship is a competitive student loan reimbursement for college and university graduates who pursue 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.

	Associate's	Bachelor's	Master's or Higher	Total
	9	222	196	427

According to the Executive Office of Commerce, the FY2016 and FY2017 appropriations are fully obligated to the first two cohorts. The FY2018 appropriation (\$800,000) will fund one year of a similarly-sized (approximately 215 to 225 fellows) third cohort. The \$1.6 million in FY2019 would fund the second year of the third cohort and the first year of a fourth cohort.

Annual overhead expenditures are approximately \$150,000 and cover personnel costs, legal fees, IT support, an online application portal, and other operational costs.

The following table shows the planned expenditures through FY2023 based on the Governor's recommended funding levels. For planning purposes, the EOC expects an annual cohort of 215 going forward. Each cohort has an associated annual cost of approximately \$800,000.

Revenues	FY2016	FY2017	FY2018	FY2019	FY2020 ¹	FY2021	FY2022	FY2023	Total
Balance Forward	-	\$1,585,000	\$3,470,000	\$2,544,571	\$1,619,142	(\$106,287)	(\$1,831,716)	(\$1,981,716)	\$7,599,571
Budget	1,700,000	2,000,000	800,000	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	12,500,000
Total Available	\$1,700,000	\$3,585,000	\$4,270,000	\$4,144,571	\$3,219,142	\$1,493,713	(\$231,716)	(\$381,716)	20,099,571
Expenditures									
Cohort 1 ²	-	-	712,832	712,832	712,832	712,832	-	-	1,425,664
Cohort 2	-	-	862,597	862,597	862,597	862,597	-	-	1,725,194
Cohort 3	-	-	-	800,000	800,000	800,000	800,000	-	3,200,000
Cohort 4	-	-	-	-	800,000	800,000	800,000	800,000	3,200,000
Overhead	115,000	115,000	150,000	150,000	150,000	150,000	150,000	-	980,000
Total Expenditures	\$115,000	\$115,000	\$1,725,429	\$2,525,429	\$3,325,429	\$3,325,429	\$1,750,000	\$800,000	\$4,480,858
Balance	\$1,585,000	\$3,470,000	\$2,544,571	\$1,619,142	(\$106,287)	(\$1,831,716)	(\$1,981,716)	(\$1,181,716)	\$9,218,713

¹ FY2020-23 figures are based on level funding to the Governor's FY2019 Budget amount.

² Each Cohort is estimated to average 215 fellows, resulting in 860 in total through a 4th cohort. As of March 25, 2018 Cohort 1 has 208 fellows and Cohort 2 has 219, for a total of 427.

Tax Stabilization Agreement Incentive

\$20,000

The Governor recommends \$20,000 of general revenue in FY2019 to support the Tax Stabilization Agreement (TSA) Incentive program in FY2019.

Budget	Tax Stabilization Agreement Incentive							
	Appropriation	Awarded	Balance	Percent Awarded	Obligated	Percent Obligated	Expended	Percent Expended
2016 Enacted (Final) ¹	\$0	\$0	\$0	0.0%	\$0	0.0%	\$0	0.0%
2017 Enacted (Final)	500,000	246,547	253,453	49.3%	246,547	49.3%	-	0.0%
2018 Enacted	-	-	253,453	49.3%	-	49.3%	-	0.0%
<i>Subtotal - Activity to Date</i>	<i>\$500,000</i>	<i>\$246,547</i>	<i>\$253,453</i>	<i>49.3%</i>	<i>\$246,547</i>	<i>49.3%</i>	<i>\$0</i>	<i>0.0%</i>
2018 Governor's Revised	-	-	253,453	49.3%	-	49.3%	-	-
2019 Governor's Proposed ²	20,000	-	273,453	47.4%	-	47.4%	-	-
Total	\$520,000	\$246,547	\$273,453	47.4%	\$246,547	47.4%	\$0	0.0%

¹ The TSA Incentive Program funding prior to FY2019 came from the proceeds of refinancing certain State debt. The Governor planned to use \$500,000 of debt refinancing savings to capitalize the TSA incentive.

² First general revenue appropriation.

The TSA Incentive program facilitates projects that are required to have a local tax stabilization plan in place to move forward. 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 provides 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 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, commercial enterprises, or residential purposes. The terms of stabilization agreements must be for a minimum of twelve years. Reimbursements will cease upon any termination of the underlying tax stabilization agreement or upon exhaustion of funds appropriated to the reimbursement fund.

The aggregate value of the reimbursements approved by the Commerce Corporation cannot exceed ten percent of the property tax revenue that would have otherwise been collected or the annual appropriations received by the Commerce Corporation for the program.

The tax stabilization agreement can be granted for a project meeting one of the following criteria:

- Results in the creation of at least 50 new full-time jobs, and the developer must commit a capital investment of not less than \$10.0 million towards the project.
- Results in the creation of at least 25 new full-time jobs, and the developer must commit a capital investment of not less than \$5.0 million towards the project. (Hope Community only)
- For the re-use of a historic structure that results in the creation of at least twenty units of residential housing, 20.0 percent of which must be affordable or workforce housing.
- For the creation of at least twenty units of residential housing. (Hope Community only)

Analyst Note: "Hope Community" means a municipality for which the five (5) year average percentage of families with income below the federal poverty level exceeds the State's five (5) year average percentage, both as most recently reported by the U.S. Department of Commerce, Bureau of the Census. This current applies to Providence, Pawtucket, Central Falls, Woonsocket, and West Warwick.

Reimbursements are to be paid from a fund that originally was to be capitalized through savings from debt refinancing on general obligation bonds. Costs beyond the first two years would have to be covered by general revenue appropriations. To date, only one project has been awarded TSA incentive funds – the Residence Inn being developed on the site previously occupied by the Fogarty Building in Providence.

Project	Date Awarded	TSA Award	Rebuild Tax Credit	Rebuild Sales Tax Credit	TIF	Total Incentives
Residence Inn	2/22/16, 5/22/17	\$246,597	\$100,000	\$1,311,938	\$6,000,000	\$7,658,535
Total		\$246,597	\$100,000	\$1,311,938	\$6,000,000	\$7,658,535

Air Service Development**Informational**

The Governor level funds the Air Service Development Fund with \$500,000 in general revenue. The fund supports the development of additional direct airline routes to major metropolitan areas. According to the Executive Office of Commerce, it is common practice in the industry to provide incentives, guarantees, and other supports to an airline to offset costs and lower the risks associated with establishing new routes.

Budget	Appropriation	Awarded	Balance	Percent Awarded	Obligated	Percent Obligated	Expended	Percent Expended
2016 Enacted (Final)	\$0	\$0	\$0	0.0%	\$0	0.0%	\$0	0.0%
2017 Enacted (Final)	1,500,000	1,500,000	-	100.0%	1,500,000	100.0%	-	-
2018 Enacted	500,000	500,000	-	100.0%	500,000	100.0%	-	-
<i>Subtotal - Activity to Date</i>	<i>\$2,000,000</i>	<i>\$2,000,000</i>	<i>\$0</i>	<i>100.0%</i>	<i>\$2,000,000</i>	<i>100.0%</i>	<i>-</i>	<i>-</i>
2018 Governor's Revised	500,000	500,000	-	100.0%	500,000	100.0%	-	-
2019 Governor's Proposed	500,000	-	500,000	80.0%	-	-	-	-
Total	\$2,500,000	2,000,000	\$500,000	80.0%	\$2,000,000	80.0%	\$0	0.0%

The fund is administered by a five-member Air Service Development Fund Council that is chaired by the Secretary of Commerce. The decision to backstop a route is made after a confidential cost/benefit analysis is completed. In its analysis, the council must consider the potential economic impact of the route, what it means for both business and leisure travelers, and the number of jobs (direct, indirect, and induced) that may result. Additionally, a carrier must demonstrate that the new routes meet certain thresholds of economic impact based on studies conducted by Discover New England and the Federal Aviation Administration. Once approved, each carrier is eligible for up to \$750,000 per international route and \$250,000 per domestic route. To receive reimbursement, airlines submit marketing materials and invoices to Rhode Island Airport Corporation (RIAC) and Commerce.

The following table shows the airlines that have been awarded Air Service Development Funds:

Carrier	# Routes	Locations
Norwegian Airlines	6	Dublin, Shannon, Cork, Edinburgh, Guadeloupe, Martinique
Frontier Airlines	4	Denver, Miami, New Orleans, Raleigh
Allegiant Air	3	St. Petersburg, Punta Gorda, Cincinnati
OneJet	1	Pittsburgh
Total	14	

ECONOMIC DEVELOPMENT INITIATIVES

The Governor recommends \$21.0 million in general revenue in FY2019 to support various incentives, business assistance, and development programs designed to create and expand businesses. The funding recommendation is \$3.2 million less than what was appropriated in the FY2018 Budget as Enacted.

Economic Development Initiatives	General Revenue
FY2018 Enacted	\$17,800,000
<i>Target and Other Adjustments</i>	
Rebuild RI	3,000,000
I-195 Redevelopment Fund	(1,000,000)
First Wave Closing Fund	(800,000)
Small Business Assistance	500,000
SupplyRI Initiative	475,000
Manufacturing Investment Tax Credit	300,000
Manufacturing Site-Readiness	200,000
P-Tech	200,000
Municipal Technical Assistance	200,000
Industry Cluster Grants	100,000
FY2019 Governor	\$20,975,000

Rebuild RI **\$3.0 million**

The Governor includes \$15.5 million in general revenue for the Rebuild Rhode Island (Rebuild RI) Tax Credit program, an increase of \$3.0 million from the FY2018 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 taxpayer's 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	Percent Obligated	Percent Obligated	Percent Expended	Percent Expended
2016 Enacted (Final)	\$1,000,000	\$23,779,498	(\$22,779,498)	2377.9%	\$23,779,498	2377.9%	\$0	0.0%
2017 Enacted (Final)	25,000,000	57,582,554	(55,362,052)	312.9%	81,362,052	325.4%	-	-
2018 Enacted	12,500,000	3,050,000	(45,912,052)	219.3%	84,412,052	675.3%	-	-
<i>Subtotal - Activity to Date</i>	<i>\$38,500,000</i>	<i>\$84,412,052</i>	<i>(45,912,052)</i>	<i>219.3%</i>	<i>\$84,412,052</i>	<i>219.3%</i>	<i>-</i>	<i>-</i>
2018 Governor's Revised	9,500,000	84,412,052	(48,912,052)	237.8%	\$84,412,052	237.8%	-	-
2019 Governor's Proposed	15,500,000	-	(33,412,052)	165.5%	84,412,052	165.5%	-	-
Total	\$51,000,000	\$84,412,052	(\$33,412,052)	165.5%	\$84,412,052	165.5%	\$0	0.0%

A restricted receipt account was established in FY2016 (the Rebuild RI Fund) and 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.

Program	Estimated Obligations by Fiscal Year								
	2018	2019	2020	2021	2022	2023	2024	2025	
Rebuild Tax Credits	\$0.6	\$4.7	\$11.7	\$19.3	\$18.1	\$16.1	\$12.9	\$6.5	

FY2017 Budget as Enacted: 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 authorize 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 until 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 the 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 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.

Article 12: Article 12 of the Governor's Budget exempts Rebuild RI projects that involve a manufacturer or a qualified small business project from the following requirements:

- Commercial development consisting of at least 25,000 square feet and 25 full-time employees after construction, or any number of new employees as the Secretary deems appropriate.
- Multi-family residential development consisting of at least 20,000 square feet with 20 residential units in a Hope Community or mixed-use development consisting of at least 25 square feet.
- Total project cost must be greater than \$5.0 million, with the exception of projects in a Hope Community or designated redevelopment area.

A qualified small business project is defined as a commercial project located within one block of a project awarded funding under the Main Street Rhode Island Streetscape Improvement Fund Act (Main Street RI), or as determined by the Commerce Corporation to be located in a local business district consistent with the purposes of Main Street RI.

Article 12 also adjusts the annual limit amounts on the taking of the tax credits. Currently, tax credits are allowable to be taken by the taxpayer only once the project is placed into service. The credits may be taken in up to five annual increments. No more than 30.0 percent and no less than 15.0 percent of the total credits may be taken in one year. Article 12 exempts projects with a financing gap of less than \$500,000 from these annual maximum and minimum limits.

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 March 26, 2018, the Commerce Corporation has approved 26 projects for \$84.4 million in maximum Rebuild RI tax credits.

Rebuild RI

Recipient	Date Approved	Maximum Credit
Louitt Laundry	Jan-16	\$2.7
Residence Inn (Former Fogarty Building)	Feb-16	0.1
Case Mead	Feb-16	1.6
Union Trust	Mar-16	1.1
78 Fountain Street	Mar-16	6.1
Prospect Heights	Mar-16	3.7
A.T. Cross	May-16	0.4
Pontiac Mills	May-16	3.6
Warwick Hyatt Hotel	Jun-16	1.4
Ocean State Job Lot	Jun-16	3.1
Finlay	Aug-16	0.3
Lippitt Mill	Aug-16	2.1
Hope Artiste	Sep-16	3.6
45 Pike	Sep-16	2.5
Innovate Newport	Nov-16	2.1
Virgin Pulse	Dec-16	3.2
Chestnut Commons	Dec-16	3.5
Downcity	Jan-17	11.9
Bristol Belvedere	Feb-17	1.0
Agoda	Feb-17	1.0
Wexford Innovation Center	May-17	15.0
River House	May-17	8.4
The Edge	May-17	3.0
Gotham Greens	Nov-17	1.3
Infosys	Dec-17	0.8
R&W Phase II	Jan-18	1.0
Total		\$84.4
<i>\$ in millions</i>		

I-195 Redevelopment Fund**(\$1.0 million)**

The Governor includes \$1.0 million of general revenue funding for the I-195 Redevelopment Fund in FY2019, \$1.0 million less than the fund was appropriated in the FY2018 Budget as Enacted.

Budget	Appropriation	Awarded	Balance	Percent Awarded	Obligated	Percent Obligated	Expended	Percent Expended
2016 Enacted (Final)	\$25,000,000	\$0	\$25,000,000	0.0%	\$0	0.0%	\$0	0.0%
2017 Enacted (Final)	-	3,000,000	22,000,000	12.0%	3,000,000	12.0%	-	-
2018 Enacted	2,000,000	22,070,000	1,930,000	92.9%	\$22,070,000	92.9%	-	-
<i>Subtotal - Activity to Date</i>	<i>\$27,000,000</i>	<i>\$25,070,000</i>	<i>1,930,000</i>	<i>92.9%</i>	<i>\$25,070,000</i>	<i>92.9%</i>	<i>-</i>	<i>-</i>
2018 Governor's Revised	2,000,000	22,070,000	1,930,000	92.9%	\$22,070,000	92.9%	-	-
2019 Governor's Proposed	1,000,000	-	2,930,000	89.5%	-	-	-	-
Total	\$28,000,000	25,070,000	2,930,000	89.5%	\$25,070,000	89.5%	\$0	0.0%

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 or proximate land nearby I-195 District 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.

The I-195 Redevelopment Commission has committed \$25.1 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 \$2.9 million of unencumbered funds in FY2019.

First Wave Closing Fund**(\$800,000)**

The Governor includes \$1.0 million of general revenue financing for the First Wave Closing Fund in FY2019, representing an \$800,000 decrease from the FY2018 Budget as Enacted.

Budget	Appropriation	Awarded	Balance	Percent Awarded	Obligated	Percent Obligated	Expended	Percent Expended
2016 Enacted (Final)	\$5,000,000	\$200,000	\$4,800,000	4.0%	\$200,000	4.0%	\$0	0.0%
2017 Enacted (Final)	8,500,000	1,697,500	11,602,500	14.1%	\$1,897,500	14.1%	-	-
2018 Enacted	1,800,000	500,000	12,902,500	15.7%	\$2,397,500	15.7%	-	-
<i>Subtotal - Activity to Date</i>	<i>\$15,300,000</i>	<i>\$2,397,500</i>	<i>12,902,500</i>	<i>15.7%</i>	<i>\$2,397,500</i>	<i>15.7%</i>	-	-
2018 Governor's Revised	1,800,000	500,000	12,902,500	15.7%	\$2,397,500	15.7%	-	-
2019 Governor's Proposed	1,000,000	-	13,902,500	14.7%	\$2,397,500	14.7%	-	-
Total	\$16,300,000	\$2,397,500	\$13,902,500	14.7%	\$2,397,500	14.7%	\$0	0.0%

This Fund is intended to support economic development by providing “gap financing” for certain types of projects. Gap financing is the 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.

Recipient	Date Awarded	Award
AT Cross Company	May-16	\$200,000
GE Digital	Aug-16	650,000
Johnson & Johnson	Jan-17	250,000
eMoney	Mar-17	97,500
Infosys	Dec-17	500,000
Total		\$1,697,500

Small Business Assistance**\$500,000**

The Governor provides \$500,000 for the Small Business Assistance incentive program, \$500,000 more than the program was appropriated in the enacted budget.

Budget	Appropriation	Awarded	Balance	Percent Awarded	Obligated	Percent Obligated	Expended	Percent Expended
2016 Enacted (Final)	\$5,458,000	\$5,345,000	\$113,000	97.9%	\$5,345,000	97.9%	\$0	0.0%
2017 Enacted (Final)	-	100,000	13,000	99.8%	\$5,445,000	99.8%	-	-
2018 Enacted	-	-	13,000	99.8%	\$5,445,000	99.8%	-	-
<i>Subtotal - Activity to Date</i>	<i>\$5,458,000</i>	<i>\$5,445,000</i>	<i>13,000</i>	<i>99.8%</i>	<i>\$5,445,000</i>	<i>99.8%</i>	<i>\$0</i>	<i>0.0%</i>
2018 Governor's Revised	-	-	13,000	99.8%	\$5,445,000	99.8%	-	-
2019 Governor's Proposed	500,000	-	513,000	91.4%	\$5,445,000	91.4%	-	-
Total	\$5,958,000	\$5,445,000	\$513,000	91.4%	\$5,445,000	91.4%	\$0	0.0%

The program was established to help small businesses (under 200 employees) gain access to capital. The program originally received a \$5.4 million general revenue appropriation in FY2016 as capitalization. Maximum grants are capped at \$750,000. According to the Executive Office of Commerce, the program offers more operating flexibility than the long-standing Small Business Loan Fund, which is subject to federal regulations from the U.S. Economic Development Administration. The Commerce Corporation partners with private lending institutions to administer the applications and program. The following table shows the lenders and activity to date:

Lender	Award	Funding Date	Number of Loans	Total Loan Amount
BDC Capital	\$1,900,000	Dec-16	12	\$880,800
Business Development Co of RI	1,000,000	Nov-16	5	1,515,000
Community Investment Corporation (CIC)	1,000,000	Nov-16	6	739,115
South Eastern Economic Devel. Corp (SEED)	1,000,000	Nov-16	7	2,038,250
CIC Microloans	170,000	Nov-16	11	246,500
CWE Microloans	150,000	Jan-17	6	115,000
SEG Microloans	125,000	Nov-16	2	40,000
Rhode Island Black Business Association	100,000	Sep-17	-	-
Total	\$5,445,000		49	\$5,574,665

Originally, 10.0 percent of the funds were to be allocated for “micro loans” of \$2,000 to \$25,000. The loans may be used to:

- Provide additional capital to businesses
- Provide direct lending for subordinated and mezzanine debt (debt that is associated with acquisitions and buyouts where it may be used to prioritize new owners ahead of existing owners in case of bankruptcy, or be used to convert a debt into a stock option)
- Provide collateral support and enhancement

Article 12 of the Budget amends the Small Business Assistance Program by raising the level of “micro-lending” permitted under the incentive. Article 12 raises micro-lending cap to 25.0 percent, or \$125,000 of the amount budgeted for FY2019.

Supply RI Initiative

\$475,000

The Governor provides \$475,000 for a new program to incentivize large in-state business to use in-state suppliers and reduce dependence on out-of-State companies.

The Executive Office of Commerce analyzed the operating expenditures of six large employers in Rhode Island and discovered that a disproportionate amount of operating budgets are spent on out-of-State suppliers. Commerce concluded that if 2.0 percent of the business was shifted in-State, the impact would create 200 jobs and generate approximately \$28.0 million in annual product. Similarly, if universities and hospitals in the State were to shift 2.5 percent of their operating purchases, another \$126.0 million in economic activity and 700 jobs would be created.

The Commerce Corporation plans to develop a networking platform to facilitate the connection between large companies and smaller suppliers. It intends to provide ongoing technical assistance to suppliers to help them compete with out-of-State entities.

Manufacturing Investment Tax Credit

\$300,000

The Budget includes \$300,000 for a new refundable investment tax credit, to be administered by the Commerce Corporation that is intended to promote investment in manufacturing by reducing a business’ tax burden.

Article 12 of the Budget establishes a refundable investment tax credit that may be taken against a business’ corporate or personal income taxes and is refundable to the extent that the credit exceeds the business’ tax liability only 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 budget appropriations.

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 Corporation *prior* to making the investment that would give rise to the requested tax credit. When considering an application, the Commerce Corporation 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 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.

Manufacturing Site-Readiness**\$200,000**

The Budget includes \$200,000 for a new program to facilitate the development of “pad-ready” real estate for manufacturers.

Article 12 establishes a new Manufacturing Site Readiness program for the purposes of supporting the development of an inventory of vetted, pad-ready sites within the State capable of supporting manufacturing facilities. A fund is also created to finance due diligence at a qualifying property, including surveys, environmental assessments, etc.

- **Manufacturing Site Readiness Fund:** The article establishes a Manufacturing Site Readiness Fund within the Commerce Corporation out of which it is authorized, within available appropriations, to award grants that pay for the due diligence and feasibility analysis for the development of sites to a “pad-ready” condition. The article clarifies that the fund be capitalized with monies appropriated in the state budget, from federal or private sources, or any other source.
- **Manufacturing Site Readiness Program:** Commerce is authorized to develop and administer the pad-ready site program. The agency is directed to initially put out a request for “expressions of interest” in order to solicit developer participation and identify initial qualifying properties. A qualifying property is defined by the article as one that is capable of supporting large-scale economic development and including, but not limited to, manufacturing, industrial, and distribution uses.
 - **Application Review:** These properties would be subject to the Commerce Corporation’s review to determine suitability for funding. This review may consider aspects such as location, size, and suitability for development; existence of liens and encumbrances; zoning for industrial use and/or host community support for rezoning; site conditions; existing due diligence; cost to develop a pad-ready site; and willingness of the property owner to commit to development.
 - **Authorized Uses:** Under the article, the Commerce Corporation is authorized to provide grants to fund the due diligence necessary to determine site potential and improvement costs. Funds may be used to pay for costs associated with sites and/or topographic surveys, wetland determinations, environmental site assessments, applicable zoning review, utility availability studies, and preliminary site engineering.
 - **Rules and Reporting:** The article permits the Commerce Corporation to adopt guidelines, directives, criteria, rules, and regulations for the program. The agency must report to the General Assembly on the commitment, disbursement, and use of the funds allocated under the program no later than 60 days after the end of the fiscal year (early August).

P-Tech**\$200,000**

The Governor provides \$200,000 in general revenue funding or the P-Tech program in FY2019. The program did not receive funding in the FY2018 Budget as Enacted.

Budget	Appropriation	Awarded	Balance	Percent Awarded	Obligated	Percent Obligated	Expended	Percent Expended
2016 Enacted (Final)	\$900,000	\$600,000	\$300,000	66.7%	\$600,000	66.7%	\$0	0.0%
2017 Enacted (Final)	1,200,000	650,000	850,000	59.5%	\$1,250,000	59.5%	-	-
2018 Enacted	-	-	850,000	59.5%	\$1,250,000	59.5%	-	-
<i>Subtotal - Activity to Date</i>	<i>\$2,100,000</i>	<i>\$1,250,000</i>	<i>850,000</i>	<i>59.5%</i>	<i>\$1,250,000</i>	<i>59.5%</i>	<i>\$0</i>	<i>0.0%</i>
2018 Governor's Revised	-	-	850,000	59.5%	\$1,250,000	59.5%	-	-
2019 Governor's Proposed	200,000	-	1,050,000	54.3%	\$1,250,000	54.3%	-	-
Total	\$2,300,000	\$1,250,000	\$1,050,000	54.3%	\$1,250,000	54.3%	\$0	0.0%

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 career. 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 nationwide that is 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. P-Tech creates opportunity for students and a steady stream of talented, trained workers for businesses.

The current P-Tech partnerships are:

Lender	Award	Funding Date	Number of Loans	Total Loan Amount
BDC Capital	\$1,900,000	Dec-16	12	\$880,800
Business Development Co of RI	1,000,000	Nov-16	5	1,515,000
Community Investment Corporation (CIC)	1,000,000	Nov-16	6	739,115
South Eastern Economic Devel. Corp (SEED)	1,000,000	Nov-16	7	2,038,250
CIC Microloans	170,000	Nov-16	11	246,500
CWE Microloans	150,000	Jan-17	6	115,000
SEG Microloans	125,000	Nov-16	2	40,000
Rhode Island Black Business Association	100,000	Sep-17	-	-
Total	\$5,445,000		49	\$5,574,665

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.

Municipal Technical Assistance

\$200,000

The Governor recommends \$200,000 of general revenue for FY2019 to fund a new initiative to assist municipalities with permitting and other regulatory obstacles to economic development.

Article 12 expands the existing Main Street RI Streetscape Improvement Program, administered by the Commerce Corporation, to include a new technical assistance component for the purpose of improving 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. In addition to general revenue appropriations, the fund may receive federal, state or other resources.

Industry Cluster Grants

\$100,000

The Governor recommends \$100,000 of general revenue funding for the Competitive Cluster Grant Program in FY2019.

Budget	Appropriation	Awarded	Balance	Percent Awarded	Obligated	Percent Obligated	Expended	Percent Expended
2016 Enacted (Final)	\$750,000	\$0	\$750,000	0.0%	\$0	0.0%	\$0	0.0%
2017 Enacted (Final)	500,000	833,640	416,360	66.7%	833,640	67%	-	-
2018 Enacted	-	245,000	171,360	86.3%	1,078,640	86.3%	-	-
<i>Subtotal - Activity to Date</i>	<i>\$1,250,000</i>	<i>\$1,078,640</i>	<i>\$171,360</i>	<i>86.3%</i>	<i>\$1,078,640</i>	<i>86.3%</i>	-	-
2018 Governor's Revised	-	\$1,078,640	(907,280)	86.3%	\$1,078,640	86.3%	-	-
2019 Governor's Proposed	100,000	-	(807,280)	79.9%	-	79.9%	-	-
Total	\$1,350,000	\$1,078,640	\$271,360	79.9%	\$1,078,640	79.9%	\$0.0	0.0%

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, collaborating problem solving, and sharing technology. The Commerce Corporation has approved the following awards to date:

Grantee	Award Amount
DesignxRI	\$100,000
Highlander Institute	149,750
IYRS	75,290
Partnership for Future Greater PVD	115,000
Polaris MEP / RIMTA	99,600
RIMA	100,000
SENEDIA	109,000
Farm Fresh RI	85,000
IYRS	160,000
Polaris MEP / RITIN	85,000
Total	\$1,078,640

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.

Housing and Community Development	General Revenue
FY2018 Enacted	\$642,391
<i>Target and Other Adjustments</i>	<i>(7,418)</i>
Centralized Service Changes	271,192
FY2019 Governor	\$906,165

Housing and Community Development	Other Funds Changes
Community Development Block Grant	(3,445,184)

Centralized Service Charges **\$271,192**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	-
Capital Asset and Management	271,192
Human Resources	-
Total	\$271,192

Community Development Block Grant (federal funds) (\$3.5 million)

The Budget includes a net decrease of \$3.5 million 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 Department of Housing and Urban Development. The State distributes funds to units of local government, which in turn distribute funds to non-profit and other entities to support various activities including housing, economic development, facility improvements, social services, and planning. CDBG funds are targeted to areas that are distressed and are predominately low- and moderate- income neighborhoods. The net reduction in resources reflect the exhaustion of funds in several levels of past year grants.

QUASI-PUBLIC APPROPRIATIONS

The Budget provides \$12.0 million in general revenues to support the Rhode Island Commerce Corporation, several pass-through appropriations to fund specific economic programs, and for the I-195 Redevelopment Commission. There are no FTE positions allocated to this program.

Quasi-Public Appropriations	General Revenue
FY2017 Enacted	\$12,176,714
<i>Target and Other Adjustments</i>	-
Pass-Through Appropriations	(150,000)
Rhode Island Commerce Corporation Budget	Informational
	\$12,026,714
Quasi-Public Appropriations	Other Funds Changes
Quonset Industrial Park Renovations	\$4,000,000

Pass-Through Appropriations (\$150,000)

The Budget includes \$3.7 million in “pass-through” general revenue appropriations in the Executive Office of Commerce, reflecting a decrease of \$150,000 from the FY2018 Enacted Budget. The net decrease is related to several initiatives:

- **Polaris Manufacturing Technical Assistance Program (Polaris):** The Governor recommends \$350,000 to fund Polaris, the State’s official Manufacturing Extension Partnership, \$100,000 more than the enacted level. This program supports Rhode Island manufacturers by expanding the technical assistance capacity of Polaris. Polaris provides group and individual trainings in manufacturing and promotes manufacturing state-wide. Polaris is a Real Jobs Partnership, officially designated by the Governor’s Workforce Board, a role that allows the organization to leverage multiple funding streams to address the workforce needs of manufacturers.
- **Rhode Island Science and Technology Advisory Council (STAC):** The Budget provides \$900,000 million in general revenue to support the innovative technology and bioscience and engineering internship program, administered by the STAC. This is \$250,000 less than the enacted level. 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.

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 based on the most recent data available:

FY2016 Actual	1.0 Million Passengers	Distribution on Landings	All Airports and Communities to \$25,000	Total
Warwick T.F. Green	\$600,000	\$162,513	\$0	\$762,513
Block Island	-	38,261	-	38,261
Middletown-Newport Airport ¹	-	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
	\$600,000	\$400,000	\$4,174	\$1,004,173

¹ Located in Middletown

- **Chafee Center at Bryant University:** The Budget includes \$376,200 to support the RI Export Assistance Center at the Chafee Center at Bryant University.

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 was made under the General Programs section of the Department of Administration's budget.

The following table shows the revenues and expenditures that compose the annual Commerce RI budget:

Rhode Island Economic Development Corporation Budget

Revenues	FY2017 Actual	FY2018 Revised	FY2019
State Appropriations			
RI Commerce Corporation Base Appropriation	\$7,434,514	\$7,224,514	\$7,474,514
Total State Appropriations	\$7,434,514	\$7,224,514	\$7,474,514
Other Revenues			
Hotel Tax Revenue	\$5,146,107	\$5,100,000	\$5,100,000
Finance Program Allocation	518,949	246,904	250,000
Federal Grants	2,821,593	1,897,958	1,900,000
Other	979,628	841,040	840,000
Total Other Revenues	\$9,466,277	\$8,085,902	\$8,090,000
Total Revenues	\$16,900,791	\$15,310,416	\$15,564,514
Expenditures			
Total Operations (Personnel and Operating)	\$16,781,793	\$13,416,207	\$13,699,514
Grants or Partnerships	2,705,515	1,894,209	1,865,000
Total Expenditures	\$19,487,308	\$15,310,416	\$15,564,514
Operating Surplus/(Deficit)	(\$2,586,517)	-	-
Pass-Through Grants			
STAC Research Alliance (EPScore)	\$1,150,000	\$900,000	\$900,000
Innovative Matching Grants	1,000,000	1,000,000	1,000,000
Renewable Energy Fund	5,162,178	2,881,807	2,250,000
Airport Impact Aid	1,010,147	1,025,000	1,025,000
Chafee Center at Bryant	376,200	376,200	376,200
Polaris Manufacturing Technical Assistance	-	250,000	350,000
Urban Ventures	-	140,000	140,000
Other (AICU, Working Cities, Warwick Station)	300,000	-	-
Federal Pass-thru Grants	4,597,414	3,598,315	450,510
Total	\$13,595,939	\$10,171,322	\$6,491,710

Source: Executive Office of Commerce

CAPITAL PROJECTS**Quonset Industrial Park Renovations (other funds)****\$4.0 million**

The Budget adds \$4.0 million in Rhode Island Capital Plan (RICAP) funds for various infrastructure improvements at the Quonset Industrial Park including utility relocation, roadway crossing capacity, and other improvements to support the buildout of the park and future expansion.

Executive Office of Health and Human Services

Expenditures by Program	FY2017	FY2018	FY2018	Change		FY2019	Change	
	Actual	Enacted	Governor	from Enacted		Governor	from Enacted	
Central Management	\$114.5	\$132.9	\$172.6	\$39.7	-2.5%	\$140.3	\$7.4	-15.8%
Medical Assistance (Including Medicaid)	2,318.9	2,409.0	2,422.4	13.4	5.0%	2,337.0	(72.0)	-2.5%
Total	\$2,433.3	\$2,541.8	\$2,594.9	\$53.1	2.1%	\$2,477.3	(\$64.6)	-2.5%
Expenditures by Source								
General Revenue	\$944.9	\$964.3	\$978.5	\$14.2	1.5%	\$935.9	(\$28.4)	-2.9%
Federal Funds	1,473.4	1,558.3	1,590.6	32.3	2.1%	1,520.9	(37.5)	-2.4%
Restricted Receipts	15.0	19.2	25.8	6.6	34.3%	20.5	1.3	6.7%
Total	\$2,433.3	\$2,541.8	\$2,594.9	\$53.1	2.1%	\$2,477.3	(\$64.6)	-2.5%
Authorized FTE Levels	178.0	285.0	285.0	-	0.0%	295.0	10.0	3.5%

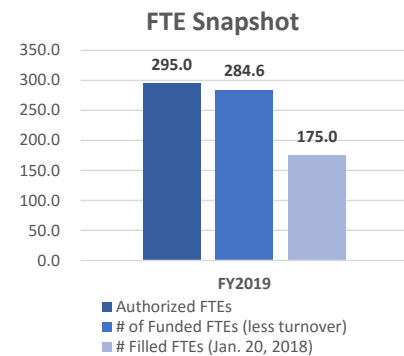
\$ in millions. Totals may vary due to rounding.

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 FY2019

The Governor's budget again focuses on cost containment in the Medical Assistance program. Savings are proposed as cuts to provider rates for Managed Care Organizations (MCOs), hospitals, long-term care organizations, and elimination of some "state-only" programs. Reductions to provider payments are on top of several years of similar reductions. The Budget avoids drastic eligibility changes.

The Governor includes \$1.5 million in additional general revenue funding in the Central Management program, largely for staff increases to implement the proposed program changes included in the Budget. Risks to the savings proposals include technology integration and functionality, especially with regard to the still-problematic UHIP (RI bridges) system. Similarly, providers are being asked to enhance efficiencies at a time of reduced investment. Proposals impacting MCOs require actuarial analysis and there is potential that the Centers for Medicare and Medicaid Services could determine the rate reductions to be too severe, jeopardizing the largest bucket of Medicaid savings in FY2019.



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 \$444.5 million from all fund sources through FY2019. These costs are shared across the EOHHS, the Department of Human Services (DHS), and HealthSource RI (HSRI). The project, renamed RI Bridges, aims to integrate more than 15 eligibility-determination systems into one.

EOHHS UHIP Funding

	FY2016 Spent	FY2017 Spent	FY2018 Enacted	FY2018 Governor	FY2019 Governor	Totals
General Revenue	\$13,015,924	\$5,353,039	\$6,340,334	\$5,288,896	\$5,050,082	\$28,707,941
Federal Funds	79,690,883	33,007,048	32,883,357	55,381,948	23,764,587	\$191,844,466
IT Fund	1,723,232	-	1,224,027	2,549,563	-	\$4,272,795
	\$94,430,039	\$38,360,087	\$40,447,718	\$63,220,407	\$28,814,669	\$224,825,202

Phase II of the UHIP project has been plagued with technical failures resulting in delays and errors in eligibility processing and payments to providers for services provided to Medicaid beneficiaries. The State continues to negotiate with system developer Deloitte to ensure a functional eligibility system is procured. EOHHS recently issued a request for proposals for a contractor to help craft the technical specifications for procuring maintenance and operations services for the platform.

The State has twice reached an agreement with Deloitte for expense credits totaling more than \$85.0 million for continued design and development of the system. These credits cover maintenance and operations costs through FY2018. Further credits and potential disputes over Medicaid payments that have been paid for ineligible members could occur moving forward.

According to EOHHS, “the State and Deloitte are working on monthly releases from now until June 2018 to address any remaining issues affecting federal compliance, eligibility accuracy and/or issues that are blocking access to benefits. The State and Deloitte are also planning releases after June 2018 for anything that remains to be addressed. Areas to be fixed include, but are not limited to, additional customer portal improvements, MMIS transaction stabilization, MPP notice fixes, SNAP Able Bodied Adults Without Dependents (ABAWD) functionality, CMS eligibility requirements, and benefit decision notice improvements. The State will consider system substantially complete only when it consistently achieves performance targets related to eligibility accuracy, payment accuracy, cases blocked by system issues and federal compliance.”

CENTRAL MANAGEMENT

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

Central Management	General Revenue
FY2018 Enacted	\$26,992,150
<i>Targets and Adjustments</i>	
Budget Implementation Investments	186,946
Centralized Services Charges	1,500,000
Shift DD Consent Decree	831,736
Mental Health Parity Study	450,000
	150,000
FY2019 Governor	\$30,110,832

Budget Implementation Investments

\$1.5 million

The Budget includes a number of investments in Central Management to implement budget savings initiatives in the Medical Assistance program. These investments are briefly summarized below. Analyses of the savings initiatives are under the Medical Assistance program section of this brief.

- **LTSS Eligibility:** The Budget makes changes to long-term services and supports (LTSS) asset verification, resource testing, and retroactive eligibility. The Budget includes \$250,000 for 2.0 Principal Human Services Policy and Systems Specialists to implement the LTSS savings initiatives.
- **Adults Co-Pays:** The Governor proposes co-payments for adult inpatient hospital visits, non-emergency ER visits, non-preventative physical health-related office visits, and for prescription drug coverage. The Budget includes \$500,000 for 2.0 FTE positions to manage the co-pay program.
- **Revenue Maximization:** The Budget includes \$250,000 for 2.0 Principal Human Services Policy and Systems Specialists to implement several “revenue maximization” initiatives.
- **Dual Eligible LTSS Redesign:** The Budget includes \$375,000 for 3.0 Principal Human Services Policy and Systems Specialists to restructure the delivery system for individuals with both Medicare and

Medicaid eligibility (dual eligible) who have chronic or disabling conditions. EOHHS plans to redesign the delivery system with performance incentives to reduce administrative and risk share costs.

- **Non-Emergency Medical Transportation:** EOHHS plans to restructure the NEMT program to incentive cost-effective transportation solutions, including making changes to vendor payment methods, rate cuts, and other rebates. The Budget includes \$125,000 for implementation costs.

Centralized Services Charges

\$831,736

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$189,479
Capital Asset and Management	483,017
Human Resources	159,240
Total	\$831,736

Shift DD Consent Decree

\$450,000

The FY2018 Budget as Enacted includes \$450,000 in the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) to fund the work of the Consent Decree Monitor that oversees progress towards addressing issues related to employment services for adults with developmental disabilities. The Governor’s budget transfers the contract and funding to EOHHS, citing “better monitoring”. There is no change to the funding allocated for the monitor work, it merely shifts from BHDDH to EOHHS.

Analyst Note: The consent decree limits monitor costs to \$300,000 annually.

Mental Health Parity Study

\$150,000

The Governor includes \$150,000 in general revenue funding for a mental health parity study in FY2019. The study will examine health insurers and compare what they offer for primary medical and mental health coverage. The study is to check compliance with the Mental Health Parity Law (RIGL 27-38.21).

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.

Medical Assistance	General Revenue
FY2018 Enacted	\$937,307,806
<i>Targets and Adjustments</i>	
November Caseload Estimating Conference	(41,025)
CHIP Reauthorization	66,400,000
Managed Care Organization (MCO) Rates	(28,516,524)
Hospital Related Initiatives	(23,659,249)
Dual Eligible / LTSS Redesign	(14,233,612)
LTSS Eligibility / Estate Recovery	(10,297,970)
Non-Emergency Medical Transportation	(5,312,501)
Adult Co-Pays	(3,844,021)
Perry Sullivan	(3,246,719)
Nursing Home Rate Freeze	(2,958,020)
Eliminate State-only Programs	(2,574,599)
Revenue Maximization	(1,641,120)
FY2019 Governor	\$905,796,361

November Caseload Estimating Conference**\$66.4 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.

November 2017 Caseload Estimating Conference	FY2018 Enacted	FY2019 Adopted	Change from Enacted
General Revenue	\$937.3	\$1,003.7	\$66.4
Federal Funds	1,417.9	1,444.6	26.7
Restricted Receipts	11.3	11.3	0.0
\$ in millions	\$2,366.5	\$2,459.6	\$93.1

The FY2019 projected medical assistance general revenue expenditures are \$1,003.7 million, \$66.4 million more than the FY2018 enacted amount.

CHIP Reauthorization**(\$28.5 million)**

The November 2017 Caseload Estimating Conference impacts noted above included \$28.5 million in state general revenues for the Children's Health Insurance Program (CHIP). CHIP had not been reauthorized by Congress in November, and Conference estimators are bound to estimating based upon current law. Congress has since reauthorized the program. The Budget reduces general revenue CHIP costs by \$28.5 million, and increases federal funding by an equivalent amount.

Managed Care Organization (MCO) Rates**(\$23.7 million)**

The Governor's Budget reduces expenditures to Managed Care Organizations (MCOs) by \$23.7 million in general revenue (\$70.1 million all funds) in FY2019. The changes require negotiations with MCOs and CMS as contracts will need to be amended. Further, EOHHS has an obligation per 42 CFR 438.6 to develop its rates in accordance with generally accepted actuarial principles and practices and the proposed cuts could challenge the actuarial soundness of EOHHS payments to the MCOs.

MCO Reductions	General Revenue	All Funds
Medical Rate Component	(\$14.9)	(\$44.0)
Profit Margin	(6.9)	(20.5)
Administrative Rate Component	(1.9)	(5.6)
Total	(\$23.7)	(\$70.1)

\$ in millions

MCO Medical Component: EOHHS proposes to cut Managed Care Organization (MCO) medical component rates by a combined 3.75 percent, which includes a 1.0 percent “quality withhold” and a 2.75 percent base reduction to the rates. The State plans to establish benchmarks for lowering expenditures for high Medicaid utilizers, reduce cesarean births, and reduce emergency room utilization. The Budget includes \$14.9 million in general revenue savings (\$44.0 million all funds) from the initiative.

MCO Profit Margin: The Budget eliminates the 1.5 percent profit margin component of MCO rates that is intended to mitigate risks of insurance market operation. The margin is a mechanism for MCOs to maintain and/or enhance reserves. The Budget includes \$6.9 million in general revenue savings (\$20.5 million all funds) from the initiative.

MCO Administrative Component: Article 14 seeks authority to reduce administrative rates paid to Managed Care Organizations (MCOs) by 2.5 percent in FY2019. The Budget includes \$1.9 million in general revenue savings (\$5.6 million all funds) in FY2019.

EOHHS indicates that managed care administrative costs have risen by 65.0 percent since FY2014, while enrollments have increased by 49.0 percent. Spending on MCO administration has increased from \$77.7 million in FY2014 to an anticipated \$128.2 million in FY2019. The Office indicates that the reduction will be an “incentive to MCOs to improve their operational efficiency and to work closely with Medicaid to identify areas of potential improvement to administrative processes.”

The historical trends and any savings underlying this initiative exclude any assumption of impact on Rhody Health Options. This program is addressed in a separate initiative.

Hospital Related Initiatives **(\$14.2 million)**

The Budget reduces expenditures related to hospitals by \$14.2 million (\$32.1 million all funds) in FY2019.

Hospital Reductions	General Revenue	All Funds
Inpatient UPL Elimination	(\$5.6)	(\$14.1)
Hospital Rate Freeze	(5.4)	(15.5)
Restructure GME	(3.3)	(2.5)
Total	(\$14.2)	(\$32.1)

\$ in millions

Inpatient UPL Elimination: Upper Payment Limit (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, thereby maximizing available federal funds. This article eliminates UPL payments for hospital inpatient services.

UPL payments are not required under federal law. The Executive Office of Health and Human Services proposes that the elimination of inpatient UPL comes at a time when there is less uncompensated care due to the Affordable Care Act, and that the impact to hospitals is minimized because of this.

The proposal saves \$5.6 million in general revenue funding (\$14.1 million all funds) in FY2019.

Hospital	Current Inpatient UPL
Butler	N/A
Kent	\$965,243
Memorial	\$263,733
Women and Infants	\$5,553,158
Care New England	\$6,782,134
Bradley	N/A
Miriam	\$779,268
Newport	\$278,763
Rhode Island Hospital	\$4,047,209
Lifespan	\$5,105,240
Roger Williams	\$645,602
St. Joseph	\$921,944
Prospect- CharterCARE	\$1,567,546
Landmark	\$424,487
South County	\$125,508
Westerly	\$59,274
Rehab	N/A
Other	\$609,269
Totals	\$14,064,189

Hospital Rate Freeze: Hospitals are reimbursed by Medicaid on a fee-for-service basis and by MCOs for inpatient, outpatient, and emergency services. 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. Increases may not exceed the CMS Prospective Payment System Hospital Price Index, an inflation-based index. The article maintains current rates for inpatient and outpatient services for FY2019.

Fiscal Year	Inpatient Rate Change	Outpatient Rate Change
FY2013	2.7%	1.9%
FY2014	0.0%	0.0%
FY2015	0.0%	0.0%
FY2016	-2.5%	-2.5%
FY2017	3.0%	1.9%
FY2018	2.4%	2.4%
<i>FY2019 (proposed)</i>	<i>0.0%</i>	<i>0.0%</i>

The November 2017 Caseload Estimating Conference adopted hospital payment figures that were based on estimated 2.8 percent increases for inpatient services and 1.8 percent for outpatient services. The Budget assumes \$5.3 million in general revenue savings (\$15.5 million all funds) from the initiative.

Restructure GME: The State has a Graduate Medical Education (GME) program that provides funding for Rhode Island's academic Level I trauma center hospitals that have a minimum of 25,000 inpatient discharges per year and provide at least 250 interns and residents per year. Currently, Rhode Island Hospital is the only hospital that qualifies for this funding. The FY2018 Budget as Enacted contains \$4.0 million in

general revenue funding for the initiative; however, the Governor eliminates this payment in the supplemental budget recommendation.

For FY2019, the Budget amends the GME program to reduce state-only program funding and restructures the program to focus on mental health and substance use treatment at all teaching hospitals. The Budget saves \$3.3 million in general revenues as compared to the FY2018 enacted budget. The \$750,000 in remaining general revenue funding would be matched by federal funds in FY2019.

The program amendment removes the inpatient discharge and intern and resident training requirements, thereby expanding the number of hospitals that may be eligible to participate.

Analyst Note: The Governor submitted a budget amendment on February 1, 2018, that removes the Level I trauma center requirement, and further clarifies that this funding pool shall be used to support graduate medical education programs and research in areas including, but not limited to, mental health and substance abuse.

Dual Eligible / LTSS Redesign

(\$10.3 million)

EOHHS proposes two changes to the delivery of long-term services and supports (LTSS).

Restructure Rhody Health Options: Article 14 restructures the delivery system for individuals with both Medicare and Medicaid eligibility (dual eligible) who have chronic or disabling conditions. EOHHS plans to redesign the delivery system with performance incentives to reduce administrative and risk share costs. The Budget includes \$7.3 million in general revenue savings (\$15.4 million all funds) from the initiative. Also proposed are \$625,000 in additional expenditures associated with the program redesign.

Implementation of Community First Choice: The article further supports the redesign of the delivery system for beneficiaries receiving long term care services and supports. It promotes the transition of Medicaid beneficiaries to community-based services wherever appropriate by seeking waiver authority to promote the Community First Choice (CFC) option for seniors and people with physical disabilities and for intellectually or developmentally disabled people living with families or independently. EOHHS estimates that for the targeted population nursing homes cost \$63,833 per year compared to \$33,250 for home and community-based settings (HCBS) The CFC option provides additional funding to support transitions by providing enhanced federal financial participation for certain HCBS expenditures.

Based on an estimated transition of 26 members per month beginning in October 2018, EOHHS estimates \$3.0 million in general revenue savings from reduced nursing home costs and increased HCBS costs to be shifted to federal fund sources.

LTSS Eligibility / Estate Recovery

(\$5.3 million)

The Budget makes changes to long-term services and supports (LTSS) asset verification, resource testing, and retroactive eligibility.

LTSS Automated Asset Verification: Asset verification is a key component to Medicaid eligibility determination. The Office proposes to automate asset verification functions related in long-term services and supports (LTSS) settings. The Office indicates that the current process is manual and caseworkers lack sufficient tools in the field to accurately verify information. The Office plans to purchase and implement an electronic asset verification system, resulting in savings for nursing homes and other LTSS spending.

The Budget assumes \$2.5 million in general revenue savings (\$5.2 million all funds) in FY2019. The estimate assumes that 102 nursing home members and 98 home and community-based services members would be found ineligible each year, equating to approximately 2.0 percent.

LTSS Resource Testing: The Budget amends the law to eliminate “loopholes” related to the treatment of annuities as it relates to asset and income testing. This includes testing for “asset transfers”, or when a Medicaid applicant or beneficiary transfers a liquid financial resource for less than it is worth in the five years preceding the application. Federal law requires that these types of transfers disqualify an applicant

for a penalty period before being eligible for Medicaid-funded long-term care. The Budget includes \$539,648 in general revenue (\$1.1 million all funds) savings in FY2019 from the initiative.

Eliminates Retroactive Eligibility: The article eliminates retroactive coverage for specified Medicaid beneficiary categories. Currently long-term care applicants can apply for up to three months of retroactive coverage. EOHHS indicates that the purpose of the retroactivity is to ensure that applicants are not bankrupted by medical costs incurred during a time period when they may have been too sick to apply for Medicaid benefits. Most states do not offer retroactive coverage.

EOHHS estimates that as many as 90.0 percent of new applicants for long-term services and supports apply for and receive retroactive coverage. The Budget assumes that 20.0 percent of these cases would continue because of a proposed hardship exemption that would still allow retroactive coverage in certain instances. The Budget assumes \$2.3 million in general revenue savings (\$4.8 million all funds) from the initiative.

Non-Emergency Medical Transportation (\$3.8 million)

Article 14 reduces reimbursements and removes state restrictions to align with Title XIX for the non-emergency medical transportation (NEMT) program. EOHHS plans to restructure the NEMT program to incentive cost-effective transportation solutions, including making changes to vendor payment methods, rate cuts, and other rebates.

The State's current NEMT vendor, Logisticare, has a contract that runs through December 31, 2018. The proposed changes would begin January 1, 2019. According to EOHHS, Logisticare has operating margins approaching 20.0 percent. The Budget includes \$3.8 million in general revenue savings (\$9.5 million all funds) from the initiative.

Adult Co-Pays (\$3.2 million)

The Governor proposes co-payments for adult inpatient hospital visits, non-emergency ER visits, non-preventative physical health-related office visits, and for prescription drug coverage. Adults with a disability determination by the Social Security Administration, the Office of Rehabilitative Services, and the Medical Assistance Review Team (MART) are exempt from the co-payments. According to EOHHS, many states have co-payments for certain Medicaid services, generally limited to not more than 5.0 percent of annual income.

In managed care settings, managed care organizations (MCOs) stop billing once the threshold is reached. In fee-for-service settings, most states require enrollees to present receipts to prove co-pay limits are reached. The Governor's proposal would limit co-payments to 5.0 percent of "countable" income in a plan year. This is the maximum co-payment as allowed by the federal government.

List of the co-pays included:	Utilization	Co-Pay Charged	Co-Pay Collection	Reduced Utilization	Cost per Service	Utilization Savings	Total Savings
Generic prescription drugs	1,854,721	\$2.50	\$4,636,803	233,676	\$28.65	\$6,693,888	\$12,039,677
Brand prescription drugs	177,247	4.00	708,987				
Non-emergent ED use	31,692	8.00	253,533	3,169	478.44	1,516,268	1,769,801
Inpatient hospital visits	29,576	3.00	88,729	n/a			88,729
Non-preventative physical health office visits	442,674	3.00	1,328,022	n/a			1,328,022
Total Savings			\$7,016,073			\$8,210,156	\$15,226,229

General Revenue Savings

\$3,246,719

The proposal is slated to begin on July 1, 2018, and the Budget includes funding for 2.0 FTE positions to implement the program. The Budget includes \$3.2 million in general revenue savings (\$15.2 million all funds) from the initiative.

Perry Sullivan**(\$3.0 million)**

In an effort to rebalance the State's long term care system in favor of home and community based services over nursing home services, the Long Term Care Service and Financial Reform Act of 2006 (commonly referred to as the Perry/Sullivan provision) requires savings from reduced nursing home usage to be reinvested to strengthen community-based alternatives.

The FY2018 Budget as Enacted includes \$3.0 million in general revenue funding (\$6.2 million all funds) in long-term care fee-for-service and Rhody Health Options programs. These funds have since been applied to pay for Home and Community Care wage increases that were enacted in FY2018. The November Caseload Estimating Conference did not estimate a reduction in nursing home bed days for FY2019, so there is no Perry/Sullivan allocation, resulting in a \$3.0 million decrease from FY2018.

Nursing Home Rates**(\$2.6 million)**

Each October nursing homes are to receive an inflation-based rate increase, tied to the national nursing home inflation index. The November 2017 Caseload Estimating Conference adopted nursing homes payments assuming a 2.75 percent increase in FY2019. The Budget reduces this scheduled increase to 1.0 percent, saving an estimated \$2.6 million in general revenues (\$5.4 million all funds). Article 13 contains statutory language for the initiative.

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. Rates were frozen for FY2018.

Date	Adopted Rate		Difference
	Change	Index Rate Change	
10/1/2012	3.1%	3.1%	0.0%
10/1/2013	0.0%	2.9%	-2.9%
10/1/2014	0.0%	3.5%	-3.5%
4/1/2015	3.2%	0.0%	3.2%
8/1/2015	-2.5%	0.0%	-2.5%
10/1/2015	0.0%	3.2%	-3.2%
10/1/2016	3.3%	3.3%	0.0%
10/1/2017	0.0%	2.8%	-2.8%
10/1/18 (proposed)	1.0%	2.8%	-1.8%
Totals	8.1%	21.6%	-13.5%

Eliminate State-Only Programs**(\$1.6 million)**

The Budget reduces three programs that are not eligible for regular Medicaid match rates. These "State-only" programs include Cortical Integrative Therapy Services, Community Health Teams, and the Recovery Navigation (STOP) Program.

- **Cortical Integrative Therapy (CIT) Services:** The Budget eliminates \$1.0 million in general revenue payments for Cortical Integrative Therapy Services in FY2019. EOHHS notified the provider in October 2017 that payments would cease in November 2017. Cortical Integrative Therapy treatment programs provide a range of services including therapeutic rehabilitation, behavioral therapy, vision therapy, auditory therapy, vestibular therapy, chiropractic, and nutritional counseling to treat a number of conditions.
- **Community Health Team:** The Budget eliminates \$362,280 for Community Health Teams for the Carelink contract under the fee-for-service programs. Carelink provides patient-centered medical home services to fee-for-service enrollees.

- **Recovery Navigation (STOP) Program:** The Budget eliminates \$255,465 for the Recovery Navigation Program that is located at the Emmanuel House homeless shelter and operated by The Providence Center. The program is designed to provide intoxicated people a safe and supportive place to stabilize. The goal is to reduce emergency department use. The Recovery Navigation team consists of a registered nurse, case manager, security guard, peer recovery specialists, program manager, intake coordinator, and outreach specialist.

Revenue Maximization

(\$1.6 million)

The Budget includes \$1.6 million in general revenue savings (\$2.3 million all funds) from several proposals including: expanding RItE Share beyond the RItE Care program; requiring commercial insurers to maintain coverage of adult disabled children over the age of 26 on their parents' health insurance plans; and, by maximizing the federal match rate by qualifying certain children as "childless adults" when reaching the age of 19.

Of note, these changes require functionality of the RI bridges (UHIP) system that does not currently exist. EOHHS indicates that "workarounds" may be possible to move forward with the savings initiatives.

Department of Children, Youth, and Families

Expenditures by Program	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$12.9	\$10.0	\$12.1	\$2.1	21.4%	\$13.1	\$3.1	30.9%
Child Welfare	172.2	164.2	163.4	(0.7)	(0.4%)	155.5	(8.7)	(5.3%)
Children's Behavioral Health Services	13.9	11.1	12.3	1.2	10.7%	12.6	1.5	13.5%
Juvenile Correctional Services	23.4	23.6	26.0	2.4	10.2%	27.8	4.2	17.9%
Higher Education Incentive Grants	0.2	0.2	0.2	-	-	0.2	-	-
Total	\$222.7	\$209.0	\$214.1	\$5.0	2.4%	\$209.2	\$0.1	0.0%
Expenditures by Source								
General Revenue	\$159.8	\$145.9	\$152.6	\$6.7	4.6%	\$148.6	\$2.8	1.9%
Federal Funds	60.3	59.0	57.7	(1.3)	(2.2%)	55.9	(3.1)	(5.2%)
Restricted Receipts	2.5	3.1	2.6	(0.5)	(17.4%)	2.7	(0.5)	(14.5%)
Other Funds	0.1	1.1	1.2	0.2	14.3%	1.9	0.9	81.0%
Total	\$222.7	\$209.0	\$214.1	\$5.0	2.4%	\$209.2	\$0.1	0.0%
Authorized FTE Levels	628.5	616.5	612.5	(4.0)	(0.6%)	619.5	3.0	0.5%

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

The Department of Children, Youth, and Families (DCYF) is charged with implementing a statewide program to protect and support vulnerable children and families. The Department develops and evaluates services which provide opportunities for children to reach their full potential. DCYF has three major operational divisions: Child Welfare (including child protective services, 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 serves thousands more through community-based programs.

MAJOR ISSUES AND TRENDS FOR FY2019

In January 2018, the State of Rhode Island and DCYF agreed to settle a long-standing class action lawsuit. The case was brought about after a three-year-old child in DCYF custody was beaten to death by his foster parents in 2004. Children's Rights Inc., a child advocacy group, sued the State in 2007 and cited deficiencies throughout DCYF, including its screening process for foster families. The agreement, known as the Children's Rights Settlement, outlined a number of new requirements to be met by the Department and overseen by the Office of the Child Advocate.

The Governor recommends \$209.2 million from all funds for DCYF in FY2019, of which \$148.6 million is from general revenues, \$55.9 million is from federal funds, \$2.7 million is from restricted receipts, and \$1.9 million is from RICAP funds. General revenue funding increases by \$2.8 million over the FY2018 Budget as Enacted.

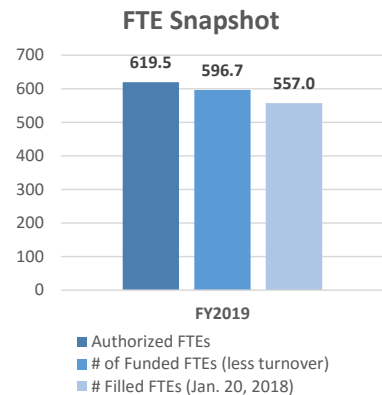
As of February 2018, the Department projected FY2018 general revenue expenditures of \$161.2 million, an excess of \$15.3 million over the enacted budget. In their Corrective Action Plan, DCYF identified several key issue areas to address in the remainder of FY2018 and into FY2019. A primary deficit driver is the Department's reliance on congregate care, primarily group homes. These are the most expensive residential settings for children in State care. The FY2018 Enacted Budget included \$5.9 million in general revenue savings related to reducing congregate care placements and increasing federal matching funds. Although the Department has been successful in reducing the census for children in congregate care, per diem rates for these settings increased in March 2017 which has prevented the agency from reducing overall costs.

Additionally, the General Assembly proposed \$4.0 million in general revenue savings by maximizing federal reimbursements via Medicaid for eligible services. This initiative has since been deemed unattainable before the end of FY2018, although some savings are possible in FY2019. A deficit of \$3.4 million in general revenue is attributable to the decentralization of budgetary authority for statewide internal services provided by the Department of Administration. This decentralization is reflected in the budgets of agencies across the State.

These budget shortfalls are compounded by an increase in caseload. The Department has received a great deal of public attention in recent months, which has directly impacted the number of abuse and neglect cases that are reported to and investigated by the Department. In the first six months of FY2018, the number of reports made to Child Protective Services nearly doubled. As caseloads increase, more resources are needed for case management which hinders the Department’s ability to concentrate on other issue areas.

DCYF has been working to identify possibilities for general revenue savings. Reduced congregate care expenditures are included again in FY2019 and budget targets rely heavily on cost avoidance for these placements. Other department-wide savings include:

- **Voluntary Retirement Incentive:** This program was created in FY2018 to incentivize retirement for employees who are at the top step of their pay grade and receive a longevity bonus. Savings are realized if employees retire and the Department is able to fill vacancies at a lower pay grade. As of March 2018, fourteen DCYF employees elected to take this incentive. The FY2019 Budget, anticipating more voluntary retirees, includes general revenue savings of \$172,156.
- **Personnel Expenditure Reductions:** The Department is transferring staff positions between Divisions. It is anticipated that this initiative will reduce overtime and result in general revenue savings of \$842,369 in FY2019.



The Budget increases the Department’s FTE allocation by 3.0 FTE positions from 616.5 FTEs in FY2018 to 619.5 FTEs in FY2019. This increase accounts for the addition of seven positions for the Voluntary Extension of Care program and the removal of four vacant case management positions. As of the pay period ending January 20, 2018, there were 557.0 filled and 59.5 vacant positions in the Department.

CENTRAL MANAGEMENT

The Central Management program is provided by the Office of the Director and Support Services. Central Management components are primarily administrative and work to improve overall services and maximize operational efficiency. These functions provide coordination and oversight, fiscal management and accountability supports, facility management, legal services, and youth development services.

Central Management	General Revenue
FY2018 Enacted	\$7,157,480
<i>Targets and Other Adjustments</i>	<i>(73,842)</i>
Centralized Service Charges	980,323
Contracted Services	603,639
FY2019 Governor	\$8,667,600

Centralized Service Charges**\$980,323**

The FY2019 Budget includes \$980,323 in general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019, these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

Centralized Service Charges	Amount
Information Technology	\$1,493
Capital Asset Management	304,377
Human Resources	674,453
Total	\$980,323

Contracted Services**\$603,639**

The Governor recommends a general revenue increase of \$603,639 in Central Management for contracted services. This increase reflects the program's utilization of services through two staffing agencies—RI Temps and ADIL. These temporary staff members provide mostly clerical services. The Department identified a need for additional administrative assistance to support many of its functions, including legal services. These contracted services also ensure that Title IV-E requirements are met in order to preserve federal revenue collections.

CHILD WELFARE

The Child Welfare division has two major sub-programs:

- **Child Protective Services (CPS):** CPS reviews and responds to reports of child abuse and neglect. CPS staff includes child protective investigators who specialize in the investigation of these reports. If a child is deemed to be at 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 members within Family Services provide 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.

Child Welfare	General Revenue
FY2018 Enacted	\$110,574,755
<i>Targets and Other Adjustments</i>	<i>(825,462)</i>
Base Increase	7,961,877
Institutional Services Reduction	(4,033,132)
Congregate Care Reduction	(3,282,862)
Increased Federal Claiming	(2,500,000)
Targeted Contract Reductions	(2,479,554)
Foster Care	1,825,666
Voluntary Extension of Care	(1,569)
FY2019 Governor	\$107,239,719

Base Increase**\$8.0 million**

In their FY2019 request, the Department included an additional \$8.0 million in general revenue funding for the Child Welfare program over the FY2018 Budget as Enacted. This increase was included to align the

program's funding with its actual expenditure trends. The Governor includes the funding requested by DCYF but also recommends general revenue savings of over \$12.0 million dollars for FY2019. This results in a net decrease in general revenue funding in the Child Welfare program.

Institutional Services Reduction

(\$4.0 million)

The Department is working to improve services for children in a more appropriate and cost-effective manner. In November 2017, the Department submitted a Corrective Action Plan to address overspending in FY2018, attributing the deficit to an increase in the per diem rate for out-of-home placements. The plan included a goal to reduce these rates by 12.5 percent by realigning rates between providers who offer similar services. The Department has since engaged with many of its providers. Some have agreed to reduce rates or taper off programs that are duplicative or no longer necessary within the service array. The Governor recommends general revenue savings of \$4.0 million in FY2019 related to continued renegotiations for institutional services.

Congregate Care Reduction

(\$3.3 million)

Congregate care, which includes group homes, emergency shelters, and out-of-state residential placements, is the least desirable and most cost prohibitive setting for a child in State care. DCYF has been working to minimize reliance on these settings such that only the children who demonstrate clinical need for congregate care are placed there. As part of this effort, the Department has:

- Collaborated with the Family Court to ensure access to home-based services.
- Continued the Director's Approval Process (DAP), which requires referral and approval for congregate care placements.
- Established a Level of Need (LoN) tool to determine each child's treatment needs and to ensure referrals to home- and community-based placements instead of congregate care.
- Increased efforts to identify kinship foster placements for children and youth.

According to the Department, the average cost for congregate care placements, as of January 2018, was \$364.56 per child per day, compared to \$119.47 per diem for specialized foster care and \$20.04 per diem for DCYF and kinship foster placements. In March 2018, there were 2,065 children in State care, of whom 21.0 percent were placed in congregate care. DCYF's goal in FY2019 is to reduce congregate care placements to 15.0 percent. The Governor recommends general revenue savings of \$3.3 million in FY2019, anticipating the Department's success in reaching the 15.0 percent target.

Increased Federal Claiming

(\$2.5 million)

The Budget includes \$2.5 million in general revenue savings in FY2019 related to improved Title IV-E and Medicaid claiming for services provided by the Department. The initiative assumes that improving federal claiming processes will increase the collection of federal matching funds, offsetting general revenue expenditures.

- **Increased Title IV-E Claiming (\$2.0 million decrease):** Title IV-E of the Social Security Act allows states to access federal funds to cover expenses for eligible foster children. Eligibility is based on financial and parental deprivation of children within State care, and DCYF is working to address historical challenges in determining case eligibility. The Department is entering into an income data sharing agreement with the Department of Labor and Training (DLT) to allow the Department to determine income eligibility more efficiently. Additionally, since many Family Court orders do not include language to support Title IV-E expenditures, the Department is educating judges about the necessary language. Article 15 also modifies the Department's licensing requirements for foster homes.

Currently, the Department cannot license a foster home if it does not pass a visual lead inspection. Under Article 15, if a foster home fails the inspection, the Department may still provide a license while remediation is in progress. This proposed change will accommodate more licenses and increase Title IV-E funding. These efforts are expected to result in \$2.0 million in general revenue savings in FY2019.

- **Increased Medicaid Claiming (\$500,000 decrease):** DCYF will increase engagement efforts with providers of community-based services through its Contracts and Compliance and Management and Budget divisions to decouple potential Medicaid-eligible activities from bundled rates. The Department is also working to develop a level of programming that meets Medicaid claiming requirements. The Budget includes a \$500,000 reduction in general revenue expenditures in FY2019 for this initiative.

Targeted Contract Reductions **(\$2.5 million)**

The Governor recommends general revenue savings of \$2.5 million related to direct service contract reductions. DCYF aims to reduce the use of or, in some cases, terminate specific contracts that are underutilized or do not align with the Department’s priorities. Unlike institutional service reductions, these contract renegotiations are not unique to institutional placements and will impact a wide range of the Department’s direct services.

Foster Care **\$1.8 million**

- **Rate Increase:** The Governor recommends increasing efforts to alleviate the financial burden on families who care for foster children. Currently, DCYF reimburses foster families on a daily (per diem) basis, with varying rates depending on the type of foster care and age of the child. DCYF also provides a clothing stipend three times a year. The Department recently assessed its average foster care reimbursement rates by comparing current rates to the estimated daily cost of raising a child, calculated by the United States Department of Agriculture (USDA). Based on these findings, DCYF determined that the reimbursement rates in Rhode Island are insufficient and requested an additional \$4.3 million in general revenue to align foster care rates with the federal level. The Governor did not include these proposed rates in the Budget. The USDA’s calculations included some services that DCYF already provides for foster children through separate funding streams, such as coverage for medical and child care expenses. Thus, the estimate provided by the USDA is not reflective of the cost of fostering a child in Rhode Island. The Governor recommends a general revenue increase of \$1.1 million in FY2019 to raise foster care reimbursement rates to match those in Massachusetts.

Per Diem Foster Care Rates					
Current		DCYF Requested		Governor Recommended	
Age	Rate	Age	Rate	Age	Rate
0-3 years	\$17.95	0-5 years	\$35.97	0-3 years	\$21.92
4-11 years	\$19.26	6-11 years	\$40.85	4-11 years	\$24.71
12+ years	\$21.01	12+ years	\$42.64	12+ years	\$26.26

Note: Current and proposed rates exclude less frequent payments like clothing stipends.

Source: Rhode Island Office of Management and Budget

Analyst Note: The rates included in the Governor’s recommendation were Massachusetts’ rates as of March 2015. They have since increased to \$22.47, \$25.32, and \$26.75, respectively. Additionally, it is unclear whether Rhode Island will increase its clothing allowance to match the allotment in Massachusetts.

- **Home Studies:** The Governor also recommends funding to support more foster home studies, which are required as part of the licensing process. The increase is primarily due to the Department’s efforts to facilitate licensure for kinship foster families. Currently, DCYF is able to place children in kinship foster homes even if they are not licensed. However, the Department cannot leverage Title IV-E funds

until a license is issued. By completing more home studies, the Department can license more families. This will enhance efforts to both reduce congregate care placements and increase Title IV-E claiming. The Governor includes \$742,147 in general revenue for home studies.

Voluntary Extension of Care

(\$1,569)

The Governor includes Article 15 to create the Voluntary Extension of Care (VEC) program. This program will reform and replace the existing programs related to aftercare for youth ages 18 to 21 who are transitioning out of the foster care system. Currently, DCYF care ends on a child's eighteenth birthday. With the new program, these individuals can elect to remain in State care until age 21 with the Family Court retaining oversight. Implementation of VEC is not expected to require any additional general revenue in FY2019, but will increase expenditures by \$2.3 million in FY2020 and \$3.2 million in FY2021.

DCYF currently holds a \$1.7 million Consolidated Youth Services (CYS) contract with Foster Forward, a nonprofit organization dedicated to supporting foster children and families in Rhode Island. This contract supplies the funding to administer the Youth Establishing Self Sufficiency (YESS) program, which provides guidance for young adults aging out of DCYF care and progressing into their independent lives. YESS assists an annual average of 320 individuals in locating housing, employment, and/or educational programs and even provides funding to cover some living expenses. According to Foster Forward, 59.0 percent of CYS dollars go directly to participants in the form of living expense stipends, with the remainder covering program and administrative expenses. Foster Forward has also successfully increased funding by leveraging private and federal dollars. The Department's goal is to accomplish something similar by bringing aftercare services in-house, where the program will also be eligible for Title IV-E funding. DCYF projects that 90.0 percent of enrollees will meet the income requirements for this funding.

The Governor recommends termination of the CYS contract in FY2019, saving \$1.7 million in general revenue. The Budget also includes the funding required to transfer services between the organizations, including a 45-day transition period costing \$214,226. Additionally, some young adults who are currently in the YESS program may not be eligible for VEC. \$89,000 has been budgeted to provide vouchers to assist these youths. The Governor also recommends the addition of 7.0 FTEs to the Child Welfare Division at an expense of \$438,654, corresponding to the addition of six case managers and one supervisor.

Voluntary Extension of Care General Revenue Impact

	FY2019	FY2020	FY2021
Termination of YESS	(\$1,713,808)	-	-
Extension of Care Costs	970,359	1,822,875	2,675,389
Transition Period	214,226	-	-
Vouchers	89,000	-	-
Increased Staffing	438,654	514,908	539,428
Total	(\$1,569)	\$2,337,783	\$3,214,817

Source: Rhode Island Office of Management and Budget

Analyst Note: As of March 2018, the Department is still ironing out details surrounding the administration of the VEC program. When the program is implemented on July 1, 2018, the breakdown of funding may not adhere to the table above. For example, the Department may eliminate the 45-day transition period and allocate funds elsewhere. However, the program is still expected to be revenue neutral in FY2019. The Department is also conducting an analysis to determine where cost containment in future years may be feasible. Included in this study is an assessment of housing expenses, which will be used to approximate the cost of living stipends. Like the YESS program, stipends are expected to constitute the majority of VEC program costs.

A major difference for VEC is that, prior to this program, if a young adult chose not to enroll in aftercare by their eighteenth birthday, they would not be able to re-enroll later on. VEC will allow youth the ability to come back into the Department at any time, provided that they meet the program's eligibility criteria.

CHILDREN'S BEHAVIORAL HEALTH SERVICES

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.

Children's Behavioral Health Services	General Revenue
FY2018 Enacted	\$5,099,171
<i>Targets and Other Adjustments</i>	
Medicaid Billing	18,581
Personnel	1,128,076
FY2019 Governor	638,663
	\$6,884,491

Medicaid Billing

\$1.1 million

The Governor includes additional general revenue expenditures of \$1.1 million in FY2019 to reflect a demonstrated increase in the Department's direct bills for Medicaid, primarily associated with Bradley group homes. These programs serve children and youth with high end mental health needs. There are five residential programs run by Bradley Hospital which bill Medicaid directly, but are paid from DCYF accounts. Per diems range from \$467 to \$617 per day. This increase in funding will align with the Department's historical expenditure trends for providing these high-end placements. Without the Bradley homes, these youth would be in more expensive placements.

Personnel

\$638,663

The Budget includes an increase of \$638,663 in general revenue expenditures for salaries and benefits in FY2019. This increase does not represent a change in the cost per FTE nor an increase in the number of personnel in the program. Rather, the difference in funding reflects department-wide reallocation. DCYF is realigning positions between programs to ensure that they are budgeted in the appropriate division. The funding increase in Children's Behavioral Health Services is offset by savings in other programs.

JUVENILE CORRECTIONAL SERVICES

Juvenile Correctional Services include two major programs for youth:

- **Rhode Island Training School for Youth (RITS):** The RITS is a secure correctional facility for adjudicated juvenile offenders as well as those awaiting trial. The facility holds 124 beds for male residents and 24 beds for female residents. The School is a 24-hour, 365-day operation providing housing, food, clothing, medical care, education, and other programs and services to meet the needs of its residents. As of March 2018, there were 55 children detained at the Training School.
- **Juvenile Probation and Parole:** Juvenile Probation supervises all youth placed on probation by the Family Court. Each youth is evaluated to determine their risk for recidivism. Staff members then create and enforce individualized plans for compliance.

Juvenile Correctional Services	General Revenue
FY2018 Enacted	\$22,824,456
<i>Targets and Other Adjustments</i>	<i>(11,013)</i>
Centralized Service Charges	2,446,761
Personnel	385,192
FY2019 Governor	\$25,645,396

Centralized Service Charges**\$2.4 million**

The FY2019 Budget includes \$2.4 million in general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. These include accounts for information technology, capital asset management and maintenance, and human resources.

Centralized Service Charges	Amount
Information Technology	\$1,537,489
Capital Asset Management	909,272
Human Resources	-
Total	\$2,446,761

Personnel**\$385,192**

The FY2019 Budget includes an increase of \$385,192 for personnel funding within Juvenile Correctional Services. This will support the Department's intent to fill vacancies at the Training School, including juvenile program workers, probation workers, and school staff. The Governor authorizes 174.0 FTE positions for the program, although the Department only included 173.0 FTEs in its request. Supporting documents indicate the inclusion of a second superintendent at the Training School, but the unrequested addition is not transparently explained.

Analyst Note: The estimated salary and benefits for an additional superintendent are roughly \$185,000. The funding source for the position is unclear, but the majority (98.9 percent) of the Division's personnel costs are funded through general revenues.

HIGHER EDUCATION INCENTIVE GRANTS

The Postsecondary Tuition Assistance Program (PETAP) provides tuition assistance to youth formerly in foster care for a wide range of post-secondary institutions. This program is funded by State higher education incentive grants and federal Educational and Training Vouchers (ETVs). General revenue funding for the incentive program is set by statute at \$200,000.

Higher Education Incentive Grants	General Revenue
FY2018 Enacted	\$200,000
<i>Targets and Other Adjustments</i>	<i>-</i>
FY2019 Governor	\$200,000

DCYF indicates that the number of eligible students is always significantly higher than the number who receive assistance. This is attributable to the fact some youth are eligible for a grant but ultimately choose not to attend college. In the 2016-2017 academic year, a total of 69 students in DCYF care were awarded higher education grants. Of the awarded students, 63.9 percent attended a Rhode Island public institution: 14 attended the University of Rhode Island, 11 attended Rhode Island College, and 19 attended the Community College of Rhode Island.

Analyst Note: In their budget request, DCYF included a proposal to eliminate the Higher Education Incentive Grant program. In doing so, the goal was to encourage youth to seek assistance through the RI Promise program, which would provide assistance to attend CCRI for two years. The Governor did not include this elimination in the Budget so as to allow students the flexibility to continue their education at the institution of their choice.

CAPITAL PROJECTS

The Budget includes \$1.2 million in Rhode Island Capital Plan (RICAP) funds in FY2018, \$1.9 million in FY2019, and \$2.3 million in FY2020 through FY2023. Projects include:

- Upgrades and improvements at the Training School, including roofing repairs, sprinkler head replacements, and the installation of a new security system. This project also includes the construction of a new female dormitory. The Budget includes financing of \$550,000 in FY2018 and \$1.9 million in FY2019 for these improvements. The total project cost is \$5.8 million.
- Acquisition and installation of a generator at the Training School. The Department initially requested three units, but revised its request to one. The Governor includes \$650,000 in RICAP funds in FY2018 for this equipment.

Department of Health

Expenditures By Program	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$4.8	\$9.4	\$12.2	\$2.7	29.1%	\$12.3	2.9	31.0%
Community Health and Equity	98.2	104.7	101.7	(3.0)	-2.8%	103.8	(0.9)	-0.9%
Customer Services	11.1	11.6	11.3	(0.3)	-2.4%	11.5	(0.1)	-0.7%
Environmental Health	11.6	12.7	12.7	0.1	0.6%	13.2	0.6	4.5%
Health Laboratories and Medical Examiner	11.9	11.6	12.0	0.4	3.8%	12.4	0.8	6.9%
Policy, Information and Communications	3.1	4.1	5.2	1.1	26.1%	4.7	0.6	13.9%
Preparedness, Resp, Infectious Dis, & Emergency Services	13.7	15.6	14.9	(0.7)	-4.2%	15.4	(0.2)	-1.5%
Total	\$154.4	\$169.6	\$170.0	\$0.4	0.2%	\$173.3	\$3.6	2.1%
Expenditures By Source								
General Revenue	\$25.5	\$24.9	\$26.4	\$1.5	6.1%	\$28.0	\$3.1	12.5%
Federal Funds	92.7	105.4	100.3	(5.1)	-4.8%	101.3	(4.1)	-3.9%
Restricted Receipts	36.1	39.4	43.3	3.9	10.0%	44.0	4.6	11.7%
Other Funds	-	-	-	-	-	-	-	-
Total	\$154.3	\$169.6	\$170.0	\$0.4	0.2%	\$173.3	\$3.6	2.1%
Authorized FTE Levels	503.6	493.6	506.6	13.0	2.6%	504.6	11.0	2.2%

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

The mission of the Rhode Island Department of Health (RIDOH) 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.

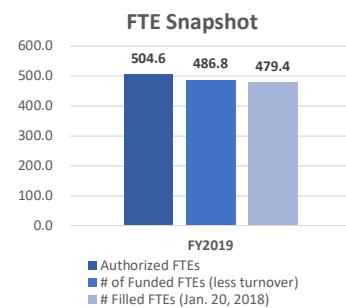
MAJOR ISSUES AND TRENDS FOR FY2018 AND FY2019

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 new divisions as well as eliminated functions that were determined to be inconsistent with its current mission and goals. In FY2019, the Department's divisions include: Central Management; Community Health and Equity; Customer Service; Environmental Health; Health Laboratories and Medical Examiner; Policy, Information, and Communication; and Preparedness, Response Infectious Disease, and Emergency Medical Services.

The Budget includes \$1.6 million within the Information Technology Investment Fund under the Department of Administration to fund an upgrade to the electronic vital records system. To partially offset the costs of the project, the Governor recommends the following fee increases:

- Walk-in certified records request, \$20 to \$22
- Mail-in certified records request, \$20 to \$25
- Duplicate records, \$15 to \$18
- Municipal cost allocation for certified copies, \$6 to \$8

There is an increase of 13.0 FTE positions in the Department of Health in FY2018. These additional positions are related to drug overdose prevention and intervention and are mostly funded through federal



and restricted receipts. Offsetting the increase, the Governor reduces the number of authorized FTE positions by transferring from the Department of Health (DOH) to the Department of Business Regulation (DBR), a 1.0 Beauty Shop Inspector position and 1.0 Health Services Licensing Aid II position, to support the Governor's proposal to transfer administration of several professional license categories.

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.

Central Management	General Revenue
FY2018 Enacted	\$789,523
<i>Target and Other Adjustments</i>	<i>2,190</i>
Centralized Service Charges	1,290,017
FY2019 Governor	\$2,081,730

Centralized Service Charges **\$1.3 million**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on prior-year use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear. In addition, there is an increase of \$13,804 in federal funds for centralized Information Technology Services, an increase of \$1.5 million in restricted receipts for centralized Information Technology Services and \$557,315 for centralized Human Resource services.

Centralized Service Charges	Amount
Information Technology	\$0
Capital Asset and Management	1,122,316
Human Resources	167,701
Total	\$1,290,017

COMMUNITY 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 Community Health and Equity division was created in FY2017, by shifting functions from the previous division of Community and Family Health and Equity.

Community Health and Equity	General Revenue
FY2018 Enacted	\$691,032
<i>Target and Other Adjustments</i>	<i>862</i>
Wise Woman Heart Disease and Stroke Program	(60,000)
FY2019 Governor	\$631,894

Community Health and Equity	Other Fund Changes
Federal Fund Adjustments	(\$4,219,725)
Restricted Receipt Adjustments	2,671,838
Centralized Service Charges	675,163

Wise Woman Heart Disease and Stroke Program **(\$60,000)**

The Governor eliminates \$60,000 in general revenue funded operating, contract and grant expenses for the Wise Woman Heart Disease and Stroke Program as part of an overall 10.0 percent budget reduction. The program is funded with general revenue and federal funds. In 2013, the Department used the state-funded program to obtain a federal grant to expand the Wise Woman program in more health centers. The Wise Woman program provides chronic disease risk factor screenings, lifestyle interventions, and health care referrals.

The State received a federal award of \$838,404 as part of the FY2013 Budget as Enacted, covering a federal 5-year award period of July 1, 2013, to June 30, 2018. The amount listed in the state's database is the authorized federal fund drawdown and does not reflect cumulative federal awards. The federal award ends June 30, 2018.

The State provided \$60,000 per year from FY2013 to FY2018 as the state-match to the federal award. The Department will apply in the new federal award competitive cycle; however, the federal award requirements are unknown at this time. The Department states that the loss of the general revenue portion will reduce the federal match availability.

Federal Fund Adjustments (federal funds) **(\$4.2 million)**

The Budget decreases federal funds \$4.2 million within the Community Health and Equity Program as compared to the FY2018 Budget as Enacted. The following table illustrates the various major federal fund adjustments.

Federal Fund Adjustments	FY2018	FY2018	Change	FY2019	Change
	Enacted	Governor		Governor	
Office of Supplemental Nutrition - WIC - Benefits	\$17,800,000	\$16,250,000	(\$1,550,000)	\$17,300,000	(\$500,000)
Immunization	15,810,689	14,749,312	(1,061,377)	15,690,244	(120,445)
ACA Maternal Infant & Early Childhood Home Visit	\$7,486,276	\$601,938	(\$6,884,338)	\$0	(\$7,486,276)
Office of Supplemental Nutrition - WIC - Admin.	7,312,581	7,303,123	(9,458)	7,930,125	617,544
Maternal Infant And Early Childhood Home Visiting	-	6,162,682	6,162,682	5,648,401	5,648,401
RI Public Health Actions To Prevent Obesity	3,926,215	4,167,936	241,721	4,129,787	203,572
ACS MCH Home Visiting Expansion	3,424,976	-	(3,424,976)	-	(3,424,976)
Prescription Drug Overdose Prevention	1,802,818	2,667,491	864,673	2,696,906	894,088
PPHF Women's Cancer Screening Program	1,554,506	1,545,035	(9,471)	1,528,836	(25,670)
Chronic Disease Prevention and Health	1,483,881	1,490,786	6,905	1,463,963	(19,918)
PPHF Chronic Disease Prevention And Control	1,162,338	1,314,129	151,791	1,215,956	53,618
Non-PPHF Chronic Disease Prevention and Control	1,068,509	944,662	(123,847)	985,940	(82,569)
Family Planning - Federal Funds	1,059,204	1,138,160	78,956	1,116,164	56,960
All Other Items	7,077,266	7,330,980	253,714	7,043,212	(34,054)
Total	\$70,969,259	\$65,666,234	(\$5,303,025)	\$66,749,534	(\$4,219,725)

All Other Items reflect appropriations under \$1.0 million.

Restricted Receipt Adjustments (restricted receipts) **\$2.7 million**

The Budget increases restricted receipt expenses \$2.7 million within the Community Health and Equity Program as compared to the FY2018 Budget as Enacted. The following table illustrates the various major restricted receipt adjustments.

Restricted Receipt Adjustments	FY2018	FY2018	Change	FY2019	Change
	Enacted	Governor		Governor	
Adult Immunizations	\$13,248,149	\$14,686,865	\$1,438,716	\$15,183,905	\$1,935,756
Cancer Screening Program Donations	-	15,000	15,000	15,000	15,000
Infant - Child Immunization	16,989,181	17,150,614	161,433	17,629,188	640,007
Newborn Screening Program	1,965,273	1,930,843	(34,430)	2,046,348	81,075
Total	\$32,202,603	\$33,783,322	\$1,580,719	\$34,874,441	\$2,671,838

Centralized Service Charges (federal funds)**\$407,450**

The Budget increases federal and restricted receipt expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on prior-year use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear. The amount added for the restricted receipt portion is \$260,009.

Centralized Service Charges	Federal Amount	Restricted Receipt Amount
Information Technology	\$407,450	\$260,009
Capital Asset and Management	-	-
Human Resources	-	-
Total	\$407,450	\$260,009

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.

Customer Services	General Revenue
FY2018 Enacted	\$6,324,375
<i>Target and Other Adjustments</i>	<i>3,840</i>
Personnel	(261,410)
Contract Services	200,101
Centralized Service Charges	118,859
Operating Expense Adjustments	42,621
FY2019 Governor	\$6,428,386

Personnel**(\$261,410)**

The Budget includes a net decrease of \$261,410 in general revenue for personnel costs. According to the Department, some of the adjustments reflect lower salary and benefit costs for vacant positions were included at a lower cost than the amount stated in the FY2018 Budget as Enacted. In addition, the Executive Office of Health and Human Services (EOHHS) federal Medicaid funding was maximized for the nurse aide registry positions which created savings. Lastly, under assisted living, a temporary shift was made to federal funding for federal survey training in FY2018, which will need to shift back. The decrease does include \$154,912 in cost savings attributable to the transfer of 2.0 FTE positions from the Department of Health to the Department of Business Regulation. According to the Department, the personnel expense for the two transferred positions is used to offset the personnel increase other Prepared Response, Infectious Disease, and Emergency Services program, Communicable Disease line sequence in the FY2019 budget.

Contract Service Changes**\$200,101**

The Governor includes a net increase of \$200,101 in general revenue for various contract service expenses. The majority of the increase is for contracted Information Technology Support Services reflecting a restoration of \$125,000 for licensing software maintenance. This item was reduced as savings in the FY18 Budget as Enacted with the assumption of it being restored in the Governor's FY2019 recommended budget. The second major item reflects an increase of \$91,181 for temporary clerical services by RI Temps. The increase is a result of a legal settlement with the state collective bargaining unit, AFSCME Council 94,

which requires temporary positions to be paid at the first step of the equivalent FTE position. The additional funding was not included in the FY2018 Budget as Enacted due to timing of the settlement but is reflected in the Governor's FY2019 recommend budget.

Contract Services	FY2018	FY2018	Change	FY2019	Change
	Enacted	Governor		Governor	
IT System Support	\$4,900	\$4,900	\$0	\$125,000	\$120,100
Clerical Services	120,253	136,530	16,277	211,434	91,181
All Other Contract Expenses	87,150	89,030	1,880	75,970	(11,180)
Total	\$212,303	\$230,460	\$18,157	\$412,404	\$200,101

Centralized Service Charges

\$118,859

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on prior-year use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$118,859
Capital Asset and Management	-
Human Resources	-
Total	\$118,859

Operating Expense Adjustments

\$42,621

The Budget includes a net operating expense increase of \$42,621 in general revenue within the Customer Service Program as compared to the FY2018 Budget as Enacted. The following table illustrates the various major adjustments.

Operating Expenses	FY2018	FY2018	Change	FY2019	Change
	Enacted	Governor		Governor	
Postage and Postal Services	\$104,750	\$64,000	(\$40,750)	\$44,000	(\$60,750)
Records Center: Overhead	10,000	50,500	40,500	45,192	35,192
Telecommunication: Overhead	60,837	86,300	25,463	86,300	25,463
Computer Supplies/Software and Equipment	4,600	19,545	14,945	19,545	14,945
Software Maintenance Agreements	225,946	104,832	(121,114)	235,946	10,000
All Other Adjustments	100,615	124,753	24,138	118,386	17,771
Total	\$506,748	\$449,930	(\$56,818)	\$549,369	\$42,621

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.

Environmental Health	General Revenue
FY2018 Enacted	\$5,100,209
<i>Target and Other Adjustments</i>	<i>48,804</i>
Centralized Service Charges	442,223
FY2019 Governor	\$5,591,236

Centralized Service Charges**\$442,223**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on prior-year use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear. In addition, there is an increase of \$152,026 in federal funds and \$3,854 in restricted for centralized service charges.

Centralized Service Charges	Amount
Information Technology	\$442,223
Capital Asset and Management	-
Human Resources	-
Total	\$442,223

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.

Health Laboratories and Medical Examiner	General Revenue
FY2018 Enacted	\$9,531,063
<i>Target and Other Adjustments</i>	<i>(10,835)</i>
Medical Examiner Funding Restoration	500,000
Centralized Service Charges	173,833
Laboratory Medical Supplies	108,465
FY2019 Governor	\$10,302,526

Medical Examiner Funding Restoration**\$500,000**

The Governor restores \$500,000 in general revenue in FY2019 that was included in the FY2018 Budget as Enacted as a one-time savings shift of general revenue (\$250,000 Laboratory and \$250,000 Medical Examiner's Office) to restricted receipts under the assumption that the State Health Laboratories and Medical Examiner Division would reallocate some administrative costs associated with federal grant administration to restricted receipts. The Governor restores funding into the appropriate accounts.

Centralized Service Charges**\$173,833**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on prior-year use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear. In addition, there is an increase of \$1,263 in federal funds for Information Technology charges.

Centralized Service Charges	Amount
Information Technology	\$173,833
Capital Asset and Management	-
Human Resources	-
Total	\$173,833

Laboratory Medical Supplies**\$108,465**

The Governor includes \$108,465 in general revenue for laboratory supplies, specifically HIV laboratory supplies, including test kits. The Division of Health Laboratories performs approximately 250,000 analyses annually. It also conducts surveillance testing for early detection of contagious diseases such as insect-borne and sexually transmitted diseases. The Department indicates that while test volumes per disease remain fairly constant year after year, the costs to perform them have increased. Previously federal funds were used by the Department to purchase these kits, but the federal appropriation decreased requiring the State to fund the testing or risk having the laboratory cut services in testing and delay the reporting of these diseases.

POLICY INFORMATION AND COMMUNICATION

A new Policy Information and Communication division was created, in FY2017. 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.

Policy, Information and Communication	General Revenue
FY2018 Enacted	\$837,790
<i>Target and Other Adjustments</i>	<i>3,217</i>
Centralized Service Charges	186,030
FY2019 Governor	\$1,027,037

Centralized Service Charges**\$186,030**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on prior-year use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear. In addition, there is an increase of \$23,719 in federal funds for Information Technology charges.

Centralized Service Charges	Amount
Information Technology	\$186,030
Capital Asset and Management	-
Human Resources	-
Total	\$186,030

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.

Preparedness, Response, Infections Disease, and Emergency Services	General Revenue
FY2018 Enacted	\$1,619,131
<i>Target and Other Adjustments</i>	<i>14,863</i>
Medicaid Health Systems Transformation	247,900
Centralized Service Charges	64,520
FY2019 Governor	\$1,946,414

Medicaid Health Systems Transformation **\$247,900**

This item restores funding to the Division of Preparedness, Response, Infectious Disease, and Emergency Medical Services (PRIDEMS), reflecting unachieved savings proposed in the FY2018 Budget as Enacted.

The Department participates in the Executive Office of Health and Human Services (EOHHS) Health Systems Transformation (HST) project. The Center for Medicare and Medicaid Services (CMS) approved EOHHS' general HST proposal, which includes DOH; however, CMS did not approve the savings proposal. This requires the restoration of funding in FY2019 for the salary cost of the Division Director/Medical Director/State Epidemiologist (0.7 FTE position) and a Directly Observed Therapy Worker (0.5 FTE position) in general revenue. The Department states that 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.

According to the Department, a portion of the personnel funding increase, \$154,912, is attributable to the cost savings arising from the transfer of 2.0 FTE positions from the Department of Health to the Department of Business Regulation. According to the Department, the personnel expense for the two transferred positions is used to offset the personnel increase other Prepared Response, Infectious Disease, and Emergency Services program, Communicable Disease line sequence in the FY2019 budget.

Centralized Service Charges **\$64,520**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on prior-year use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear. In addition, there is an increase of \$44,590 in federal funds for Information Technology charges.

Centralized Service Charges	Amount
Information Technology	\$64,520
Capital Asset and Management	-
Human Resources	-
Total	\$64,520

Department of Human Services

Expenditures By Program	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$9.0	\$7.9	\$8.3	\$0.4	5.6%	\$8.9	\$1.0	12.5%
Child Support Enforcement	8.7	11.0	11.2	0.3	2.6%	10.0	(1.0)	-8.8%
Elderly Affairs	16.6	19.6	20.8	1.2	6.1%	20.5	0.9	4.3%
Health Care Eligibility	17.3	14.1	15.7	1.7	11.8%	15.4	1.3	9.3%
Individual and Family Support	115.5	124.7	131.8	7.1	5.7%	140.1	15.4	12.4%
Rhode Island Works	90.3	93.3	94.1	0.8	0.9%	102.0	8.7	9.3%
State Funded Programs	269.9	283.6	283.5	(0.1)	-0.1%	283.5	(0.1)	-0.1%
Supplemental Security Income Program	18.7	18.6	19.5	0.9	4.9%	19.6	1.0	5.5%
Veterans Affairs	80.7	42.1	44.6	2.6	6.1%	34.0	(8.0)	-19.1%
Total	\$626.7	\$614.7	\$629.6	\$14.9	2.4%	\$633.8	\$19.2	3.1%

Expenditures By Source								
General Revenue	\$90.6	\$91.1	\$100.6	\$9.5	10.4%	\$103.7	\$12.6	13.8%
Federal Funds	529.1	515.6	521.8	6.2	1.2%	516.4	0.8	0.2%
Restricted Receipts	2.5	3.4	2.4	(1.0)	-28.6%	9.0	5.6	165.5%
Other Funds	4.6	4.6	4.8	0.2	3.7%	4.8	0.2	3.7%
Total	\$626.7	\$614.7	\$629.6	\$14.9	2.4%	\$633.8	\$19.2	3.1%

Authorized FTE Levels	937.1	981.1	981.1	-	0.0%	981.1	-	0.0%
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\$ in millions. Totals may vary due to rounding.

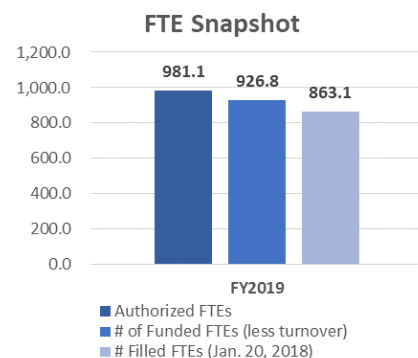
The Department of Human Services (DHS) administers programs and services that support the needs of children and families, adults and children with disabilities, veterans, and the elderly. These services include health care, child care, cash assistance, and other supportive services for working parents and families.

MAJOR ISSUES AND TRENDS FOR FY2018 AND FY2019

The FY2019 Budget includes total funding of \$633.8 million, a \$19.2 million increase from the FY2018 Budget as Enacted, including a general revenue increase of \$12.6 million. The FY2019 Budget includes \$4.8 million in expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The Budget also includes an additional \$6.5 million in general revenue related to adjustments from the November 2017 Caseload Estimating Conference, an additional \$5.6 million within child care assistance and an additional \$1.0 million within the State's Supplemental Security Income.

The Budget authorizes 981.1 FTE positions for FY2019, consistent with the FY2018 Budget as Enacted.

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 costs of the project, which is projected to total \$491.7 million through FY2019, are shared across the Executive Office of Health and Human Services (EOHHS), DHS, and HealthSource RI (HSRI).

The Governor includes an additional \$7.0 million in restricted receipts for an anticipated UHIP settlement from Deloitte Consulting, the primary developer of the system, currently it is unclear how the settlement will be collected and a designated restricted receipt account has not been created.

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 2017 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 \$120.3 million in FY2019, an increase of \$8.4 million from the enacted level. The major contributor to this increase is due to an anticipated increase of 905 childcare subsidies within the Child Care Assistance Program (CCAP).

Cash Assistance Program- November 2017 Adopted Estimates			
	FY2018 Enacted	FY2019 Adopted	Change to Enacted
Rhode Island Works	\$22.9	\$24.8	\$1.9
Federal Funds	22.9	24.8	1.9
Child Care	\$69.0	\$74.6	\$5.6
Federal Funds	58.4	58.4	0.0
General Revenue	10.6	16.2	5.6
SSI- State Supplement	\$18.6	\$19.6	\$1.0
General Revenue	18.6	19.6	1.0
General Public Assistance	\$1.4	\$1.3	(\$0.1)
General Revenue	1.4	1.3	(0.1)
Total	\$111.9	\$120.3	\$8.4
Federal Funds	81.3	83.2	1.9
General Revenue	30.6	37.1	6.5

\$ in millions. Totals 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.

Central Management	General Revenue
FY2018 Enacted	\$3,410,108
<i>Target and Other Adjustments</i>	<i>(1,830)</i>
Personnel	406,881
Centralized Service Charges	116,704
FY2019 Governor	\$3,931,863

Personnel **\$406,881**

The Budget increases general revenue by \$406,881 in Central Management due to adjustments in the Department's personnel cost allocation and the hiring of additional personnel. The FY2018 Budget

consolidated financing staff from the Department of Human Services into the Executive Office of Health and Human Services, the FTE positions were shifted but financing for the positions remained at the Department of Human Services to maximize federal financing participation. In FY2018 the funding for finance positions was cost allocated to other programs within the Department. The Governor adjusts the funding for these positions to be reallocated back into the Central Management program, causing an increase in personnel costs. The Department also hired additional personnel, within their authorized FTE cap, in Financial Management. Previously the Department was understaffed and unable to accomplish necessary tasks related to budgeting and data management.

Centralized Service Charges

\$116,704

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and centralized in the Department of Administration. These accounts include accounts for information technology, capital asset management and maintenance, and human resources.

Centralized Service Charges	Amount
Information Technology	\$74,323
Capital Asset and Management	-
Human Resources	42,381
Total	\$116,704

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.

Child Support Enforcement	General Revenue
FY2018 Enacted	3,081,319
<i>Target and Other Adjustments</i>	<i>4,905</i>
Child Support Enforcement	(1,240,271)
Centralized Service Charges	95,571
FY2019 Governor	\$1,941,524

Child Support Enforcement

(\$1.2 million)

The Budget decreases general revenue by \$1.2 million due to a new savings initiative related to increased Medicaid match. Medicaid is currently unable to ask for information about non-custodial parents on the enrollment application, which has led to decreased collections. The initiative aims to establish paternity during Medicaid enrollment, leading to an increase in Medicaid collections (federal funds) and a decrease in general revenue spending.

Centralized Service Charges

\$95,571

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and centralized in the Department of Administration. These accounts include accounts for information technology, capital asset management and maintenance, and human resources.

Centralized Service Charges	Amount
Information Technology	\$70,142
Capital Asset and Management	-
Human Resources	25,429
Total	\$95,571

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.

Elderly Affairs	General Revenue
FY2018 Enacted	\$6,592,188
<i>Target and Other Adjustments</i>	<i>(23,992)</i>
Centralized Service Charges	668,545
Senior Support Services	400,000
FY2019 Governor	\$7,636,741

Centralized Service Charges**\$668,545**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and centralized in the Department of Administration. These accounts include accounts for information technology, capital asset management and maintenance, and human resources.

Centralized Service Charges	Amount
Information Technology	\$236,334
Capital Asset and Management	245,733
Human Resources	186,478
Total	\$668,545

Senior Support Services**\$400,000**

The Governor includes an additional \$400,000 in general revenue to support programs designed to increase senior independence and engagement in the community. Funds are distributed to municipalities using on a per-capita distribution formula which is based on the number of seniors, age 65 and older, this information is provided by the U.S Census Bureau. Currently there are 48 Senior Centers in the State, each municipality determines how the allocated funds are distributed among their Senior Centers. Senior Centers provide seniors with social interaction, stimulation and a sense of community, helping seniors from becoming isolated. Senior Centers also provide exercise opportunities and health screenings, allowing seniors to remain active and healthy as they age. The following table illustrates that amount of additional funding each municipality would receive.

Municipality	Population Age 65+	2018 Awards	2019 Awards	Change from 2018
Barrington	2,860	\$7,169	\$14,441	\$7,271
Bristol	3,876	9,905	19,570	9,665
Burrillville	2,196	5,493	11,088	5,595
Central Falls	1,395	3,495	7,044	3,548
Charlestown	1,652	4,016	8,341	4,325
Coventry	5,179	12,833	26,149	13,316
Cranston	12,770	31,107	64,477	33,370
Cumberland	6,026	14,784	30,426	15,642
East Greenwich	2,175	5,262	10,982	5,720
East Providence	8,021	20,178	40,499	20,321
Exeter	870	1,555	4,393	2,838
Foster	834	2,000	4,211	2,211
Glocester	1,527	3,557	7,710	4,153
Hopkinton	1,260	3,407	6,362	2,955
Jamesstown	1,189	2,702	6,003	3,301
Johnston	5,626	14,237	28,406	14,169
Lincoln	3,536	8,470	17,854	9,384
Little Compton	912	2,430	4,605	2,174
Middletown	2,596	6,343	13,108	6,765
Narragansett	3,221	8,618	16,263	7,646
Newport	3,514	9,213	17,743	8,529
New Shoreham	192	562	969	407
North Kingstown	4,184	10,452	21,126	10,674
North Providence	5,959	15,543	30,088	14,545
North Smithfield	2,311	6,584	11,669	5,085
Pawtucket	8,268	21,712	41,746	20,034
Portsmouth	3,629	9,265	18,323	9,058
Providence	15,239	40,310	76,944	36,634
Richmond	962	2,145	4,857	2,712
Scituate	1,953	4,747	9,861	5,114
Smithfield	3,642	8,830	18,389	9,559
South Kingston	5,195	12,742	26,230	13,488
Tiverton	3,534	8,721	17,844	9,122
Warren	1,981	4,972	10,002	5,030
Warwick	15,194	37,882	76,717	38,834
West Greenwich	625	1,612	3,156	1,544
West Warwick	4,524	11,991	22,842	10,851
Westerly	4,476	11,164	22,600	11,435
Woonsocket	5,340	13,989	26,962	12,974
Total	158,443	\$400,000	\$800,000	\$400,000

Source: Department of Elderly Affairs

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.

Health Care Eligibility	General Revenue
FY2018 Enacted	\$6,045,119

<i>Target and Other Adjustments</i>	310,008
Personnel	(951,461)
Centralized Service Charges	560,859
FY2019 Governor	\$5,964,525

Personnel **(\$951,461)**

The Budget is reduced by \$951,461 in personnel costs within the Health Care Eligibility program due a shift in the Department's 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.

Centralized Service Charges **\$560,859**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and centralized in the Department of Administration. These accounts include accounts for information technology, capital asset management and maintenance, and human resources.

Centralized Service Charges	Amount
Information Technology	\$431,922
Capital Asset and Management	128,937
Human Resources	-
Total	\$560,859

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.

Individual and Family Support	General Revenue
FY2018 Enacted	\$20,663,169

<i>Target and Other Adjustments</i>	67,186
Centralized Service Charges	945,940
Personnel	538,122
FY2019 Governor	\$22,214,417

Individual and Family Support	Other Funds
UHIP Anticipated Settlement (restricted receipts)	\$6,952,634

Centralized Service Charges **\$945,940**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and centralized in the Department of Administration. These accounts include accounts for information technology, capital asset management and maintenance, and human resources.

Centralized Service Charges	Amount
Information Technology	\$565,110
Capital Asset and Management	287,591
Human Resources	93,239
Total	\$945,940

Personnel**\$538,122**

The Budget adds \$538,122 in personnel costs within the Individual and Family Support (IFS) Program due to a shift in the Department's cost allocation plan. This shift is primarily due to the reallocation of personnel costs from 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. The increase is also attributed to an increase personnel within the Supplemental Nutrition Assistance Program (SNAP). The Department has experienced a backlog in SNAP cases resulting in fewer benefits being distributed. To mitigate the backlogs the Department intends to hire additional Eligibility Technicians.

UHIP Anticipated Settlement (restricted receipts)**\$7.0 million**

The Governor includes \$7.0 million in restricted receipts from an anticipated United Health Infrastructure Project (UHIP) settlement from the primary software developer of UHIP, Deloitte Consulting. The additional restricted receipts are intended to fund personnel and operational costs associated with UHIP. As of October 2017 Deloitte has credited the State \$58.6 million for delayed functionality of the system.

Analyst Note: The Governor has not set up a separate restricted receipt account for the anticipated settlement. It is unclear how the funds will be collected from Deloitte as there are currently no settlements pending, Deloitte is still working on fixing and improving the UHIP system.

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. Applicants may have up to \$1,000 in resources (excluding a home) and one vehicle per adult, each month a typical family of three would receive about \$554 in assistance. Rhode Island Works (RIGL 40-5.2-5) replaced the Family Independence Program in 2008. This program is funded through the federal Temporary Assistance to Needy Families (TANF) program.

Rhode Island Works	General Revenue
FY2018 Enacted	\$10,612,819
<i>Target and Other Adjustments</i>	<i>(86,366)</i>
Caseload Estimating Conference - Child Care Assistance	5,600,000
Child Care Tiered Reimbursement	1,500,000
Child Care Assistance- Pilot Program	200,000
Centralized Service Charges	135,620
FY2019 Governor	\$17,962,073
Rhode Island Works	Other Fund Changes
Caseload Estimating Conference - Rhode Island Works (federal funds)	\$1,955,532

Caseload Estimating Conference – Child Care Assistance**\$5.6 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 increase by \$5.6 million in FY2019. The CEC adopted a FY2019 estimate of 10,327 child care subsidies at a general revenue cost of \$16.2 million (\$74.6 million all funds). This

increase is due to an anticipated increase of 905 child care subsidies. Additionally, the FY2019 caseload includes costs for the remaining requirements set forth in the Child Care Development Block Grant (CCDBG) including, 12 months of continuous eligibility; at least three months of continued eligibility for families who experience jobs loss; expanded outreach to homeless children and families; and infant/toddler prioritization.

Child Care Tiered Reimbursement

\$1.5 million

The Governor adds \$1.5 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.

Article 15 of the Governor's Budget includes changes to tiered child care rates, licensed child care centers and family child care homes providing care for infant and toddlers, age one week up to three years, would be changed to a tiered system reflective of the quality rating the provider has achieved within the State's Quality Rating System, BrightStars. Pursuant to the Article, no rate would be below \$193 for licensed child care centers or \$169 for family child care homes. The rate for providers achieving a rating of five out of five stars through the quality rating system would be paid a rate at least equivalent to the 75th percentile of the market rate.

The following table shows the change in weekly rates to licensed child care centers and family child care homes based on the proposed tiered rating system. The Department of Human Services provided the rates based on a Statewide Survey of Child Care Rates in Rhode Island from 2015. Family child care homes earning 3 stars and above would be reimbursed at rates greater than the 75th percentile of the market rate to incentivize family child care homes to accept more children. Although 3 star family child care homes will be reimbursed more than the 75th percentile market rate, their reimbursement is still less than centers will be reimbursed.

Base Reimbursement Rates		New Rates with Bright Star Rating System		Change in Rates from Base				Closest Percentile			
Centers	Family	Rating	Centers	Family	Centers		Family		Rating	Centers	Family
\$193.64	\$169.95	1 Star	\$198.23	\$173.34	\$4.59	2.4%	\$3.39	2.0%	1 Star	19.0%	56.0%
193.64	169.95	2 Star	202.81	177.86	9.17	4.7%	7.91	4.7%	2 Star	24.0%	70.0%
193.64	169.95	3 Star	215.42	189.16	21.78	11.2%	19.21	11.3%	3 Star	41.0%	77.0%
193.64	169.95	4 Star	221.16	193.68	27.52	14.2%	23.73	14.0%	4 Star	49.0%	78.0%
193.64	169.95	5 Star	239.50	209.50	45.86	23.7%	39.55	23.3%	5 Star	75.0%	87.0%

Source: Department of Human Services

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.

Child Care Assistance- Pilot Program

\$200,000

The Governor includes an additional \$200,000 to fund a pilot program for eligible low-income parents to receive child care assistance while they are enrolled in a qualified State college or in a workforce training program that leads to employment.

Centralized Service Charges**\$135,620**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and centralized in the Department of Administration. These accounts include accounts for information technology, capital asset management and maintenance, and human resources.

Centralized Service Charges	Amount
Information Technology	\$0
Capital Asset and Management	-
Human Resources	135,620
Total	\$135,620

Caseload Estimating Conference – RI Works (federal funds)**\$2.0 million**

The November 2018 Caseload Estimating Conference (CEC) estimated a Rhode Island Works (RIW) caseload average of 10,200 recipients and total program cost of \$24.8 million for FY2019, all of which is federal funds and represents an increase of \$2.0 million from the FY2018 enacted level.

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 FY2019) are fully federally funded. SNAP’s benefit disbursements are budgeted within this program, however, administrative responsibility of SNAP, as well as corresponding budgetary resources, are maintained by the Individual and Family Support program.

State Funded Programs	General Revenue
FY2018 Enacted	\$1,558,951
<i>Target and Other Adjustments</i>	
Caseload Estimating Conference	(222,551)
FY2019 Governor	\$1,336,400

Caseload Estimating Conference—General Public Assistance**(\$222,551)**

Estimators at the November 2017 Caseload Estimating Conference (CEC) projected that in FY2019, 350 people would receive general public assistance (GPA) at a monthly cost of \$142.00 per person. Expenditures for monthly cash payments, indigent burials, and the GPA hardship contingency fund are projected to be \$1.3 million in FY2019, a \$222,551 general revenue decrease from FY2018 enacted levels. This decrease is due to the estimated monthly payment decreasing from the FY2018 enacted level of \$146.28 to \$142.00 in FY2019.

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, 2018, the federal SSI payment was increased 2.0 percent based on the cost of living adjustment (COLA) calculated by the Bureau of Labor and Statistics. 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.

Supplemental Security Income Program	General Revenue
FY2018 Enacted	\$18,548,119
<i>Target and Other Adjustments</i>	
Caseload Estimating Conference - SSI	1,026,281
FY2019 Governor	\$19,574,400

Caseload Estimating Conference—SSI **\$1.0 million**

The November 2017 Caseload Estimating Conference (CEC) SSI estimate reflects total general revenue costs of \$19.6 million (including \$60,000 in fees associated with the SSI program) in FY2019, which represents an increase of \$1.0 million from the enacted level. This is based upon a SSI caseload estimate of 34,600 individuals in FY2019, an increase of 915 above the FY2018 Enacted level, with individuals receiving an estimated average monthly payment \$47.00, \$1.00 above the FY2018 Enacted level.

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.

Veterans Affairs	General Revenue
FY2018 Enacted	\$20,601,826
<i>Target and Other Adjustments</i>	<i>233,026</i>
Centralized Service Charges	2,305,359
FY2019 Governor	\$23,140,211

Veterans Affairs	Other Funds Changes
Veteran's Home Construction Project (federal funds)	(\$10,588,000)

Centralized Service Charges **\$2.3 million**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and centralized in the Department of Administration. These accounts include accounts for information technology, capital asset management and maintenance, and human resources.

Centralized Service Charges	Amount
Information Technology	\$156,311
Capital Asset and Management	1,784,569
Human Resources	364,479
Total	\$2,305,359

Veterans Home Construction Project (federal funds) **(\$10.6 million)**

The Budget decreases federal funds by \$10.6 million in FY2019 due to the completion of the Veterans Home. The Veterans Home, located in Bristol, was complete in October of 2017. The new home is a 260,000 square-foot facility with six interconnected “neighborhoods” that include a community living center and clusters of private rooms around the common areas. Each neighborhood is also staffed with 24-hour caregivers. The Veterans home cost a total of \$121.0 million from FY2017 through FY2019, including \$60.5 million in federal funds and \$60.5 million in general obligation bonds.

Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals

Expenditures by Program	FY2017	FY2018	FY2018	Change from		FY2019	Change from		
	Actual	Enacted	Governor	Enacted		Governor	Enacted		
Central Management	\$1.4	\$1.7	\$2.7	\$1.0	60.1%	\$2.7	\$1.0	61.6%	
Behavioral Healthcare Services	21.9	28.2	28.7	0.5	1.9%	27.5	(0.6)	(2.2%)	
Services for the Developmentally Disabled	258.9	256.9	272.2	15.3	6.0%	250.8	(6.1)	(2.4%)	
Hospital & Community Rehabilitation Services	115.0	108.0	120.4	12.4	11.5%	116.8	8.8	8.1%	
Hospital & Community System Support	1.7	2.3	3.2	0.9	37.6%	2.9	0.6	23.8%	
Total	\$398.9	\$397.1	\$427.2	\$30.1	7.6%	\$400.7	\$3.7	0.9%	
Expenditures by Source									
General Revenue	\$182.3	\$176.4	\$191.6	\$15.2	8.6%	\$179.4	\$3.0	1.7%	
Federal Funds	204.7	204.3	223.2	18.9	9.3%	213.0	8.7	4.3%	
Restricted Receipts	5.4	8.5	5.2	(3.3)	(39.1%)	5.1	(3.4)	(40.4%)	
Other Funds	6.5	7.9	7.2	(0.7)	(8.7%)	3.3	(4.6)	(58.0%)	
Total	\$398.9	\$397.1	\$427.2	\$30.1	7.6%	\$400.7	\$3.7	0.9%	
Authorized FTE Levels	1,352.4	1,319.4	1,319.4	-	-	1,319.4	-	-	

\$ 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 or physical illnesses, developmental disabilities, and substance use disorders. BHDDH administers a coordinated system of mental health promotion and substance abuse prevention through contracted, community-based service delivery programs and direct services at the Eleanor Slater Hospital and Rhode Island Community and Living Supports (RICLAS) facilities. BHDDH delivers services to more than 50,000 vulnerable individuals annually.

MAJOR ISSUES AND TRENDS FOR FY2019

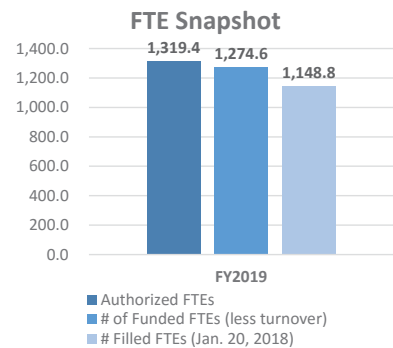
The Governor recommends \$400.7 million from all funds for BHDDH in FY2019, of which \$179.4 million is from general revenues, \$213.0 million is from federal funds, \$5.1 million is from restricted receipts, and \$3.3 million is from RICAP funds. General revenue funding increases by \$3.0 million over the enacted budget. However, the Governor recommends \$12.2 million less from general revenue than the revised budget and \$17.9 million less than requested.

The State was sued by the federal government in 2014 for violating the Olmstead Decision of the Americans with Disabilities Act. The United States Department of Justice, focusing specifically on sheltered workshops, concluded that the State's services for individuals with developmental disabilities were not adequately integrated within the community. The State subsequently entered into a Consent Decree, which requires BHDDH to foster more supportive and less isolated employment opportunities for individuals with intellectual and developmental disabilities. These employment placements must be typical jobs that pay at least minimum wage and support employment for 20 hours or more per week. The Consent Decree requires funding, sustained until FY2024, to support a reformed system of care within the Division of Developmental Disabilities. BHDDH has continued its efforts to maintain compliance with federal standards, enhance federal funding opportunities, and match clients with the most appropriate and accessible services possible.

In February 2018, the Department projected FY2018 general revenue expenditures of \$191.8 million, an excess of \$15.4 million over the enacted budget. Most of the Department's deficit (\$12.0 million) falls within the Division of Developmental Disabilities (DD). \$8.0 million of the deficit within DD is related to a projected increase in costs for direct services, primarily reflective of caseload trends related to the implementation of a new client assessment tool. \$4.0 million of the deficit within DD is attributable to

savings initiatives, included in the FY2018 Budget as Enacted, which have not been fully achieved, including efforts to rebalance residential services and close five State-run group homes. Expenditures within the Division of Developmental Disabilities have been a deficit driver in previous fiscal years. An additional \$3.9 million of the Department’s deficit falls within Eleanor Slater Hospital, primarily related to a delay in the hospital consolidation project. The FY2018 Budget as Enacted included expansive reforms at Eleanor Slater Hospital, namely the reorganization of patients, staff modeling, and services. The project has not adhered to its anticipated timeline, and expected savings in overtime have not been achieved.

The Governor authorizes 1,319.4 FTE positions in FY2019, consistent with the FY2018 Budget as Enacted. As of the pay period ending January 20, 2018, there were 1,148.8 filled and 170.6 vacant positions in the Department.



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’s 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.

Central Management	General Revenue
FY2018 Enacted	\$1,655,306
<hr/>	
<i>Targets and Other Adjustments</i>	8,219
Centralized Service Charges	521,061
Reduction of Expenses	(163,451)
Personnel	(81,067)
FY2019 Governor	\$1,940,068

Centralized Service Charges **\$521,061**

The FY2019 Budget includes \$521,061 in general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program.

Centralized Service Charges	Amount
Information Technology	\$252,809
Capital Asset Management	268,252
Human Resources	-
Total	\$521,061

Reduction of Expenses **(\$163,451)**

The Department proposed reducing expenditures in Central Management to align with historical amounts in order to attain mandated cuts for FY2019. Much of these expenses are operational, and will not allow the Department to invest in projects that have been delayed in prior years due to budget constraints, including computer and software upgrades. The Governor includes general revenue savings of \$163,451 related to operational expenses, citing this as the least disruptive proposal.

Personnel**(\$81,067)**

The FY2018 Revised Budget included an initiative to transfer two positions from Central Management to the Behavioral Healthcare Services program. The two positions were improperly allocated to Central Management and were moved in order to align expenses with the correct accounts. This initiative is expected to carry forward general revenue savings of \$81,067 within Central Management in FY2019, offset by increased expenditures in Behavioral Healthcare Services.

BEHAVIORAL HEALTHCARE SERVICES

The Division of Behavioral Healthcare Services is comprised of two subprograms: integrated Mental Health Services and Substance Use Disorder Treatment and Prevention Services. The Division plans, coordinates, and administers a comprehensive system of mental health and substance use disorder prevention, intervention, and treatment activities. The program, primarily funded by federal grants, provides screening, early interventions, referrals, clinical treatment services, and recovery support activities. The program coordinates with other departments and agencies in the State, including the criminal justice system, public healthcare system, child welfare, education, and other allied human service entities.

Behavioral Healthcare Services	General Revenue
FY2018 Enacted	\$2,543,780
<i>Targets and Other Adjustments</i>	
Behavioral Healthcare Link	15,079
Centralized Service Charges	650,000
Personnel	248,989
Centers of Excellence	94,975
	Informational
FY2019 Governor	\$3,552,823

Behavioral Healthcare Link**\$650,000**

In September 2017, the Department issued a Request for Proposal (RFP) to potential providers for the Behavioral Healthcare Link (BH Link) initiative. The Department has since contracted with Horizon Healthcare Partners to launch BH Link in May 2018. This will be a statewide resource providing 24-hour assessment and treatment for individuals in behavioral health crises, offering an alternative option to an emergency department or correctional facility. BH Link is intended to provide emergency intake services; individuals needing comprehensive behavioral health or addiction support must seek care in a specialized facility. The Department did not request additional funding for this initiative in FY2019, as startup costs are already funded through federal discretionary grants, but the Governor included \$650,000 in general revenue in FY2019 to support the project.

Centralized Service Charges**\$248,989**

The Budget includes \$248,989 in general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. These include accounts for information technology, capital asset management and maintenance, and human resources.

Centralized Service Charges	Amount
Information Technology	\$248,989
Capital Asset Management	-
Human Resources	-
Total	\$248,989

Personnel**\$94,975**

The FY2018 Revised Budget included an initiative to transfer two positions from Central Management to the Behavioral Healthcare Services program. The two positions were improperly allocated to Central Management and were moved in order to align expenses with the correct accounts. This transfer is expected

to carry forward into FY2019, offset by savings in Central Management. In addition, the Department was awarded several new federal grants in FY2018—primarily the State Targeted Response (STR) and Screening, Brief Intervention, and Referral to Treatment (SBIRT) grants—to assist in the State’s efforts to address opioid abuse. The Department has demonstrated the need for more personnel to support the management of these new grants, some of which is funded by general revenue. The Department anticipates increased personnel expenditures within Behavioral Healthcare Services of \$94,975 in FY2019.

Centers of Excellence (federal funds)

Informational

In FY2017, the State was awarded a three-year, \$3.0 million Medication Assisted Treatment (MAT) grant from the United States Substance Abuse and Mental Health Services Administration (SAMHSA). The grant provides \$1.0 million per year to launch six Centers of Excellence (COEs) throughout the State. The primary goal of this initiative is to provide medical and psychiatric treatment options for individuals with Opioid Use Disorders (OUDs) in communities that are disproportionately affected by opioid abuse. COEs combine evidence-based therapy practices with FDA-approved medications, such as methadone, to provide comprehensive treatment for individuals with OUDs. The grant also supports engagement with community-based primary care providers to improve outcomes for patients with OUDs. Currently, there are four COE-certified organizations in the State operating in twelve locations, including Cranston, East Providence, Johnston, Newport, Providence, and Woonsocket. The Department’s goal is to aid in the recovery of 2,300 individuals and to reduce the number of overdose deaths by 30.0 percent over the three-year period.

SERVICES FOR THE DEVELOPMENTALLY DISABLED

The Division of Developmental Disabilities (DD) supports a statewide network of private and public programs for adults living 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 services in the least restrictive environment for the developmentally disabled. The program manages a population that ranges from those previously institutionalized at the Ladd School, prior to the closure of the facility in 1994, to those with mild functional disabilities in need of daytime supports and vocational training to function within the community.

The program serves approximately 4,300 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 Rhode Island Community Living and Supports (RICLAS); and a private residential provider network. According to BHDDH, as of February 2018, approximately 1,605 individuals were served in residential placements, including 361 in Shared Living Arrangements (SLAs) and 1,244 in group home settings. DD clients 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 program.

Excluding centralized service charges, the Governor recommends \$247.4 million from all funds, including \$115.6 million from general revenue, to fund the Division of Developmental Disabilities in FY2019. This is a reduction of \$8.0 million in general revenue funding from the enacted budget and a reduction of \$9.4 million from actual expenditures in FY2017.

Services for the Developmentally Disabled	General Revenue
FY2018 Enacted	\$123,584,106
<i>Targets and Other Adjustments</i>	
	<i>(86,609)</i>
Base Increase	11,335,353
Validation of Assessment Tool	(10,290,059)
L9 Supplemental Authorization Revision and Reduction	(3,373,384)
Residential Service Rebalancing	(2,455,608)
Centralized Service Charges	1,089,349
RICLAS Special Care Facilities	(912,000)
SIS-A Reduction in Tiers	(809,651)
RICLAS Rightsize Service Supports	(460,115)
Workers' Compensation Reduction	(450,687)
Movement of Court Monitor	(450,000)
Health Homes	(240,000)
FY2019 Governor	\$116,720,695

Base Increase**\$11.3 million**

The Department requested an additional \$14.4 million in general revenue funding over the enacted budget for the DD program in FY2019. This increase was included to align the program's funding with its actual expenditure trends and to alleviate its projected deficit. The Governor makes deductions of \$3.1 million for a revised caseload projection, which changed after the Department submitted its request, and an updated Federal Medical Assistance Percentage (FMAP) rate and includes \$11.3 million of the additional funding requested by BHDDH for FY2019. This funding increase is offset by the savings initiatives described below, resulting in a net decrease in general revenue funding for the Division of Developmental Disabilities.

Validation of Assessment Tool**(\$10.3 million)**

The Supports Intensity Scale (SIS) is a nationally-utilized interview process used to measure the needs of individuals with intellectual or developmental disabilities. SIS measures needs in personal, work-related, and social activities and identifies the supports an individual requires to succeed in those areas. The SIS evaluation process creates a framework to match funding sources with identified needs. The framework consists of five tiers, A through E, with the letter A corresponding to the lowest intensity as well as the lowest cost.

The Department instituted a new model, SIS-A, in November of 2016. The Department began reassessing patients using the updated tool, which produced different results than the original SIS method. Namely, the SIS-A classified individuals into higher tiers than the SIS tool, providing more resources to those individuals and increasing expenditures for the services they were receiving. The Governor recommends implementing a moratorium on the use of the SIS-A tool for individuals who have already been assessed with SIS and limiting use of the tool to new clients only. This will allow the Department to analyze the algorithm and determine its validity. This initiative is expected to save \$10.3 million in general revenue (\$20.3 million all funds) in FY2019.

L9 Supplemental Authorization Revision and Reduction**(\$3.4 million)**

The L9 process allows providers or families to request additional services over what an individual receives based on their tier level. The Department has proposed instituting more stringent standards for approval in order to reduce the number of individuals receiving supplemental services. Historically, the number of approvals has been a contributing factor in the Division's deficit. The Department proposes making efforts to deny any requests that do not address emergency need, short-term stabilization, transition supports, hospitalization risk, or court-ordered services. The Department anticipates \$1.5 million in general revenue savings (\$3.1 million all funds) from reducing authorizations with revised approval standards. The proposal

includes additional general revenue savings of \$1.9 million (\$3.8 million all funds) related to revised L9 caseload projections for the Division.

Residential Service Rebalancing **(\$2.5 million)**

The State of Rhode Island is heavily reliant on group home residential options, which are both the most restrictive and most expensive settings for DD clients. Currently, approximately 34.0 percent of individuals receiving direct services from DD reside in a group home. As of March 2018, the Department has reduced the overall group home census by approximately 44 individuals and intends to reduce it by 110 more in FY2019. The Division will achieve savings by:

- Transitioning individuals from group homes to more desirable and cost-effective settings, including family-based supports, independent living, and SLAs
- Limiting backfilling when group home vacancies arise and supporting providers in consolidating and closing group homes as needed
- Reducing licensure of existing group homes to align with bed capacity, group home census, and federal Home and Community Based Services (HCBS) rules.

The Governor recommends general revenue savings of \$2.5 million (\$5.1 million all funds) in FY2019 related to residential service rebalancing.

Analyst Note: The FY2018 Budget as Enacted included a plan to close several group homes. This included two in July 2017, one in October 2017, and two in January 2018. Those closures did not occur. Instead, the Department has realized savings in residential services by focusing on RICLAS Special Care Facilities, described below.

Centralized Service Charges **\$1.1 million**

The Budget includes \$1.1 million in general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. These include accounts for information technology, capital asset management and maintenance, and human resources.

Centralized Service Charges	Amount
Information Technology	\$749,324
Capital Asset Management	120,626
Human Resources	219,399
Total	\$1,089,349

RICLAS Special Care Facilities **(\$912,000)**

Rhode Island Community Living and Supports (RICLAS) is the State's publicly operated group home system. Currently, RICLAS operates two Special Care Facilities which provide enhanced nursing supports to residents. Each facility has three wings with five beds per wing. The national Centers for Medicare and Medicaid Services (CMS) issued new standards addressing how states can use federal Medicaid funds to pay for home- and community-based services. This policy change effectively prohibited institutional placements for individuals with intellectual or developmental disabilities. The RICLAS Special Care Facilities do not meet the new standards and, thus, cannot continue to operate. One of the six wings was closed prior to FY2017. The FY2018 Revised Budget includes closure of three more wings before the end of FY2018, which the Department anticipates will close ahead of schedule, and the remaining two wings are scheduled to close in FY2019. As these wings are closed, Community Living Aides will be shifted to other group homes, reducing overtime expenses. The Governor recommends general revenue savings of \$912,000 (\$2.0 million all funds) in FY2019 from this initiative.

SIS-A Reduction in Tiers **(\$809,651)**

In November of 2016, the Department instituted a new assessment model, the SIS-A, which provided supplemental questions and changed the tier levels of some participants. 128 individuals were moved to

either Tier D or Tier E, the most expensive levels. It has since been determined that 46 of these individuals were moved in error. The Department is able to reduce the tier level of an individual unless that individual makes a successful appeal. The FY2019 Budget includes general revenue savings of \$809,651 (\$1.7 million all funds), assuming that the Department takes corrective action to reclassify all 46 individuals and that no appeals are successful.

RICLAS Rightsize Service Supports ***(\$460,115)***

BHDDH currently operates with both public and private residential services. The Department has established a policy that clients should only be admitted into the State-run system in emergency situations. Privatization is more cost effective and simultaneously allows the State to adhere to its commitment to quality and choice. The Governor recommends transitioning services at two State-run apartment complexes, Bear Hills and Washington Hills, to the privately-operated community-based system. This initiative is expected to save \$460,115 in general revenue (\$945,571 all funds) in FY2019.

Workers' Compensation Reduction ***(\$450,687)***

This initiative seeks to reduce Workers' Compensation claims by actively managing employees on leave. The Governor proposes establishing a joint management team made up of Human Resources employees from the Department of Administration (DOA) and BHDDH. The team will work to bring employees from RICLAS back to work as soon as they are able. This will reduce the Department's overtime costs and is expected to save \$450,687 in general revenue (\$1.0 million all funds) in FY2019.

Movement of Court Monitor ***(\$450,000)***

The FY2018 Budget as Enacted included \$450,000 within BHDDH to fund the work of the Consent Decree court monitor. The monitor oversees progress related to employment services for adults with developmental disabilities. The Governor recommends transferring the contract and funding to the Executive Office of Health and Human Services (EOHHS), citing "better monitoring". There is no change to the funding allocated for the monitor work, it merely shifts from BHDDH to EOHHS.

Analyst Note: The Consent Decree limits monitoring costs to \$300,000 annually. According to the Department, the remaining \$150,000 covers expenses related to the Interim Settlement Agreement (ISA) which preceded the Consent Decree. The ISA supports employment services for individuals exiting sheltered workshops at two locations, Training Thru Placement (TTP) in North Providence and the Birch Vocational Training Program at Mount Pleasant High School.

Health Homes ***(\$240,000)***

The Governor seeks authority in Article 14 to allow collaboration between EOHHS and BHDDH for the development of a health home initiative for conflict-free case management. Federal rules for conflict-free case management stipulate that service providers cannot also act as case managers. Health homes aim to coordinate all aspects of care, including psychiatry, primary care, specialty care, medication, and wellness. Health homes are responsible for case management and do not provide actual care services. The health home proposal includes an alternative payment method, shifting from fee-for-service to a value-based payment method for individuals with developmental disabilities. This alternative method is cost effective and provides a more person-centered payment structure, consistent with the Department's goals. The Governor recommends funding to assist with the administrative costs of the new payment methodology. The initiative projects general revenue savings, offset by increased administrative expenses. The net impact for FY2019 includes general revenue savings of \$240,000 (\$749,103 all funds).

HOSPITAL AND COMMUNITY REHABILITATION SERVICES

The Hospital and Community Rehabilitation Services Program provides a continuum of treatment and residential options for psychiatric and developmentally disabled clients. 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 Pastore Center in Cranston has 306 licensed beds and averages 145 patients,

while the Zambarano Campus in Burrillville has 189 licensed beds and averages 109 patients. Hospital funding levels and FTE authorization dictate actual bed utilization and census. The Pastore Center campus focuses on long-term psychiatric and psychogeriatric services while the Zambarano campus focuses on long-term and rehabilitative care.

Hospital & Community Rehabilitation Services	General Revenue
FY2018 Enacted	\$46,597,476
<i>Targets and Other Adjustments</i>	<i>834,543</i>
Centralized Service Charges	5,914,813
Personnel	2,997,247
Zambarano Unit Consolidation	(1,000,000)
Workers' Compensation Reduction	(491,693)
Transfer of ESH Patients	(234,330)
FY2019 Governor	\$54,618,056

Centralized Service Charges **\$5.9 million**

The Budget includes \$5.9 million in general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. These include accounts for information technology, capital asset management and maintenance, and human resources.

Centralized Service Charges	Amount
Information Technology	\$442,323
Capital Asset Management	4,864,158
Human Resources	608,332
Total	\$5,914,813

Personnel **\$3.0 million**

The Governor includes a general revenue increase of \$4.4 million to support personnel in the Hospital and Community Rehabilitation Services program as requested by the Department. The FY2018 Budget as Enacted included savings related to a hospital reorganization plan which have not been achieved since the project has not adhered to the anticipated timeline. The Governor restores funding for personnel in FY2019, but also includes \$1.4 million in general revenue savings related to personnel expense reductions. BHDDH expects that turnover trends projected in FY2018 will continue into FY2019, reducing the Department's expenditures for salaries and benefits.

Zambarano Unit Consolidation **(\$1.0 million)**

The Governor proposes general revenue savings of \$1.0 million (\$2.1 million all funds) from consolidating one unit at the Zambarano campus and dispersing approximately 20 patients throughout the remaining three units. Savings result from reduced overtime levels for Certified Nursing Assistants (CNAs). The amount included in the FY2019 Budget is the annualized savings based on a change made during FY2018.

Analyst Note: This initiative assumed that the consolidation would occur by January 1, 2018, which did not happen. The Department has shifted its consolidation efforts to the Adolph Meyer building in Cranston.

Workers' Compensation Reduction **(\$491,693)**

This initiative seeks to reduce Workers' Compensation claims by actively managing employees on leave. The Governor proposes establishing a joint management team made up of Human Resources employees from the Department of Administration (DOA) and BHDDH. The team will work to bring employees from ESH back to work as soon as they are able. This will reduce the Department's overtime costs and is expected to save \$491,693 in general revenue (\$1.0 million all funds) in FY2019.

Transfer of ESH Patients **(\$234,330)**

During the final quarter of FY2018, six ESH patients will be transferred out of the hospital and into Mental Health Psychiatric Rehabilitative Residences (MHPRRs). This will allow the Department to shift staffing levels and save \$234,330 in general revenue (\$481,566 all funds) in FY2019.

HOSPITAL AND COMMUNITY SYSTEM SUPPORT

The Hospital and Community System Support program provides financial management support for the entire Department, including the hospital 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, Rate Setting, and Financial Reporting.

Hospital & Community System Support	General Revenue
FY2018 Enacted	\$2,067,954
<i>Targets and Other Adjustments</i>	<i>32,302</i>
Centralized Service Charges	665,982
Reduction of Expenses	(196,389)
FY2019 Governor	\$2,569,849

Centralized Service Charges **\$665,982**

The Budget includes \$665,982 in general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. These include accounts for information technology, capital asset management and maintenance, and human resources.

Centralized Service Charges	Amount
Information Technology	\$307,851
Capital Asset Management	198,569
Human Resources	159,562
Total	\$665,982

Reduction of Expenses **(\$196,389)**

The Division of Hospital and Community System Support proposed a decrease of all expenditures in order to attain mandated cuts for FY2019. Much of these expenses are operational, and will not allow the Division to invest in projects that have been delayed in prior years due to budget constraints, including computer and software upgrades. The Governor recommends general revenue savings of \$196,389 related to operational expenses, citing this as the least disruptive proposal.

CAPITAL PROJECTS

The Budget includes a total of \$7.2 million in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2018, \$3.3 million in FY2019, and \$14.4 million in FY2020 through FY2023. The Governor's recommendation also includes \$23.8 million from RICAP funds for the hospital reorganization plan in the Department of Administration's capital budget. Projects include:

- Renovations to BHDDH's administrative buildings on the Pastore Campus totaling \$250,000 in FY2019, with a cumulative project cost of \$13.1 million.
- Upgrades to the fire alarm and sprinkler systems at the Department's community facilities totaling \$400,000 in FY2019.
- Improvements to buildings and equipment at both campuses of Eleanor Slater Hospital totaling \$850,000 in FY2019, with a cumulative project cost of \$11.3 million.

- Repairs and upgrades at 149 State-owned and 121 privately-owned DD group homes totaling \$500,000 in FY2019, with a cumulative project cost of \$9.4 million.
- Continuation of the Access to Independence program, which provides funding for individuals with developmental disabilities to modify their homes in order to support their needs and continue living with their families. The Governor includes \$500,000 in FY2019 for this project.

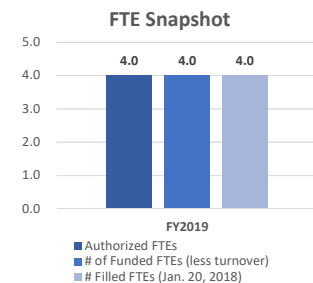
Governor's Commission on Disabilities

Expenditures By Program	FY2017 Actual	FY2018 Enacted	FY2018 Governor	Change from Enacted	Change from Enacted	FY2019 Governor	Change from Enacted	Change from Enacted
Governor's Commission on Disabilities	\$669,119	\$842,190	\$867,672	\$25,482	3.0%	\$877,295	\$35,105	4.2%
Expenditures By Source								
General Revenue	\$418,544	\$454,938	\$478,907	\$23,969	5.3%	\$492,557	\$37,619	8.3%
Federal Funds	211,435	343,542	335,167	(8,375)	-2.4%	335,167	(8,375)	-2.4%
Restricted Receipts	39,140	43,710	53,598	9,888	22.6%	49,571	5,861	13.4%
Operating Transfers from Other Funds	-	-	-	-	-	-	-	-
Grand Total	\$669,119	\$842,190	\$867,672	\$25,482	3.0%	\$877,295	\$35,105	4.2%
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 FY2019

The Budget for FY2019 includes \$877,295, of which \$492,557 is general revenue. This reflects an all funds increase of \$35,105 from the FY2018 Budget as Enacted. The increase reflects an additional \$37,619 in general revenues, a decrease of \$8,375 in federal funds, and an increase of \$5,861 in restricted receipts.



Governor's Commission on Disabilities	General Revenue
FY2018 Enacted	\$454,938
<i>Target and Other Adjustments</i>	12,304
Centralized Service Charges	25,315
FY2019 Governor	\$492,557
	Other Fund Changes
Handicapped Accessibility Capital Projects	Informational

Centralized Service Charges **\$25,315**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$19,539
Capital Asset and Management	-
Human Resources	5,776
Total	\$25,315

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 still has 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 \$8.0 million in Rhode Island Capital Plan (RICAP) funds for ADA and accessibility renovations at state buildings, including \$1.0 million in FY2018 and \$500,000 in FY2019. Another \$3.0 million is proposed for fiscal years 2020 through 2023. Expenditures prior to FY2018 total \$3.5 million.

Commission on the Deaf and Hard of Hearing

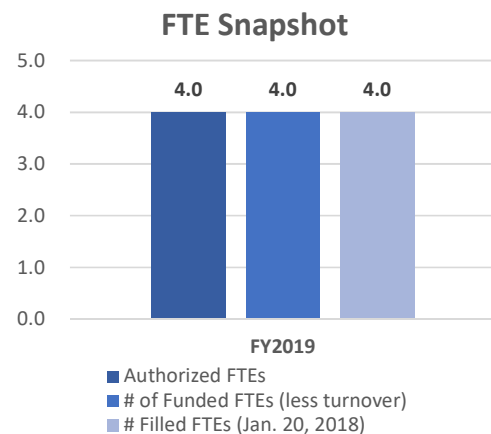
Expenditures By Program	FY2017 Spent	FY2018 Enacted	FY2018 Governor	Change from Enacted	FY2019 Governor	Change from Enacted
Commission on the Deaf and Hard of Hearing	\$493,573	\$627,910	\$565,882	(\$62,028)	\$591,467	(\$36,443)
Total	\$493,573	\$627,910	\$565,882	(\$62,028)	\$591,467	(\$36,443)

Expenditures By Source	FY2017 Spent	FY2018 Enacted	FY2018 Governor	Change from Enacted	FY2019 Governor	Change from Enacted
General Revenue	\$421,448	\$498,710	\$436,682	(\$62,028)	\$511,467	\$12,757
Restricted Receipts	72,125	129,200	129,200	-	\$80,000	(\$49,200)
Total	\$493,573	\$627,910	\$565,882	(\$62,028)	\$591,467	(\$36,443)

Authorized FTE Levels	FY2017	FY2018	FY2019	Change from Enacted	FY2019 Governor	Change from Enacted
Authorized FTE Levels	4.0	4.0	4.0	-	4.0	-

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.

The Budget provides 4.0 FTE positions in FY2019 and FY2018, consistent with the enacted budget.



MAJOR ISSUES AND TRENDS FOR FY2019

The Budget includes \$591,467, including \$511,467 in general revenue, for the CDHH. This is a decrease of \$36,443 (5.8 percent) from the enacted budget. The decrease is due primarily to a reduction in restricted receipts to reflect the completion of the project to install an assistive listening system in the State House. The increase in general revenue is primarily due to the decentralization of statewide services provided by and previously centralized in the Department of Administration.

In FY2016, the Commission began a project, funded by restricted receipts, to install an assistive listening system in the State House. The project entailed installing and upgrading assistive listening systems in the Governor's State Room and public hearing rooms throughout the State House in order to comply with Americans with Disabilities Act accessibility requirements. The project was completed in FY2018.

The CDHH requested an increase of \$87,691 in general revenue in FY2019 for new 1.0 FTE Parent Advocate and Resource Specialist. Rhode Island was the first state in the country to mandate a newborn hearing screening; however, the State has not developed a comprehensive strategic plan for children who are deaf and hard of hearing. The 2017 General Assembly established a commission to evaluate the current status of early intervention services in the State for children ages zero to three. This position would work with parents, state agencies, and organizations to support children who are deaf and hard of hearing at school, daycare or home; however, neither the funding nor the FTE position are included in the Budget.

Commission on the Deaf and Hard of Hearing	General Revenue
FY2018 Enacted	\$498,710
<i>Target and Other Adjustments</i>	3,867
Personnel Expenditures	(20,602)
Centralized Service Charges	18,830
Interpreters and CART Service	7,662
Operating Expenses	3,000
FY2019 Governor	\$511,467

Commission on the Deaf and Hard of Hearing	Other Fund Changes
Emergency and Public Communications Access Program (restricted receipts)	(\$49,200)

Personnel Expenditures **(\$20,602)**

The Budget includes a decrease in personnel expenditures of \$20,602 to reflect the savings associated with the Executive Director declining medical, dental, and vision insurance in FY2019.

Centralized Service Charges **\$18,830**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$18,830
Capital Asset and Management	-
Human Resources	-
Total	\$18,830

Interpreters and CART Services **\$7,662**

The Budget provides an increase of \$7,662 for sign language interpreters and Communication Access Real-time Translation (CART) services, also known as real-time captioning.

Operating Expenses **\$3,000**

The Budget provides an increase of \$3,000 in operating expenses for the lease of a copier.

Emergency and Public Communications Access Program (restricted receipts) **(\$49,200)**

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 decreases expenditures from the EPCAP by \$49,200, to \$80,000 for FY2019. The decrease is due to the completion of a project to install assistive listening devices in State House rooms to comply with the Americans with Disabilities Act. This project was completed in FY2018.

Office of the Child Advocate

Expenditures by Program	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Office of the Child Advocate	\$612,107	\$926,120	\$1,045,722	\$119,602	12.9%	\$1,071,346	\$145,226	15.7%

Expenditures by Source	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
General Revenue	\$470,981	\$781,499	\$787,881	\$6,382	0.8%	\$923,704	\$142,205	18.2%
Federal Funds	141,126	144,621	257,841	113,220	78.3%	147,642	3,021	2.1%
Total	\$612,107	\$926,120	\$1,045,722	\$119,602	12.9%	\$1,071,346	\$145,226	15.7%

Authorized FTE Levels	7.0	8.0	8.0	-	-	8.6	0.6	7.5%
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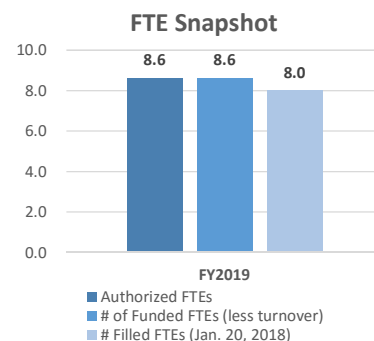
The Office of the Child Advocate (OCA) is mandated by statute to protect the legal, civil, and special rights of the approximately 6,500 children and youth open to the Department of Children, Youth, and Families (DCYF). The Office strives to improve conditions and circumstances through monitoring, compliance, and advocacy. The OCA receives federal funding through the Victims of Crime Act (VOCA) to provide public education and support services for victims and their families. The Office is responsible yearly monitoring of group homes and residential programs licensed by DCYF as well as random site visits at the Rhode Island Training School. The Office also provides oversight for contract compliance by providers. In 2016, the General Assembly amended the statute, further requiring the Office investigate any child fatality or near fatality if:

- The child is involved with DCYF or the child's family had previously received services from the Department.
- The incident results from alleged abuse or neglect, even if the child's family had no prior contact with DCYF.
- A household member or daycare provider has been the subject of a child abuse or neglect investigation within 12 months of the incident.

MAJOR ISSUES AND TRENDS FOR FY2019

In January 2018, the State of Rhode Island and DCYF agreed to settle a long-standing class action lawsuit. The case was brought about after a three-year-old child in DCYF custody was beaten to death by his foster parents in 2004. Children's Rights Inc., a child advocacy group, sued the State in 2007 and cited deficiencies throughout DCYF, including its screening process for foster families. The agreement, known as the Children's Rights Settlement, outlined a number of new requirements to be met by the Department and overseen by the Office of the Child Advocate.

The Governor recommends \$1.1 million in all funds for the Office of the Child Advocate in FY2019, including \$923,704 from general revenue, an increase of \$142,205 over the FY2018 Enacted Budget. The Governor increases the Office's FTE authorization from 8.0 to 8.6.



Office of the Child Advocate	General Revenue
FY2018 Enacted	\$781,499
<i>Targets and Other Adjustments</i>	
Centralized Service Charges	(4,478)
Personnel	96,122
FY2019 Governor	\$923,704

Centralized Service Charges**\$96,122**

The Budget includes \$96,122 in expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

Centralized Service Charges	Amount
Information Technology	\$25,913
Capital Asset Management	70,209
Human Resources	-
Total	\$96,122

Personnel**\$50,561**

The Office of the Child Advocate requested the addition of 1.0 FTE for the second half of FY2018 and 4.0 more FTEs in FY2019. The Office has recently undertaken additional monitoring responsibilities which distract from the current staff's ability to address issues proactively. The Governor does not recommend any additional personnel in FY2018 and provides funding for 0.6 FTE in FY2019. This position will be a permanent part-time Planning and Program Development Specialist and will assist with the Office's statutorily mandated services and new monitoring responsibilities under the Children's Rights Settlement. This position will increase general revenue expenditures by \$50,561 in FY2019.

Office of the Mental Health Advocate

Expenditures by Program	FY2017 Actual	FY2018 Enacted	FY2018 Governor	Change from Enacted	FY2019 Governor	Change from Enacted
Office of the Mental Health Advocate	\$540,899	\$549,563	\$628,771	\$79,208 14.4%	\$639,764	\$90,201 16.4%
Expenditures by Source						
General Revenue	\$540,899	\$549,563	\$628,771	\$79,208 14.4%	\$639,764	\$90,201 16.4%
Authorized FTE Levels	4.0	4.0	4.0	- -	4.0	- -

The Office of the Mental Health Advocate (OMHA) is statutorily mandated to protect the legal, civil, and special rights of people with mental illness in Rhode Island. This includes providing legal representation at involuntary commitment proceedings, monitoring policies and procedures at inpatient treatment facilities and community-based mental health programs, proposing and evaluating legislation, and litigating civil 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 and combating the stigmatization and discrimination associated with mental illness. The Office seeks to close gaps in the programs administered by mental health providers, including shortcomings in services related to emergency hospitalizations, psychiatric care for prison inmates, and homelessness among individuals with chronic mental illness.

MAJOR ISSUES AND TRENDS FOR FY2018

The FY2019 Budget includes \$639,764 from general revenue, an increase of \$90,201 (16.4 percent) over the FY2018 Budget as Enacted. The Office is funded entirely by general revenue.

The Budget authorizes and fully funds 4.0 FTE positions in FY2019, maintaining FY2018 Enacted levels. The 4.0 FTE positions include three staff attorneys and one administrative assistant. As of the pay period ending January 20, 2018, all positions are filled.

Office of the Mental Health Advocate	General Revenue
FY2018 Enacted	\$549,563
<i>Targets and Other Adjustments</i>	6,572
Centralized Service Charges	83,629
FY2019 Governor	\$639,764

Centralized Service Charges **\$83,629**

The Budget includes \$83,629 in expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

Centralized Service Charges	Amount
Information Technology	\$13,420
Capital Asset Management	\$70,209
Human Resources	-
Total	\$83,629

Elementary and Secondary Education

Expenditures By Program	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted	Enacted	Governor	Enacted	Enacted
Administration of the Comprehensive Education Strategy	\$219.0	\$227.7	\$233.3	\$5.6	2.5%	\$239.0	\$11.3	5.0%
Central Falls School District	39.1	39.9	39.9	-	0.0%	40.4	0.5	1.3%
Davies Career and Technical Center	17.2	23.3	23.5	0.3	1.2%	20.7	(2.6)	-11.0%
Rhode Island School for the Deaf	7.2	7.4	7.7	0.3	4.6%	7.8	0.5	6.5%
Metropolitan Career and Technical School	10.1	11.8	12.2	0.4	3.6%	9.6	(2.2)	-18.5%
Education Aid	865.6	910.8	913.5	2.7	0.3%	929.2	18.5	2.0%
School Construction Aid	80.0	80.0	80.0	-	0.0%	80.0	-	0.0%
Teacher Retirement	100.4	101.8	102.0	0	0.1%	107.1	5.3	5.2%
Total	\$1,338.6	\$1,402.6	\$1,412.1	\$9.5	0.7%	\$1,433.9	\$31.3	2.2%
Expenditures By Source								
General Revenue	\$1,113.3	\$1,161.1	\$1,161.4	\$0.3	0.0%	\$1,179.8	\$18.7	1.6%
Federal Funds	193.8	203.5	209.3	5.8	2.9%	214.5	11.0	5.4%
Restricted Receipts	27.9	30.4	33.0	2.6	8.5%	35.8	5.3	17.5%
Other Funds	3.7	7.6	8.3	0.8	10.0%	3.9	(3.7)	-48.5%
Total	\$1,338.6	\$1,402.6	\$1,412.1	\$9.5	0.7%	\$1,433.9	\$31.3	2.2%
Authorized FTE Levels	325.1	325.1	325.1	-	0.0%	327.1	2.0	0.6%

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

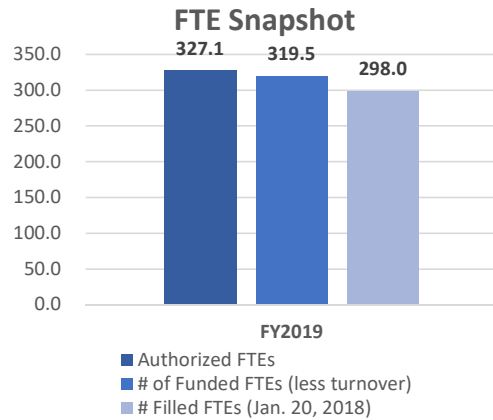
The Rhode Island Department of Elementary and Secondary Education, under the leadership of the Board of Education, is responsible for a strategic plan defining goals and objectives for elementary and secondary education; preparation and presentation annually of an educational budget for the Department of Elementary and Secondary Education, subordinate boards and agencies, and State aid to local school districts; approval of the basic subjects and courses of study to be taught, and instructional standards required to be maintained in the public elementary and secondary schools of the State; and, adoption of standards and qualifications for the certification of teachers and provision for the issuance of certificates.

MAJOR ISSUES AND TRENDS FOR FY2019

The Budget fully funds the eighth year of the education funding formula and provides funding for categorical aid accounting for most of the \$18.7 million general revenue increase in FY2019. Generally the aid categories are level funded or reduced relative to the FY2018 Enacted Budget; however, the Early Childhood Education and stabilization funds are increased. Other general revenue increases include \$150,000 to provide free Scholastic Aptitude (SAT) and Preliminary Scholastic Aptitude (PSAT) tests for students, \$100,000 for the 3rd Grade Reading Initiative, and \$5.3 million for teacher retirement. The decrease in other funds is due primarily to the completion in FY2018 of the Rhode Island Capital Plan (RICAP) funded Advanced Manufacturing project at Davies to provide updated technology and infrastructure to train students in advanced manufacturing. There is also a \$1.1 million increase in other funds to reflect the use of Permanent School Funds to provide the FY2019 increase in Early Childhood Education.

The Department requested an increase of \$443,181 in FY2019 and \$354,748 in FY2018 for general revenue funded salaries and benefits at the School for the Deaf (School). The requested increase was primarily due to unachieved turnover. In June 2017, the School had 56.2 of the 60.0 available FTE positions filled, leaving a vacancy of 3.2 FTEs, or 5.3 percent. However, at the end of August, the School filled all of its available FTE positions, limiting the ability of the School to attain the \$317,000 in programed turnover savings and exceeding budgeted personnel costs. As of March 19, 2018, the School continues to have a full complement of staff. The Governor does not provide the requested increase.

The Budget provides 327.1 FTE positions across the Elementary and Secondary Education system, including 141.1 FTE positions at the Department of Elementary and Secondary Education, 126.0 FTE positions at Davies, and 60.0 FTE positions at the School for the Deaf. In FY2019, this level represents an increase of 2.0 FTEs over the FY2018 Budget as Enacted, including 1.0 federally funded at the Department to administer the RI Commission for National Community Service and 1.0 FTE Director of School Construction Services funded through a newly created restricted receipt account for “School Construction Services”. The FTE level in FY2018 is consistent with the budget as enacted.



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.

Administration of the Comprehensive Education Strategy	General Revenue
FY2018 Enacted	\$20,106,907
<i>Target and Other Adjustments</i>	
School Construction Personnel	265,167
Scholastic Aptitude Test (SAT) and PSAT	(486,883)
Centralized Service Charges	150,000
3rd Grade Reading Initiative	115,102
Computer Science	100,000
Computer Science	50,000
FY2019 Governor	\$20,300,293

Administration of the Comprehensive Education Strategy	Other Fund Changes
RI Commission for National Community Service (federal funds)	\$3,500,493
School Construction Services (restricted receipts)	697,171

School Construction Personnel (\$486,883)

The Budget shifts \$486,883 in personnel costs for the 3.0 FTE positions currently responsible for the administration of the school construction program from general revenue to a new school construction services restricted receipt account. The restricted receipts will be funded by the Rhode Island Health and Education Building Corporation (RIHEBC) from the School Building Authority Capital Fund, fees generated from the origination of municipal bonds and other financing vehicles used for school construction, and its own reserves. Article 9 shifts the payment of expenses for the School Building Authority, which is located within the Department of Elementary and Secondary Education, from the Department to RIHEBC. There is no limit on the amount or type of expenses that will be funded.

Analyst Note: Currently, RIHEBC only charges municipalities for the out-of-pocket costs at closing, such as underwriters and bond counsel. The need to raise funds for the expenses of the School Building Authority may require the extension of the fee currently charged to non-profit borrowers to include municipalities. Furthermore, since fees charged to the borrower are generally tolled into the bond issuance, the expenses paid may accrue interest.

Scholastic Aptitude Test (SAT) and PSAT **\$150,000**

The Budget includes an increase of \$150,000 in general revenue, \$650,000 in total, to make the Scholastic Aptitude Test (SAT) and the Preliminary Scholastic Aptitude Test (PSAT) free for all students in Rhode Island. The FY2017 Budget as Enacted included \$500,000 in general revenue; however the actual cost was \$530,000. While the test was voluntary in FY2019 and FY2018 it will be used as a mandatory, statewide assessment required by the State to meet the requirements of the federal Every Student Succeeds Act.

Prior to making the test free to students and permitting high schools to administer the test during the school day, less than 60.0 percent of Rhode Island high school students took the SAT. In FY2017, 70 to 75 percent of high school students took the SAT. The goal is to get a 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.

Centralized Service Charges **\$115,102**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$115,102
Capital Asset and Management	-
Human Resources	-
Total	\$115,102

3rd Grade Reading Initiative **\$100,000**

The Budget provides \$100,000 in general revenue for curriculum support to double the statewide reading proficiency of 3rd graders from 37.0 percent in 2015 to 75.0 percent in 2025. Half of the appropriation is to be allocated to purchase material and coaching for early childhood programs to bring the Boston Public School curriculum to more classrooms across the State. The remaining \$50,000 will be used toward recommendations contained in the Unified Curriculum in RI Report (June 2017). In 2016, the General Assembly passed legislation requiring the Board of Education, in conjunction with the Commissioner of Elementary and Secondary Education and the Commissioner of Postsecondary Education, to conduct a study of the alignment of the core curriculum used by the various school districts throughout the state with the goals and objectives of the state's colleges and universities. The goal of the study is to provide a unified approach for education in the state. The funds will be used to help districts learn about quality literacy and math curriculum materials in grades K-8 and to work with districts that have recent purchases of lower quality materials to help supplement those weaker materials.

Computer Science Education Grants **\$50,000**

The Budget includes an additional \$50,000 in general revenue (\$260,000 total) to increase access to computer science courses across the State. The Department intends to spend the money instead of transferring the funds to the Innovation Office at Rhode Island College. The vast majority of the funds are used for professional development for district teachers. The Computer Science for Rhode Island initiative was enacted in FY2017 with \$260,000 in general revenue but was reduced in FY2018 by \$50,000 to reflect

program spending experience from FY2017. The increase in FY2019 will bring the program back up to the original funding level. RIC was able to raise \$208,000 in private donations for the program.

RI Commission for National and Community Service (federal funds) **\$3.5 million**

In 2017, the General Assembly passed legislation creating the Rhode Island Commission for National and Community Service, a.k.a. Serve Rhode Island, to be housed within and supported by the Department. The Commission was created to continue the work of the Serve Rhode Island nonprofit corporation to carry out the state objectives of the federally enacted National and Community Service Act of 1990. The Commission is primarily responsible for the administering the annual AmeriCorps State grant process, developing new AmeriCorps programs in the State, providing training and technical assistance to AmeriCorps members, monitoring the AmeriCorps grant portfolio, and recognizing and promoting community volunteers. The Budget provides 1.0 federally-funded FTE position to perform the administrative duties of the Commission.

School Construction Services (restricted receipts) **\$697,171**

Article 2 creates a new School Construction Services restricted receipt account that is exempt from the 10.0 percent indirect cost recovery charge. The account is created to pay the expenses of the School Building Authority, which is housed in the Department of Elementary and Secondary Education. Article 9 requires that the restricted receipt account will be funded by the Rhode Island Health and Education Building Corporation (RIHEBC) from the School Building Authority Capital Fund, fees generated from the origination of municipal bonds and other financing vehicles used for school construction, and its own reserves. Article 9 shifts the payment of expenses for the School Building Authority, which is located within the Department of Elementary and Secondary Education, from the Department to RIHEBC. There is no limit on the amount or type of expenses that will be funded. The Budget provides \$697,171 in this account to provide for the cost of the 3.0 FTE positions currently responsible for the administration of the school construction program and provides additional funding for a new 1.0 FTE Director of School Construction Services and about \$48,658 for non-personnel overhead expenses. The new position will help with the anticipated increase in school housing applications due to the recent release of the statewide facilities study and the proposed \$250.0 million general obligation bond referendum.

Analyst Note: Currently, RIHEBC only charges municipalities for the out-of-pocket costs at closing, such as underwriters and bond counsel. The need to raise funds for the expenses of the School Building Authority may require the extension of the fee currently charged to non-profit borrowers to include municipalities. Furthermore, since fees charged to the borrower are generally tolled into the bond issuance, the expenses paid may accrue interest.

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 \$40.4 million for the Central Falls School Department in FY2019. This includes the formula distribution as well as \$8.4 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.)

Central Falls	General Revenue
FY2018 Enacted	\$39,878,367
<i>Target and Other Adjustments</i>	
Central Falls Stabilization	1,675,464
Funding Formula Adjustment	(1,155,945)
FY2019 Governor	\$40,397,886

Central Falls Stabilization**\$1.7 million**

The Budget funds this category at \$8.4 million in FY2019, an increase of \$1.7 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.

Funding Formula Adjustment**(\$1.2 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 \$1.2 million in funding formula aid; however, the stabilization aid and other categorical aid provide for a net increase of \$519,519 over the previous fiscal year.

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 \$13.3 million in general revenue funding for the Davies Career and Technical School, a decrease of \$28,500 from the FY2018 Budget as Enacted. The decrease of \$28,500 is attributable to turnover savings projected for the Voluntary Retirement Incentive (VRI). (See Education Aid in the Special Report section of this publication for further detail.)

Davies Career and Technical School	General Revenue
FY2018 Enacted	\$13,358,058
<i>Target and Other Adjustments</i>	
Funding Formula Adjustment	(839,488)
Davies Stabilization Fund	810,988
FY2019 Governor	\$13,329,558

Funding Formula Adjustment **(\$839,488)**

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 FY2019, the Davies School will receive a reduction of \$839,488 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 annually.

Davies Stabilization Fund **\$810,988**

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 \$810,988 million (\$4.0 million total) in FY2019 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.

RHODE ISLAND SCHOOL FOR THE DEAF

The Rhode Island School for the Deaf (RISD) 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.

School for the Deaf	General Revenue
FY2018 Enacted	\$6,269,979
<i>Target and Other Adjustments</i>	
FY2019 Governor	69,198
	\$6,339,177

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 FY2018 Budget as Enacted. This includes \$1.3 million for the Met School Stabilization Fund. The Met School is governed by a board, appointed by the Board of Education but operated independently. Also, unlike Davies, the employees at the Met School are not state employees. (See Education Aid in the Special Report section of this publication for further detail.)

Metropolitan Career and Technical School	General Revenue
FY2018 Enacted	\$9,342,007
<i>Target and Other Adjustments</i>	
Funding Formula Adjustment	(580,264)
Met School Stabilization Fund	580,264
FY2019 Governor	\$9,342,007

Funding Formula Adjustment **(\$580,264)**

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 FY2019 the Met School will receive a reduction of \$580,264 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 **\$580,264**

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 \$580,264 increase over the enacted budget (\$1.3 million total) provided in FY2019 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 FY2018.

EDUCATION AID

The Department provides direct support to schools and school districts, including charter and state-owned schools through this program. This program also provides funding for group home beds, non-public textbook reimbursement, state-level professional development, the early childhood demonstration pilot project, state E-rate reimbursement, and the state's share of the school breakfast program.

Education Aid	General Revenue
FY2018 Enacted	\$890,282,092
<i>Target and Other Adjustments</i>	
Year 8 Funding Formula	13,588,386
Group Home Aid	(532,463)
Categorical Aid	(412,500)
FY2019 Governor	\$902,925,515

Education Aid	Other Funds
Statewide Transportation (restricted receipts)	\$4,594,963
Early Childhood Education (Permanent School Fund - other funds)	1,120,000

Year 8 Funding Formula **\$13.6 million**

The FY2019 Budget includes an additional \$13.6 million to fund the eighth year of the funding formula, for a total of \$872.9 million, for all the school districts except Central Falls, which is included as a separate budget program, and the state schools.

The funding increase for the eighth 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 \$11.0 million. The difference is due to the decrease in funding to Central Falls (\$1.2 million), Davies (\$810,988), and the Met (\$580,312) in FY2019 relative to the FY2018 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 (\$9,422 in FY2019) 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, (\$3,769 in FY2018) for each student eligible for free or reduced lunch. The formula 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.)

Group Home Aid

(\$532,463)

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 FY2019 Budget includes \$3.6 million to fund group home beds. This is \$532,463 less than the FY2018 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.

Categorical Aid

(\$412,500)

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.)

The FY2019 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 \$6.8 million in FY2019, consistent with the FY2018 Budget as Enacted.

Categorical	FY2019 Governor's Education Aid	
	Change from Enacted	Total Funding
Transportation	\$0.0	\$6.8
Early Childhood	1.1	7.4
High-Cost Special Education	-	4.5
Career & Tech. Schools	-	4.5
English Learners	-	2.5
Public School Choice Density	(0.4)	0.5
Regionalization Bonus	-	-
Total	\$0.7	\$26.2

\$ 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 \$7.4 million in FY2019, an increase of \$1.1 million over the FY2018 Budget as Enacted; however, the additional funding is provided from the Permanent School Fund. The additional funds are needed as a match to the fourth, and final year of the federal Pre-Kindergarten Expansion grant (\$4.9 million).

The Permanent School Funds, which are fees collected from auctioneer duties, are only available for one year. The \$1.1 million payment in FY2019 will exhaust much of the reserves in the account. The remaining balance and future collections will be used to provide \$300,000 annually to the Advance Course Network over the next five years.

Analyst Note: Since the Permanent School funds are only available for one year and FY2019 is the last year of the federal grant, in order to maintain the funding for the current 60 pre-kindergarten classrooms, the program will need an additional \$6.0 million from other funding sources in FY2020. It is not clear at this time if the United States Education Department would consider the funding gap a failure to provide the necessary federal match.

- 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 \$65,954 for FY2019). 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 FY2019, level with the FY2018 Budget as Enacted.
- 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 FY2019, level with the previous year.
- 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 \$942, to reflect 10.0 percent of the \$9,422 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 FY2019, 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 FY2019, the Budget includes \$498,000 in density aid to be divided among eight qualifying communities: Central Falls, Charlestown, Cumberland, Lincoln, North Providence, Pawtucket, Providence, and Woonsocket. This represents a decrease of \$412,500 from the FY2018 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 FY2019, the eighth year of funding for the regionalized districts, since no new regional districts have been formed. This category has not been funded since FY2014, as no new regionalized districts have been formed.

Statewide Transportation (restricted receipts)

\$4.6 million

The statewide student transportation program was created to help districts provide transportation for students attending private schools outside their transportation district, special needs students, homeless students, and foster youth with greater service and cost efficiencies. Transportation is provided to students who attend private, parochial, and charter schools, as well as career & technical education centers and other approved programs. This program maximizes the sharing of buses when possible to achieve service and cost efficiencies. This program is entirely funded by participating school districts but managed by the Department. Payments from the participating districts are deposited into a restricted receipt account within the Department for payment to the vendor providing the transportation services. The costs associated with the statewide transportation program are expected to increase in FY2019 due to an increase in rates and in resources and accommodations needed to transport a growing number of students. Due to the federal

McKinney-Vento Homeless Education Assistance Act, districts are required to provide transportation for homeless students to and from their school of origin if it is in the student's best interest. Also, the federal Every Student Succeeds Act requires that students placed in foster care be bused to their district of origin if it is the best interest of the student. Both of these initiatives have led to greater participation in the program and the need to service more locations.

The FY2019 Budget includes an estimated increase in expenditures for the statewide transportation program of \$4.6 million in restricted receipts (\$23.7 million total), relative to the FY2018 Budget as Enacted.

Early Childhood Education (Permanent School Fund other funds)

\$1.1 million

This Early Childhood Education fund is designed to increase access to voluntary, free, high-quality pre-kindergarten programs. The funds are 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 \$7.4 million in FY2019, an increase of \$1.1 million over the FY2018 Budget as Enacted; however, the additional funding is provided from the Permanent School Fund. The additional funds are needed as a match to the fourth, and final year of the federal Pre-Kindergarten Expansion grant (\$4.9 million).

The Permanent School Funds, which are fees collected from auctioneer duties, are only available for one year. The \$1.1 million payment in FY2019 will exhaust much of the reserves in the account. The remaining balance and future collections will be used to provide \$300,000 annually to the Advance Course Network over the next five years.

Analyst Note: Since the Permanent School funds are only available for one year and FY2019 is the last year of the federal grant, in order to maintain the funding for the current 60 pre-kindergarten classrooms, the program will need an additional \$6.0 million from other funding sources in FY2020. It is not clear at this time if the United States Education Department would consider the funding gap a failure to provide the necessary federal match.

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 FY2019, 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 refinance bonds.

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
Total Savings	\$12,489,103	\$3,122,350	\$15,611,453

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 FY2019, the Budget provides \$80.0 million, level funded with the FY2018 Budget as Enacted. For FY2019, the Department projects expenditures of \$69.4 million in school housing aid, a decrease of \$1.5 million from the FY2018 Budget as Enacted; however, pursuant to law the surplus must be deposited into the School Building Authority Capital Fund.

School Construction Aid	General Revenue
FY2018 Enacted	\$80,000,000
<i>Target and Other Adjustments</i>	-
School Building Authority Capital Fund	Informational
FY2019 Governor	\$80,000,000

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 FY2019, the Budget provides \$10.6 million in general revenue to capitalize the Capital Fund, an increase of \$1.5 million over the FY2018 Budget as Enacted. Through Article 9, the FY2019 Budget also shifts the 3.0 FTE positions currently responsible for the administration of the school construction program from general revenue to a new school construction services restricted receipt account, and adds 1.0 FTE Director of School Construction Services. The new restricted receipt account, named the “School Construction Services”, will be funded by the Rhode Island Health and Education Building Corporation (RIHEBC) from the School Building Authority Capital Fund, fees generated from the origination of municipal bonds and other financing vehicles used for school construction, and its own reserves. There is no limit on the amount or type of expenses that will be funded. The Budget provides \$697,171 in this account to provide for the cost of the 4.0 FTE positions and about \$48,658 for non-personnel overhead expenses. The new position will help with the anticipated increase in school housing applications due to the recent release of the statewide facilities study and the proposed \$250.0 million bond authorization. Proceeds from the bond will be used to capitalize both the traditional school construction program and the School Building Capital Fund as determined by the School Building Authority.

Analyst Note: Currently, RIHEBC only charges municipalities for the out-of-pocket costs at closing, such as underwriters and bond counsel. The need to raise funds for the expenses of the School Building Authority may require the extension of the fee currently charged to non-profit borrowers to include municipalities. Furthermore, since fees charged to the borrower are generally tolled into the bond issuance, the expenses paid may accrue interest.

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 State employees, except public safety employees and judges, to shift risk to the employee by combining the attributes of both the defined benefit and defined contribution plans.

Teacher Retirement	General Revenue
FY2018 Enacted	\$101,833,986
<i>Target and Other Adjustments</i>	
Defined Benefit Plan	5,103,402
Defined Contribution Plan	181,021
FY2019 Governor	\$107,118,409

Defined Benefit Plan

\$5.1 million

The Budget provides total funding of \$103.2 million for the State’s contribution to the teacher retirement defined benefit plan, reflecting a net increase of \$5.1 million from FY2018 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**\$181,021**

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 \$181,021 from FY2018 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 \$2.4 million in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2019 and \$8.0 million in FY2018, including:

- \$3.7 million in FY2018 for the advanced manufacturing program at Davies Career and Technical School. This project will be completed in FY2018.
- \$2.6 million in FY2018 to replace and repair the HVAC system for five buildings at the MET School's Peace Street and Public Street campuses. This project will be completed in FY2018.
- \$2.0 million in FY2019 and \$1.0 million in FY2018 to replace and repair the HVAC system at the Davies Career and Technical School.

Public Higher Education

Expenditures By Program	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Office of Postsecondary Commissioner	\$31.3	\$42.5	\$41.6	(\$0.9)	-2.1%	\$41.9	(\$0.6)	-1.4%
University of Rhode Island	744.4	777.3	781.9	4.6	0.6%	792.8	15.5	2.0%
Rhode Island College	169.8	199.1	200.8	1.7	0.9%	199.7	0.6	0.3%
Community College of R.I.	144.3	161.3	164.8	3.5	2.2%	164.9	3.6	2.2%
Total	\$1,089.8	\$1,180.1	\$1,189.1	\$9.0	0.8%	\$1,199.3	\$19.2	1.6%
Expenditures By Source								
General Revenue	\$198.4	\$220.9	\$220.8	(\$0.1)	-0.1%	\$228.0	\$7.1	3.2%
Federal Funds	14.3	13.9	14.1	0.2	1.5%	9.8	(4.1)	-29.8%
Restricted Receipts	1.2	2.2	2.7	0.5	22.7%	2.9	0.7	32.8%
Other Funds	875.9	943.1	951.5	8.4	0.9%	958.6	15.5	1.6%
Total	\$1,089.8	\$1,180.1	\$1,189.1	\$9.0	0.8%	\$1,199.3	\$19.2	1.6%
Third Party Funded FTE	745.8	739.8	739.8	-	-	788.8	49.0	6.6%
Authorized FTE Levels	3,551.0	3,567.0	3,568.0	1.0	0.0%	3,610.5	43.5	1.2%
Total	4,296.8	4,306.8	4,307.8	11.0	0.3%	4,399.3	102.5	2.4%

\$ 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 FY2019

The FY2019 Budget includes total funding of \$1,199.3 million, representing an increase of \$19.2 million (1.6 percent) over the FY2018 Budget as Enacted, including a general revenue increase of \$7.1 million (3.2 percent). The increase includes \$3.0 million in Performance Incentive Funding Act to promote alignment between the State's priorities for higher education and institutional practice and policy. This funding will be split evenly among the three institutions. There is also an increase of \$2.1 million for general obligation debt service.

Based on instruction from the Governor, the FY2019 Budget does not include any increases in in-state tuition or mandatory fees. The Board of Education voted to allow institutions to increase tuition and fees in FY2018 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.

Analyst Note: On March 22, 2018, the Council on Postsecondary Education voted to approve a 2.0 percent increase for in-state tuition at URI and RIC for the upcoming 2018-2019 school year. The increase was requested and approved in response to the Governor's FY2019 Budget recommendation which only provided an increased general revenue appropriation of \$2.0 million for URI and RIC, while the Council had requested \$6.7 million, excluding general obligation debt service. Also, while the Governor's recommendation does provide an increase in tuition for out-of-state tuition, all in-state tuition and mandatory fees were frozen at the FY2018 level. The increase in FY2019 will be the third increase for in-state tuition in the last five years.

At URI, the increase for in-state undergraduate tuition is \$246 annually, and the technology fee will increase by \$100 for all students. This will bring the total in-state tuition cost to \$12,248 and the technology fee to \$276. Since FY2015, the in-state tuition has increased by \$1,370, or 12.6 percent. The increases will generate about \$2.0 million in net revenues for FY2019. The tuition increase will be used toward financial aid for low-income, in-state students and faculty hiring. The revenue from the technology fee will support upgrades to the University's technology infrastructure.

At RIC, the increase for in-state undergraduate tuition is \$153 annually. There is no increase in mandatory fees. The increase will bring the total in-state tuition cost to \$7,790. Since FY2015, the in-state tuition has increased by \$1,260, or 19.3 percent. The increase will provide about \$800,000. The revenue will be used to support additional full-time faculty and further the effort to reduce reliance on adjunct professors, as well as professional advisors to support student completion.

No tuition increase was proposed for CCRI.

Article 5 of the Budget submits a total of \$368.5 million in ballot referenda to the Rhode Island voters for their approval in November. This includes \$45.0 million for the University of Rhode Island Narragansett Bay Campus and \$25.0 million for the Rhode Island College School of Education and Human Development.

Article 3 of the FY2018 Budget as enacted established the Rhode Island Promise Scholarship program to provide students with two years of tuition and mandatory fees at the Community College of Rhode Island (CCRI), less federal and all other financial aid available to the recipient. In order to build a highly educated and skilled workforce, the article is intended to increase the number of students enrolled at the College 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 CCRI with no income restrictions. Students are required to maintain a 2.5 or higher grade point average. Other costs, such as room and board, textbooks, meal plans, or travel are not included. In the first year of the program CCRI realized a 43.0 percent increase (477 students) in first-time, full-time students.

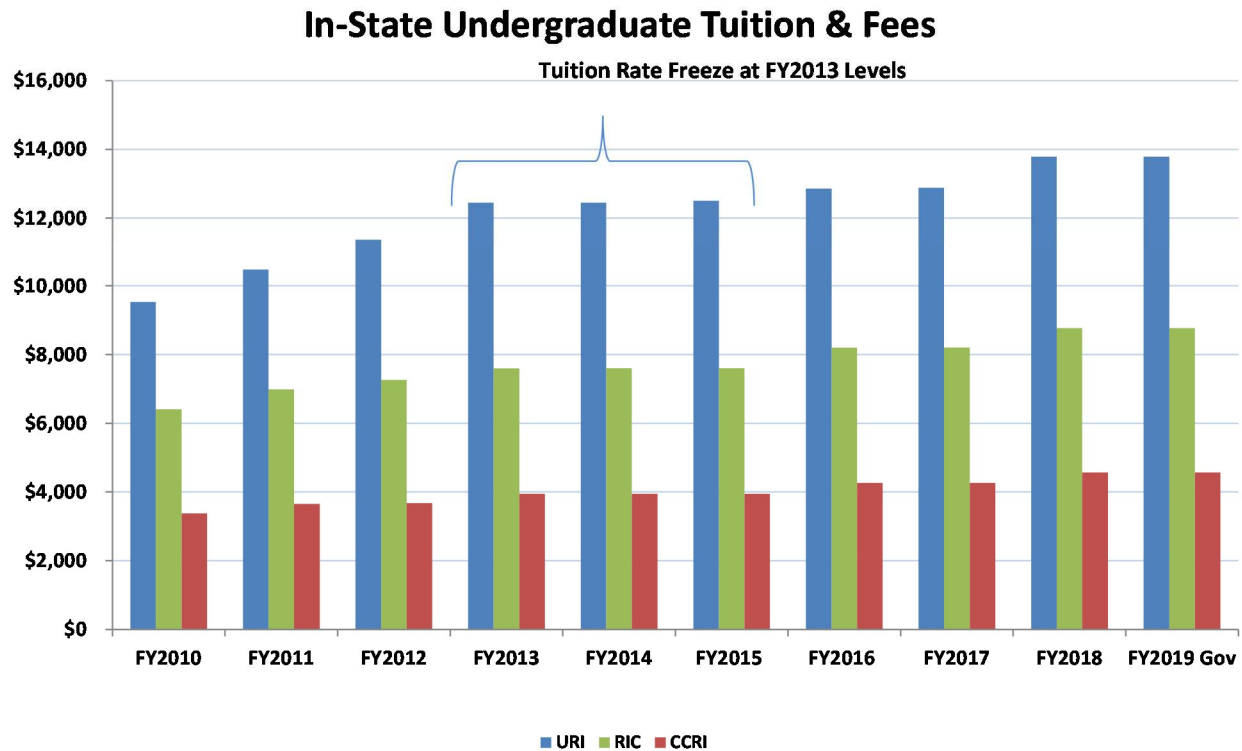
Article 16 serves as a joint resolution for the issuance of up to \$19.8 million in Rhode Island Health and Educational Building Corporation (RIHEBC) revenue bonds for an array of projects at the University of Rhode Island (URI). Up to \$11.0 million in bonds may be issued for repaving and reconstruction of major parking facilities, internal roadways, walkways, and associated infrastructure on the University's Kingston, Narragansett Bay, and W. Alton Joes Campuses. Another \$6.5 million in revenue bonds may be issued for the engineering and construction of upgrades and component replacements to five municipal-level Kingston Campus utility systems.

On December 6, 2017, the Council on Postsecondary Education voted to authorize the Commissioner to transfer the Federal Family Education Loan Portfolio to the United States Department of Education. This transfer will ultimately lead to the reorganization of the Office of Postsecondary Commissioner (OPC) and the Division of Higher Education Assistance (DHEA); however, since the details of the reorganization were

not provided to Fiscal Staff as of March 2, 2018, the issue will be addressed through a separate memorandum.

Tuition and Fees

Actual tuition and fee rates, by institution, along with a projection for FY2018 and FY2019, are shown in the graph below.



Analyst Note: On March 22, 2018, the Council on Postsecondary Education voted to approve a 2.0 percent increase for in-state tuition at URI and RIC for the upcoming 2018-2019 school year. The tuition and fee increase is not reflected in the chart or table which reflect the Governor's recommendation.

	FY2015	FY2016	FY2017 ¹	FY2018	FY2019 Governor	Change from FY2018	
URI							
In-State Tuition	\$10,878	\$11,128	\$11,128	\$12,002	\$12,002	\$0	0.0%
Out-of-State Tuition	26,444	27,118	27,118	28,252	28,972	720	2.5%
Mandatory Fees	1,628	1,734	1,756	1,790	1,790	-	0.0%
Tuition & Fee Revenue	278,399,179	290,235,215	295,365,473	312,020,573	317,717,063	5,696,490	1.8%
RIC							
In-State Tuition	\$6,530	\$7,118	\$7,118	\$7,637	\$7,637	\$0	0.0%
Out-of-State Tuition	17,228	18,779	18,779	20,150	20,150	-	0.0%
Mandatory Fees	1,072	1,079	1,088	1,139	1,139	-	0.0%
Tuition & Fee Revenue	66,087,376	70,074,560	69,106,634	72,777,194	74,002,793	1,225,599	1.7%
CCRI							
In-State Tuition	\$3,624	\$3,950	\$3,950	\$4,148	\$4,148	\$0	0.0%
Out-of-State Tuition	10,256	11,180	11,180	11,740	11,740	-	0.0%
Mandatory Fees	326	316	316	416	416	-	0.0%
Tuition & Fee Revenue	51,694,330	52,071,850	49,709,600	53,051,747	53,738,904	687,157	1.3%

¹ The increase for URI includes \$2.8 million for on-line program revenue.

URI is projecting an increase in tuition and fee revenue of \$5.7 million, or 1.8 percent, based on an increase in out-of-state tuition of \$720, or 2.5 percent. RIC is projecting an increase in tuition and fee revenue based on an increased enrollment of 1.6 percent and CCRI projects an increase in tuition and fee revenue based on an enrollment increase of 2.5 percent. There is no increase in in-state tuition or mandatory fees for FY2019.

Analyst Note: On March 22, 2018, the Council on Postsecondary Education voted to approve a 2.0 percent increase for in-state tuition at URI and RIC for the upcoming 2018-2019 school year.

State Support for Public Education

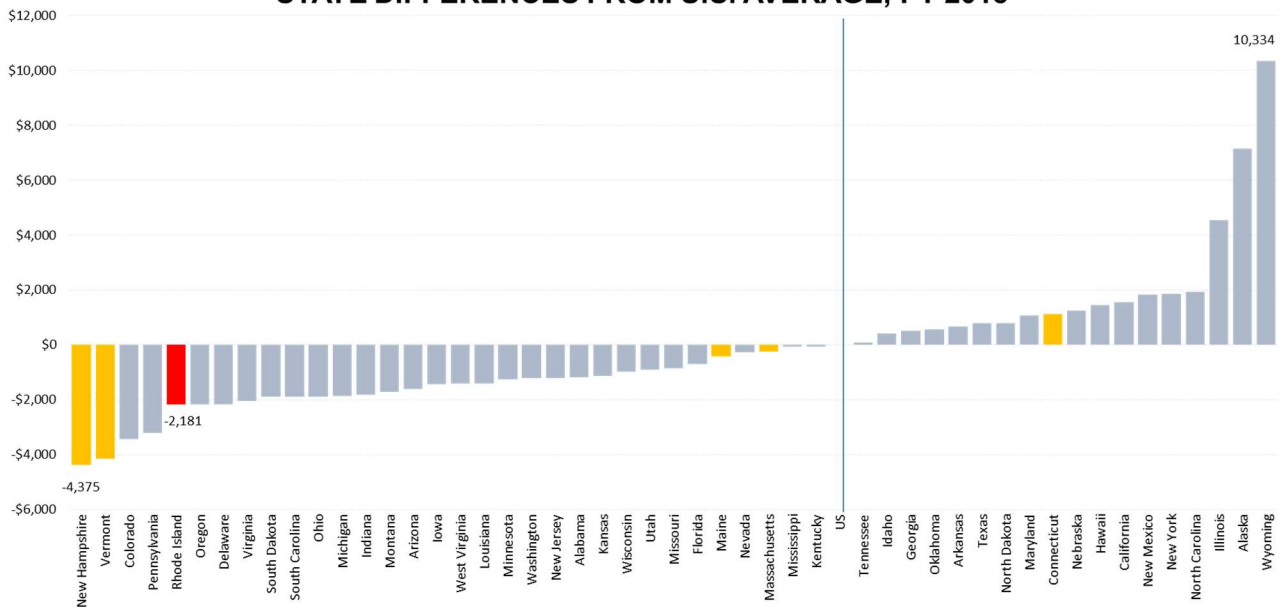
When looking at state support for public higher education, many policy makers tend to take a regional approach. For example, if looking at New England, Rhode Island is in the middle of the pack. In FY2015, the most recent data available, Connecticut appropriated \$3,305 more per student FTE than Rhode 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 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.

FY2015 State Educational Appropriations per FTE	
Connecticut	\$8,090
Massachusetts	6,728
Maine	6,546
Rhode Island	4,785
Vermont	2,818
New Hampshire	2,591
Regional Average	\$5,260

Source: State Higher Education Executive Officers (SHEEO)

EDUCATIONAL APPROPRIATIONS PER FTE (CONSTANT DOLLARS): STATE DIFFERENCES FROM U.S. AVERAGE, FY 2015



In FY2019, the three state institutions requested a \$13.8 million increase in the State general revenue support, excluding general obligation debt service. The Council on Postsecondary Education approved an increase of \$9.0 million, and the Governor provided \$3.0 million.

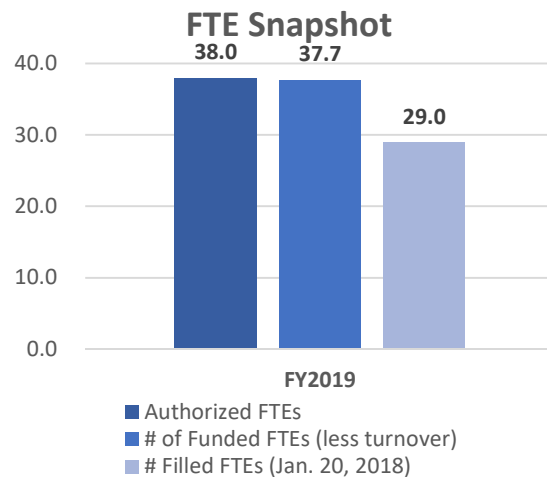
OFFICE OF THE POSTSECONDARY COMMISSIONER

Expenditures By Source	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
General Revenue	\$6.1	\$14.6	\$14.1	(\$0.5)	-3.4%	\$16.8	\$2.2	15.1%
Federal Funds	14.3	13.9	14.1	0.2	1.5%	9.8	(4.1)	-29.8%
Restricted Receipts	0.7	1.5	2.0	0.5	33.1%	2.2	0.7	47.1%
Other Funds	10.2	12.4	11.3	(1.1)	-8.9%	13.1	0.7	5.2%
Total	\$31.3	\$42.5	\$41.6	(\$0.9)	-2.1%	\$41.9	(\$0.6)	-1.4%

\$ 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 OPC provides research, policy, and fiscal analysis, and seeks to ensure that higher education in Rhode Island remains economically and geographically accessible.

The Budget provides 38.0 FTE positions for the OPC in FY2019, including 1.0 FTE that is third-party funded. This represents a net increase of 1.0 FTE positions, from the FY2018 Budget as Enacted. The increase is due to the addition of 2.0 FTE positions for the Westerly Education Center and 2.0 FTE positions in the Office of the Postsecondary Commission (OPC), partially offset by a decrease of 3.0 FTE positions in the Division of Higher Education Assistance (DHEA). On December 6, 2017, the Council on Postsecondary education voted to authorize the Commissioner to transfer the Federal Family Education Loan Portfolio to the United States Department of Education. This transfer will ultimately lead to the reorganization of the OPC and DHEA; however, since the details of the reorganization were not provided to Fiscal Staff as of March 2, 2018, the issue will be addressed through a separate memorandum.



Office of Postsecondary Commissioner	General Revenue
FY2018 Enacted	\$14,578,459
<i>Target and Other Adjustments</i>	
Rhode Island Promise Scholarship Program	190,776
Westerly Higher Education and Job Skills Center - Construction Support	3,600,000
IT Administrative Implementation Fund	(1,250,000)
Nursing Education Center	(686,418)
Interagency Legal Services	355,105
Shepard Building Parking	203,000
Administrative Reduction	(114,350)
FY2019 Governor	\$16,776,572

Office of Post Secondary Commissioner	Other Fund Changes
Transfer of Guaranty Agency Operations (federal funds)	(\$3,316,964)

Rhode Island Promise Scholarship Program ***\$3.6 million***

The Budget includes an additional \$3.6 million in general revenue (\$6.4 million total) to fund the second year of the Rhode Island Promise Scholarship program (RI Promise). Article 3 of the FY2018 Budget established the program to provide students with two years of tuition and mandatory fees at the Community College of Rhode Island, less federal and all other financial aid available to the recipient. FY2019 represents the second year of the program and the increase will provide for two cohorts of students. In the first year of the program CCRI realized a 43.0 percent increase (477 students) in first-time, full-time students, significantly more than the 25.0 percent increase projected in the enacted budget.

Westerly Higher Education and Job Training Center – Construction Support ***(\$1.3 million)***

Budget includes \$2.0 million in restricted receipts for the Westerly Higher Education and Job Training Center. This represents a decrease of \$1.3 million in general revenue and an increase of \$495,044 in restricted receipts relative to the FY2018 Budget as Enacted. The general revenue provided the state contribution toward the construction of the building, which was completed in FY2018. The restricted receipts provide for the personnel and operating costs, including 5.0 FTE positions to provide operations and management staff for the new center. The restricted receipts 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 also provides classroom and laboratory space for existing students in the area, as well as space for collaborative programs with local industries. The job skills center is managed through the Office of the Postsecondary Commissioner.

The Budget includes 2.0 new Business Manager FTE positions at the Westerly Higher Education and Job Training Center. Since opening in January 2017, the Center has exceeded revenue and employer partnership goals and the new positions will help support the expanded growth. The total cost of \$207,205 in salaries and benefits will be supported with restricted receipts raised through Center operations, no general revenue is involved.

Westerly Higher Education and Job Training Center								
Expenditures by Category	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Personnel	\$142,689	\$357,732	\$446,369	\$88,637	24.8%	\$463,023	\$105,291	29.4%
Contracted Professional Services	425,493	431,000	1,031,713	600,713	1.4	1,108,001	677,001	1.6
Operating	82,921	701,609	355,111	(346,498)	(0.5)	394,361	(307,248)	(0.4)
Capital Purchases and Equipment	750,000	1,250,000	1,400,000	150,000	12.0%	20,000	(1,230,000)	-98.4%
Total	\$1,401,103	\$2,740,341	\$3,233,193	\$492,852	18.0%	\$1,985,385	(\$754,956)	-27.5%
Expenditures by Source								
General Revenue	\$750,000	\$1,250,000	\$1,250,000	\$0	0.0%	\$0	(\$1,250,000)	-100.0%
Restricted Receipts	651,103	1,490,341	1,983,193	492,852	33.1%	1,985,385	495,044	33.2%
Total	\$1,401,103	\$2,740,341	\$3,233,193	\$492,852	18.0%	\$1,985,385	(\$754,956)	-27.5%

IT Administrative Implementation Fund**(\$686,418)**

Since FY2000, the OPC has been appropriated a sum to finance IT-related acquisitions and enhancements at the institutions. Initially this funding was dedicated to standard maintenance agreements and routine software costs associated with the implementation of PeopleSoft systems at URI and RIC and the Banner/Oracle system at CCRI. Over time, the ongoing costs for these systems were absorbed into the operating budgets at the institutions and the IT Administrative Implementation Fund became a discretionary, competitively distributed funding pool for IT projects and system enhancements. The Budget eliminates this funding pool; thereby reducing general revenues by \$686,418.

Nursing Education Center (NEC)**\$355,105**

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 that is 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 also houses administrative offices for Brown University's Alpert Medical Schools. The Board of Education and the Department of Administration entered into a 15-year lease with a two-year extension option. The two schools took possession of their space in April 2017. Under the terms of the lease, the first rent payment was made in September 2017. Classes began in September 2017 allowing for the installation and testing of lab and other equipment, as well as staff training, and a smoother transition.

The total FY2019 cost is \$5.3 million. The State's share includes \$1.9 million in lease payments, \$2.3 million in tenant improvement payments, and \$1.2 million in debt service. This represents an increase of \$309,048 in lease payments and \$275,557 in tenant improvement costs to reflect the first full year of occupancy, partially offset by a decrease of \$229,500 in debt service.

The remaining \$3.2 million for personnel and operating costs is supported with university and college funds from URI and RIC. This represents a decrease of \$1.8 million relative to the FY2018 Budget as Enacted. This decrease is primarily due to an accounting adjustment that shifted the expenditures from the transfer account within OPC back to URI and RIC.

Interagency Legal Services**\$203,000**

The increase of \$203,000 in general revenue is a technical correction to show the expense for labor relations and general counsel services provided to OPC by legal staff at URI and CCRI under the appropriate code. Previously, the expense were unbudgeted and were charged to personnel codes. OPC routinely used payroll surpluses to cover these expense which total approximately \$150,000 to \$200,000 annually. The Budget does not include a corresponding reduction in the previously utilized payroll codes.

Shepard Building Parking**(\$114,350)**

Since the mid-1990's the State has paid for the parking lease with the Rhode Island Convention Center Authority (RICCA) to provide free parking for URI students attending the School of Professional and Continuing Studies (School) located at the Shepard Building in Providence. Currently, the annual cost of the contract is \$897,135. The Budget projects an annual general revenue savings of \$114,350 by shifting part of the annual cost to students attending the School. Each student parking at RICCA would pay a per-semester commuter fee of \$115; alternatively, URI could use other sources to fund the proposed contribution of 12.7 percent of the full contract price. There is a partial-year savings of \$57,175 in FY2018 Revised Budget.

Administrative Reduction**(\$100,000)**

In order to contribute toward the \$25.0 million statewide reduction in the FY2018 Budget as Enacted, the OPC agreed to manage state-financed operating expenditures and vacancy rates to achieve a \$100,000 base reduction in overall operating costs in the FY2018 Revised and FY2019 Budgets.

Transfer of Guaranty Agency Operations (federal funds)**(\$3.3 million)**

On December 6, 2017, the Council on Postsecondary Education voted to authorize the Commissioner to transfer the Federal Family Education Loan Portfolio to the United States Department of Education; consequently, the Budget decreases federal funding by \$3.3 million relative to the FY2018 Budget as Enacted. The decrease is due to the removal of 3.0 FTE positions from DHEA (\$216,964) and a reduction in third-party contract expenses for portfolio management and collection agency services (\$3.1 million). A balance of \$500,000 remains in the account for any residual contract expenses.

This transfer will ultimately lead to the reorganization of the OPC and DHEA; however, since the details of the reorganization were not provided to Fiscal Staff as of March 2, 2018, the issue will be addressed through a separate memorandum.

UNIVERSITY OF RHODE ISLAND

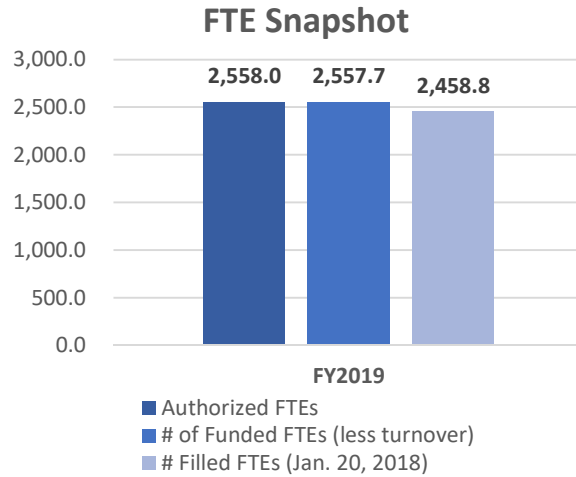
Expenditures By Source	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
General Revenue	\$92.2	\$101.2	\$101.0	(\$0.3)	-0.3%	\$102.8	\$1.6	1.6%
Other Funds	652.2	676.1	681.0	4.9	0.7%	690.0	13.9	2.1%
Total	\$744.4	\$777.3	\$781.9	\$4.6	0.6%	\$792.8	\$15.5	2.0%

\$ in millions

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 provides 1,935.2 FTE positions, an increase of 19.5 FTE positions relative to the FY2018 Budget as Enacted. The increase provides 10.0 full-time, tenure-track Assistant Professors; 3.0 Lecturers, 1.0 Assistant Director of (Student) Veteran Affairs; 1.0 Director and 1.0 Coordinator in the Offices for Innovation in General Education and Undergraduate Research and Innovation; 1.0 Strength and Coordinating Coach; 1.5 Associate Athletic Therapists; and 1.0 University Psychologist to support students undergoing or at-risk for mental health issues. The URI sponsored research staffing authorization is increased by 49.0 FTE to 622.8. The positions includes 12.0 Research Assistants to support a \$19.0 million National Science Foundation grant to establish the Consortium on Ecology, Assessment, Innovation, and Modeling for Narragansett Bay; 25.0 Research Assistants to support an interagency agreement with the Executive Office of Health and Human Services for Health System Transformation and the Designated State Health Plan waiver; and 12.0 positions associated with the recent consolidation of DataSpark, the former data analytics team at the Providence Plan, within the University.



Major Issues and Trends for FY2019

In the original budget request for FY2019, URI projected an increase in tuition and fee revenue of \$6.4 million, or 2.1 percent, based on an increase in enrollment of 0.1 percent, an increase in out-of-state tuition of \$720, or 2.5 percent, and an increase in mandatory fees of \$62, or 3.5 percent. There was no increase in in-state tuition for FY2019. The fee increases included the Technology Fee (\$44), as well as the Memorial Union Fee (\$6), the Health Services Fee (\$12). URI also requested an increase in state appropriation of \$8.3 million, or 10.9 percent, for a total increase of \$14.7 million, or 10.8 percent, excluding general obligation debt service. The budget request approved by the Council on Postsecondary Education reduced the requested increase in the state appropriation to \$4.4 million, a reduction of \$3.9 million from the original request, and eliminated the Technology Fee increase as it is a mandatory fee paid by each student. The elimination of the fee resulted in an additional reduction of \$701,510 from the original request, for a total reduction of \$4.6 million from URI’s original request.

The major cost increases requested by URI included mandatory and contractual items, such as salaries and benefits; student aid; strategic initiatives; and operations including utilities, non-general obligation debt service, and bad debt. The University also proposed to increase student aid and implement an allocation model tied to enrollment goals, thus expanding the use of student aid as an enrollment tool in addition to providing support for needy and meritorious students. The strategic investments included 16.5 new FTE

	Original Request by URI	Request as Approved by Board	Difference
Contractual and Inflation Adjustments ¹	\$9.2	\$7.7	(\$1.5)
Student Aid	2.8	0.5	(\$2.3)
Strategic Initiatives	2.8	1.9	(0.9)
Total	\$14.7	\$10.1	(\$4.7)

¹ Includes retiree health and contract services. \$ in million.

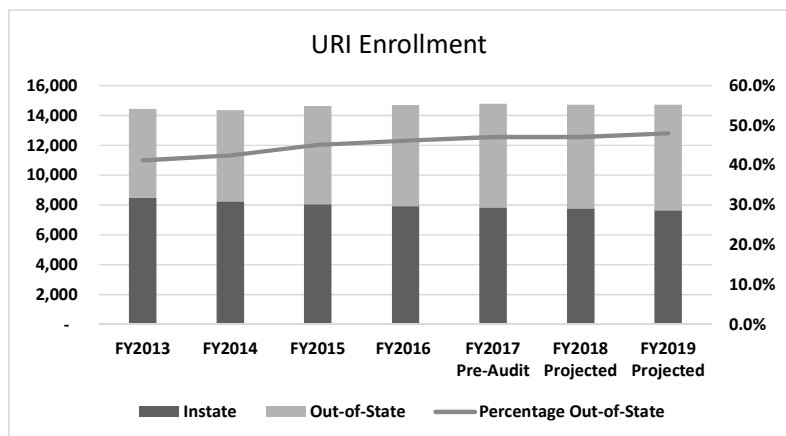
positions as part of the ongoing initiative to deliberately invest in new faculty to strengthen high demand and economically relevant programs. Faculty hires included areas of strategic importance to the university such as neuroscience, Islamic Studies, water resources, “big data,” healthcare, and renewable energy. Additional initiatives included a directory service for the University-wide Information Technology Security Infrastructure, technology upgrades and active learning classrooms. Due to the reduction in the budget approved by the Council, URI will fill the new strategic FTE positions but will be forced to make personnel reductions in other areas. Furthermore, to meet the lower budget level, the University will have to reduce the proposed increase in financial aid. Changes in financial aid have a disproportionate impact on Rhode Island students since they tend to have a higher level of need. Also, the Technology fee increase would have provided for a server expansion, support for high performance computing, and technology upgrades to classrooms as well as different levels of active learning classrooms.

As for the general revenue increase, excluding debt service, URI originally requested \$8.3 million. The Council approved a general revenue increase of \$4.4 million; however, the Governor’s Budget only includes \$1.0 million increase in performance incentive funding.

Analyst Note: On March 22, 2018, the Council on Postsecondary Education voted to approve a 2.0 percent increase for in-state tuition at URI and RIC for the upcoming 2018-2019 school year. The increase was requested and approved in response to the Governor’s FY2019 Budget recommendation. The increase in FY2019 will be the third increase for in-state tuition in the last five years. At URI, the increase for in-state undergraduate tuition is \$246 annually, and the technology fee will increase by \$100 for all students. This will bring the total in-state tuition cost to \$12,248 and the technology fee to \$276. Since FY2015, the in-state tuition has increased by \$1,370, or 12.6 percent. The increases will generate about \$2.0 million in net revenues for FY2019. The tuition increase will be used toward financial aid for low-income, in-state students and faculty hiring. The revenue from the technology fee will support upgrades to the University’s technology infrastructure.

Enrollment

In-state enrollment is projected to be 7,646 full-time equivalent students in FY2019 a decrease of 141 students, or 1.8 percent; while out-of-state students are projected at 7,059 students, an increase of 124 students, or 1.8 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.



University of Rhode Island	General Revenue
FY2018 Enacted	\$101,229,728
<i>Target and Other Adjustments</i>	-
Performance Incentive Fund	1,000,000
General Obligation Debt Service	770,717
Voluntary Retirement Incentive	(260,622)
State Crime Lab	63,190
FY2019 Governor	\$102,803,013

Performance Incentive Fund**\$1.0 million**

In 2016 the General Assembly passed the Performance Incentive Funding Act to promote alignment between the State's priorities for higher education and institutional practice and policy. The statute delineates three priorities for the public institutions including improving graduation/persistence; increasing graduates in high-demand, high-wage fields (HDHW); and, advancing institutions missions. The institution-specific performance measures were designed by the Commissioner, in consultation with the Council on Postsecondary Education (Council), and data collection began in FY2017. Under the statute, the institutions do not lose any funding, since the statute is triggered by the allocation of "otherwise unrestricted higher education general revenue". The Budget provides an additional \$1.0 million in performance incentive funding for each institution in FY2019.

General Obligation Debt Service**\$770,717**

The Budget includes \$23.4 million in general revenue for general obligation debt service at URI in FY2019 and \$22.8 million in FY2018. This is an increase of \$770,717 and \$107,338 respectively from the FY2018 Budget as Enacted. The increase is due primarily to the issuance of \$40.0 million for higher education facilities projects in April 2017.

	Debt Service							
	FY2017 Spent	FY2018 Enacted	FY2018 Governor	Change from Enacted		FY2019 Governor	Change from Enacted	
University of Rhode Island	\$15,485,717	\$22,657,568	\$22,764,906	\$107,338	0.5%	\$23,428,285	\$770,717	3.4%
Rhode Island College	2,509,391	4,867,060	6,192,628	1,325,568	27.2%	6,421,067	1,554,007	31.9%
Community College of Rhode Island	1,643,449	2,082,845	2,082,845	-	-	1,904,030	(178,815)	-8.6%
Total	\$19,638,557	\$29,607,473	\$31,040,379	\$1,432,906	4.8%	\$31,753,382	\$2,145,909	7.2%

Source: Rhode Island Budget Office

Voluntary Retirement Incentive**(\$260,622)**

The State of Rhode Island is offering a voluntary retirement incentive (VRI) payment to state employees who were eligible to retire on or before December 31, 2017. The VRI is intended to achieve strategic and budgetary objectives by prioritizing the filling of the resulting vacancies while allowing the State to recognize the long-term service of its employees and provide them the flexibility to retire. Eligible employees who elect to retire within the designated enrollment periods will receive a one-time payment equal to two times the employee's current annualized longevity amount up to a maximum amount of \$40,000, at a total projected statewide cost of \$9.0 million. In addition, severance costs could exceed \$2.4 million statewide. The program is being offered in stages based on the individual employee's longevity entitlements. The last group of employees must submit a written notice of their election to retire on or before March 15, 2018. The general revenue share of the savings projected for URI is \$260,622. The savings is projected to be achieved by either leaving retiree positions vacant or filling the position at a reduced rate of 50.0 to 75.0 percent.

State Crime Lab**\$63,190**

The Budget includes an increase of \$63,190 in general revenue (\$1.3 million total) for the State Crime Lab for various personnel and operating increases. The Budget does not include the requested \$120,000 in general revenue funding for new, self-contained chemical fume hoods which would have replaced stationary hoods that will be removed in the renovation of laboratory space in the Fogarty Health Science Building; instead the Governor recommends the use of RICAP asset protection funds for this purpose.

RHODE ISLAND COLLEGE (RIC)

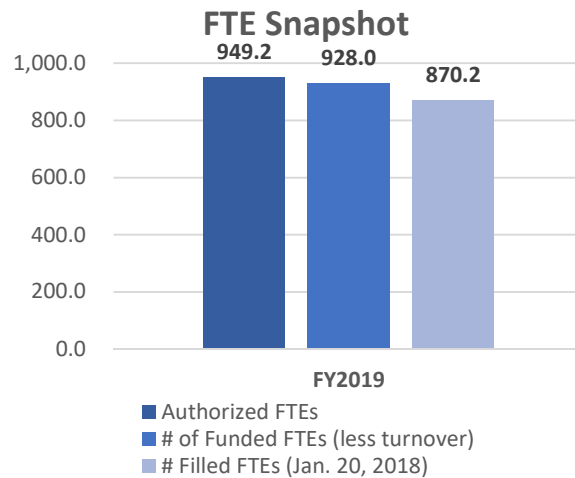
Expenditures By Source	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
General Revenue	\$49.5	\$53.1	\$54.0	\$1.0	1.8%	\$55.6	\$2.6	4.8%
Other Funds	120.3	146.0	146.8	0.7	0.5%	144.1	(1.9)	-1.3%
Total	\$169.8	\$199.1	\$200.8	\$1.7	0.9%	\$199.7	\$0.6	0.3%

\$ in millions

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 949.2 FTE positions in FY2019, including 76.0 third-party funded. This represents an increase of 23.0; however, the number of third-party funded positions remains level with the FY2018 Budget as Enacted. The additional positions will provide flexibility and capacity as the College expands the use of full-time faculty and reduces reliance on part-time adjuncts. In FY2018 the number of positions remains unchanged from the enacted at 926.2 FTE positions, including 76.0 third-party funded FTE positions.

**Major Issues and Trends for FY2019**

In the original FY2019 budget request submission to the Council, RIC projected an increase in tuition and fee revenue of \$1.4 million, or 1.6 percent, based on an increase in FTE enrollment of 1.6 percent and in mandatory fees of \$121, or 10.6 percent. The original request did not include an increase in tuition for FY2019. The request approved by the Council does not provide for an increase in tuition or mandatory fees. The non-mandatory fee increases include a new one-time matriculation fee for incoming freshmen and transfers to cover the cost a graduation including cap, gown and ceremony. There is also a \$25 increase in the fee for the nursing program, the Business Program, and the Medical Imaging Program from \$250 to \$275 per semester, to help support the operational costs of the programs. The lab/studio fee will also increase from \$30 to \$35 per course. On the other hand, the budget eliminates all the summer session fees except for the \$5 library fee and the \$5 technology and facilities fee, a reduction of \$86.

The major cost increases at RIC include mandatory and contractual items, such as healthcare and retirement rates. In the original FY2019 Budget request, RIC assumed a minimal increase in state appropriation based on the budget instructions; however, when the Council calculated the performance based funding increase based on pre-recession, state appropriation levels, the state appropriation request increased by \$400,000. The increase was partially offset by a decrease in requested tuition and fee revenue, due the Council’s decision to hold mandatory fees level with the FY2018 levels. The budget approved by the Council provides additional revenues of \$244,492, relative to the original request, which will enable RIC to begin the Professional Advising Program with 3.0 FTE advisors. The program was proposed by a group of faculty and management representatives and would shift the College from a faculty-only advising model to one that provides professional advisors to students for their first two years. As a student becomes more engaged in their major field of study, they would be assigned to a faculty advisor in their major. This hybrid approach is supported by research as a better model.

Rhode Island College			
FY2019 Budget Request			
<i>Increase over FY2018 Budget as Enacted</i>			
	Original Request by RIC	Request as Approved by Board	Difference
Inflation			
Adjustments ¹	\$3.3	\$3.0	(\$0.3)
Student Aid	-	-	-
Strategic Initiatives	-	0.4	0.4
Total	\$3.3	\$3.5	\$0.2

¹ Includes retiree health and contract services.
 \$ in million. Totals may not add due to rounding.

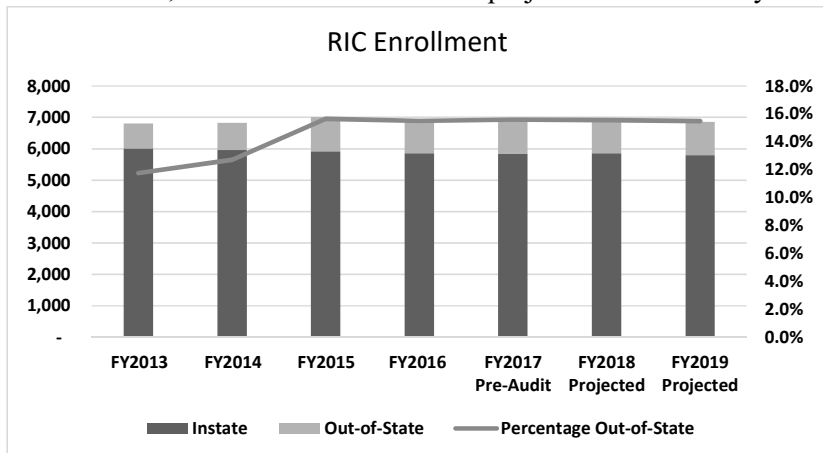
While the increase approved by the Council helps with the implementation of the new advising program, RIC has been and continues to find efficiencies within the existing budget to fund the ongoing costs of instruction and doing business, including but not limited to energy savings initiatives, bookstore privatization, and a workforce planning committee.

If looking at the State appropriation of general revenue increase, excluding debt service, RIC originally requested a minimal increase of \$1.9 million, based on the budget instructions; however, when the Council calculated the performance based funding increase based on pre-recession, state appropriation levels, the state appropriation request increased by \$400,000 to \$2.3 million. The Governor’s Budget includes a \$1.0 million increase in performance incentive funding.

Analyst Note: On March 22, 2018, the Council on Postsecondary Education voted to approve a 2.0 percent increase for in-state tuition at URI and RIC for the upcoming 2018-2019 school year. The increase was requested and approved in response to the Governor’s FY2019 Budget recommendation. The increase in FY2019 will be the third increase for in-state tuition in the last five years. At RIC, the increase for in-state undergraduate tuition is \$153 annually. There is no increase in mandatory fees. The increase will bring the total in-state tuition cost to \$7,790. Since FY2015, the in-state tuition has increased by \$1,260, or 19.3 percent. The increase will provide about \$800,000. The revenue will be used to support additional full-time faculty and further the effort to reduce reliance on adjunct professors, as well as professional advisors to support student completion.

Enrollment

Total enrollment is projected to be 6,859 full-time equivalent students in FY2019, an increase of 113 students, relative to FY2018. Relative to FY2013, out-of-state enrollment is projected to increase by 32.8 percent. As the college has raised its tuition twice in the last 7 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 to increase keeping the percentage level in FY2019, despite the implementation of the Rhode Island Promise Program at CCRI. Enrollment is projected to increase due to a new program and marketing campaign undertaken by RIC with the specific goals of increase enrollment and student retention.



Rhode Island College	General Revenue
FY2018 Enacted	\$53,055,851

<i>Target and Other Adjustments</i>	-
General Obligation Debt Service	1,554,007
Performance Incentive Fund	1,000,000
FY2019 Governor	\$55,609,858

General Obligation Debt Service \$1.6 million

The Budget provides \$6.4 million in FY2019 for general obligation debt service at RIC funded by general revenue, and \$6.2 million in FY2018. This is an increase of \$1.6 million and \$1.3 million respectively from the FY2018 Budget as Enacted. The increase is due primarily to the issuance of \$40.0 million for higher education facilities projects in April 2017.

	Debt Service						Change from Enacted	FY2019 Governor	Change from Enacted
	FY2017 Spent	FY2018 Enacted	FY2018 Governor	Change from Enacted	Change from Enacted	FY2019 Governor			
University of Rhode Island	\$15,485,717	\$22,657,568	\$22,764,906	\$107,338	0.5%	\$23,428,285	\$770,717	3.4%	
Rhode Island College	2,509,391	4,867,060	6,192,628	1,325,568	27.2%	6,421,067	1,554,007	31.9%	
Community College of Rhode Island	1,643,449	2,082,845	2,082,845	-	-	1,904,030	(178,815)	-8.6%	
Total	\$19,638,557	\$29,607,473	\$31,040,379	\$1,432,906	4.8%	\$31,753,382	\$2,145,909	7.2%	

Source: Rhode Island Budget Office

Performance Incentive Fund \$1.0 million

In 2016 the General Assembly passed the Performance Incentive Funding Act to promote alignment between the State’s priorities for higher education and institutional practice and policy. The statute delineates three priorities for the public institutions including improving graduation/persistence; increasing graduates in high-demand, high-wage fields (HDHW); and, advancing institutions missions. The institution-specific performance measures were designed by the Commissioner, in consultation with the Council on Postsecondary Education (Council), and data collection began in FY2017. Under the statute, the institutions do not lose any funding, since the statute is triggered by the allocation of “otherwise unrestricted higher education general revenue”. The Budget provides an additional \$1.0 million in performance incentive funding for each institution in FY2019.

COMMUNITY COLLEGE OF RHODE ISLAND (CCRI)

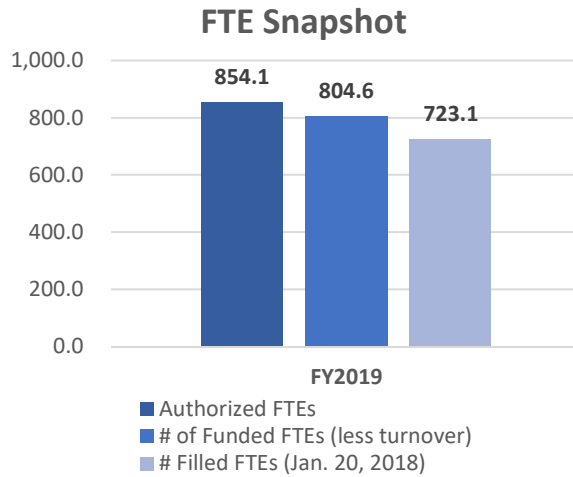
Expenditures By Source	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted	Enacted	Governor	Enacted	Enacted
General Revenue	\$50.6	\$52.0	\$51.7	(\$0.3)	-0.6%	\$52.8	\$0.8	1.6%
Restricted Receipts	0.6	0.7	0.7	-	-	0.7	0.0	1.5%
Other Funds	93.2	108.6	112.4	3.8	3.5%	111.4	2.8	2.6%
Total	\$144.3	\$161.3	\$164.8	\$3.5	2.2%	\$164.9	\$3.6	2.2%

\$ in millions

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 FY2019 and FY2018, including 89.0 third-party funded FTE positions, consistent with the enacted level.



Major Issues and Trends for FY2019

For FY2019, CCRI is projecting an increase in tuition and fee revenue of \$687,411, or 1.3 percent, based on an increase in enrollment of 2.5 percent. There is no increase in in-state tuition for FY2019. The major cost increases at CCRI include mandatory and contractual items, such as salaries and benefits; strategic initiatives; and operations, including repairs and utility costs. The strategic investments include new FTE positions to support student success, increase donor support, and support the college community. The additional funds would also be used to enhance digital support services for RI Promise Students. CCRI originally requested a \$3.6 million increase, or 7.2 percent, in the state appropriation; however, the budget passed by the Council only provides a state appropriation increase of \$2.3 million, or 4.6 percent. To accommodate the \$1.3 million reduction in funding, CCRI will delay the filling of vacant positions and eliminate the new initiatives included in the original request.

If looking at the State appropriation of general revenue increase, excluding debt service, CCRI originally requested an increase of \$3.6 million. The Council approved a general revenue increase of \$2.3 million; however, the Governor’s Budget only includes \$1.0 million increase in performance incentive funding.

**Community College of Rhode Island
FY2019 Budget Request**

	Original Request by CCRI	Request as Approved by Board	Difference
Contractual and Inflation Adjustments ¹	\$3.5	\$2.9	(\$0.6)
Student Aid	-	-	-
Strategic Initiatives	0.8	-	(0.8)
Total	\$4.3	\$2.9	(\$1.3)

¹ Includes retiree health and contract services.

\$ in million. Totals may not add due to rounding.

Enrollment

The table shows the actual student enrollment, both by headcount and by FTE, from 2010 through 2016, and a projection for 2018 and 2019. In FY2019, enrollment is projected to increase by 221.0 full-time equivalent students, or 2.5 percent, relative to FY2018 Projected. This projection includes the enrollment growth expected due to the implementation of the Rhode Island Promise. The enrollment increase was estimated at 25.0 percent; however, based on the fall 2017 data, CCRI has seen a 43.0 percent increase in enrollment relative to the previous fall. Nevertheless, since the first-time, full-time students only comprise about 10.0 percent of the total FTE enrollment, total enrollment is only projected to increase by 2.5 percent. Without the program, enrollment would be projected to decline by 5.0 to 6.0 percent.

Year	CCRI Student Enrollment		FTE	FTE % Change
	Headcount	% Change		
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 Pre-Audit	14,626	-6.3%	8,593	-5.9%
FY2018 Projected	14,067	-3.8%	8,830	2.8%
FY2019 Projected	14,048	-0.1%	9,051	2.5%
10-Year Average	16,168	-1.7%	9,794	-1.2%

Community College of Rhode Island	General Revenue
FY2018 Enacted	\$52,018,555
<i>Target and Other Adjustments</i>	-
Performance Incentive Fund	1,000,000
General Obligation Debt Service	(178,815)
FY2019 Governor	\$52,839,740

Performance Incentive Fund**\$1.0 million**

In 2016 the General Assembly passed the Performance Incentive Funding Act to promote alignment between the State's priorities for higher education and institutional practice and policy. The statute delineates three priorities for the public institutions including improving graduation/persistence; increasing graduates in high-demand, high-wage fields (HDHW); and, advancing institutions missions. The institution-specific performance measures were designed by the Commissioner, in consultation with the Council on Postsecondary Education (Council), and data collection began in FY2017. Under the statute, the institutions do not lose any funding, since the statute is triggered by the allocation of "otherwise unrestricted higher education general revenue". The Budget provides an additional \$1.0 million in performance incentive funding for each institution in FY2019.

General Obligation Debt Service**(\$178,815)**

The Budget provides \$1.9 million in FY2019 for general obligation debt service at CCRI funded by general revenue and \$2.1 million in FY2018. This is a decrease of \$178,815 and level funded respectively from the FY2018 Budget as Enacted.

	Debt Service		FY2018 Governor	Change from Enacted		FY2019 Governor	Change from Enacted	
	FY2017 Spent	FY2018 Enacted						
University of Rhode Island	\$15,485,717	\$22,657,568	\$22,764,906	\$107,338	0.5%	\$23,428,285	\$770,717	3.4%
Rhode Island College	2,509,391	4,867,060	6,192,628	1,325,568	27.2%	6,421,067	1,554,007	31.9%
Community College of Rhode Island	1,643,449	2,082,845	2,082,845	-	-	1,904,030	(178,815)	-8.6%
Total	\$19,638,557	\$29,607,473	\$31,040,379	\$1,432,906	4.8%	\$31,753,382	\$2,145,909	7.2%

Source: Rhode Island Budget Office

CAPITAL PROJECTS

The Budget includes a total of \$28.2 million in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2019 and \$44.2 million in FY2018, 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. In FY2019, the Budget includes a total of \$13.4 million in asset protection funding for URI (\$7.4 million), RIC (\$3.6 million), and CCRI (\$2.4 million). In FY2018, there is a total of \$17.7 million including \$8.6 million in additional RICAP asset protection funding for URI, \$4.7 million for RIC, and \$4.5 million for CCRI.

RIC- Academic Buildings I – Craig Lee, Gaige, Adams Library: The Budget provides \$4.0 million in FY2019 and \$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 \$3.0 million in RICAP funding in FY2019 and \$8.0 million in FY2018 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 \$22.4 million, including \$20.1 million in RICAP funds, \$2.2 million in other funds, and \$82,868 in college funds. Completion is projected for FY2021.

RIC Infrastructure Modernization: The Budget provides \$3.5 million in RICAP funding in FY2019 and \$5.5 million in FY2018 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 \$34.0 million through FY2023.

URI Fine Arts Center: The Budget provides \$12.0 million in RICAP funding for the renovation of the Fine Arts Center, including \$1.0 million annually in FY2019 and FY2018. The \$12.0 million represents the first phase of the project; however, the Governor's recommendation spreads the \$12.0 million over five years. URI requested the RICAP funding for FY2019, instead of a general obligation bond referendum on the November 2020 ballot, in order to avoid escalation and debt service costs. Total project costs are estimated at \$68.7 million, including \$4.5 million in private funding.

Rhode Island State Council on the Arts

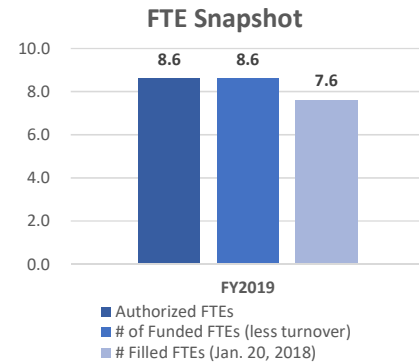
Expenditures By Program	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$1,269,497	\$1,427,310	\$1,509,560	\$82,250	5.8%	\$1,521,881	\$94,571	6.6%
Grants Programs	1,636,002	1,645,000	1,616,477	(28,523)	-1.7%	1,591,865	(53,135)	-3.2%
Total	\$2,905,499	\$3,072,310	\$3,126,037	\$53,727	1.7%	\$3,113,746	\$41,436	1.3%

Expenditures By Source								
	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
General Revenue	\$1,906,356	\$1,945,056	\$1,963,360	\$18,304	0.9%	\$1,989,693	\$44,637	2.3%
Federal Funds	710,269	781,454	751,796	(29,658)	-3.8%	719,053	(62,401)	-8.0%
Restricted Receipts	19,119	-	10,881	10,881	-	5,000	5,000	-
Other Funds	269,756	345,800	400,000	54,200	15.7%	400,000	54,200	15.7%
Total	\$2,905,499	\$3,072,310	\$3,126,037	\$53,727	1.7%	\$3,113,746	\$41,436	1.3%

Authorized FTE Levels	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Authorized FTE Levels	8.6	8.6	8.6	-	-	8.6	-	-

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 authorizes 8.6 FTE positions for FY2018 and FY2019, consistent with the FY2018 Budget as Enacted.



RI State Council on the Arts	General Revenue
FY2018 Enacted	\$1,945,056
<i>Target and Other Adjustments</i>	44,637
Centralized Services Charges	45,750
VSA arts Rhode Island	Informational
Sales Tax Exemption for the Arts	Informational
Percent for the Arts	Informational
Cultural Arts and the Economy	Informational
FY2019 Governor	\$1,989,693

Centralized Service Charges **\$45,750**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$33,590
Capital Asset and Management	12,160
Human Resources	-
Total	\$45,750

VSA arts Rhode Island**Informational**

VSA arts RI is a statewide, nonprofit arts and education organization dedicated to providing opportunities for children and adults with disabilities to actively participate in the arts. Since its founding in 1986, VSA has been part of a national network of organizations affiliated with the Kennedy Center for the Performing Arts in Washington, D.C. Recently, the Kennedy Center informed all of the affiliates that federal funding would be discontinued beginning in federal FY2019. According to RISCA, the discontinuation of federal funding will ultimately result in the elimination of VSA arts RI. Consequently, RISCA requested \$150,000 in FY2019 to support a cooperative agreement with VSA arts RI aimed at exploring ways to integrate VSA's work within RISCA. In FY2020, RISCA intends to request an FTE to continue VSA's work through RISCA. Integration of VSA arts RI would enable RISCA to conduct an assessment of grantees to evaluate physical barriers to accessibility, and develop a series of workshops and trainings to help arts organizations develop more inclusive programming and train staff how to serve a diverse audience. The Governor does not recommend funding for this initiative.

Sales Tax Exemption for Art**Informational**

In 2013, Rhode Island became the first state in the nation to provide a sales tax exemption for the sale of original and limited edition works of art. In FY2019, RISCA requests \$25,000 to advertise the sales tax exemption and work with tourism organizations to promote the exemption to the public. According to a survey conducted by RISCA, 58.0 percent of respondents indicated that most of the people who purchase qualifying art from them are unaware of the sales tax exemption. Of the total respondents 52.0 percent said the exemption has helped them to make a sale in the past year. RISCA believe that promoting the exemption will increase arts tourism to the State. The Governor does not recommend funding for this initiative.

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.

1% for Public Art Program - 2011 to Present	Location	Art Project Cost
<i>Recently Completed Projects (Spent)</i>		
Division of Motor Vehicles	Cranston	\$88,000
Rhode Island School for the Deaf	Providence	43,000
URI - School of Pharmacy	Kingston	995,020
Division of Motor Vehicles- Conservation	Cranston	2,000
Intermodal Station	Warwick	300,000
Met School	Providence	78,000
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
Total		\$4,373,020

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. Similar to the State Preservation Grants Program administered by the Historic Preservation and Heritage Commission, this program offers matching grants to public and non-profit historic sites, museums, artistic organizations, performance centers, and cultural art centers for capital preservation and renovation projects.

The Program provides \$23.1 million in 1:1 matching grants to certain arts organizations that were named in voter referendum, for facility improvement, preservation and renovation.

Cultural Arts and the Economy	Location	Project	Grant
Trinity Repertory Company	Providence	Renovate Lederer Theater and Pell Chafee Center	\$4.6
Rhode Island Philharmonic/Music School	E. Providence	Complete Carter Center	2.4
Newport Performing Arts Center	Newport	Restore Newport Opera House	4.2
WaterFire Providence	Providence	Develop Warehouse into Multi-use Arts Center	3.2
Westerly Land Trust/United Theater	Westerly	Restore United Theater	2.4
Stadium Theater	Woonsocket	Restore Stadium Realty Building	2.1
AS220	Providence	Improve Empire St., Performing Arts/Gallery Buildings	2.1
Chorus of Westerly	Westerly	Renovate Kent Hall	1.1
2nd Story Theater	Warren	Renovate Market and Liberty Street Buildings	1.1
Total Projects			\$23.1
Pool fund			6.9
Total			\$30.0

\$ in millions

The remaining \$6.9 million are a pool of matching funds awarded by RISCA to non-profit cultural organizations through a three-year competitive grant program for capital improvements to both owned and leased facilities. RISCA has established rules and regulations for the program and began disbursement of funds to the named organizations in January 2016. Additional funds were awarded in December 2016 and

have been distributed in FY2017 as contracts were completed and work begun. Applications for the remaining pool funds were reviewed on October 1, 2017, and distributed in 2018. The following table shows the grants awarded.

Organization	Town	Award Amount		
		FY2016	FY2017	FY2018
Barrington Public Library	Barrington	\$10,000	\$0	\$0
Bristol Art Museum	Bristol	-	20,000	-
Artists' Exchange	Cranston	-	85,000	-
Blackstone River Theatre	Cumberland	97,000	-	-
The Greenwich Odeum	East Greenwich	250,000	195,000	200,000
East Providence Historical Society Educational Center	East Providence	28,000	-	-
R.I. Philharmonic Orchestra & Music School	East Providence	250,000	-	-
Jamestown Arts Center	Jamestown	58,000	-	-
Newport Art Museum and Art Association	Newport	-	-	35,125
Wickford Art Association	North Kingstown	-	98,715	-
Mixed Magic Theatre and Cultural Events	Pawtucket	-	50,000	30,000
Old Slater Mill Association	Pawtucket	-	-	100,000
Sandra Feinstein-Gamm Theater	Pawtucket	5,000	-	300,000
Common Fence Point Improvement Association	Portsmouth	2,000	187,000	-
Academy Players	Providence	-	-	60,000
Dirt Palace	Providence	23,500	250,000	175,000
Educational Center for the Arts & Sciences	Providence	3,000	-	-
Everett	Providence	50,000	100,000	75,000
Festival Ballet Providence	Providence	-	59,552	50,000
Heads Up, Inc. for Mathewson St. Black Box Theatre	Providence	50,000	-	-
International House of Rhode Island	Providence	-	-	50,000
Museum of Art, Rhode Island School of Design	Providence	250,000	-	200,000
New Urban Arts	Providence	250,000	-	-
Preserve RI	Providence	56,000	-	100,000
Providence Performing Arts Center	Providence	50,000	-	-
Providence Public Library	Providence	-	200,000	-
Southside Cultural Center	Providence	300,000	-	-
The Music Mansion	Providence	50,000	-	-
The Players	Providence	100,000	-	75,000
The Steel Yard	Providence	92,650	-	300,000
The Wilbury Theatre Group	Providence	25,000	-	75,000
Waterfire Providence	Providence	-	-	200,000
South County Art Association	South Kingstown	-	-	5,279
The Contemporary Theater Company	South Kingstown	25,000	-	75,000
2 nd Story Theater	Warren	-	-	150,000
Boys & Girls Clubs of Warwick	Warwick	-	100,000	-
The Artic Playhouse	West Warwick	5,000	300,000	-
Colonial Theater School, Inc.	Westerly	-	-	75,000
Renaissance City Theater/Granite Theatre	Westerly	13,326	-	-
RiverzEdge Arts Project	Woonsocket	-	249,000	-
Stadium Theater Foundation	Woonsocket	-	-	249,000
Total		\$2,043,476	\$1,894,267	\$2,584,683

Source: Rhode Island State Council on the Arts

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 \$13.1 million in bond revenues for the program; however, no funds are budgeted in FY2019. \$10.3 million was spent in FY2016 and \$6.7 million was provided in FY2017.

Rhode Island Atomic Energy Commission

Expenditures By Program	FY2017 Actual	FY2018 Enacted	FY2018 Governor	Change from Enacted		FY2019 Governor	Change from Enacted	
Atomic Energy Commission	\$1,242,298	\$1,304,373	\$1,379,671	\$75,298	5.8%	\$1,471,110	\$166,737	12.8%
Expenditures By Source								
General Revenue	\$956,464	\$982,157	\$1,021,021	\$38,864	4.0%	\$1,053,231	\$71,074	7.2%
Federal Funds	11,973	-	36,888	\$36,888	-	-	-	-
Restricted Receipts	-	-	-	-	-	99,000	\$99,000	-
Other Funds	273,861	322,216	321,762	(\$454)	-0.1%	318,879	(\$3,337)	-1.0%
Total	\$1,242,298	\$1,304,373	\$1,379,671	\$75,298	5.8%	\$1,471,110	\$166,737	12.8%
Authorized FTE Levels	8.6			-	0.0%	8.6	-	0.0%

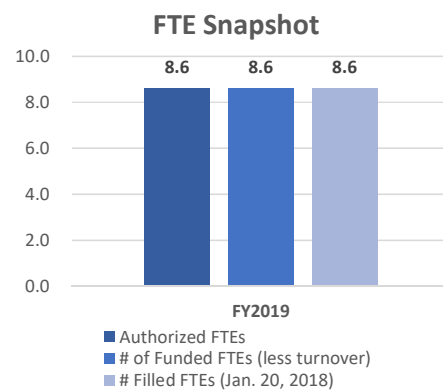
The Rhode Island Atomic Energy Commission (Commission) operates and maintains the Rhode Island Nuclear Science Center (RINSC), which is used for medical, biological, environmental, and materials research, education and commercial activities. The Commission also provides assistance to other state agencies 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 students 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 FY2019

The general revenue increases in FY2019 and FY2018 are due primarily to the decentralization of statewide services, including \$59,429 in FY2019 and \$58,975 in FY2018. In FY2018 the increase in federal funds is due to the carry forward of funds from FY2017. Article 2 of the Governor's recommended budget creates a new restricted receipt account for Atomic Energy Reactor fees (the Rhode Island Nuclear Science Center) to support the technical operations and maintenance of equipment. Currently a total of \$8,000 in fees is projected to be deposited into the state general fund in FY2018 and for FY2019. Almost all of the fees received are paid for services rendered to the BioPhysics Assay Lab (BioPAL), a Worcester based analytical and research company. However, BioPAL has agreed to transfer the portion of their business that requires a nuclear reactor, to the Rhode Island Nuclear Science Center. Projected receipts are \$100,000 to \$120,000. The account will not be exempt from the ten percent indirect cost recovery provisions of RIGL 35-4-27. The article stipulates that any amount in the account on the last business day of the fiscal year above \$200,000 will be transferred to the general fund.

The Budget authorizes 8.6 FTE positions in FY2019 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
FY2018 Enacted	\$982,157
<i>Target and Other Adjustments</i>	<i>11,645</i>
Centralized Services Charges	59,429
FY2019 Governor	\$1,053,231

Centralized Service Charges **\$59,429**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$59,429
Capital Asset and Management	-
Human Resources	-
Total	\$59,429

CAPITAL PROJECTS

The Budget includes \$50,000 in Rhode Island Capital Plan (RICAP) funded asset protection projects for FY2018 and FY2019. Projects for FY2017 included 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. For FY2019, the Commission is updating the alarm system backup and the sprinkler system which is approaching its 50-year, useful life, and landscaping improvements near the cooling tower.

Rhode Island Historical Preservation and Heritage Commission

Expenditures By Program	FY2017	FY2018	FY2018	Change		FY2019	Change from	
	Actual	Enacted	Governor	from		Governor	Enacted	
Historical Preservation and Heritage Commission	\$2.7	\$2.5	\$2.6	0.1	4.8%	\$2.6	\$0.1	4.0%
Total	\$2.7	\$2.5	\$2.6	\$0.1	4.8%	\$2.6	\$0.1	4.0%
Expenditures By Source								
General Revenue	\$1.1	\$1.1	\$1.1	\$0.0	\$0.0	\$1.2	\$0.1	6.2%
Federal Funds	1.4	0.9	1.0	\$0.1	\$0.1	\$0.9	(\$0.0)	-1.2%
Restricted Receipts	0.03	0.4	0.4	\$0.0	\$0.0	\$0.5	\$0.0	9.3%
Other Funds	0.1	0.1	0.1	\$0.0	\$0.0	\$0.1	\$0.0	0.0%
Total	\$2.7	\$2.5	\$2.6	\$0.1	4.8%	\$2.6	\$0.1	4.0%
Authorized FTE Levels	16.6	15.6	15.6	-	0.0%	15.6	-	0.0%

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

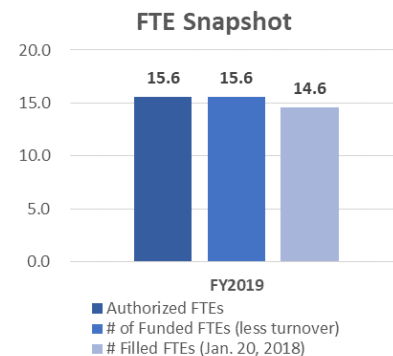
The Rhode Island Historical Preservation and Heritage Commission (Commission) operates a statewide historical preservation program that identifies and protects historic buildings, districts, structures, and archaeological sites. The Commission identifies and protects historic and prehistoric sites, buildings, and districts by nominating significant properties to the National Register of Historic Places and the State Register; as well as administering grants, loans and tax credits for rehabilitation of historic buildings. The Commission also develops and carries out programs to document and celebrate the rich cultural heritage of Rhode Island's people.

MAJOR ISSUES AND TRENDS

The Governor's Budget includes \$1.2 million in general revenue (\$2.6 million all funds) in FY2019, representing a general revenue increase of \$66,157 (\$95,523 all funds) relative to the FY2018 Budget as Enacted.

The increase in the budget is primarily associated with an increase in general revenue due to the decentralization of statewide services previously administered by the Department of Administration, as well as an increase in restricted receipts due to a one-time payment for an easement on a historical property that is paid to the Commission.

The Budget authorizes 15.6 FTE positions for FY2019, consistent with the FY2018 Budget as Enacted.



Historical Preservation & Heritage Commission	General Revenue
FY2018 Enacted	\$1,121,134
<i>Targets and Other Adjustments</i>	
Centralized Service Charges	94,725
Personnel	(28,568)
FY2019 Governor	\$1,187,291

Historical Preservation & Heritage Commission	Other Funds
Hurricane Sandy Relief (federal funds)	(\$272,000)
National Maritime Heritage Grant (federal funds)	\$255,000
Historic Preservation Easement Fund (restricted receipts)	\$32,801
State Preservation Grant (G.O. Bond Proceeds)	<i>Informational</i>

Centralized Service Charges**\$94,725**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$31,770
Capital Asset and Management	62,955
Human Resources	-
Total	\$94,725

Personnel Savings**(\$28,568)**

The Budget reduces general revenue by \$28,568 for reductions in personnel and benefit adjustments in FY2019. This reduction is mainly related to decreases in Employee Medical Insurance costs and Employees' Retirement. \$10,000 of this savings is related to turnover savings associated with the retirement of the Commission's Executive Director. The Commission assumes the position will be filled in 2018.

Hurricane Sandy Relief (federal funds)**(\$272,000)**

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, no funds for this grant are included in FY2019.

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.

National Maritime Heritage Grant (federal funds)**\$255,000**

In FY2019 the Budget includes a new federal National Maritime Heritage Grant awarded by the U.S. Department of Interior, National Park Service (NPS). The funds will be awarded to the Southeast Lighthouse on Block Island and will be used for the restoration of the cast iron on the Lighthouse's tower. The Southeast Lighthouse was built in 1874 on the southern tip of Block Island, in 1993 the Lighthouse was relocated three hundred feet inland due to erosion that threatened the stability of the Lighthouse. The Lighthouse is still in commission with a functioning lens and used to aid in navigation.

Historic Preservation Easement Fund (restricted receipts)**\$32,801**

In FY2019 the Budget includes restricted receipts funds for a one-time payment for an easement. An easement is a legal agreement between an owner and the Commission stating that the historic and architectural character of the property will be preserved and that the property will not be altered without the Commission's approval. The endowment is equal to 5.0 percent of the appraised value of the easement.

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 FY2018, the Commission completed the second round of awards, totaling \$1.3 million to support 15 statewide projects. The third round of awardees have been selected, totaling \$2.0 million in FY2019, to support 20 projects across the State.

State Preservation Grant Awards FY2018 and FY2019

Recipient	Town	FY2018	FY2019
American French Genealogical Society, AFGS HQ/Veterans Museum	Woonsocket	\$111,403	\$0
Beavertail Lighthouse Museum Association, Beavertail Lighthouse	Jamestown	46,475	-
Borders Farm Preservation, Inc.	Foster		30,000
Bristol Historical & Preservation Society	Bristol	-	83,427
City of East Providence, Crescent Park Loof Carousel	East Providence	69,652	-
City of Newport, Edward King House Senior Center	Newport	-	150,000
City of Pawtucket, Pawtucket Public Library	Pawtucket	150,000	-
City of Providence, Betsy Williams Cottage	Providence	150,000	-
City of Woonsocket, Museum of Work and Culture	Woonsocket	-	40,752
Coggeshall Farm Museum, Coggeshall Farmhouse	Bristol	29,452	-
Congdon Street Baptist Church	Providence	-	150,000
Fort Adams Trust	Newport	-	150,000
Foster Preservation Society, Nehemiah Angell Barn	Foster	19,433	-
Friends of Linden Place, Linden Place	Bristol	58,616	-
Historic New England	Providence	-	39,160
International Tennis Hall of Fame	Newport	-	150,000
Memorial and Library Association of Westerly, Wilcox Park Bandstand	Westerly	15,488	-
Newport Art Museum and Art Association	Newport	-	150,000
Newport Congregational Church	Newport	-	150,000
North Smithfield Heritage Association	North Smithfield	-	48,221
Preserve Rhode Island	Providence	-	150,000
Preservation Society of Newport County	Newport	-	150,000
Providence Performing Art Center	Providence	150,000	-
Redwood Library and Athenaeum	Newport	-	106,700
RI Department of Environmental Management, Fort Adams Visitors Center	Newport	109,091	-
Smithfield Preservation Society	Smithfield	-	8,000
South County Art Association	Kingston	-	18,403
The Music Mansion	Providence	-	150,000
The Providence Athenaeum	Providence	-	121,961
Town of Bristol, Former Bristol Naval Armory	Bristol	-	150,000
Town of Coventry, Read Schoolhouse	Coventry	26,404	-
Town of East Greenwich, East Greenwich Town Hall	East Greenwich	150,000	-
Town of North Smithfield, Kendall Dean School/New Town Hall	North Smithfield	150,000	-
Trinity Church	Newport	-	27,846
Varnum Continentals Inc., varnum Armory	East Greenwich	43,450	-
Total Award Amount		\$1,279,464	\$2,024,470

Department of the Attorney General

Expenditures by Program	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
General Division	\$3.1	\$3.4	\$3.3	(\$0.1)	-3.0%	\$3.4	\$0.1	1.8%
Criminal Division	21.5	33.2	46.3	13.1	39.4%	29.7	(3.5)	-10.7%
Civil Division	5.6	5.9	5.9	(0.0)	-0.2%	6.0	0.1	2.2%
Bureau of Criminal Identification	1.6	1.7	1.7	(0.0)	-1.2%	1.7	0.0	1.2%
Total	\$31.8	\$44.1	\$57.1	\$13.0	29.4%	\$40.8	(\$3.3)	-7.5%

Expenditures by Source								
	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
General Revenue	\$25.4	\$26.2	\$26.2	(\$0.0)	-0.2%	\$27.2	\$1.0	3.7%
Federal Funds	5.6	17.0	30.0	13.0	76.6%	12.7	(4.3)	-25.2%
Restricted Receipts	0.7	0.8	0.8	(0.0)	-1.3%	0.8	(0.0)	-2.5%
Other Funds	0.2	0.2	0.2	0.0	0.0%	0.2	0.0	0.0%
Total	\$31.8	\$44.1	\$57.1	\$13.0	29.4%	\$40.8	(\$3.3)	-7.5%

Authorized FTE Levels 235.1 235.1 235.1 - 0.0% 235.1 - 0.0%

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

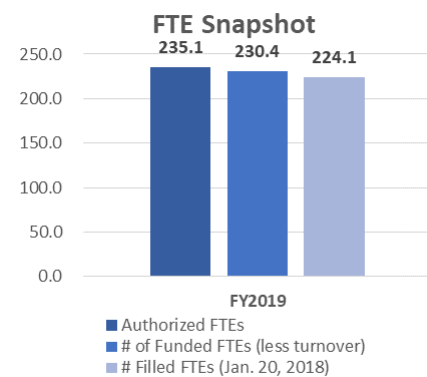
The Department of the Attorney General is the central legal agency of the State. The Department is responsible for the prosecution of all felony criminal cases and misdemeanor appeals as well as prosecution of misdemeanor cases brought by state law enforcement in the various district courts. Additionally, 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: General, Criminal, Civil, and Bureau of Criminal Identification.

MAJOR ISSUES AND TRENDS FOR FY2019

The Budget includes \$40.8 million in total funding for the Department, a decrease of \$3.3 million from the FY2018 Budget as Enacted. General revenues increased by \$1.0 million, or 3.7 percent, from the FY2018 Budget as Enacted, to \$27.2 million. Increases are primarily due to statewide benefit adjustments, as well as offsetting decreased federal funds which were previously used for personnel costs.

The Budget includes \$10.4 million in federal funds relating to Google forfeiture funds in FY2019. The Department indicated that these funds will be used for the interior and exterior renovation of the Attorney General's main office at 150 South Main Street. The new Bureau of Criminal Identification customer service center, which is being built in the Pastore Complex, is anticipated to be complete in May of 2018.

The Budget includes 235.1 FTE positions in FY2019 and in FY2018, consistent with the FY2018 Enacted Budget.



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.

General Division	General Revenue
FY2018 Enacted	\$3,202,794
<i>Targets and Other Adjustments</i>	<i>1,646</i>
Transition Costs	58,076
FY2019 Governor	\$3,262,516

Transition Costs **\$58,076**

The Budget includes additional costs associated with the transition of a new Attorney General who will take office in January 2019. An additional \$31,041 is associated with increased personnel costs and \$27,035 is associated with office supplies and equipment, rental of an office, copier rental and a phone/fax line.

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.

Criminal Division	General Revenue
FY2018 Enacted	\$16,070,177
<i>Targets and Other Adjustments</i>	<i>84,618</i>
Personnel	461,995
State Match Medicaid Fraud	187,500
Centralized Service Charges	29,581
FY2019 Governor	\$16,833,871

Criminal Division	Other Fund Changes
Google Forfeiture Funds	(\$4,690,643)

Personnel **\$461,995**

The Budget includes a \$461,995 general revenue increase for salary and benefits in FY2019. The increase in general revenue expenditures for personnel are related to decreased federal funds that had previously funded salaries and benefits in the Criminal Division. Federal grants that are ending include Grants to Encourage Arrest Policies (\$43,945) and the Traffic Resource Prosecutor grant (\$133,380), while the Violence Against Women grant decreases by \$154,678. Additionally the Budget includes increased costs for employee retirement and Medicare costs.

State Match Medicaid Fraud **\$187,500**

The Department has received federal permission to solicit request for proposal (RFP) to procure data mining services for Medicaid/Medicare fraud prevention. \$62,500 is included in the FY2018 Supplemental and \$187,500 is included in the FY2019 Budget for a total of \$250,000, representing the Department's 25.0 percent State match to \$750,000 in federal funds.

Centralized Service Charges **\$29,581**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each

agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$29,581
Capital Asset and Management	-
Human Resources	-
Total	\$29,581

Google Forfeiture Funds (federal funds)

(\$4.7 million)

The Budget includes a \$4.7 million decrease in federal funds relating to Google forfeiture funds. The Department has been using the funds for the design and construction of a new customer service center in the Pastore Complex, the building is expected to be completed by May 2018. The funding will continue to be used for the ongoing redesign and renovation of the Department's main headquarters at 150 South Main Street.

In the FY2017 Budget Google forfeiture funds were included as restricted receipts, in FY2018 they were shifted into federal funds. The following table outlines Google fund expenditures.

Google Forfeiture Funds: Expenditures Summary

Item	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Enacted	FY2019 Governor	Total
Building and Ground Maintenance	\$30,692	\$17,442	\$18,522	\$35,987	\$17,462	\$120,105
Building Construction and Repairs	2,254,250	963,237	3,119,680	14,886,398	9,699,280	30,922,845
Design, Engineering and Consultant Services	36,620	222,223	144,857	185,000	80,000	668,700
IT System Design and Service	2,045,553	1,299,095	552,495	-	620,000	4,517,143
Total	\$4,367,115	\$2,501,997	\$3,835,554	\$15,107,385	\$10,416,742	\$36,228,793

Analyst Note: The highest ranking official of any agency awarded Google funds, 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 Department 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 Department of Justice (DOJ).

CIVIL DIVISION

The Civil Division is charged with conducting the State's legal affairs and representing the State in legal proceedings. By law, the Attorney General initiates and defends actions in state and federal courts whenever warranted; ensures that representation is provided to state officers, employees, and agencies in all courts; advises state officers and agencies on legal issues; and issues written opinions on legal issues when requested by governmental officers.

Civil Division	General Revenue
FY2018 Enacted	\$5,251,678
<i>Targets and Other Adjustments</i>	<i>16,434</i>
Personnel	98,943
Tobacco Litigation	(42,166)
Management Services- Economist	41,200
FY2019 Governor	\$5,366,089

Personnel **\$98,943**

The Budget increases general revenue funding by \$98,943 for increases associated with benefit adjustments throughout the Civil Division in FY2019, this includes increases in the employee retirement rate, assessed fringe benefit rate and health benefit rates.

Tobacco Litigation **(\$42,166)**

The Budget decreases general revenue funding by \$42,166 relative to the FY2018 Enacted Budget, ending expenses related to the National Association of Attorney General (NAAG) Tobacco Litigation. In 1998, Rhode Island, along with 52 other states and territories, participated in a Master Settlement Agreement (MSA) with participating tobacco manufacturers. Under the MSA, participating states are entitled to annual payments from manufacturers. Participating manufacturers claim that many states are not fully complying with the terms of the MSA, and as a result, the manufacturers are making legal claims that future annual payments should be reduced. Rhode Island, as a participating state in NAAG, is required to provide legal counsel and/or resources for the legal proceedings, which had gone to arbitration for the years 2004-2014, the Department will participate in defense for the year 2015 and forward.

Management Services - Economist **\$41,200**

The Budget increases general revenue by \$41,200 for purchased management services, specifically economists. The economic experts are required to help analyze ongoing hospital conversion and merger issues.

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.

Bureau of Criminal Identification	General Revenue
FY2018 Enacted	\$1,670,102
<i>Targets and Other Adjustments</i>	<i>20,144</i>
FY2019 Governor	\$1,690,246

CAPITAL PROJECTS

The Budget includes \$750,000 in Rhode Island Capital (RICAP) funding for FY2019 through FY2023, including \$150,000 in FY2019. These funds will be used to continue work that is currently taking place in FY2018, including renovations on the Attorney General's main office building at 150 South Main Street, 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 \$10.4 million in Google forfeiture federal funds in FY2019 for the project. The

Department is on schedule to complete the installation of a new Automated Fingerprint Information System (AFIS) in April of 2018. The new AFIS system integrates all state and local law enforcement fingerprinting into one centralized system and transmits the print to the FBI for processing, the new system will include all criminal fingerprinting and all civil employment fingerprinting services.

Department of Corrections

Expenditures By Program	FY2017	FY2018	FY2018	Change from		FY2019	Change from		
	Actual	Enacted	Governor	Enacted		Governor	Enacted		
Central Management	\$10.1	\$10.0	\$16.4	\$6.4	64.0%	\$16.0	\$6.0	60.1%	
Community Corrections	16.4	18.7	16.7	(2.0)	-10.9%	17.4	-1.3	-7.0%	
Custody and Security	137.2	138.7	145.5	6.8	4.9%	147.3	8.6	6.2%	
Healthcare Services	22.5	23.8	23.4	(0.4)	-1.7%	23.9	0.1	0.5%	
Institutional Based Rehab/Population Management	11.8	12.3	14.3	1.9	15.7%	14.3	1.9	15.7%	
Institutional Support	18.8	30.7	31.1	0.4	1.4%	26.2	-4.5	-14.6%	
Parole Board	1.3	1.5	1.4	(0.2)	-10.4%	1.4	(0.1)	-9.1%	
Total	\$218.1	\$235.7	\$248.6	\$12.9	5.5%	\$246.4	\$10.7	4.6%	
Expenditures By Source									
General Revenue	\$212.3	\$218.3	\$229.9	\$11.6	5.3%	\$233.0	\$14.7	6.7%	
Federal Funds	1.6	1.6	2.0	0.4	27.8%	1.6	-	0.6%	
Restricted Receipts	0.1	0.1	0.1	-	0.0%	0.1	-	0.0%	
Other Funds	4.2	15.8	16.6	0.8	5.3%	11.8	(4.0)	-25.4%	
Total	\$218.1	\$235.7	\$248.6	\$12.9	5.5%	\$246.4	\$10.7	4.6%	
Authorized FTE Levels	1,351.0	1,423.0	1,435.0	12.0	0.8%	1,435.0	12.0	0.8%	

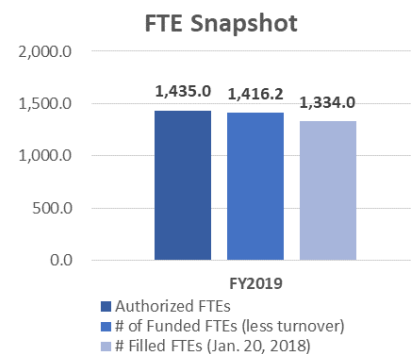
\$ in millions. Totals may vary due to rounding.

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 3,674 beds. Through January 2018, the Department has averaged 2,820 inmates (76.8 percent of capacity) housed at the ACI for the fiscal year, including 2,680 men, and 140 women. The Department also provides supervision of offenders in the community (home confinement, probation, and parole).

MAJOR ISSUES AND TRENDS FOR FY2019

The Budget includes \$246.4 million in total expenditures for FY2019; including \$233.0 million in general revenue, an increase of \$14.7 million over the FY2018 enacted level. The FY2019 Budget for the Department of Corrections is based on an estimated average daily population of 2,865 individuals, a decrease of 194 from the FY2018 Budget as Enacted.

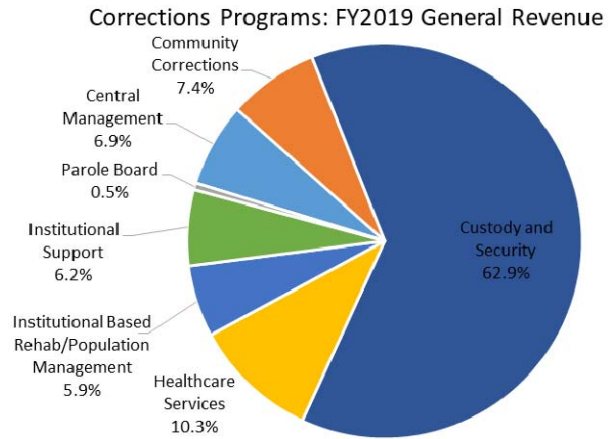
The Budget authorizes 1,435 FTE positions for FY2019, an increase of 12.0 from the FY2018 Budget as Enacted. The Governor includes 28.0 new positions that the department requested including 3.0 Correctional Officers Training Instructors, 16.0 Correctional Officers, 1.0 Senior Public Health Promotion Specialist, 2.0 Clinical Social Workers, 2.0 Correctional Officer Hospital Positions and 4.0 Health Unit Clerks. The Governor removes 16.0 unidentified positions to maintain the 12.0 FTE increase.



The FY2019 Budget includes \$14.1 million in expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology,

capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

The Budget includes a reduction of \$359,490 in general revenue in FY2019 by not holding any correction officer (CO) training courses during the fiscal year. Per the US Department of Justice (USDOJ) settlement agreement training classes are to increase from 9 to 12 weeks, and a new CO test also needs to be implemented, the Governor includes an additional \$250,000 to cover the cost of the implementation. Until the new test is implemented no other CO classes can be held, therefore a \$359,490 savings is assumed.



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.

Central Distribution Center services are provided to all state departments and agencies. The operational cost of the program is shown on a centralized basis for informational purposes (internal service funding), but the actual costs are reflected in the operating budgets of user agencies.

Central Management	General Revenue
FY2018 Enacted	\$9,994,732
<i>Target and Other Adjustments</i>	
Centralized Service Charges	331,479
USDOJ Lawsuit	5,181,867
Correctional Officer Training	700,000
Computer Equipment/Software Maintenance	(359,490)
PREA Auditor	111,278
	18,600
FY2019 Governor	\$15,978,466

Centralized Service Charges **\$5.2 million**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and centralized in the Department of Administration. These accounts include accounts for information technology, capital asset management and maintenance, and human resources.

Centralized Service Charges	Amount
Information Technology	\$3,155,267
Capital Asset and Management	-
Human Resources	2,026,600
Total	\$5,181,867

USDOJ Lawsuit **\$700,000**

The Budget includes \$700,000 in relation to the U.S. Department of Justice (DOJ) lawsuit. \$450,000 is deposited into an interest-bearing account with a federally insured financial institution, from which payouts will be made to eligible individuals. The remaining \$250,000 will be used to complete the formulation of a new CO test, as mandated by the settlement, as well as fund additional consultants.

On February 10, 2014, the U.S. Department of Justice (DOJ) filed a lawsuit alleging that the Department of Corrections 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). DOJ asserts that 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. On September 19, 2017, the Federal District Court and the U.S. DOJ entered into a settlement agreement with the State resolving the lawsuit. The settlement requires the State to provide monetary relief through a special fund established for payouts to eligible individuals, as well as the formulation of a new oral and written test.

Correctional Office Training **(\$359,490)**

The Budget includes a general revenue savings of \$359,490 related to Correctional Officer (CO) training. There will be no CO training class in FY2019 due to the pending development of a new correctional officer entrance exam as agreed upon in the DOJ settlement. This lack of a new test will result in savings in training costs but could also lead to an increase in overtime costs as fewer officers will be available to cover shifts. The Budget also includes the addition of three new Correction Officer Training positions. These new training positions are required due to an increase in the length of CO training classes from 9 to 12 weeks and the increase in the number of recruits per class. The new positions will most likely be filled by current Correctional Officers.

Computer Equipment/Software Maintenance **\$111,278**

The Governor includes an additional \$111,278 in general revenue funding to purchase updated computers and fund necessary software maintenance. The Department is currently working to update and upgrade to a new Electronic Medical Records (EMR) system as the previous system was antiquated and becoming too costly to maintain. The new system will require updated computers and continued software maintenance.

PREA Auditor **\$18,600**

The Governor includes an additional \$18,600 in general revenue funding for auditor services for the Prison Rape Elimination Act (PREA) Program. The Department must conduct two audits a year to ensure compliance with Department of Justice standards. The increase in funds will allow the Department to audit every facility containing inmates. In 2012 the Department of Justice (DOJ) created national standards to prevent, detect, and respond to sexual abuse and sexual harassment in confinement facilities. In response to the DOJ standards the Department has issued a zero tolerance policy towards sexual abuse and harassment.

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.

Community Corrections	General Revenue
FY2018 Enacted	\$18,581,969
<i>Target and Other Adjustments</i>	
	16,762
Crossroads Contract Transfer	(1,050,000)
Justice Reinvestment Initiative	(266,735)
Community Corrections Population	Informational
FY2019 Governor	\$17,281,996

Crossroads Contract Transfer **(\$1.1 million)**

The Governor includes a decrease of \$1.1 million related to a transfer of funds from Community Corrections to the Institutional Rehabilitation program. These funds support a contract with Crossroads to provide discharge planning services for homeless sexual offenders residing in Harrington Hall on the Pastore Complex. This population has difficulties securing proper residences due to the nature of their crime. Crossroads places these offenders into a residential setting. Safe placement of offenders into the community decreases recidivism.

Justice Reinvestment Initiative **(\$266,735)**

The Governor includes a decrease of \$266,735 in general revenue related to the Justice Reinvestment Initiative in FY2019. The FY2018 Budget as Enacted included \$1.4 million to support the Justice Reinvestment Initiative: \$405,520 in personnel costs, \$93,000 to cover the technological costs associated with use of the recidivism risk assessment tool with probationers by community corrections staff; and \$900,000 to support cognitive behavioral therapy (CBT) contract services.

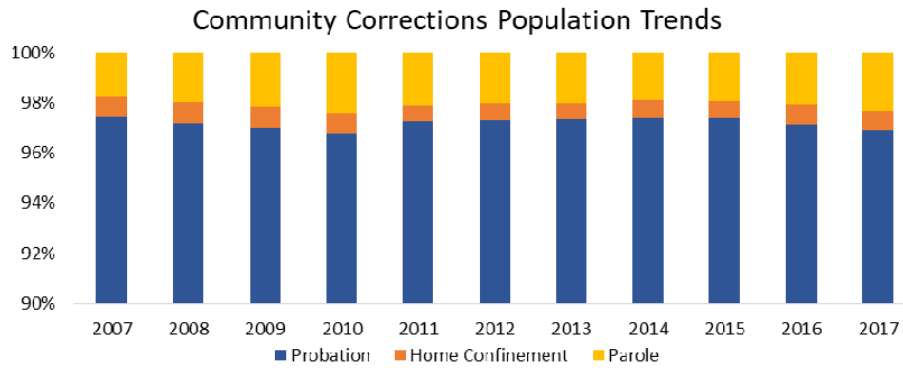
The FY2019 proposal includes \$531,785 in personnel costs, an increase of \$126,265 above the FY2018 Budget as Enacted, \$600,000 in cognitive behavioral therapy (CBT) contract services, \$300,000 less than enacted; and no funds for technological expenses, a decrease of \$93,000 from the enacted level.

The Department awarded the cognitive behavioral therapy (CBT) contract to Community Solutions in FY2018. Community Solutions will train staff in evidence-based programming that will be provided to about 800 probationers and paroles, who have a higher rate of recidivism. According to the Department \$600,000 is the annual cost of the CBT program.

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.

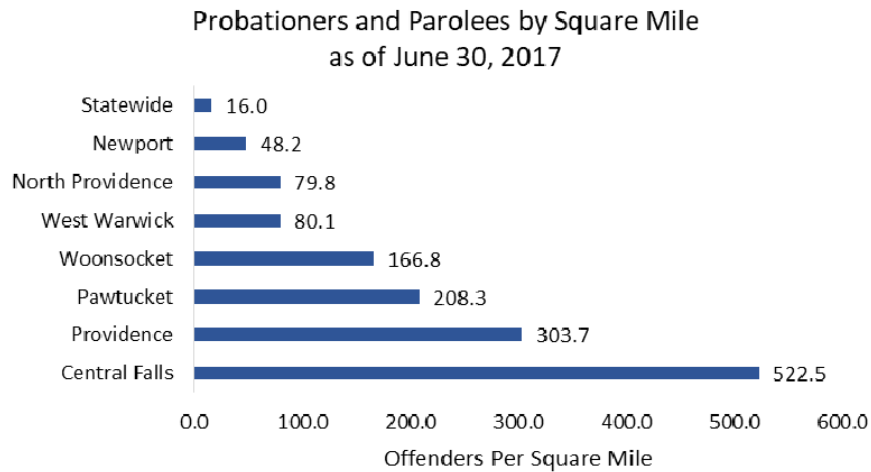
Community Corrections Population **Informational**

While representing only 7.4 percent of the Department's general revenue budget for FY2019, Community Corrections serves the largest number of individuals. In FY2017, the program served 23,081 cases, 1,218 less cases than FY2016. Based on Department of Corrections' statistics, 1 out of every 49 adult residents in the State is on probation or parole. This equates to 1 of every 28 men and 1 of every 152 women.



Source: DOC FY2017 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 16.0 probationers and parolees per square mile. This increases to as high as 522.5 probationers and parolees per square mile in the City of Central Falls.



Source: DOC FY2017 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, they were also previously housed in the Bernadette Guay facility however this facility was closed in FY2017.

Custody and Security	General Revenue
FY2018 Enacted	\$137,893,460
<i>Target and Other Adjustments</i>	<i>(678,014)</i>
Centralized Service Charges	8,958,659
Holiday Pay	284,664
Inmate Payroll	10,071
Correctional Officers	Informational
Inmate Population	Informational
FY2019 Governor	\$146,468,840

Centralized Service Charges**\$9.0 million**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and centralized in the Department of Administration. These accounts include accounts for information technology, capital asset management and maintenance, and human resources.

Centralized Service Charges	Amount
Information Technology	\$0
Capital Asset and Management	8,958,659
Human Resources	-
Total	\$8,958,659

Holiday Pay**\$284,664**

The FY2019 Budget includes an additional \$284,664 in general revenue for holiday pay due to statewide elections that will occur in November 2018 increasing the number of paid holidays from 10 to 11. The additional funding supports employees that are required to work on a holiday that falls on a weekday, typically 24 hour operations.

Inmate Payroll**\$10,071**

The Budget is increased by \$10,071 for inmate payroll expenditures over the FY2018 Budget as Enacted, which included \$1.1 million 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.

Correctional Officers**Informational**

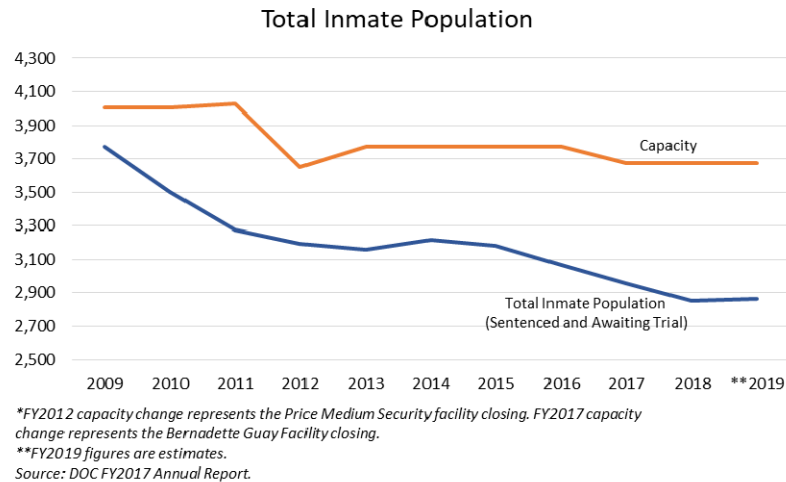
The Governor increases the Department's FTE cap by 16.0 to support the hiring of 70 correctional officer trainees from the Correctional Officer Academy training class that will graduate in June 2018. The Department will hold a training class in FY2018, which is expected to produce 70 new correctional officers (CO); as of November 2017 there were 54 vacancies, the Department experiences an attrition rate of about 2-3 new vacancies per month. The FY2018 training class allows the Department to address the attrition without mandating overtime. The costs of hiring the additional correctional officers would be offset by savings associated with a reduction in overtime. 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. No training class is anticipated to take place in FY2019 while the Department works to implement a new training test as required by the U.S. DOJ settlement.

Analyst Note: To achieve the net increase of 12.0 FTE positions the Department does not anticipate hiring the additional 16.0 Correctional Officer positions provided by the Governor.

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 2,853 for the FY2018 revised budget, a decrease of 206 inmates from the FY2018 enacted level of 3,059. For FY2019, the Governor assumes a population of 2,865, a decrease of 194 inmates from the FY2018 Budget as Enacted.



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.

Healthcare Services	General Revenue
FY2018 Enacted	\$23,800,253
<i>Target and Other Adjustments</i>	<i>(78,886)</i>
Medical Services Contracts	(464,209)
Pharmaceutical Expenses	209,442
Electronic Medical Records	209,000
Personnel	187,638
Lab Testing	42,950
FY2019 Governor	\$23,906,188

Medical Services Contracts **(\$464,209)**

A decrease in medical service contracts reduces general revenue by \$464,209 in the FY2019 Budget. The decrease reflects the overall decline in population and outpatient treatment, specifically a decrease in the number of inmates with costly levels of outside medical treatment. 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.

Pharmaceutical Expenses **\$209,442**

The Governor includes an increase of \$209,442 in general revenue related to pharmaceutical expenses. Although inmate population is decreasing, the cost of pharmaceuticals continues to increase. The increase in the FY2018 supplemental budget and the FY2019 budget reflects the purchasing of more expensive generic drugs, specifically Harvoni, which is used to treat Hepatitis C and has resulted in increased cure rates and shorter treatment times, but is more expensive costing about \$93,000 per patient. As more

expensive drugs continue to become the standard for care pharmaceutical costs will continue to rise, the Department also faces the challenge of not knowing what illness will be present for treatment as the inmate population changes.

Electronic Medical Records System

\$209,000

The Department requested a new Electronic Medical Records (EMR) system and updates to the current system in FY2017, however due to a delay most of the funds for this system were expended in FY2018. The FY2019 Budget includes an additional \$209,000 for system design contract services to maintain the system and software maintenance agreements. 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 previous system was antiquated and becoming too costly to maintain and upgrade.

Personnel

\$187,638

The Governor includes a general revenue increase of \$187,638 in personnel funding. This funding will help to support 8.0 new positions the Governor has included, 1.0 Clinical Social Worker at the Maximum Security Facility, where about 64.0 percent of inmates are diagnosed with mental illness, 10.8 percent being diagnosed as severe and persistently mentally ill, and 1.0 Clinical Social Worker at the Intake Service Center, where the population is considered most at risk for suicide, 2.0 CO Hospital nursing positions and 4.0 Health Unit Clerks to help relieve nursing positions from administrative duties. The increases associated with hiring the 8.0 new positions are offset by a turnover savings achieved by holding positions vacant for a portion of the year, the Department anticipates holding 6.0 CO Hospital nursing positions vacant until October 2018 and holding 2.0 Clinical Social Worker positions vacant until January 2019.

Lab Testing

\$42,950

The Budget includes \$230,300 in general revenue to support lab services provided by East Side Clinical Laboratory, an increase of \$42,950 from the FY2018 Enacted level. In FY2016 the Department awarded East Side Clinical Laboratory the contract to support necessary lab services. Prior to FY2016 the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) provided free lab services; however, according to the Department of Corrections, BHDDH 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.

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.

Institutional Based Rehab/Population Management	General Revenue
FY2018 Enacted	\$11,694,520
<i>Target and Other Adjustments</i>	422,659
Crossroads Transfer Contract	1,050,000
Personnel	230,578
Discharge Planning Contract	135,000
Substance Abuse Treatment	127,384
FY2019 Governor	\$13,660,141

Crossroads Contract Transfer ***(\$1.1 million)***

The Governor includes an increase of \$1.1 million related to a transfer of funds from Community Corrections to the Institutional Rehabilitation program, placing it under the oversight of all other inmate discharge planning services. These funds support a contract with Crossroads to provide discharge planning services for homeless sexual offenders residing in Harrington Hall on the Pastore Complex. This population has difficulties securing proper residences due to the nature of their crime. Crossroads places these offenders into a residential setting. Safe placement of offenders into the community decreases recidivism.

Personnel ***\$230,578***

The Budget includes an increase of \$230,578 related to personnel salaries and overtime. The increase is related to step increases for State employees based on years of service and the Department's payroll projections for salary expenses which are greater than the FY2018 Enacted Budget due to less attrition occurring than anticipated.

Discharge Planning Contract ***\$135,000***

The Governor includes a general revenue increase of \$135,000 in the FY2019 budget to support an increase in wages for staff employed by vendors providing discharge planning services. The Department is currently out to rebid for discharge planning services based on a request for proposal (RFP) written in conjunction with the Harvard Kennedy School of Government. Current providers are unable to retain staff due to low hourly rates paid by the vendors; consequently the new RFP requires vendors to pay the prevailing wage, which will help retain staff and improve services. Vendors are charged with helping soon-to-be discharged inmates and post-discharge inmates with residence, employment, and entitlement programs to help the inmate adapt to life outside prison and reduce recidivism. Vendors are expected to identify offender's needs, assist the offender in developing a plan to address those needs, and refer the offender to community based services.

Substance Abuse Treatment ***\$127,384***

The Budget includes an additional \$127,384 in general revenue for substance abuse treatment services. The Department estimates that about 70 – 90 percent of the inmate population has a history of substance abuse. Keeping with the national and state shift from a treatment model of care to a recovery-oriented system of care the Department has begun to treat inmates with substance abuse issues while they are incarcerated. This increase also includes an additional 1.0 FTE, Senior Public Health Promotion Specialist, which is focused on substance abuse counseling. This position will be transferred from the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH).

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.

Institutional Support	General Revenue
FY2018 Enacted	\$14,915,103
<i>Target and Other Adjustments</i>	<i>(224,514)</i>
Building Maintenance Cost Transfer	<i>(241,323)</i>
FY2019 Governor	\$14,449,266

Building Maintenance Cost Transfer ***(\$241,323)***

The Governor includes a transfer of \$241,323 from general revenue to Rhode Island Capital Plan (RICAP) Funds. The RICAP funds will be used for asset protection as well as repair and rehabilitation projects of the inmate housing facilities.

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.

Parole Board	General Revenue
FY2018 Enacted	\$1,420,791
<i>Target and Other Adjustments</i>	<i>(39,461)</i>
Turnover	<i>(63,204)</i>
Contracted Services	<i>(40,177)</i>
FY2019 Governor	\$1,277,949

Turnover ***(\$63,204)***

The Governor includes a general revenue savings of \$63,204 related to personnel turnover. The parole board includes 10.0 FTE positions. To achieve the savings 2.0 positions, Chief of Program Development and Information Aide, will be held vacant for a portion of the year. The Department anticipates these positions starting by January 2019.

Labor Relations Services ***(\$40,177)***

The Governor includes a general revenue decrease of \$40,177 in Contracted Services, including a decrease in Medical Contracts (\$10,000), Information Technology Services (\$17,409) and Labor Relations Services (\$12,750). These decreases are based on actual spending from FY2017.

CAPITAL PROJECTS

The Budget includes a total of \$52.3 million in capital projects from FY2019 through FY2023, including \$11.8 million in FY2019. In FY2018 the Budget included \$16.6 million in RICAP funds, these funds

supported the installation of security cameras and security system upgrades in Maximum Security, as well as the beginning of renovations to the Dix Facility, which previously housed inmates, into an administration building for staff.

Major items in FY2019 include:

- \$5.0 million in Medium Security Facility infrastructure improvements to accommodate the increase in the inmate population housed in this facility. The Medium Moran Facility was designed to handle about 650 inmates and currently houses approximately 1,100. Improvements include expansion of living areas, roof replacement, and installation of a new HVAC system.
- \$3.0 million in asset protection projects at correctional facilities including repairs to the Maximum Security cupola to meet preservation historical society guidelines, security camera installation, security system upgrades, and emergency generator installation.
- \$1.5 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	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Supreme Court	\$39.9	\$43.3	\$43.5	\$0.2	0.5%	\$41.9	(\$1.4)	-3.3%
Superior Court	23.3	23.8	23.7	(0.1)	-0.5%	24.0	0.2	0.8%
Family Court	23.3	23.6	23.4	(0.2)	-0.7%	23.5	(0.1)	-0.5%
District Court	12.7	13.5	13.3	(0.2)	-1.5%	13.5	(0.0)	-0.3%
Traffic Tribunal	8.9	9.5	8.9	(0.6)	-6.1%	9.6	0.1	1.1%
Worker's Compensation Court	7.6	8.1	8.1	(0.0)	-0.2%	8.3	0.2	2.4%
Judicial Tenure & Discipline	0.4	0.1	0.1	0.0	0.7%	0.1	0.0	0.9%
Total	\$116.4	\$122.0	\$121.2	(\$0.8)	-0.7%	\$120.9	(\$1.1)	-0.9%

Expenditures By Source								
	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
General Revenue	\$97.0	\$99.0	\$98.8	(\$0.1)	-0.1%	\$100.2	\$1.2	1.2%
Federal Funds	3.4	3.4	3.2	(0.3)	-7.5%	2.8	(0.6)	-18.3%
Restricted Receipts	12.3	12.5	11.9	(0.6)	-4.8%	12.1	(0.4)	-3.5%
Operating Transfers from Other Funds	3.6	7.1	7.3	0.2	2.2%	5.8	(1.3)	-17.8%
Total	\$116.4	\$122.0	\$121.2	(\$0.8)	-0.7%	\$120.9	(\$1.1)	-0.9%

Authorized FTE Levels 723.3 723.3 723.3 - - 723.3 - -

\$ 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.

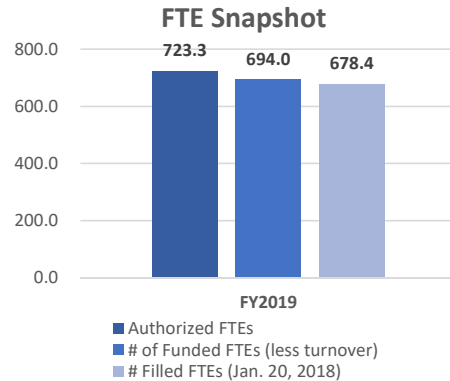
MAJOR ISSUES AND TRENDS FOR FY2019

The Governor includes \$100.2 million in general revenue funding. This is \$1.2 million (1.2 percent) more than the FY2018 Enacted Budget. The Judiciary requested a general revenue increase of \$5.2 million relative to the FY2018 Budget as Enacted, including \$5.3 million for salaries and benefits. The request does not include any turnover savings; consequently, the \$5.3 million increase includes \$1.8 million in restored turnover, \$1.8 million for regular wages and longevity, \$1.2 million for other benefits (\$208,257 beyond the statewide adjustment for retirement), and \$415,273 for medical benefits (\$52,533 beyond the statewide adjustment). Included in this requested increase is \$995,763 for 5.0 vacant FTE positions that were not included in the Governor's recommendation.

Vacant Unfunded Positions Requested by Judiciary		
Court	Position	Cost
Family Court	Associate Justice	\$224,938
	Associate Justice	224,938
Superior Court	Associate Justice	224,938
	Court Reporter	99,505
	Magistrate	221,444
Total		\$995,763

Source: Judiciary

The Governor’s recommendation includes a general revenue increase of \$1.2 million relative to the FY2018 Budget as Enacted, including an increase of \$890,125 for salaries and benefits or \$4.4 million less than requested. The Governor’s Budget includes an increase in turnover savings of \$1.7 million (\$3.5 million total general revenue), partially offset by an increase of \$1.9 million for wages and longevity. The difference between the request and Governor’s recommendation is primarily the turnover savings. According to Judiciary, the Department reached out to work with the Governor to establish a reasonable and achievable turnover savings amount; however, the Judiciary never heard from the Budget Office.



The Budget provides 723.3 FTE positions in FY018 and FY2019, consistent with the FY2018 Budget as Enacted and the Judiciary’s request.

The Judiciary is developing a new Case Management and 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, the conversion of juvenile cases and the jury system, will be completed in FY2018 and funded with restricted receipts and Information Technology Investment Funds. In FY2019, the Judiciary is exploring the concept of developing an online payment plan portal and the Budget includes \$400,000 as a placeholder for this project.

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.

Supreme Court	General Revenue
FY2018 Enacted	\$32,109,468
<hr/>	
<i>Target and Other Adjustments</i>	<i>110,028</i>
Defense of Indigent Persons	157,813
Court Offsets	120,610
Centralized Service Charges	95,806
FY2019 Governor	\$32,593,725

***Defense of Indigent Persons* \$157,813**

The Budget includes an increase of \$157,813 (\$4.0 million total general revenue) for the Defense of Indigent Persons. This program was established pursuant to an executive order issued by Chief Justice Suttell in 2013. The program is designed to provide private attorneys to indigent persons after the filing of written certification by the Office of the Public Defender verifying the person’s inability to pay for counsel and the existence of a conflict of interest on the part of that office in accepting the individual as a client.

Court Offsets**\$120,610**

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 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. The Budget provides an increase of \$120,610 (9.3 percent) over the FY2018 Budget, for a total offset of \$1.3 million. Article 1 caps the total amount the Judiciary may charge five state agencies for public courthouse occupancy costs at \$1.2 million total.

Agency	Court Cost Offsets			
	FY2018	FY2019	Change from FY2018	
Attorney General	\$159,294	\$165,404	\$6,110	3.7%
Children, Youth & Families	48,123	49,884	1,761	3.5%
Corrections	112,237	125,053	12,816	10.2%
Public Defender	109,419	135,910	26,491	19.5%
Public Safety	754,132	827,564	73,432	8.9%
Total	\$1,183,205	\$1,303,815	\$120,610	9.3%

Analyst Note: OMB has indicated that an amendment will be submitted to allow for the cost offset included in the Governor's Budget.

Centralized Service Charges**\$95,806**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$95,806
Capital Asset and Management	-
Human Resources	-
Total	\$95,806

SUPERIOR COURT

The Superior Court has jurisdiction for all felony cases, misdemeanor cases that have been appealed or waived from the District Court, 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.

Superior Court	General Revenue
FY2018 Enacted	\$23,379,864
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<i>Target and Other Adjustments</i>	<i>172,387</i>
FY2019 Governor	\$23,552,251

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, and 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.

Family Court	General Revenue
FY2018 Enacted	\$20,695,682
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<i>Target and Other Adjustments</i>	<i>201,884</i>
FY2019 Governor	\$20,897,566

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.

District Court	General Revenue
FY2018 Enacted	\$13,165,035
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<i>Target and Other Adjustments</i>	<i>111,562</i>
RI Veterans Treatment Court	144,390
FY2019 Governor	\$13,420,987

RI Veterans Treatment Court

\$144,390

The first Veterans Court in New England opened its doors in April 2011 as a pilot program funded through a SAMHSA (Federal Department of Substance Abuse and Mental Health Services Administration) grant.

The initiative was designed to direct veterans, diagnosed with trauma related disorders, into a court program which integrates support and treatment plans with the judicial process. It is intended to divert the offenders away from incarceration while providing appropriate rehabilitative alternatives. The Budget includes \$144,390 in general revenue support to offset a reduction in federal funding as the grant ends.

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.

Traffic Tribunal	General Revenue
FY2018 Enacted	\$9,468,420
<i>Target and Other Adjustments</i>	<i>102,739</i>
FY2019 Governor	\$9,571,159

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).

Worker's Compensation Court	Restricted Receipts
FY2018 Enacted	\$8,118,883
<i>Target and Other Adjustments</i>	<i>73,435</i>
Replacement of Turnover Savings	117,636
FY2019 Governor	\$8,309,954

Replacement of Turnover Savings **\$117,636**

The Budget includes an increase of \$117,636 in restricted receipts to replace turnover savings included in the FY2018 Budget as Enacted. The Department's request did not include any turnover savings in FY2019. The Governor's budget includes general revenue turnover; however, it does not include the turnover savings from restricted receipts.

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.

Judicial Tenure & Discipline	General Revenue
FY2018 Enacted	\$146,008
<i>Target and Other Adjustments</i>	<i>1,378</i>
FY2019 Governor	\$147,386

CAPITAL PROJECTS

The Budget includes \$7.3 million in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2018 and \$5.8 million in FY2019.

- The Budget includes \$4.0 million in FY2018 and \$2.3 million in FY2019 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 three phases. The first phase will build out the shelled courtroom spaces. The second phase is to build out the administrative spaces that support the new courtrooms. The third phase is to fix structural damage to the current parking garage and to create a new parking lot on a separate part of the campus for employees. Noel is centrally located in Warwick and serves populations in both Washington and Providence counties.
- The Budget includes \$900,000 in FY2018 and \$1.0 million in FY2019 for ongoing projects to replace, clean, and restore HVAC systems in judicial buildings and ongoing asset protection projects.
- The Budget includes \$1.0 million in FY2018 and \$950,000 in FY2019 for asset protection projects throughout the court system. Projects include security upgrades, courtroom restorations, restroom renovations, interior renovations to public spaces, elevator upgrades, and miscellaneous interior courthouse refurbishments.
- The Budget includes \$825,956 in FY2018 and \$750,000 in FY2019 for restorations to the Licht Judicial Complex. Funds will be used to renovate courtrooms. This includes repairing or replacing all of the furniture, plastering and painting, upgrading lighting, and refinishing floors.
- The Budget includes \$500,000 in FY2018 and \$800,000 in FY2019 for the Licht Complex Window/Exterior Restoration. This includes the replacement and repair of all windows and refurbishing/upgrading the courthouse exterior.

Military Staff

Expenditures By Program	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
RI National Guard	\$16.3	\$38.2	\$38.4	\$0.2	0.6%	\$27.7	(\$10.5)	-27.4%
Total	\$16.3	\$38.2	\$38.4	\$0.2	0.6%	\$27.7	(\$10.5)	-27.4%
Expenditures By Source								
General Revenue	\$2.6	\$2.6	\$3.9	\$1.3	48.6%	\$3.7	\$1.0	39.5%
Federal Funds	13.2	27.7	26.3	(1.4)	-5.2%	18.5	(9.3)	-33.4%
Restricted Receipts	0.1	0.1	0.1	-	-	0.1	-	-
Operating Transfers from Other Funds	0.5	7.7	8.1	0.4	5.1%	5.4	(2.3)	-29.8%
Grand Total	\$16.3	\$38.2	\$38.4	\$0.2	0.6%	\$27.7	(\$10.5)	-27.5%
Authorized FTE Levels	92.0	92.0	92.0	-	-	92.0	-	-

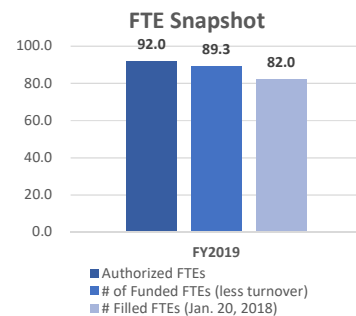
\$ in millions. Totals may vary due to rounding.

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 AND FY2019

The Governor recommends \$38.4 million in FY2018, of which \$3.9 million is general revenue. This reflects an all fund increase of \$218,391 million from the FY2018 Budget as Enacted. This includes decreases of \$1.4 million in federal funds, and increases of \$1.3 million in general revenue, and \$390,027 in other funds.

The Governor includes \$27.7 million in FY2019, of which \$3.7 million is general revenue. This reflects an all funds decrease of \$10.5 million from the FY2018 Budget as Enacted. This includes a decrease of \$9.3 million in federal funds and \$2.3 million in other funds, offset by an increase of \$1.0 million in general revenue. The decrease in federal and Rhode Island Capital Plan other funds reflects a reduction in funding as construction nears completion for the new joint force headquarters at Camp Fogarty and for the renovation project for the Armory of Mounted Commands. The Budget provides 92.0 FTE positions in FY2018 and in FY2019, consistent with the enacted budget. Approximately 86.1 percent of these authorized FTE positions is supported by federal funds.



NATIONAL GUARD

The National Guard program is composed of reserve units of the United States Army and Air Force, the Rhode Island National Guard (RING), and the State Historic Militia. The Guard is authorized to have in excess of 3,300 members (2,178 Army National Guard and 1,136 Air National Guard). The Guard has numerous facilities throughout the state, including 14 armories, 3 air bases, 2 training sites, and 10 maintenance and support buildings, housing equipment valued at \$500.0 million. The Guard is largely financed through federal funds, including drill and training pay for Army and Air Guard personnel, supplies, equipment, facility maintenance, and capital projects. State funds are provided as a match on some projects and primarily pay employee salary and benefit costs, training, travel, and maintenance.

RI National Guard	General Revenue
FY2018 Enacted	\$2,634,057
<i>Target and Other Adjustments</i>	<i>20,354</i>
Centralized Service Charges	825,121
Quonset Fire Protection	198,933
Contract Service Adjustments	(35,002)
Operating Expenses	30,737
FY2019 Governor	\$3,674,200

Centralized Service Charges **\$825,121**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear. In addition, there is a corresponding increase of \$115,905 in federal funds for these charges.

Centralized Service Charges	Amount
Information Technology	\$35,470
Capital Asset and Management	777,314
Human Resources	12,337
Total	\$825,121

Quonset Fire Protection **\$198,933**

The Budget increases general revenue funded personnel costs by \$198,933. 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.

The federal government will no longer fund the injured-on-duty (IOD) costs for firefighters. There are 30.0 FTE positions assigned to the program. Presently, the Air National Guard has 6.0 firefighters on IOD status. Therefore, the State is required to fully fund the IOD costs from general revenue. Firefighter staffing levels must remain the same as per the federal agreement, so federal turnover cannot be utilized to supplant the State share.

Contract Services **(\$35,002)**

The Budget includes \$103,332 in general revenue (\$6.4 million in all funds) in FY2019 for operating expenses, reflecting a net decrease of \$35,002 from the FY2018 Budget as Enacted. The largest adjustment is the decrease of \$22,138 in general revenue for other buildings and grounds costs.

Contract Services	FY2018 Enacted	FY2019 Governor	Change
Accounting/Auditing	\$9,204	\$10,998	\$1,794
Doctors/Dentists	1,452	337	(1,115)
Environmental Services	393	181	(212)
Extermination Services	2,270	1,965	(305)
Fire Protection Services	12,699	12,838	139
Groundskeeping/Lawns	5,544	5,544	-
Janitorial Services	82,038	68,873	(13,165)
Other Building and Grounds	24,734	2,596	(22,138)
Grand Total	\$138,334	\$103,332	(\$35,002)

Operating Expenses**\$30,737**

The Budget includes \$1.1 million in general revenue (\$6.4 million in all funds) in FY2019 for operating expenses, reflecting a net increase of \$30,737 from the FY2018 Budget as Enacted. The largest adjustment is the increase of \$83,502 in general revenue for central utilities fund (CUF overhead).

Operating Expenses	FY2018 Enacted	FY2019 Governor	Change
Central Utilities Fund (CUF) Overhead	\$91,342	\$174,844	\$83,502
Electricity	234,113	172,116	(61,997)
Fuel: Natural Gas	66,438	124,762	58,324
Building Maintenance and Repairs	161,096	128,235	(32,861)
All Other Adjustments	485,951	469,720	(16,231)
Total	\$1,038,940	\$1,069,677	\$30,737

CAPITAL PROJECTS

The Budget includes \$21.2 million (\$13.1 million federal funds and \$8.1 million RICAP) in capital projects for FY2018 and \$8.8 million in FY2019 (\$3.4 million federal funds and \$5.4 million RICAP), including:

- \$18.5 million in FY2018 (\$6.0 million RICAP) and \$7.4 million in FY2019 (\$4.7 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 underway.
- \$3.8 million in FY2018 (\$1.0 million RICAP) and \$2.8 million in FY2019 (\$700,000 RICAP) for various asset protection projects.
- \$987,275 in FY2018 in RICAP to complete the Armory of Mounted Commands Rehabilitation project which includes the roof and HVAC replacement project.
- \$125,000 in RICAP funds in FY2018 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 \$7.7 million in FY2018, \$11.0 million in FY2019, and out-year funding totals \$53.3 million through to FY2023. These are for several federal capital projects at the Quonset Air National Guard facilities that are not State projects and the federal funding is not appropriated to the State.

Rhode Island Emergency Management Agency

Expenditures By Program	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$15.7	\$18.5	\$19.2	\$0.7	3.7%	\$20.4	\$1.9	10.3%
Expenditures By Source								
General Revenue	\$1.8	\$1.7	\$1.9	\$0.2	12.8%	\$2.1	\$0.4	23.5%
Federal Funds	12.2	14.8	15.1	0.3	2.2%	16.3	1.5	10.1%
Restricted Receipts	0.2	0.5	0.4	(0.1)	-12.0%	0.5	0.0	0.0%
Operating Transfers from Other Funds	1.5	1.5	1.7	0.2	13.3%	1.5	-	-
Total	\$15.7	\$18.5	\$19.2	\$0.7	3.7%	\$20.4	\$1.9	10.3%
Authorized FTE Levels	29.0	32.0	32.0	-	-	32.0	-	-

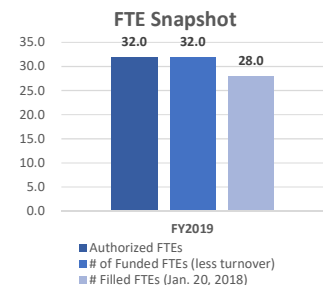
\$ in millions. Totals may vary due to rounding.

The Rhode Island Emergency Management Agency (RIEMA) became a stand-alone agency in FY2015, and is the coordinating agency for multi-jurisdiction and multi-agency response in the state for all emergencies including natural and technological hazards such as fires, floods, tornadoes, hurricanes, winter storms, chemical releases, weapons of mass destruction, and terrorism incidents. RIEMA is the official coordinating agency of the State for the federal Department of Homeland Security and the federal Emergency Management Agency in times of state, national, multi-jurisdiction, and multi-agency emergencies and disasters. RIEMA operates and maintains the State Emergency Operations Center, as well as the statewide 800 MHz radio system and network. RIEMA became nationally accredited in October 2016, via the Emergency Management Accreditation Program (EMAP).

MAJOR ISSUES AND TRENDS FOR FY2018 AND FY2019

The Governor includes \$19.2 million in FY2018, of which \$1.9 million is general revenue. The general revenue amount increases \$182,792. Federal funds comprising 78.9 percent of the Agency's budget in FY2018, increase \$356,800, restricted receipts decrease \$1,013, and other funds increase by \$189,750.

The Governor includes \$20.4 million in FY2019, of which \$2.1 million is general revenue. Federal funds comprising 80.0 percent of the Agency's budget in FY2019, increase by \$1.5 million, restricted receipts increase by \$890, and other funds remain the same as the enacted budget at \$1.5 million. The Budget includes 32.0 FTE positions in FY2018 and FY2019.



Central Management	General Revenue
FY2018 Enacted	\$1,734,470
Target and Other Adjustments	(1,227)
Centralized Service Charges	185,757
Personnel	104,808
RISCON Maintenance Contracts	85,083
FY2019 Governor	\$2,108,891
	Other Fund Changes
Disaster and Emergency Preparedness Grants	(\$2,099,554)
Capital Purchases and Equipment	1,935,000
Personnel, Contract Services, and Operating	1,724,778

Personnel**\$104,808**

The Governor includes \$602,947 in general revenue reflecting an increase of \$104,808 from the FY2018 Budget as Enacted. The increased funding restores the Agency's budget to the current service level. In addition, the Agency recently developed new job descriptions to meet 21st century requirements of an emergency management agency. This allowed the Agency to begin filling several vacant positions which lead to increased personnel costs.

Centralized Service Charges**\$185,757**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$141,982
Capital Asset and Management	-
Human Resources	43,775
Total	\$185,757

RISCON Maintenance Contracts**\$85,083**

The Governor includes \$1.2 million in general revenue to operate and maintain the 800MHz Rhode Island Statewide Communications System Network (RISCON). RISCON provides an emergency radio system connecting all 39 communities and state agencies. The State negotiated and signed a contract with the vendor (Motorola) on July 1, 2013, that includes an escalator for the contract price. The contract price for FY2019 is \$1,218,426, an increase of \$85,083 as compared to the appropriation contained in the FY2018 Budget as Enacted.

Disaster and Emergency Preparedness Grants (federal funds)**(\$2.1 million)**

The Budget includes \$6.9 million in federal funds for various federal grants and reimbursements received for storm and natural disaster events. This appropriation is \$2.1 million less than the appropriation in the FY2018 Budget as Enacted. These funds also reimburse preparedness efforts for terrorist threats, active shooters, hazardous material containment, and other emergency events. The preparedness efforts are intended to improve and enhance the State's ability to prevent, deter, respond to, and recover from threats and incidents. The Budget includes a net decrease of \$2.1 million in federal funds for FY2019. Federal grant funds vary from year to year depending upon the number and severity of natural disasters and the availability of federal funds for non-disaster grants. The following table highlights the more significant changes in FY2019.

RIEMA Federal Grants	FY2018 Enacted	FY2019 Governor	Change
Homeland Security Grant Program 2017	\$0	\$2,252,000	\$2,252,000
FEMA Flood Reimbursement - Federal Match	2,300,000	575,000	(1,725,000)
Emergency Management Preparedness Grant 2016	869,400	108,500	(760,900)
All Other Grants	5,791,590	3,925,936	(1,865,654)
Total	\$8,960,990	\$6,861,436	(\$2,099,554)

Capital Purchases and Equipment (federal funds)**\$1.9 million**

The Governor includes \$2.5 million in federal funds for capital purchases and equipment reflecting an increase of \$1.9 million from the FY2018 Budget as Enacted. The Governor adds \$1.0 million to purchase furniture and equipment for the proposed new headquarters facility at Colorado Avenue in the

City of Warwick. The Budget also adds \$425,000 from a new Port Security Grant received in 2017 to purchase computer equipment.

Personnel, Contract Services, and Operating Changes (federal funds) \$1.7 million

The Budget includes \$7.0 million in federal funds for personnel, contract services, and operating costs, reflecting an increase of \$1.7 million in federal funds from the FY2018 Budget as Enacted. The Budget provides more resources for operations of which the largest component of \$1.0 million is pass-through payments to other agencies such as the State Police Fusion Center.

CAPITAL PROJECTS

The Budget includes RICAP funding for two capital projects. The projects include:

- \$1.5 million each year from FY2018 to FY2021 in RICAP funds to support the Rhode Island Statewide Communications System Network (RISCON). The project enhances and further develops RISCON, the main communications platform used by all public safety agencies in the State for the daily operations.
- \$189,750 in FY2018 in RICAP funds to conduct a RIEMA building feasibility study to evaluate the agency's spatial needs and explore building options to relocate the headquarters and emergency operations center from its present location at 645 New London Avenue in Cranston. The feasibility study did not consider reusing the current headquarter facilities.

Department of Public Safety

Expenditures By Program	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$7.6	\$11.9	\$7.7	(\$4.2)	-35.4%	\$7.9	(\$4.0)	-33.8%
E-911	5.2	5.9	5.4	(0.4)	-7.5%	5.9	0.0	0.1%
Fire Marshal	5.9	4.2	4.6	0.3	7.7%	-	-4.2	-100.0%
Municipal Police Training	0.5	0.5	0.7	0.2	46.4%	0.6	0.1	23.0%
Security Services	23.0	23.9	23.9	0.0	0.0%	24.5	0.5	2.2%
State Police	93.4	74.5	78.8	4.3	5.8%	84.2	9.7	13.0%
Total	\$135.6	\$121.0	\$121.2	\$0.2	0.2%	\$123.1	\$2.1	1.7%

Expenditures By Source								
General Revenue	\$100.5	\$100.3	\$100.9	\$0.6	0.6%	\$101.6	\$1.3	1.3%
Federal Funds	28.1	14.9	13.4	(1.5)	-10.0%	15.6	0.7	4.9%
Restricted Receipts	0.3	0.4	0.9	0.5	118.4%	0.8	0.4	93.7%
Other Funds	0.2	0.2	0.1	(0.0)	-0.2%	0.1	(0.0)	-0.1%
Total	\$135.6	\$121.0	\$121.2	\$0.2	0.2%	\$123.1	\$2.1	1.7%

Authorized FTE Levels 610.2 611.6 611.6 0.0 0.0% 599.6 (12.0) -2.0%

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

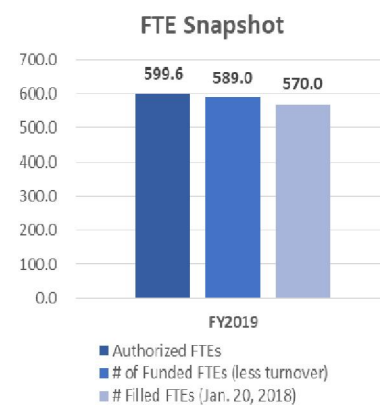
The Department of Public Safety (DPS) is the principal agency of the Executive branch charged with law enforcement functions. It includes six program areas, including, the State Police, Central Management, E-911, Fire Marshal, Municipal Police Training Academy, and Security Services. The Department was created in the FY2009 Budget, and is headed by the Superintendent of the State Police. 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 FY2019

The Governor appropriates \$123.1 million to fund public safety initiatives and operations of Department of Public Safety. Over 80.0 percent of this, or \$101.0 million, comes from general revenue, a 1.3 percent increase (\$1.3 million) over FY2018 enacted levels. The Google Forfeiture Funds have a balance of \$248,573 (original State Police amount from the 2011 settlement was \$45.0 million) after appropriations of \$1.8 million and \$4.6 million in FY2018 and FY2019, respectively. The Governor includes 611.6 FTE positions in FY2018 and 599.6 in FY2019.

The Governor reorganizes portions of three State agencies for the stated purpose of providing a single point of contact for building officials seeking state authorization related to their profession or projects. This involves moving the State Fire Marshal from under the DPS to a new consolidated Division within the Department of Business Regulation. The programs to be consolidated along with Fire Marshal are the Boards of Design Professionals at the Department of Business Regulation and the Construction Permitting, Approvals, and Licensing (CPAL) program at the Department of Administration. Article 7 of the Budget authorizes Rhode Island Municipal Police Training Academy to charge tuition to incoming recruits to fund the costs associate with the school. Since its establishment in 1969 the Academy has primarily been funded by general revenues.

Article 3 of the Budget makes changes to the State's Injured on Duty (IOD) benefits by requiring an individual receiving benefits to apply for an accidental disability pension benefit within 60 days after a



treating physician or independent medical examiner certifies that the patient has reached maximum medical improvement or permanent disability from an injury. This initiative is proposed as a strategy to reduce IOD costs principally in the Sheriffs Division. The Governor assumes \$331,986 in savings from the reform.

The Budget also includes \$2.4 million in personnel spending associated with the next State Police Training Academy. A class of 30 recruits is scheduled for June 2018 and is expected to graduate in November 2018. The training facility is currently being upgraded in advance of the class, with improvements being made to the gym, firing range, and obstacle courses. The Capital Budget includes \$527,268 in RICAP funds in FY2018 for this work.

The Governor also provides for additional staffing at E-911 to meet the needs of implementing the Next Generation 911 system which will be going live in FY2019. Total revenue from surcharges in FY2019 is estimated to be \$16.2 million, with a net \$9.0 million going into the general fund.

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.

Central Management	General Revenue
FY2018 Enacted	\$1,015,489
<i>Target and Other Adjustments</i>	<i>1,007</i>
Personnel	172,529
FY2019 Governor	\$1,189,025
Personnel	\$172,529

The Budget provides \$1.2 million in general revenue for salaries and benefits within The Central Management Division, a net increase of \$172,529. The increase in staffing costs is associated primarily with the addition of new (1.0) Public Information Officer that the Department hired at the end of FY2017. The FY2018 Budget as Enacted did not include funding for the position, however the Governor has included \$143,276 in both FY2018 revised and FY2019.

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.

E-911	General Revenue
FY2018 Enacted	\$5,894,522
<i>Target and Other Adjustments</i>	<i>(148,673)</i>
Personnel	153,881
Next Generation 911	Informational
Surcharge Revenues	Informational
FY2019 Governor	\$5,899,730

Personnel**\$153,881**

The Budget includes \$153,881 in general revenue to support the personnel costs associated with 2.0 new Telecommunicator FTE positions. The new telecommunicators are being requested to augment to the capacity of the Division to implement the Next Generation 911 system (supporting text messaging). The FY2018 Budget as Enacted authorized 33.0 telecommunicator positions, and according to the DPS, the Division just filled five vacancies and are continuing to recruit. It takes approximately 6 months for a new telecommunicator to become fully-trained.

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. In 2017, the vendor INdigital completed construction of a new a new T1 network capable of handling and transferring Text-to-911 messages to the State's E-911 infrastructure. INdigital has also completed its work with the five (national) wireless carriers to test the system and ensure that INdigital can receive incoming 911 text messages from the wireless carriers' subscribers. The Department is now in the process of hiring additional telecommunicator positions who, once on board, will need to be trained in the processing of Text-to-911 calls. This process is estimated to take six months. The Department estimates that the go-live date will be December 2018; it was estimated to July 2017 at this time last year.

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 (on wireless, wireline, and pre-paid accounts) 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.

Fiscal Year	E-911 Revenues vs. Expenditures			Net to General Fund
	E-911 Revenue	E-911 Expenditures	Deposit to ITIF	
2010	\$17,898,223	\$4,635,901	\$0	\$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	17,454,670	5,444,296	-	12,010,374
2015	17,640,703	5,320,615	-	12,320,088
2016	16,649,747	5,152,654	1,426,334	10,070,759
2017	16,845,536	5,212,708	1,364,968	10,267,860
2018*	16,388,000	5,449,970	1,327,070	9,610,960
2019*	16,249,600	5,899,730	1,315,870	9,034,000

*FY2018 and FY2019 revenue estimates are provided by the Budget Office; expenditures reflect the FY2018 Revised and FY2019 Governor's budgets. The general revenue reduction in FY2016, FY2017, FY2018, and FY2019 reflects the transfer to the Information Technology Investment Fund (ITIF) of 10.0 percent (\$1.5 million) of the surcharge revenue from E-911 wireless, wireline, and pre-paid accounts.

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.

Fire Marshal	General Revenue
FY2018 Enacted	\$3,669,361
<i>Target and Other Adjustments</i>	
Fire Marshal Transfer	(3,669,361)
FY2019 Governor	\$0

Fire Marshal Transfer

\$3.7 million

Article 3 of the Budget reorganizes portions of three State agencies for the stated purpose of providing a single point of contact for building officials seeking state authorization related to their profession or projects. The programs to be consolidated include the Boards of Design Professionals at the Department of Business Regulation; the Construction Permitting, Approvals, and Licensing (CPAL) program at the Department of Administration; and the State Fire Marshal's Office at the Department of Public Safety.

FTE Transfers	
Program	FTEs
Boards of Design Professionals	3.0
CPAL Transfer	23.0
Fire Marshal Transfer	36.0
Total	62.0

As part of this reorganization the Budget shifts \$4.2 million from all funds, including \$3.7 million in general revenue from DPS to the DBR, along with 36.0 FTE positions.

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.

Municipal Police Training	General Revenue
FY2018 Enacted	\$269,414
<i>Target and Other Adjustments</i>	
Tuition and Fees	(16,390)
	(253,024)
FY2019 Governor	\$0
Municipal Police Training	
	Other Funds
Tuition and Fees	\$253,024

Tuition and Fees**(\$253,024)**

The Governor includes \$253,024 in general revenue savings in FY2019 by having Rhode Island Municipal Police Training costs funded by tuition and fees. Restricted receipts are increased by the same amount.

Article 7 authorizes the Rhode Island Municipal Police Training Academy to charge tuition to incoming recruits to fund the costs associate with the school. These funds would be deposited into a restricted receipt account. Since its establishment in 1969 the Academy has primarily been funded by general revenues. Over the last three fiscal years, the General Assembly has appropriated an average of \$262,000 in general revenue per year.

The Academy trains and certifies municipal law enforcement officers for all municipalities, except for the City of Providence. It runs two to three classes and 80 to 100 professional development workshops annually. 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.

The Academy also collects \$4,000 per recruit in user fees for the training of campus police officers for Brown University. These funds, approximately \$20,000 annually, are currently deposited as General Revenues.

Recruits must have conditional offers of employment from municipal police departments to enter the Academy. To receive conditional offers of employment from local police departments, recruits must pass a swim test, fitness assessment, medical evaluation, psychiatric evaluation, written exam, criminal background investigation, and an oral interview.

Article 7 authorizes the Municipal Police Training Academy to conduct a statewide physical training test and to charge a fee, to be established by rules and regulations and to be deposited into the new restricted receipt account.

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.

Security Services	General Revenue
FY2018 Enacted	\$23,937,443
<i>Target and Other Adjustments</i>	<i>725,890</i>
Injured on Duty Reform	(331,986)
Screeners	144,512
FY2019 Governor	\$24,475,859

Injured on Duty Reform**(\$331,986)**

The Governor includes \$331,986 in savings within the Sheriffs Division related to proposed changes to the State's Injured on Duty (IOD) benefits program

Under current law sheriffs can receive Injured on Duty benefits should they become injured while performing the duties of their job or while performing emergency service off duty. These benefits allow the individuals to continue receiving salary and benefits during the period they are unable to work. The Injured on Duty income is tax exempt. Currently, there are 21 out of 172 total Sheriffs currently on IOD, a 12.2 percent rate. The average duration for a Sheriff on IOD is 3.1 years.

Article 3 of the Budget requires an individual receiving IOD benefits to apply for an accidental disability pension benefit within 60 days after a treating physician or independent medical examiner certifies that the patient has reached maximum medical improvement or permanent disability from an injury.

Screeners

\$144,512

The Governor recommends \$144,512 to support the personnel costs associated with 2.0 new Screener FTE positions. The new non-officer staff will assist Capitol Police Officers with security at State buildings.

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.

State Police	General Revenue
FY2018 Enacted	\$65,492,857
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<i>Target and Other Adjustments</i>	<i>1,483,603</i>
57th State Police Training Academy	2,400,000
Centralized Service Charges	622,884
Pension Trust Fund	Informational
Google Forfeiture Funds	Informational
State Police Vechiles	Informational
FY2019 Governor	\$69,999,344

57th State Police Training Academy

\$2.4 million

The Governor provides \$2.4 million from general revenue to support the personnel costs associated with 30 recruits making up the 57th State Police Training Academy.

The Academy is scheduled to begin in early June 2018 with graduation occurring in November. The appropriation covers the stipends for the 30 recruits while they are training and half a year of salaries and benefits for when they become Troopers.

Centralized Service Charges

\$622,884

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	76,870
Capital Asset and Management	133,398
Human Resources	412,616
Total	\$622,884

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 FY2017 Budget as Enacted included \$15.0 million for this purpose. Based on the current actuarial reports, the Budget includes \$16.6 million for pension payments in FY2019 (commensurate with the FY2018 Budget as Enacted level).

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. Approximately \$18.9 million is has been spent through FY2017, mostly on capital projects. The FY2017 Budget as Enacted included the one-time \$15.0 million for the Rhode Island State Police that helped seed the 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 ¹	FY2019 ¹	Total	Balance ²
Fleet	\$5,385,187	\$5,368,085	\$0	1,395,699	2,700,000	\$9,463,784	-\$4,078,597
Capital Projects Consolidated Academy	1,130,005	35,829	-	-	-	\$35,829	\$1,094,176
New Buildings and Renovations ³	9,038,652	1,690,098	3,169,391	-	-	\$4,859,489	\$4,179,163
Overtime	4,657,825	4,657,825	-	-	-	\$4,657,825	-\$0.25
Personnel	1,000,000	249,226	-	-	-	\$249,226	\$750,773.94
Investigations	4,716	4,716	-	-	-	\$4,716	\$0
recruitment	876,273	432,693	-	100,712	-	\$533,405	\$342,868
Technology	4,461,446	4,461,446	-	390,000	-	\$4,851,446	-\$389,999.62
Pension Trust	15,000,000	-	15,000,000	-	-	\$15,000,000	\$0
Training	153,715	93,306	60,409	-	-	\$153,715	\$0
Equipment	2,705,138	2,099,013	420,746	-	1,906,740	\$4,426,499	-\$1,721,361
Accreditation	100,000	56,000	-	-	-	\$56,000	\$44,000
Local Sharing	150,000	150,000	-	-	-	\$150,000	\$0
Assessment Project	225,000	-	246,803	-	-	\$246,803	-\$21,803
Aid to Westerly	64,916	15,563	-	-	-	\$15,563	\$49,353
Community Outreach	684	684	-	-	-	\$684	\$0
Total	\$44,953,557	\$19,314,484	\$18,897,349	\$1,886,411	\$4,606,740	\$44,704,984	\$248,573

¹ FY 2018 and FY 2019 budgeted expenditures. FY 2018 funding for buildings and renovations was received in FY 2018, but the costs in RIFANS are reflected in FY 2017.

² Balance includes budgeted expenditures.

Source: Department of Public Safety

State Police Vehicles**Informational**

The Department currently has 337 vehicles in the State Police vehicle fleet. While more than half of the vehicles are under 100,000 miles, 32.0 percent (107 vehicles) are over 100,000 miles. The average useful life of these vehicles is 6.5 years. The Governor includes \$2.7 million from the Google Forfeiture funds for vehicle purchases in FY2019.

CAPITAL PROJECTS

The Budget includes a total of \$15.8 million in capital projects from FY2018 through FY2023.

- The Budget includes RICAP funding of \$527,268 in FY2018 and \$500,000 in FY2019 for upgrades of the State Police Training Academy. These upgrades include renovating an existing structure for use as a gym, upgrading the firing range, and replacing obstacle course equipment.
- The Department plans to renovate the Administrative Support Building at the Scituate Headquarters. The structure was originally built in 1794 and requires a new HVAC system, electrical upgrades, exterior siding, and IT upgrades. The Budget includes \$250,000 in Rhode Island Capital Plan (RICAP) funds in FY2019 for a feasibility study and architectural/engineering costs. The total project is planned for \$500,000.

Office of the Public Defender

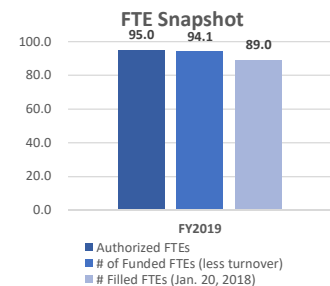
Expenditures By Program	FY2017 Actual	FY2018 Enacted	FY2018 Governor	Change from Enacted		FY2019 Governor	Change from Enacted	
Public Utilities Commission	\$0.1	\$0.1	\$0.1	-	-	\$0.1	-	-
Expenditures By Source								
General Revenue	11.5	12.0	11.8	(0.2)	-1.7%	12.3	0.3	9.0%
Federal Funds	\$0.1	\$0.1	\$0.1	-	-	\$0.1	-	-
Grand Total	\$0.1	\$0.1	\$0.1	-	-	\$0.1	-	-
Authorized FTE Levels	93.0	93.0	93.0	-	-	95.0	2.0	2.2%

\$ 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 AND FY2019

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, plus the addition of 2.0 Assistant Public Defender IV attorneys. The Budget includes 93.0 FTE positions for the program in FY2018, consistent with the FY2018 Budget as Enacted, and 95.0 FTE positions in FY2019, an increase of 2.0 positions.



Central Management

	General Revenue
FY2018 Enacted	\$12,043,006
<i>Target and Other Adjustments</i>	72,415
2.0 Staff Attorney Positions	173,280
Centralized Service Charges	12,186
FY2019 Governor	\$12,300,887

Personnel

\$173,280

The Governor adds \$173,280 in general revenue to fund two new Assistant Public Defender IV positions to address the high caseload experienced at the Office of the Public Defender. The funding reflects personnel costs for 10 months in FY2019.

Centralized Service Charges

\$12,186

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$12,186
Capital Asset and Management	-
Human Resources	-
Total	\$12,186

Department of Environmental Management

Expenditures By Program	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Office of Director	\$8.9	\$9.6	\$11.1	\$1.5	15.2%	\$11.0	\$1.4	14.7%
Bureau of Natural Resources	44.0	61.8	65.1	3.3	5.3%	60.2	(1.6)	-2.6%
Bureau of Environmental Protection	25.8	32.5	32.4	(0.1)	-0.4%	32.3	(0.3)	-0.9%
Total	\$78.7	\$104.0	\$108.5	\$4.6	4.4%	\$103.5	(\$0.5)	-0.5%

Expenditures By Source								
Expenditures By Source	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
General Revenue	\$38.2	\$39.3	\$40.4	\$1.1	2.9%	\$41.2	\$1.9	4.9%
Federal Funds	19.4	33.4	34.5	1.1	3.3%	31.8	(1.6)	-4.9%
Restricted Receipts	13.4	17.4	17.7	0.3	1.6%	17.6	0.2	1.2%
Other Funds	7.7	13.9	16.0	2.1	15.1%	12.9	(1.0)	-7.0%
Total	\$78.7	\$104.0	\$108.5	\$4.6	4.4%	\$103.5	(\$0.5)	-0.5%

Authorized FTE Levels	FY2018	FY2018	Change from	FY2019	Change from
	400.0	400.0	-	400.0	0.0%

\$ 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.

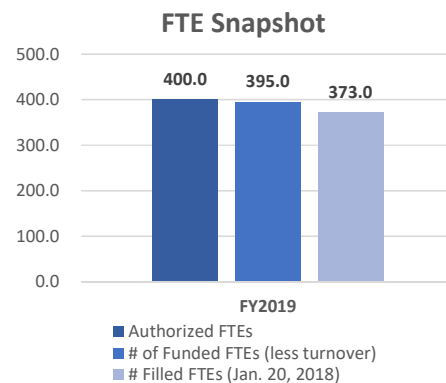
The Department is charged with supervising and controlling the protection, development, planning, and utilization of the natural resources of the state; the promotion of agriculture and animal husbandry; and, providing for the maintenance of waterways and boating facilities.

MAJOR ISSUES AND TRENDS FOR FY2019

The FY2019 Budget includes an all funds decrease of \$480,080, or 0.5 percent from the FY2018 Budget as Enacted. The Budget includes a \$1.9 million (4.9 percent) increase in general revenue expenditures compared to the FY2018 Budget as Enacted, primarily due to the shift of \$2.5 million to reflect the decentralization of statewide services partially offset by the elimination of the funding for the Clean Diesel Program (\$1.0 million). The Department is also experiencing a significant impact from the Voluntary Retirement Incentive program implemented by the Governor. Within DEM, 26 employees have taken advantage of the incentive including the Associate Director of Resource Management and the Assistant Director of Financial and Contract Management.

Article 5 of the Governor's Budget includes a \$48.5 million Green Economy and Clean Water bond referendum. If approved by voters, the general obligation bond will recapitalize the State's Clean Water and Drinking Water Revolving funds, as well other ongoing projects such as local recreation and local open space.

The Budget authorizes 400.0 FTE positions in FY2019 and FY2018, consistent with the FY2018 Budget as Enacted.



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.

Office of Director	General Revenue
FY2018 Enacted	\$5,541,873
<hr/>	
<i>Target and Other Adjustments</i>	36,003
Centralized Service Charges	1,750,993
Foundry Expenses	(162,580)
Personnel Changes	(109,461)
Voluntary Retirement Incentive	(105,537)
FY2019 Governor	\$6,951,291

Centralized Service Charges

\$1.8 million

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$1,155,274
Capital Asset and Management	-
Human Resources	595,719
Total	\$1,750,993

Foundry Expenses

(\$162,580)

The Budget includes a net reduction of \$162,580 for property taxes and utilities related to the Foundry building where DEM's main offices are located. Beginning in July 2016, DEM entered into a new lease for the Foundry building. Pursuant to the new agreement, responsibility for utility and property expenses are shifting between DEM and the landlord. The result is a net decrease in FY2019 relative to the FY2018 Budget as Enacted.

Personnel Changes

(\$109,461)

The Budget includes a reduction of \$214,461 in general revenue to reflect the full-year savings from the elimination of a Hearing Officer position partially offset by the addition of an Internet Communications Specialist (\$105,000). There is not reduction in FTE positions.

Voluntary Retirement Incentive

(\$105,537)

The State of Rhode Island is offering a voluntary retirement incentive (VRI) payment to state employees who are eligible to retire on or before December 31, 2017. The VRI is intended to achieve strategic and budgetary objectives by prioritizing the filling of the resulting vacancies while allowing the State to recognize the long-term service of its employees and provide them the flexibility to retire. Eligible employees who elect to retire within the designated enrollment periods will receive a one-time payment equal to two times the employee's current annualized longevity amount up to a maximum amount of \$40,000, at a total projected statewide cost of \$9.0 million. In addition, severance costs could exceed \$2.4 million statewide. The program is being offered in stages based on the individual employee's longevity entitlements. The last group of employees must submit a written notice of their election to retire on or before March 15, 2018.

While the projected savings from the VRI is provided within each program, the total general revenue savings projected across the Department is \$145,546, with \$105,537 occurring within the Office of the

Director. The savings is projected to be achieved by either leaving retiree positions vacant or filling the position at a reduced rate of 50.0 to 75.0 percent.

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.

Bureau of Natural Resources	General Revenue
FY2018 Enacted	\$21,088,161
<i>Target and Other Adjustments</i>	<i>194,702</i>
Centralized Service Charges	323,651
Seasonal Employees and Minimum Wage Increase	232,630
Beach Parking Fee Payments to Host Communities	(56,234)
FY2019 Governor	\$21,782,910

Bureau of Natural Resources	Other Fund Changes
Food Safety Modernization Act - 2.0 New FTE Positions (federal funds)	\$200,000

Centralized Service Charges **\$323,651**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and centralized in the Department of Administration. These accounts include accounts for information technology, capital asset management and maintenance, and human resources.

Centralized Service Charges	Amount
Information Technology	\$323,651
Capital Asset and Management	-
Human Resources	-
Total	\$323,651

Seasonal Employees and Minimum Wage Increase **\$232,630**

Article 14 of the FY2018 Budgeted as Enacted increased the minimum wage from \$9.60 to \$10.10 per hour effective October 1, 2017, and again to \$10.50 per hour beginning January 1, 2019. These increases will impact the seasonal workers in DEM and cost an estimated \$173,368. The minimum wage was last increased on January 1, 2016, from \$9.00 to \$9.60 per hour. The remaining \$62,630 will provide funding based on actual costs in FY2018.

Beach Parking Fee Payments to Host Communities **(\$56,234)**

The Budget includes a decrease of \$56,234 (\$466,266 total) for beach parking fees paid to host communities based on actual receipts. Parking fees at State-owned beaches are collected through the sale of season passes and daily fees. The State retains the entire amount of revenue collected from the season passes; however, host communities are paid 27.0 percent of the fees collected through daily parking fees.

Beach Parking Fees - Reimbursements to Host Communities

	South				
Summer	Charlestown	Westerly	Narragansett	Kingstown	Total
2009	\$21,534	\$211,669	\$234,972	\$25,726	\$493,901
2010	23,801	238,226	266,054	29,866	557,947
2011	15,466	155,051	162,476	11,365	344,358
2012	22,915	181,980	204,614	27,851	437,360
2013	18,233	161,937	188,342	26,328	394,840
2014	18,244	171,464	185,084	29,053	403,845
2015	17,935	194,124	196,868	32,108	441,035
2016	29,099	221,114	214,462	37,742	502,417
2017	24,748	191,802	197,115	32,601	446,266

Food Safety Modernization Act – 2.0 new FTES Positions (federal funds)**\$200,000**

The Budget includes an additional \$200,000 in federal funds for a new Programming Services Officer and a new Senior Environmental Scientist. These positions are needed to implement legislation enacted in 2017 that transferred authority and responsibility for the Produce Safety Rule (PSR) of the federal Food Safety Modernization Act (FSMA) from the Department of Health (DOH) to DEM. The PSR became effective in January 2018. The positions will be funded with federal funds provided by the federal Food and Drug Administration (FDA) pursuant to a five-year cooperative agreement with the DOH.

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.

Bureau of Environmental Protection	General Revenue
FY2018 Enacted	\$12,674,150
<i>Target and Other Adjustments</i>	<i>375,551</i>
Clean Diesel Program	(999,493)
Centralized Service Charges	438,311
FY2019 Governor	\$12,488,519

Clean Diesel Program**(\$999,493)**

The Budget eliminates funding for the Clean Diesel Program. 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 was not utilized in FY2017. Consequently, \$1.0 million in funding was shifted into FY2018. In FY2019, the program funding is eliminated.

The program is intended to reduce emissions from heavy-duty engines operating on state roads and help companies improve supply chain efficiency as described in the United States Environmental Protection Agency's SmartWay Program. In FY2018, the Budget reduces funding for the Clean Diesel Program by \$412,472 in general revenue, leaving \$587,021 to fund the program for the fiscal year. DEM received 33 applications totaling \$2.6 million, primarily for vehicle replacement, and will award \$500,000 in grants. An additional \$87,021 in salary and benefit costs related to program administration will be expended.

Centralized Service Charges**\$438,311**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and centralized in the Department of Administration. These accounts include accounts for information technology, capital asset management and maintenance, and human resources.

Centralized Service Charges	Amount
Information Technology	\$438,311
Capital Asset and Management	-
Human Resources	-
Total	\$438,311

CAPITAL PROJECTS

The Budget includes a total of \$12.5 million in capital expenditures from Rhode Island Capital Plan (RICAP) funds in FY2018 and \$8.4 million in FY2019, including:

- \$3.7 million in FY2018 and \$1.6 million in FY2019 for infrastructure and facility improvements at state parks and management areas. The new projects include renovations to Colt Stone Barn, Fort Adams State park and Goddard State Park Beach Pavilion and parking lot. The Green Economy Bond referendum includes \$10.0 million for these projects.
- \$1.8 million in FY2018 for the Fort Adams Sailing Improvements project including the new Mid-Park Marine and Education center. This project will be completed for the May 2018 Volvo Ocean Race.
- \$922,744 in FY2018 and \$4.5 million in FY2019 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.
- \$2.3 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 demolition beginning in FY2018. The design for the reconstruction of the Wyoming Pond upper dam in Hope Valley began in FY2016 with construction beginning in FY2018. The design of the Trestle Trail culvert replacement has begun and the Silver Spring dam reconstruction project is next on the priority list. Beginning in FY2019 the funding shifts to the new Green Economy Bonds referendum with \$1.1 million in FY2019.

Coastal Resources Management Council

Expenditures By Program	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Coastal Resources Management Council	\$6.0	\$4.8	\$7.3	\$2.4	50.0%	\$6.3	\$1.4	29.3%
Expenditures By Source								
General Revenue	\$2.4	\$2.5	\$2.5	\$0.0	0.1%	\$2.6	\$0.1	4.4%
Federal Funds	3.1	1.6	4.2	\$2.6	155.5%	2.7	\$1.1	65.7%
Restricted Receipts	0.1	0.3	0.3	-	-	0.3	-	-
Other Funds	0.3	0.5	0.3	(\$0.2)	-33.3%	0.7	\$0.2	50.0%
Total	\$6.0	\$4.8	\$7.3	\$2.4	50.0%	\$6.3	\$1.4	29.3%
Authorized FTE Levels	29.0	29.0		-	-	29.0	-	-

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

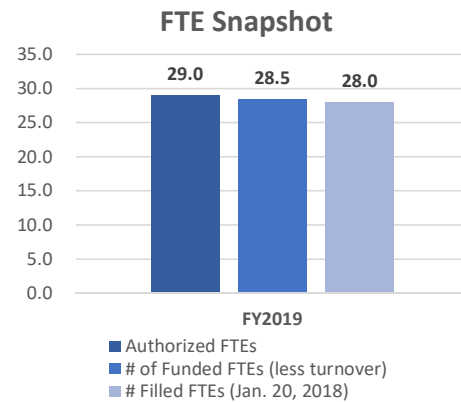
The Coastal Resources Management Council (CRMC) is mandated to preserve, protect, develop and, where possible, restore the coastal resources of the State. The CRMC oversees the Coastal Habitat Restoration Program and is charged with developing an Ocean Special Area Management Plan (SAMP) and a Marine Resources Development Plan.

MAJOR ISSUES AND TRENDS FOR FY2019

The FY2019 Budget includes an all funds increase of \$1.4 million (29.3 percent) from the FY2018 Budget as Enacted, including a general revenue increase of \$110,319, a federal funds increase of \$1.1 million, and an other funds increase of \$225,000.

The increase in federal funds is primarily due to the extension of the Ninigret Pond project into FY2018 and new federal grants in both FY2018 and FY2019.

The Budget authorizes 29.0 FTE positions in FY2019 and FY2018, consistent with the FY2018 Budget as Enacted.



Central Management	General Revenue
FY2018 Enacted	\$2,487,578
<i>Target and Other Adjustments</i>	27,953
Technical Support for Stormtools	50,000
Centralized Service Changes	17,366
Beach Profile Monitoring	15,000
FY2019 Governor	\$2,597,897

Central Management	Other Fund Changes
Quonochontaug Pond (federal funds)	\$942,103
Stormtools (federal funds)	156,957
Beach SAMP Coastal Resilience (federal funds)	94,995

Technical Support for Stormtools

\$50,000

The Budget provides \$50,000 in general revenue support for the coastal profiling tool Stormtools. Stormtools is a web-based calculation product that illustrates storm surge inundation, with and without sea

level rise, for different types of storms along the Rhode Island coast. The tool is available to residents, and municipal officials to better inform coastal development decisions. CRMC works with the University of Rhode Island to provide this tool to visualize and better understand the threat of storm surge and sea level rise. This funding supports the URI staff who manages the data and keeps the tool current. Without the funding, the Stormtools application would become static and thus outdated. This staff will maintain the maps currently being updated for various sea level rise scenarios through the use of federal funds. Current Federal Emergency Management Agency (FEMA) maps do not account for sea level rise, and therefore underestimate risk. The updated map project will develop recommended based flood elevations and provide a better tool for coastal construction resiliency.

Centralized Service Charges

\$17,366

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2019 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$17,366
Capital Asset and Management	-
Human Resources	-
Total	\$17,366

Beach Profile Monitoring

\$15,000

The Budget provides \$15,000 in general revenue to continue monitoring and measuring of the Charlestown shoreline that has occurred weekly since 1977. The beach profile analysis collects data on dune volume, storm protection, and erosion management; monitors shoreline dynamics; and quantifies beach volume changes due to storm surge, wind and tidal phases. The analysis of the data collected determines the relationship between the mean high water line and the last high tide line to allow CRMC to better manage the shore line. The data guides both the State and the municipalities in shoreline development and storm protection management decisions through better risk and damage predictions to alert parties to the best methods for management and protecting property. This information is even more critical in the increased storm event climate of today. The data will also improve the designation of the boundary between public and private property to allow the public to enjoy shoreline privileges without trespassing on private property.

Federal Fund Changes

\$1.2 million

The Budget includes an increase of \$1.2 million in new federal fund grant awards, including the following:

- **Quonochontaug Pond:** The Budget includes \$942,103 in FY2019 and \$40,000 in FY2018 in federal funds from the National Oceanic and Atmospheric Administration's (NOAA'S) Coastal Resilience Grant program. The project involves the restoration of 30.0 acres of degraded salt march in Quonochontaug (Quonnie) Pond and the adjacent area for recreational fishing. Restoration involves depositing dredge material on the marsh surface to fill man-made ditches and elevate the marsh, and then replanting the area with native species. Restoring the natural function of the salt marsh and enhancing vegetation will increase the lifespan and resiliency of the wetland in the face of future storm surge and sea level rise.

- **Stormtools:** The Budget provides \$156,957 in new federal grant funding toward the development of stormtools design elevation (SDE) maps. The funding will allow CRMC, in collaboration with URI Ocean Engineering, to develop a series of maps for the 100-year return period with varying values of sea level rise (SLR) for the entire coast of Rhode Island. Current Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps do not account for sea level rise and therefore underestimate future risk. The SDE map project will develop recommended base flood elevations (BFE) in the STORMTOOLS platform to account for SLR and future risk for comparison with FEMA maps. The SDE maps will provide a better tool to aid in coastal construction resiliency to coastal hazards.
- **Beach SAMP Coastal Resilience:** The Budget provides \$94,995 in new federal funding to allow CRMC, in partnership with the URI Coastal Resources Center, to provide technical support to state and municipal staff and other decision makers in applying CRMC Beach SAMP planning guidance and decision making tools to enhance the resiliency of Rhode Island communities from coastal hazards.

CAPITAL PROJECTS

The Budget provides Rhode Island Capital Plan (RICAP) funding totaling \$300,000 in FY2018 and \$675,000 in FY2019 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 FY2018 and \$525,000 in FY2019 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 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.
- **Narragansett Bay SAMP:** The Budget includes \$100,000 in RICAP funds in FY2018 and \$150,000 in FY2019 to update the Rhode Island 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 agency that regulates federal coastal waters.
- **Green Pond Dredging Study:** The Budget provides \$50,000 in RICAP funds in FY2018 for the study of dredging of Green Hill Pond. The study is aimed at lifting the shell fishing ban in Green Hill Pond

and Eastern Ninigret. The State funds will be matched by the towns of Charlestown and South Kingstown each contributing \$25,000.

Department of Transportation

Expenditures By Program	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Central Management	\$8.7	\$11.6	\$13.0	\$1.4	12.2%	\$11.3	(\$0.2)	-1.8%
Infrastructure- Engineering	340.8	399.4	413.5	14.1	3.5%	446.0	46.6	11.7%
Infrastructure- Maintenance	63.9	100.2	163.3	63.1	63.0%	129.8	29.6	29.6%
Management and Budget	2.4	2.9	5.3	2.3	79.7%	5.3	2.3	79.5%
Total	\$415.8	\$514.1	\$595.0	\$81.0	15.8%	\$592.4	\$78.4	15.2%

Expenditures By Source	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Federal Funds	239.7	285.4	291.0	5.6	2.0%	292.0	6.6	2.3%
Restricted Receipts	1.3	3.2	3.1	(0.1)	-2.6%	3.0	(0.1)	-4.2%
Other Funds	174.9	225.5	301.0	75.5	33.5%	297.4	71.9	31.9%
Total	\$415.8	\$514.1	\$595.0	\$81.0	15.8%	\$592.4	\$78.4	15.2%

Authorized FTE Levels	701.0	775.0	775.0	-	-	795.0	20.0	2.6%
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\$ 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 1,173 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.

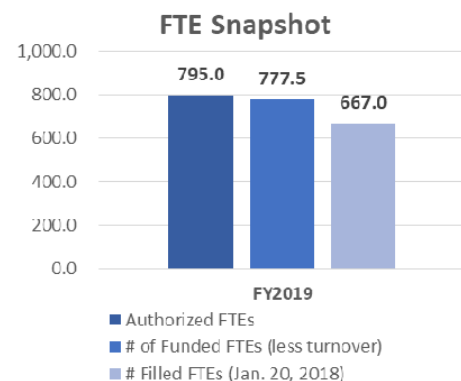
MAJOR ISSUES AND TRENDS FOR FY2019

The Budget allocates a total of \$592.4 million to RIDOT, an increase of \$78.4 million in total funds from the FY2018 Budget as Enacted (15.2 percent).

The Budget includes an FTE authorization of 795.0, an increase of 20.0 FTE positions relative to the FY2018 Budget as Enacted, the Governor concurs with the Department’s request for 45.0 new positions while eliminating 25.0 unclassified positions for a net increase of 20.0 FTE positions.

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 “RhodeWorks”, does the following:



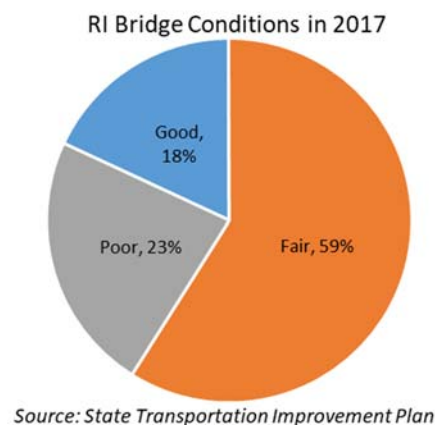
- Allows the Rhode Island Department of Transportation (RIDOT) to establish and collect tolls on commercial trucks, vehicle class 8 and larger, traveling on Rhode Island bridges, raising approximately \$45.0 million annually.
- Allows for the refinancing and restructuring of previously existing GARVEE 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.

Truck Toll Gantries: 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. In 2017, the Department awarded a contract to Kapsch TrafficCom to design, build, operate, and maintain the gantries for 10 years. A total of 14 toll gantries will be built. Currently two toll gantries in Richmond and Hopkinton are constructed and are undergoing testing. The toll gantries are expected to start collecting in April 2018. Ten additional toll gantries are expected to be constructed in FY2019. The construction of the final two toll gantries is delayed indefinitely due to other construction projects.

State Transportation Improvement Program-Major Projects

The Department includes major projects the State intends to implement in their yearly State Transportation Improvement Program (STIP). The STIP includes projects for 10 years, however only the first four years are fiscally constrained, meaning the costs of the projects may not exceed the anticipated funding that is expected to be available in the four year time period, the current STIP runs FFY2018-FFY2027.

Bridge Capital Program: The largest project included in the STIP for FY2019 is the Bridge Capital Program. In 2015, Rhode Island was ranked last in the nation for overall bridge condition with about 24.0 percent of bridges ranked as structurally deficient. The Bridge Capital Program is focused on reducing the percentage of structurally deficient bridges to 10.0 percent by 2025. As of 2015, 270 of the State's 1,176 bridges were in poor condition, the State would need to repair 152 bridges over the next seven years to reach the goal of 90.0 percent structurally sound bridges throughout the State. The Bridge Capital Program will identify and develop a structured sequence of preservation, repair, rehabilitation, and replacement actions that will achieve and sustain a state of good repair for the State's bridges at a minimum cost. The Bridge Capital Project is anticipated to cost \$ 1.5 billion from FY2018 through FY2027, the STIP includes \$211.1 million in FY2019.



Debt Service: The second largest expense in the STIP is debt service, the current STIP includes two Grant Anticipation Revenue Vehicle (GARVEE) bond issuances; the refinancing the existing GARVEE debt to extend the term by three years from FY2021 to FY2024, and the issuance of a new \$300.0 million GARVEE bond. Both issuances create more federal resources for near-term bridge construction and maintenance costs. The goal of issuing these funds now is to save the State money in future bridge repair and replacement costs. Debt service is anticipated to cost \$900.1 million from FY2018 through FY2027, the STIP includes \$102.7 million in FY2019.

Route 6/10 Project: The STIP includes funding in FY2019 for the Route 6/10 interchange project. The project involves the replacement of nine structures, five of which are structurally deficient, the project will also create 1.4 miles of bike paths and clear over four acres of land for development. The total project is expected to cost \$400.0 million from FY2018 through FY2024. In FY2019 the STIP includes \$70.0 million for this project, \$56.0 million in GARVEE bonds, \$10.0 million in RICAP funds, and \$4.0 million in Highway Maintenance Account funds.

Pavement Capital Program: The Pavement Capital Program includes funds for design and construction projects to maintain the State's roadways. Pavement sufficiency targets have not yet been developed and are expected to be outlined by May 2018. The Department uses an asset management approach described as applying the "right treatment, to the right pavement, at the right time" to prevent roadway failure. Rhode Island currently has 6,528 miles of roadway, the Department maintains approximately 1,100 miles of those roadways. The Pavement Capital Program will allow for additional miles to be paved and will improve the State's Pavement Structural Health Index, which is held at 80.0 percent per mile. The total project is anticipated to cost \$867.2 million from FY2018 through FY2027, the STIP includes \$61.2 million in FY2019.

Pavement Repair Cost	
Crack Sealing	\$1
Resurfacing (areas with no sidewalk)	35
Resurfacing (areas with sidewalk)	45
Reclaiming	45
Reconstructing	138

Cost based on 1 square yard

Source: State Transportation Improvement Plan

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). The FY2015 Budget as Enacted provided 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 \$5 administration fee; an increase in the vehicle inspection fee from \$39 to \$55; 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 HMA; phased-in transfer of all vehicle license and registration fees into the HMA beginning in FY2016.

In FY2019 the DMV anticipates an increase in the number of duplicate licenses requested due to the deadline of REAL ID, a federal act that requires minimum security standards for driver's licenses and identification cards. In preparation for the increase in requests, funds are diverted from the HMA back to the general fund, leading to a decrease of \$607,000 in the HMA.

Rhode Island Highway Maintenance Account

	FY2017	FY2018	FY2019
	Actual	Enacted	Governor
<i>New Fees and Surcharges</i>			
Good Driving Surcharge	\$0.5	\$0.4	\$0.5
Inspection Sticker Increase	\$5.8	\$5.2	\$5.8
License and Registration Surcharge	\$19.4	\$19.1	\$19.4
Total New Fees	\$25.7	\$24.7	\$25.7
<i>Existing General Revenue being Transferred to the Highway Maintenance Account</i>			
Inspection Sticker Increase	\$5.8	\$5.2	\$5.8
Motor Vehicle Title Fee	10.3	8.6	10.7
Rental Car Surcharge	4.0	3.2	3.3
License and Registration Transfer	52.0	53.4	52.2
Loss of Duplicate License Fee	-	-	(0.6)
Total Revenue Transferred from General Fund	\$72.1	\$70.4	\$71.4
Total Revenue to Highway Maintenance Account	\$97.8	\$95.0	\$97.0

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

Source: Office of Revenue Analysis and Budget Office

Providence to Newport Ferry

In FY2017 and FY2018, 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), the funding for this project will end in FFY2021 unless otherwise extended. 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 2018 (FY2019). The Department is currently soliciting bids for a ferry operator for the FY2019 season.

CENTRAL MANAGEMENT

The Central Management Program includes Legal Counsel, Human Resources, the Real Estate Section, External Affairs, the Office on Highway Safety, and the Director's Office. 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. Human Resources administers labor relations, human resource development and training, all equal opportunity programs. The Real Estate section deals with acquisition, appraisal, negotiation, and relocation for property purchases (including easements and larger parcels) and property sales. The Office on Highway Safety develops and coordinates programs with local, state and federal agencies to reduce highway deaths and injuries, and to promote public awareness of the correlation between highway safety and alcohol and substance abuse through the development and distribution of educational information. The Director's Office includes the Legislative Liaison, Deputy Director, and other staff responsible for interacting with the public and making policy decisions.

Central Management	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Federal Funds	\$5.2	\$6.8	\$8.1	\$1.3	19.3%	\$6.5	(\$0.3)	-3.7%
Other Funds	3.5	4.8	4.9	0.1	2.1%	4.8	-	0.0%
Total	\$8.7	\$11.6	\$13.0	\$1.4	12.2%	\$11.3	(\$0.3)	-2.2%

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

Federal funds decrease by \$253,117 within personnel salaries and benefits due to a decrease in FTE positions. The FY2019 Budget includes 58.0 FTE positions within Central Management, a decrease of 3.0 positions from the FY2018 Enacted Budget, the Department requested 3.0 new FTE positions including, 1.0 Executive Assistant, 1.0 Senior Accountant and 1.0 Implementation Aid to Human Resources. The Governor includes the 3.0 new positions and removes 6.0 unidentified positions for a net decrease of 3.0 FTE positions.

Other funds increase by \$40,488, this is partially due to a \$251,996 increase to reflect the decentralization of statewide services provided by and centralized in the Department of Administration. These accounts include accounts for information technology, capital asset management and maintenance, and human resources. The increase of centralized service charges is partially offset by a decrease in personnel costs including the removal of positions within the Department's Office of External Affairs to better reflect where the employees actually work.

Centralized Service Charges	Amount
Information Technology	\$0
Capital Asset and Management	-
Human Resources	251,996
Total	\$251,996

INFRASTRUCTURE - ENGINEERING

The Infrastructure Engineering program works to develop the State's roads and bridges into an advanced ground transportation system, the program is made up of multiple divisions and sections encompassing design, planning and construction of the Transportation Development Division. The Project Management division oversees all phases of a project from start to finish, including design, construction, and materials

testing. The Construction Management section is responsible for the administration and inspection of highway, bridge, traffic signal and destination signing and freight/commuter rail construction activities throughout the State. 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 Office of Storm water Management is responsible for the scope, plan, design, and maintenance of storm water systems. The Transportation Management center oversees the integration of multiple transportation systems to manage traffic on the State's roadways. The Capital Program section develops and monitors the Department's Ten-Year Plan to ensure successful implementation. Finally, the Office of Transit, New Starts, and Operations section develops and implements planning projects by working to develop an integrated transportation system that provides convenient transitions between different modes of transportation.

Infrastructure- Engineering	FY2017 Actual	FY2018 Enacted	FY2018 Governor	Change from Enacted	FY2019 Governor	Change from Enacted
Federal Funds	\$234.5	\$278.6	\$282.9	\$4.3 1.5%	\$285.5	\$6.9 2.5%
Restricted Receipts	1.3	3.2	3.1	(0.1) -3.1%	3.0	(0.2) -6.3%
Other Funds	105.0	117.6	127.5	9.9 8.4%	157.4	39.8 33.8%
Total	\$340.8	\$399.4	\$413.5	\$14.1 3.5%	\$445.9	\$46.5 11.6%

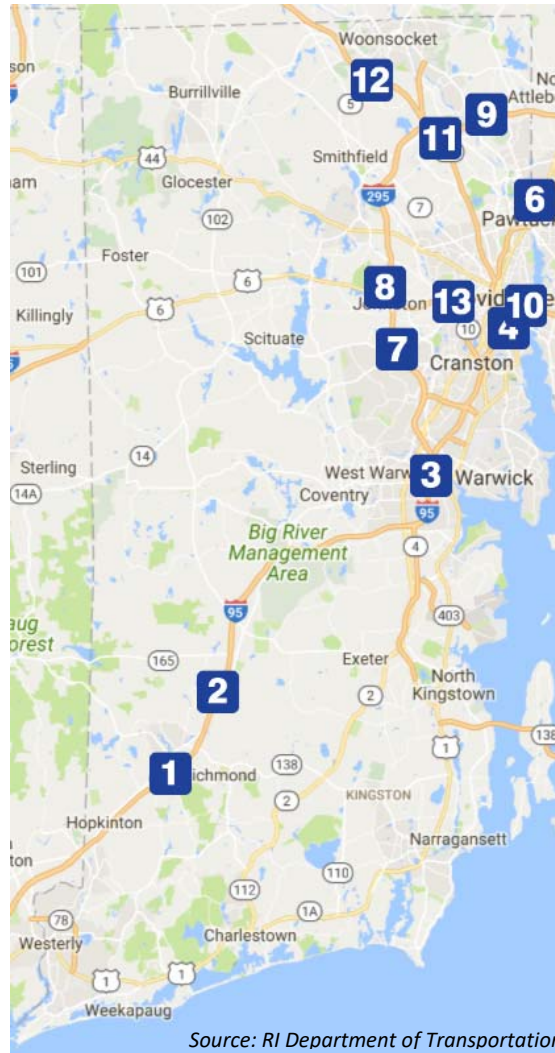
\$ in millions. Totals may vary due to rounding.

The Governor recommends \$446.0 million in total funding for the Infrastructure-Engineering Program in FY2019, an 11.7 percent increase over the FY2018 Budget as Enacted. This increase includes a \$6.9 million increase in federal funds, an increase of \$39.8 million in other funds, and a \$133,722 decrease in restricted receipts. The Governor includes 395.0 FTE positions in FY2019, a decrease of 21.0 positions from the FY2018 Budget as Enacted. The Department had requested funding for an additional 10.0 FTE positions, 5.0 Project Managers, and 5.0 FTE positions within the Storm water and Transit Unit including 1.0 Senior Civil Engineer, 1.0 Supervising Environmental Scientist, 1.0 Supervising Planner, 1.0 Clerk Secretary and 1.0 Legal Council position. The Governor includes the 10.0 new FTE positions and decreases FTE positions by 31.0 positions, the Department does not yet know what positions will be eliminated.

The increase in federal funds is partially attributed to an additional \$1.9 million to reflect the decentralization of statewide services provided by and centralized in the Department of Administration. These accounts include accounts for information technology, capital asset management and maintenance, and human resources. An additional \$2.5 million in federal funds is also included for additional engineering services on federal projects.

Centralized Service Charges	Amount
Information Technology	\$1,350,610
Capital Asset and Management	-
Human Resources	511,627
Total	\$1,862,237

The Governor includes an additional \$41.0 million in other funds attributed to toll gantry revenue that will be generated in FY2019. The gantries will charge a toll on tractor trailer trucks, vehicle class 8 or larger. The tolls will be limited to once per toll facility per day in each direction. Toll will also be limited to \$20 for a one-way border-to-border trip from Connecticut to Massachusetts. Individual tolled vehicles will not exceed \$40 in tolls per day. The Department anticipates a total of 12 toll gantries being operational by the end of FY2019, currently two toll gantries, located in Richmond and Hopkinton, are in the testing phase and are expected to be operational by April 2018, they will charge truck a one-way toll of \$3.25 and \$3.50. Revenue generated from the truck tolls will be used for bridge maintenance and improvements throughout the State. The following graphic illustrates the locations for 12 of the 14 toll gantries, 2 gantry installations will be delayed for an unknown amount of time and are not included in the revenue estimates.



INFRASTRUCTURE - MAINTENANCE

The Infrastructure Maintenance program is comprised of multiple divisions that are responsible for keeping all state roads and bridges well-maintained and functional. The Automotive section is responsible for keeping all state roads and bridges well-maintained and functional. The Automotive section is responsible for the up keep and repair of the program’s fleet of heavy trucks and equipment. The Engineering and Support office is a multi-faceted section responsible for resolution of drainage problems, inspects of work permits, coordination of requests for pavement projects, maintenance of guardrails, fences, and highway related equipment along the state highway, highway illumination, and state-wide beautification projects. The Field Operations sections, which is comprised of staff who operate from multiple field offices across the State, is responsible for sweeping, litter collection, and snow plowing as well as bridge, pothole, and guardrail repairs. In recent years the Department has worked to bring tasks performed by the Infrastructure Maintenance program in-house rather than contracting services from outside vendors.

	FY2017 Actual	FY2018 Enacted	FY2018 Governor	Change from Enacted	FY2019 Governor	Change from Enacted
Infrastructure- Maintenance						
Other Funds	\$63.9	\$100.2	\$163.3	\$63.1 63.0%	\$129.8	\$29.6 29.6%

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

For FY2019, the Budget includes an increase of \$29.6 million in other funds, including an increase of \$22.1 million for the Road and Bridge Maintenance Program.

Within the Road and Bridge Maintenance Program the Governor includes an increase of \$22.5 million to reflect 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. The FY2018 Budget as Enacted altered the amount of fees deposited into the Highway Maintenance Account instead, of 100.0 percent being deposited in FY2018 it was reduced to 80.0 percent. 100.0 percent of the fees are to be deposited in FY2019. These funds will be used to pay for road and bridge maintenance throughout the State.

The increase also reflects an additional 51.0 FTE positions that will be hired, the Department requested an additional 32.0 FTE positions including 12.0 Bridge Maintenance Workers, 4.0 Highway Field Operations Supervisors, 2.0 Carpenters, 12.0 Highway Maintenance Operators, 1.0 Highway Maintenance Field Operations Superintendent, and 1.0 Landscape Maintenance Technician. The additional positions will support the Department’s efforts to do more work in-house and contract out less work. The Governor includes an additional 19.0 FTE positions above the Department’s request, specific positions that will be filled have not yet been decided by the Department, the additional positions will be filled at the discretion of management as needed throughout the year.

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 Transit Support division maintains the Department’s communications systems and vehicles in the RIDOT fleet, from passenger vehicles to heavy equipment.

Management and Budget	FY2017 Actual	FY2018 Enacted	FY2018 Governor	Change from Enacted	FY2019 Governor	Change from Enacted
Other Funds	\$2.4	\$2.9	\$5.3	\$2.4 82.8%	\$5.3	\$2.4 82.8%

\$ 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 includes 39.0 FTE positions, a decrease of 7.0 positions from the FY2018 Budget as Enacted. The Department had not requested any additional positions within this program and the 7.0 positions to be removed have not yet been decided.

	Centralized Service Charges	Amount
The Governor includes an additional \$1.7 million in other funds to reflect the decentralization of statewide services provided by and centralized in the Department of Administration. These accounts include accounts for information technology, capital asset management and maintenance, and human resources.	Information Technology	\$1,704,037
	Capital Asset and Management	-
	Human Resources	-
	Total	\$1,704,037

The Budget also includes an increase in personnel costs, the Department is charging less of the costs to its federal accounts to accurately align where the costs are actually charged.

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.

Highway Improvement Program: The Budget includes \$35.8 million in FY2019 and \$42.9 million in revised FY2018 Rhode Island Capital Plan (RICAP) funding for the Highway Improvement Program (HIP). The HIP implements projects outlined in the State’s 10-year Transportation Improvement Plan (TIP). The

TIP is a list of transportation projects that the State intends to implement using Federal Highway Administration (FHWA) funds and Federal Transit Administration (FTA) funds. The current TIP runs from FY2018-FY2027 and includes projects such as truck toll operations and bridge preservation and maintenance.

Statewide Pavement: The Budget includes \$10.0 million in Rhode Island Capital Plan (RICAP) funding in FY2019 for a range of pavement projects that will benefit the entire State by having safe, reliable roads. The Federal Transportation Authority identified pavement condition as one area where the State will be required to meet a minimum standard or risk losing flexibility with federal highway funds.

Salt Storage Facilities: The Budget includes \$1.8 million of RICAP funding in FY2018 and \$1.0 million in FY2019 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 \$1.5 million in RICAP funds in FY2019, \$7.5 million through FY2023, 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. On average, the necessary new vehicles cost \$103,560 each. According to the Department, more than 50.0 percent of its fleet and equipment was purchased before 2003.

INFORMATIONAL

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 was implemented in three phases. The first phase transitioned the Department to a project-management orientation and developed new job descriptions accordingly, the second phase defined and established new performance metrics, and the third phase defined goals and training for positions within the Department. All three phases of the transition are complete and the Department will continue to update and alter job descriptions, goals and training materials as necessary.

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 FY2019 to warrant a change in the 34.0 cent per gallon tax rate.

According to ORA the motor fuel tax is expected to generate \$4.5 million per penny in revenue in FY2018 and \$4.4 million in FY2019, with RIDOT receiving 19.25 cents per gallon of gasoline sold (\$76.6 million in FY2019).

Motor Fuel Tax Yield	
Year	(Cents/Gallon)
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
2019*	4,440,702

* Dept. of Revenue Estimate

The following table shows the distribution of motor fuel tax proceeds in cents per gallon.

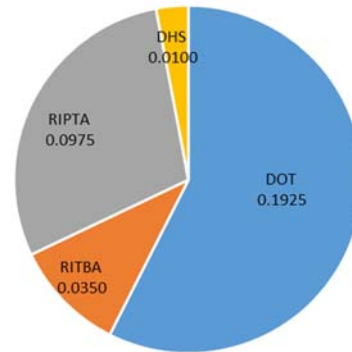
Motor Fuel Tax Allocations: Cents per Gallon					
	DOT	RITBA	RIPTA	DHS	Total
FY2015	\$0.1825	\$0.0350	\$0.0975	\$0.0100	\$0.3250
FY2016	0.1925	0.0350	0.0975	0.0100	0.3350
FY2017	0.1925	0.0350	0.0975	0.0100	0.3350
FY2018	0.1925	0.0350	0.0975	0.0100	0.3350
FY2019	0.1925	0.0350	0.0975	0.0100	0.3350
FY2020	0.2025	0.0350	0.0975	0.0100	0.3450
FY2021	0.2025	0.0350	0.0975	0.0100	0.3450

Note: DOT includes 0.020 for GARVEE Debt Service

Note: RIPTA includes 0.005 for Underground Storage Tank Fee

Source: Budget Office

FY2019 Motor Fuel Tax, Cents per Gallon



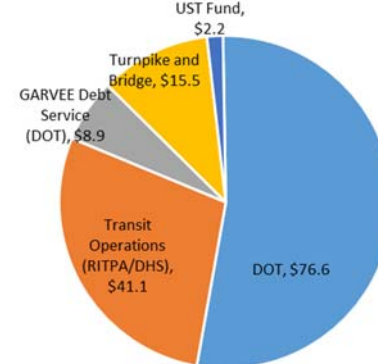
The following table shows the use of motor fuel tax revenue in FY2019:

Motor Fuel Tax Revenue	FY2019	Percent of Total
DOT	\$76.6	53.1%
Transit Operations (RIPTA/DHS)	\$41.1	28.5%
GARVEE Debt Service (DOT)	\$8.9	6.2%
Turnpike and Bridge	\$15.5	10.8%
UST Fund	\$2.2	1.5%
Total	\$144.3	100.0%

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

Source: Budget Office

FY2019 Motor Fuel Tax Revenue



Federal Funding – FAST Act

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 21st 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 Department estimated from FFY2018-FFY2021 Federal Highway Funding will provide the State about \$1.1 billion in funding, with the FAST Act providing \$271.0 million on average.

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 “RhodeWorks”, does the following:

- Allows the Rhode Island Department of Transportation (RIDOT) to establish and collect tolls on commercial trucks, vehicle class 8 and larger, traveling on Rhode Island bridges, raising approximately \$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.

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

- 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.

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 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.

State Matching Funds	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Increase Two-Year Registrations by \$30	\$7.4	\$10.9	\$10.9	\$10.9	\$10.9	\$10.9
Increase One-Year Registrations by \$15	1.5	2.3	2.3	2.3	2.3	2.3
Increase License Fees by \$30	2.5	3.6	3.6	3.6	3.6	3.6
Total Additional Revenue	\$11.4	\$16.8	\$16.8	\$16.8	\$16.8	\$16.8
2010 G.O. Bonds - Issued	7.6	-	-	-	-	-
RICAP	21.0	23.2	23.2	23.2	23.2	23.2
Total State Match for Federal Funds	\$40.0	\$40.0	\$40.0	\$40.0	\$40.0	\$40.0

\$ in millions. Totals may vary due to rounding

Analyst's Note: In addition to the fee increases, RICAP funding and funds from previously issued General Obligation bonds are used to supplement the revenue generated by the new fees so that bond borrowing to match federal highway funding is eliminated.

Rhode Island Public Transit Authority

Revenues by Source	FY2017	FY2018	FY2018	Change from		FY2019	Change from	
	Actual	Enacted	Revised	FY2018	Enacted	Board	FY2018	Enacted
Motor Fuel Tax	\$44.5	\$44.5	\$44.3	(\$0.2)	-0.4%	\$43.9	(\$0.5)	-1.2%
Passenger Revenue	22.6	25.8	26.2	0.4	1.4%	26.5	0.7	2.6%
Special Revenue	0.9	0.8	0.6	(0.1)	-16.9%	0.7	(0.1)	-13.0%
Other Revenue	9.7	10.4	10.5	0.1	1.0%	10.6	0.3	2.4%
Federal Funds	25.7	31.3	27.9	(3.5)	-11.1%	29.3	(2.1)	-6.6%
Department of Human Services	-	-	-	-	-	-	-	-
State Highway Fund Revenues	4.5	4.3	5.5	1.3	29.3%	5.9	1.7	39.1%
General Revenue Appropriation	0.9	-	-	-	-	-	-	-
Special Projects- Local	1.3	4.0	0.5	(3.4)	-86.4%	0.1	(3.9)	-97.5%
Special Projects- Federal	7.8	12.6	2.1	(10.5)	-83.0%	0.4	(12.2)	-96.8%
Total	\$117.8	\$133.6	\$117.6	(\$16.0)	-12.0%	\$117.4	(\$16.2)	-12.1%

Expenditures By Category

Salaries, Wages and Benefits	\$74.9	\$75.7	\$79.3	\$3.6	4.8%	\$82.8	\$7.1	9.4%
Contract Services	12.5	19.1	10.0	(9.1)	-47.6%	9.3	(9.8)	-51.4%
Operating Costs	12.3	13.4	12.9	(0.5)	-3.4%	15.9	2.5	18.8%
Utilities	1.8	1.8	1.6	(0.2)	-9.4%	1.7	(0.1)	-5.0%
Insurance and Settlements	6.0	6.4	7.5	1.1	17.8%	5.2	(1.2)	-19.2%
Capital Match	0.4	0.3	0.4	0.1	27.3%	0.4	0.1	18.2%
Revolving Loan Fund	0.5	0.7	0.5	(0.2)	-28.8%	0.4	(0.2)	-34.8%
Debt Service	-	1.6	1.6	-	-	1.4	(0.2)	-10.0%
Self-Insurance Reserve	0.3	0.3	0.3	-	-	0.3	-	-
Other	-	-	-	-	-	-	-	-
Special Projects- Local	1.3	4.0	0.5	(3.4)	-86.4%	0.1	(3.9)	-97.5%
Special Projects- Federal	7.8	12.6	2.1	(10.5)	-83.0%	0.4	(12.2)	-96.8%
Total	\$117.6	\$135.8	\$116.7	(\$19.1)	-14.0%	\$117.8	(\$18.0)	-13.3%

Surplus/(Deficit)

Authorized FTE Levels	831.0	838.0	829.0	(9.0)	-1.1%	825.0	(13.0)	-1.6%
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\$ 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 FY2019

The FY2019 Board-approved budget includes \$117.4 million in revenues for FY2019, a decrease of \$16.2 million from the FY2018 Board-approved Budget, and \$117.8 million in expenditures, a decrease of \$ 18.0 million from the FY2018 Revised Budget, leading to a \$458,383 deficit.

The \$16.1 million decrease in revenues and expenditures for special projects is related to the completion of the Newport Visitor center in FY2018, and the reclassification of the Downtown Transit Connector (DTC). In the FY2018 Board-approved Budget the DTC was classified under special projects, RIPTA has since moved this project to their Capital Budget and the funding is no longer in the operating budget. The DTC is scheduled for completion in FY2019 and was primarily funded by a 2014 TIGER grant awarded to RIPTA.

Salary and benefits increase by \$7.1 million relative to the FY2018 Board-Approved Budget, the increase is related to an increase in pension contributions and retroactive salary increases for RIPTA's largest union, bus drivers, the retroactive increases are 1.0 percent for FY2017, 2.0 percent for FY2018 and 3.0 percent for FY2019. Operating costs increase by \$2.5 million relative to the FY2018 Board-Approved Budget due to the completion of the Downtown Transit Connector in FY2019.

Article 4 of the FY2018 Enacted Budget provides RIPTA with \$5.0 million in Rhode Island Highway Maintenance Funds in both FY2018 and FY2019 to fund the free-fare program for low-income senior and disabled persons. The legislation requires the creation of a coordinating council to develop recommendations for the sustainable funding of the program while maximizing the use of federal funds available to support the transportation needs of this population, the council is due to present its funding recommendations to the Governor and General Assembly by November 1, 2018.

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 \$9.3 million in FY2018. For FY2019, RIPTA expects its share of this account to increase by \$506,976, to \$9.9 million, as the percentage of motor vehicle related fees transferred into the HMA increases from 75.0 percent to 100.0 percent. RIPTA uses \$3.4 million of this funding to support the senior and disabled bus pass program, \$1.6 million for debt service, and the remaining \$4.9 million funds other operating expenses.

Fare Changes

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. RIPTA's Board adopted a new fare structure in December 2016 that eliminated the 15-ride pass and RIPTIKs (packages of 10 one-way tickets including free transfers that did not expire), created a 10-ride pass, increased the price of a 7-day pass and bus transfers, and intended to charge seniors and people with disabilities \$0.50 per trips. While other changes were implemented the charge to seniors and people with disabilities caused concern among advocacy groups and was ultimately never implemented. The General Assembly included additional funds in the FY2017 budget to continue the free fare program.

RIPTA Fares	FY2015	FY2016	FY2017	FY2018	FY2019
1- Day Pass	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00
7- Day Pass	23.00	25.00	25.00	25.00	25.00
10- Ride Pass	-	25.00	20.00	20.00	20.00
15- Ride Pass (discontinued in FY2016)	26.00	-	-	-	-
RIPTIKs (discontinued in FY2016)	20.00	-	-	-	-
Monthly Pass	62.00	70.00	70.00	70.00	70.00
Ride/Paratransit	-	4.00	4.00	4.00	4.00
Transfers	0.50	1.00	1.00	1.00	1.00
Cash Fare for buses & trolleys	2.00	2.00	2.00	2.00	2.00
Reduced Fare for Seniors and Disabled*	10.00	10.00	10.00	10.00	10.00

* Cost to renew pass, must be done every 2 years

Free Fare Program

RIPTA provides free bus rides to qualifying low-income seniors and people with disabilities through the Free-Fare Program. RIPTA estimates that nearly 15,000 individuals have free-fare bus passes, 10,607 individuals with disabilities and 4,285 seniors. These pass holders take approximately 6.4 million trips annually. Passes issued through the program are good for two years and include a \$10 processing fee to renew. To qualify as a low-income senior, applicants must be over age 65 and provide proof of income through either an SSI award letter, a Medicaid eligibility notice letter, or a Supplemental Income Verification Notice. The applicant's total household income may not be more than 200.0 percent of the Federal Poverty Level or \$31,460 for a family of 2, as of 2015. To qualify as a disabled person the applicant must provide either a Medicare card with a disability code, a Supplemental Security Income award letter, or a Certification of Disability completed by the Providence Center.

RIPTA also offers half-fare boarding to seniors and people with disabilities, regardless of income, during off-peak hours. Participants must enroll in the program and will be issued a valid identification card, participants are required to pay full fare during peak service hours (7am-9am and 3pm-6pm weekdays).

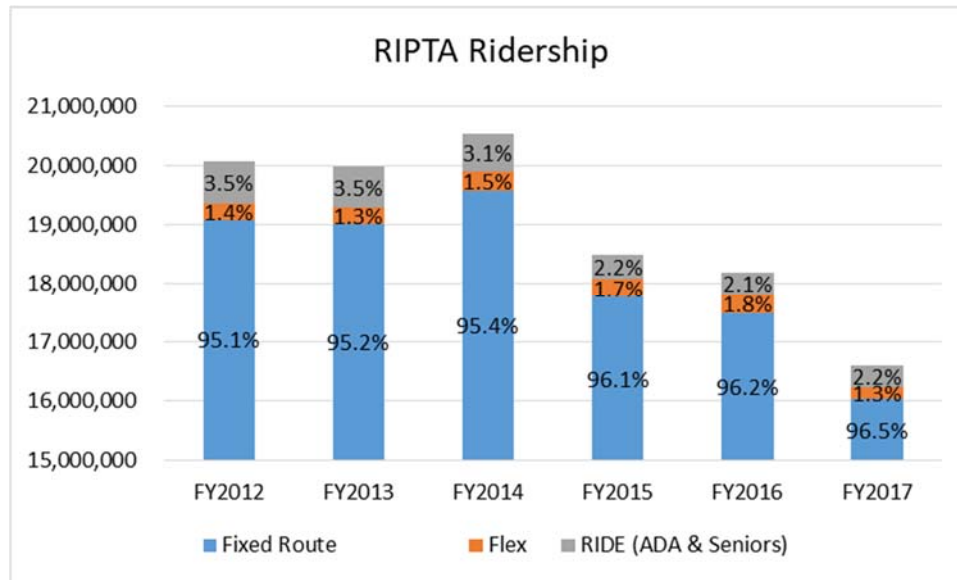
Free Fare Program Changes: The Reduced Fare program was originally supposed to begin in July 2016. Previously, eligible low-income seniors and disabled had their rides fully subsidized under RIPTA's Free Fare program. The Free Fare program contributed significantly to RIPTA's operating deficits, the Reduced Fare model was expected to help alleviate the operating deficit. Transitioning from the Free Fare program to the Reduced Fare model was effectively delayed for seven months when the General Assembly appropriated \$900,000 to RIPTA for the program in the FY2017 Budget as Enacted. Article 4 of the FY2018 Budget as Enacted provides the Rhode Island Public Transit Authority (RIPTA) with \$5.0 million in Rhode Island Highway Maintenance Funds in both FY2018 and FY2019, \$3.4 million is used to fund the free-fare program for low-income senior and disabled persons and the remaining \$1.6 million is used for debt service payments that were shifted back to the Authority.

Transportation Coordinating Council: Pursuant to Article 4 of the FY2018 Enacted Budget, RIPTA must establish a coordinating council to develop recommendations for the sustainable funding of the program while maximizing the use of federal funds available to support the transportation needs of this population. The recommendations are to be provided to the Governor and General Assembly by November 1, 2018. The Coordinating Council first met on January 29, 2018. The Council consists of members from multiple State agencies including RIPTA, the Department of Human Services, the Executive Office of Human Services, the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals, and the Office of Veteran's Affairs, and the Division of Elderly Affairs. The Council broke up into two "working groups", the Communications working group and the Bus Pass Program Funding working group. The working groups meet regularly and share their ideas with the full council every other month. RIPTA's goal is to have final reports from the working groups in July 2018 and final recommendations completed in August 2018.

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 FY2017, RIPTA's total ridership was 16.6 million passengers, a net decrease of 8.7 percent from FY2016. The largest decrease, 35.2 percent, was in Flex services. RIPTA attributes this to increasing popularity of services such as Uber and Lyft. Flex services are most directly affected by this trend; however, the Department is working to reconfigure Flex services and allow customers to schedule rides with 15 minutes notice rather than 24 hours. The following table shows ridership, by category, for RIPTA for FY2012 through FY2017.



Analyst Note: According to RIPTA, the 19.0 percent decline in ridership between FY2014 and FY2017 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 FY2017.

SELECTED CAPITAL PROJECTS

The Governor recommends \$115.6 million in capital expenditures, of which \$5.7 million is Rhode Island Capital Plan (RICAP) funded and \$109.9 million is funded by the Federal Transit Administration (FTA) and other federal funds, between FY2018 and FY2023, 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 FY2017, RIPTA has retired 15 buses that were put into service in 2004 and 9 buses that were put into service in 2005. RIPTA plans to replace these vehicles with new, fuel-efficient buses, which are equipped with emission control devices devised to meet EPA guidelines for Clean Air standards.

In FY2019, RIPTA will purchase 29 buses and will retire the remaining 2005 fleet. The local required match of 20.0 percent 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 \$16.7 million in FY2019, including \$13.6 million in FTA funds and \$3.1 million in revenues from vehicle registration fees.

Paratransit Vehicles: RIPTA maintains a fleet of 117 vehicles for the paratransit program, also known as RIDE. Federal Transit Administration (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.

Paratransit vehicles are funded via a fee charged for all trips provided through 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 \$2.9 million in FY2019 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.

Downtown Providence Transit Connector: The Downtown Providence Transit Connector will provide high-frequency transit service between the Providence Station and the Hospital District in Upper South Providence, a major employment hub within the State. The new Transit center will feature high visibility stops, real-time bus arrival language, and bike share stations.

The Budget includes \$2.0 million in FY2018 and \$14.6 million in FY2019 for this project, \$13.0 million will come from a 2014 USDOT Transportation Investments Generating Economic Recovery (TIGER) grant. This project is included in the Department of Transportation's 10-year Transportation Improvement Program (TIP).

Pawtucket Bus Hub Transit Connector: The Governor includes funds to construct a new bus hub in Pawtucket, adjacent to the DOT's new Pawtucket-Central Falls Commuter Rail Station. The current Pawtucket bus hub is the second busiest in the state and is outdated. The new hub will include six to eight bus berths, shelters, real-time bus information, and a waiting area. The Budget includes \$2.4 million in FY2018 and \$4.7 million in FY2019. Of the funds, \$5.6 million will be FTA funds, \$1.3 million will be RICAP funds, and \$236,000 will be contributed from the City of Pawtucket.



SPECIAL REPORTS

Personnel

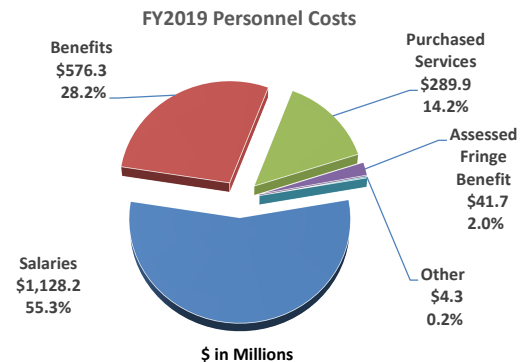
The Governor's FY2019 Budget includes a total of \$2,040.4 million for personnel expenditures, an increase of \$62.8 million compared to the FY2018 Budget as Enacted, and \$31.4 million more than the Governor's FY2018 Revised Budget recommendation. Salaries and benefits total \$1,704.5 million and comprise 83.5 percent of FY2019 personnel expenditures (51.9 percent of the salaries and benefits costs are supported by general revenue).

The Governor's FY2018 Supplemental Budget includes \$2,009.0 million for personnel expenditures, an increase of \$31.4 million compared to the FY2018 Budget as Enacted. Salaries and benefits total \$1,646.9 million and comprise 82.0 percent of FY2018 revised personnel expenditures (52.1 percent of the salaries and benefits costs are supported by general revenue). Purchased services increase \$12.4 million, (\$1.7 million in general revenue), largely due to increasing other and federal funding for infrastructure engineering services within the Department of Transportation.

Of note, the Governor's budget recommendation does not include any potential resolution of outstanding collective bargaining agreements. Currently all state employee unions are operating without a contract. Media has reported that resolution of some of the CBA's is likely, and this would impact both the FY2018 and FY2019 budgets.

PERSONNEL EXPENDITURE TRENDS

Expenditures for salaries in FY2019 total \$1,128.2 million, comprising 55.3 percent of total personnel costs, an increase of \$11.6 million (1.0 percent) from the FY2018 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 \$576.3 million and comprise 28.2 percent of total personnel costs. Benefits increase \$41.9 million (7.8 percent) from the FY2018 Budget as Enacted, primarily due to increased retirement and medical benefit costs. Purchased services costs are \$289.9 million (14.2 percent) of the total personnel costs. Purchased services increase \$12.4 million (4.5 percent) from the FY2018 Budget as Enacted.



Expenses by Description	FY2016 Actual	% of Total	FY2017 Actual	% of Total	FY2018 Enacted	% of Total	FY2018 Governor	% of Total	FY2019 Governor	% of Total
Salaries	\$1,066.8	55.2%	\$1,065.3	55.5%	\$1,116.6	56.5%	\$1,104.5	55.0%	\$1,128.2	55.3%
Benefits	480.9	24.9%	542.3	28.3%	534.4	27.0%	542.4	27.0%	576.3	28.2%
Purchased Services	339.5	17.6%	265.2	13.8%	277.5	14.0%	318.0	15.8%	289.9	14.2%
Assessed Fringe Benefits	39.6	2.0%	39.4	2.1%	41.3	2.1%	39.0	1.9%	41.7	2.0%
Other	5.3	0.3%	5.7	0.3%	7.8	0.4%	5.1	0.3%	4.3	0.2%
Total	\$1,932.1	100.0%	\$1,917.9	100.0%	\$1,977.6	100.0%	\$2,009.0	100.0%	\$2,040.4	100.0%

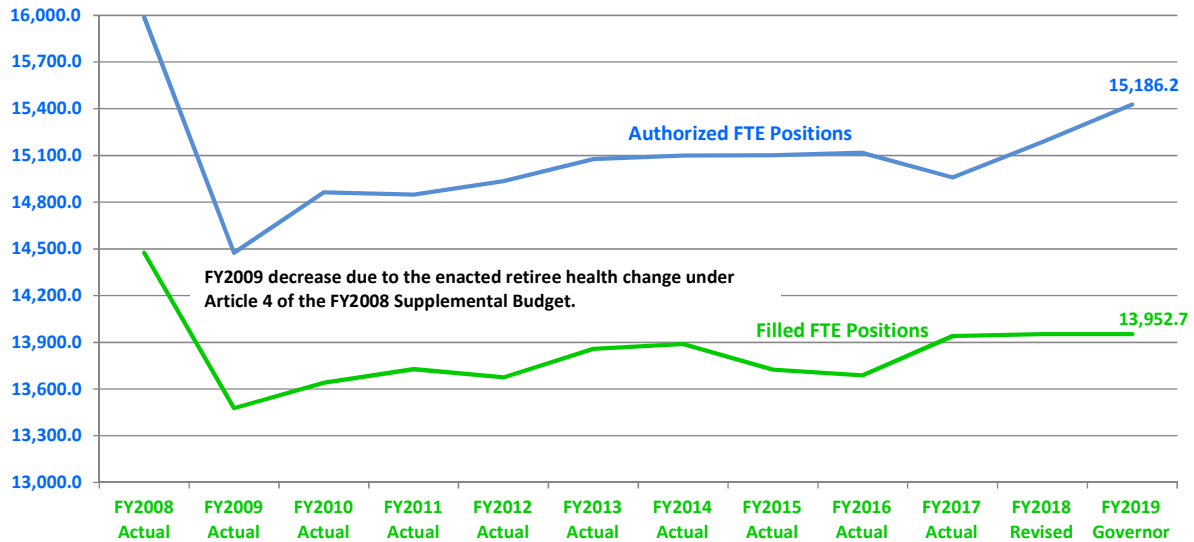
\$ in millions. Totals may vary due to rounding.

Expenses by Function	FY2016	FY2017	FY2018 Enacted	FY2018 Governor	FY2019 Governor	% of Pers. Budget	FY2019	
							General Revenue	FY2019 General Revenue %
General Government	\$273.0	\$277.2	\$266.2	\$237.6	\$253.7	12.4%	\$147.1	58.0%
Human Services	518.6	455.2	470.0	510.4	494.0	24.2%	206.6	41.8%
Education	577.9	575.8	627.0	628.2	644.7	31.6%	169.8	26.3%
Natural Resource	54.7	56.8	62.9	62.0	61.9	3.0%	33.5	54.2%
Public Safety	400.2	442.3	425.8	439.0	445.8	20.6%	410.0	92.0%
Transportation	107.7	110.6	125.7	131.7	140.4	6.9%	-	-
Total	\$1,932.1	\$1,917.9	\$1,977.6	\$2,009.0	\$2,040.4	100.0%	\$967.0	47.4%

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

FTE POSITIONS

The FY2018 Budget as Enacted authorizes 15,160.2 FTE positions. At the start of the fiscal year, 13,910.8 FTE positions (91.8 percent of the original enacted authorized amount) were filled, leaving 1,249.4 FTE positions vacant, a rate of 8.2 percent. Over the past decade, the state vacancy rate has averaged 8.2 percent, or 1,236.5 FTE positions. As of January 20, 2018, 13,952.7 FTE positions (92.0 percent of the authorized amount) were filled, leaving 1,207.5 FTE positions vacant. From the start of the fiscal year to January 20, 2018, the State had a net increase of 41.9 filled FTE positions.



The following table illustrates the number of FTE positions by government function.

Government Function	FY2018	FY2018	Change to	FY2019	% of Total	FY19/FY18	FY19/FY18
	Enacted	Governor		Enacted		Governor	Governor
General Government	2,365.9	2,369.9	4.0	2,490.9	16.1%	121.0	125.0
Human Services	3,715.6	3,724.6	9.0	3,740.2	24.2%	15.6	24.6
Education	3,924.9	3,925.9	1.0	3,970.4	25.7%	44.5	45.5
Public Safety	3,210.0	3,222.0	12.0	3,212.0	20.8%	(10.0)	2.0
Natural Resources	429.0	429.0	-	429.0	2.8%	-	-
Transportation	775.0	775.0	-	795.0	5.2%	20.0	20.0
Subtotal	14,420.4	14,446.4	26.0	14,637.5	94.9%	191.1	217.1
Sponsored Research	739.8	739.8	-	788.8	5.1%	49.0	49.0
Total FTE Positions	15,160.2	15,186.2	26.0	15,426.3	100.0%	240.1	266.1

FY2018: The Governor’s FY2018 Revised Budget proposes 15,186.2 FTE positions, a net increase of 26.0 FTE positions from the FY2018 Budget as Enacted. Major FTE changes include:

- **An increase of 13.0 FTE positions in the Department of Health:** There is an increase of 13.0 FTE positions within the Department of Health. These additional positions are related to drug overdose prevention and intervention and are mostly funded through federal and restricted receipts.
- **An increase of 12.0 FTE positions in the Department of Corrections:** The Budget includes an increase of 12.0 FTE positions. The Governor includes 28.0 new positions that the department requested including 3.0 Correctional Officers Training Instructors, 16.0 Correctional Officers, 1.0 Senior Public Health Promotion Specialist, 2.0 Clinical Social Workers, 2.0 Correctional Officer Hospital Positions and 4.0 Health Unit Clerks. The Governor removes 16.0 unidentified positions to

maintain the 12.0 FTE increase, positions eliminated will be based on management decisions as needed.

- **An increase of 5.0 FTE positions in the Department of Business Regulation:** The Governor adds positions in FY2018, including 1.0 Senior Management & Methods Analyst FTE position in Central Management, 2.0 Bank Examiner FTE positions in Banking Regulation, 1.0 Insurance Examiner in Insurance Regulation, and in the Commercial Licensing, Racing, and Athletics division, 1.0 Pari-Mutual Operations Specialist and 1.0 Legal Counsel for the medical marijuana program. The latter two will be funded by restricted receipts.
- **A decrease of 4.0 FTE position in the Department of Revenue:** The Budget includes a decrease of 4.0 FTE positions reflecting the elimination of 3.0 FTE positions in the Municipal Finance division and 1.0 FTE position from the Lottery division.
- **A decrease of 4.0 FTE positions in the Department of Children, Youth, and Families:** The Budget removes 4.0 vacant Chief Case Work Supervisor FTE positions which were transferred from the Department of Human Services (DHS) following the rollout of RI Bridges.
- **An increase of 3.0 FTE positions in the Public Utilities Commission:** The Governor transfers the Water Resources Board functions and 3.0 FTE positions from the Division of Planning to the Division of Public Utilities and Carriers. The positions are: 1.0 General Manager (currently vacant), 1.0 Staff Director, and a 1.0 Supervising Civil Engineer. The action also transfers the funding source for the Water Resources Board from general revenue to restricted receipts.
- **An increase of 1.0 FTE position in the Office of the Postsecondary Commissioner:** The Budget includes an increase of 1.0 FTE position reflecting a net change in the authorized FTE level. This is the result of adding 2.0 FTE positions at the Westerly Education Center and the addition of 2.0 FTE positions in the Office of the Commissioner for student support and financial aid activities. Offsetting the increases is a reduction of 3.0 FTE positions in the Division of Higher Education Assistance due to the expected transfer of the Federal Family Education Loan guaranty agency operations to a successor entity.

FY2019: The Governor's FY2019 Budget proposes 15,426.3 FTE positions, a net increase of 266.1 FTE positions from the FY2018 Budget as Enacted, and an increase of 240.1 FTE positions from the Governor's recommendation for the FY2018 Revised Budget. The major changes include:

- **An increase of 79.0 FTE positions in the Department of Revenue:** The Governor adds 79.0 FTE positions in FY2019, including 32.0 FTE positions to implement the federally mandated Real ID compliance, 23.0 new FTE positions required to operate the Tiverton Casino, 22.0 FTE positions in Taxation to support enhanced revenue collections, and 7.0 FTE positions to staff the proposed Division of Collections. Offsetting the increases includes elimination of 3.0 FTE positions in the Municipal Finance division and 1.0 FTE position from the Lottery division.
- **An increase of 69.0 FTE positions in the Department of Business Regulation:** The Governor consolidates building, construction, and fire code regulatory functions into a division within the department. This includes 36.0 FTE positions from the Office of the State Fire Marshal, 26.0 FTE positions by transferring the Division of Construction Permitting, Approvals, and Licensing, consisting of the State Building Code Commission, Contractor's Registration Board, and the Fire Safety Code Board of Appeal to the new consolidated division. These are in addition to the 2.0 FTE licensing positions transferred from the Department of Health, and the 5.0 FTE positions added under the FY2018 Revised Budget request.
- **An increase of 43.5 FTE positions in Public Higher Education:** The Governor recommends an increase of 2.0 new grant-funded FTE positions dedicated to higher education attainment, student supports, and financial aid activities, as well as 2.0 new FTE positions at the Westerly Education

Center to accommodate the growing demand for services. The increases are partially offset by the elimination of 3.0 FTE positions from the Division of Higher Education Assistance. The Budget also provides for 19.5 new FTE positions at the University of Rhode Island (URI), reflecting an increase of 10.0 full-time, tenure-track Assistant Professors; 3.0 Lecturers, 1.0 Assistant Director of (Student) Veteran Affairs; 1.0 Director and 1.0 Coordinator in the Offices for Innovation in General Education and Undergraduate Research and Innovation; 1.0 Strength and Coordinating Coach; 1.5 Associate Athletic Therapists; and 1.0 University Psychologist to support students undergoing or at-risk for mental health issues. The Budget includes an increase of 23.0 FTE positions at Rhode Island College. The additional positions will provide flexibility and capacity as the College expands the use of full-time faculty and reduces reliance on part-time adjuncts.

- **Sponsored research positions increase by 49.0 FTE positions at URI.** The positions includes 12.0 Research Assistants to support a \$19.0 million National Science Foundation grant to establish the Consortium on Ecology, Assessment, Innovation, and Modeling for Narragansett Bay; 25.0 Research Assistants to support an interagency agreement with the Executive Office of Health and Human Services for Health System Transformation and the Designated State Health Plan waiver; and 12.0 positions associated with the recent consolidation of DataSpark, the former data analytics team at the Providence Plan, within the University.
- **A decrease of 29.0 FTE positions in the Department of Administration:** The Budget decreases the Department's FTE positions by 29, reflecting the transfer of the Water Resources Board functions and 3.0 FTE positions from the Division of Planning to the Division of Public Utilities and Carriers, and the transfer of the Division of Construction Permitting, Approvals, and Licensing, consisting of the State Building Code Commission, Contractor's Registration Board, and the Fire Safety Code Board of Appeal along with 26.0 FTE positions to a new consolidated division within the Department of Business Regulation.
- **An increase of 20.0 FTE positions in the Department of Transportation:** The Budget includes an increase of 20.0 FTE positions. The Governor concurs with the Department's request for 45.0 new positions while eliminating 25.0 unclassified positions for a net increase of 20.0 FTE positions. New positions include: 1.0 Executive Assistant, 1.0 Senior Accountant and 1.0 Implementation Aid to Human Resources within Central Management; 5.0 Project Managers, 1.0 Senior Civil Engineer, 1.0 Supervising Environmental Scientist, 1.0 Supervising Planner, 1.0 Clerk Secretary and 1.0 Legal Council position within Infrastructure Engineering; 12.0 Bridge Maintenance Workers, 4.0 Highway Field Operations Supervisors, 2.0 Carpenters, 12.0 Highway Maintenance Operators, 1.0 Highway Maintenance Field Operations Superintendent, and 1.0 Landscape Maintenance Technician within Infrastructure Maintenance. The Department does not yet know the 25.0 FTE positions to be eliminated.
- **An increase of 12.0 FTE positions in the Department of Corrections:** The Budget includes an increase of 12.0 FTE positions. The Governor includes 28.0 new positions that the department requested including 3.0 Correctional Officers Training Instructors, 16.0 Correctional Officers, 1.0 Senior Public Health Promotion Specialist, 2.0 Clinical Social Workers, 2.0 Correctional Officer Hospital Positions and 4.0 Health Unit Clerks. The Governor removes 16.0 unidentified positions to maintain the 12.0 FTE increase, positions eliminated will be based on management decisions as needed. These are the same positions recommended by the Governor in the FY2018 Supplemental Budget.
- **A decrease of 12.0 FTE positions in the Department of Public Safety:** There is a net decrease of 12.0 FTE positions within the Department consisting of transferring the Office of the State Fire Marshal and its 36.0 FTE positions to the Department of Business Regulation. This is offset by the addition of 30.0 State Police recruits, the addition of 2.0 Telecommunicator FTE positions to assist with the increase calls associated with the Next Generation 9-1-1 service, and 2.0 Screener positions.

- **An increase of 10.0 FTE positions in the Executive Office of Health and Human Services:** The Budget adds 10.0 FTE positions associated with implementing the Medicaid reform initiatives included in the Governor’s budget. These include 2.0 FTE positions for the Adult Co-Pay program; 2.0 FTE positions for the redesign of the dual-eligible and long-term services and supports delivery systems; 2.0 FTE positions for enhanced estate recovery activities in long-term services and supports, 2.0 FTE positions for the “revenue maximization” initiatives; 1.0 FTE for the non-emergency medical transportation program; and, 1.0 FTE position for financial management of all initiatives.
- **An increase of 3.0 FTE positions in the Department of Children, Youth, and Families:** The Budget includes an increase of 7.0 FTE positions to administer the Voluntary Extension of Care program. Additionally, 4.0 FTE positions are removed to realize a full year of personnel reductions from FY2018.
- **An increase of 0.6 FTE positions in the Office of the Child Advocate:** The Budget includes an additional 0.6 FTE position to add a part-time staff member to assist with the Office’s increased workload.

VOLUNTARY RETIREMENT INCENTIVE

The Governor initiated a voluntary retirement incentive (VRI) payment to state employees who are eligible to retire on or before December 31, 2017. The VRI is intended to achieve strategic and budgetary objectives by prioritizing the filling of the resulting vacancies while allowing the State to recognize the long-term service of its employees and provide them with the flexibility to retire. The Governor identified 941 executive branch employees who matched the eligibility requirement. The program is being offered in stages based on the individual employee’s longevity entitlements. The last group of employees must submit a written notice of their election to retire on or before March 15, 2018.

Eligible employees who elect to retire within the designated enrollment periods will receive a one-time payment equal to two times the employee’s current annualized longevity amount up to a maximum amount of \$40,000. The Governor projects the longevity incentive will cost \$9.0 million. Additional severance costs could cost the State another \$2.4 million.

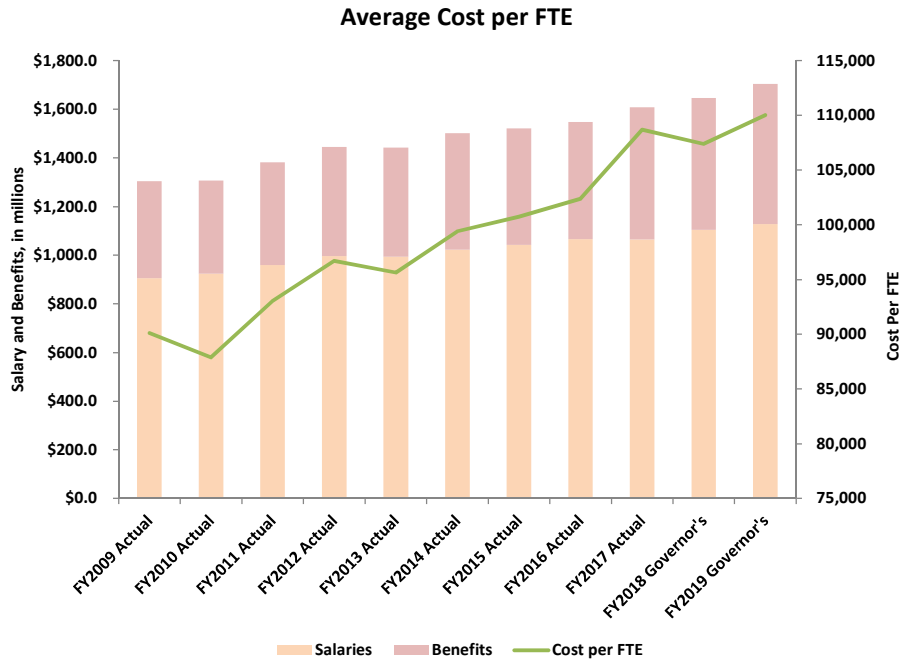
The Governor estimated VRI net savings of \$11.5 million (\$6.5 million general revenue) in FY2018 and \$21.7 million (\$12.3 million general revenue) in FY2019, based on the assumption that 45.0 percent or 423 executive branch employees would take the VRI. As of March 20, 2018, 347 employees have accepted the VRI; however, this includes non-executive branch employees as well. The table illustrates the number of eligible employees accepting the VRI as of March 20, 2018.

Department	Number of Retirees	Longevity Incentive Amount
Higher Education	44	\$650,193
BHDDH	38	687,757
Transportation	36	807,954
Administration	35	799,890
Human Services	33	670,340
Environmental Management	26	668,105
Judiciary	21	466,713
Labor and Training	18	388,807
DCYF	17	470,883
Corrections	16	407,674
Health	15	361,008
Revenue	9	154,748
Public Safety	7	112,865
Attorney General	5	124,815
Business Regulation	5	129,180
OHHS	5	113,838
Elementary and Secondary Education	3	49,139
Public Defender	3	89,736
Public Utilities Commission	2	67,667
Treasury	2	55,135
RI Arts Council	1	18,835
Business Regulation	1	21,354
Ethics Commission	1	13,172
Office of the Governor	1	40,000
Human Rights Commission	1	20,075
Military Staff	1	25,290
RIEMA	1	31,322
Total	347	\$7,446,496

Source: State Budget Office Report March 20, 2018

AVERAGE COST PER FTE

The projected average cost per FTE position is \$110,035 in FY2019, reflecting an increase of 2.5 percent over the FY2018 Governor’s Revised Budget. Statewide, total salary costs annually increased on average by 2.2 percent and benefit costs increased 3.9 percent since 2009. The cost per FTE position decreased slightly in FY2018 possibly as a result of the volunteer retirement incentive package initiated by the Governor. The table does not include any cost-of-living adjustment pursuant to any resolution on the State’s collective bargaining agreements.



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, Management and Consultant Services, Training and Educational Services, Design and Engineering, and Information Technology, comprise 75.5 percent of the total FY2019 purchased service expenditure recommendation in the Governor’s FY2019 budget.

Purchased Services	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Enacted	FY2018 Governor	FY2019 Governor	FY19 to FY18 Change
Design & Engineering	\$43.3	\$47.9	\$44.9	\$46.8	\$49.7	\$56.6	\$9.9
Management & Consultant Services	101.7	79.3	79.1	70.8	83.6	72.8	2.1
Training & Educational Services	42.2	48.5	45.9	43.2	50.5	50.3	7.0
Information Technology	61.7	107.4	29.6	51.0	66.1	39.0	(12.0)
Medical Services	13.1	15.5	15.7	18.2	15.8	18.1	(0.1)
Other Contracts	15.9	12.7	15.6	15.2	16.0	17.3	2.1
Clerical & Temporary Services	3.7	3.7	4.3	5.1	6.4	6.7	1.6
Buildings & Grounds Maintenance	6.6	5.6	6.0	6.7	6.1	5.9	(0.8)
Legal Services	6.3	4.9	7.1	5.0	5.6	5.3	0.3
University & College Services	16.0	14.0	16.8	15.7	18.3	17.9	2.3
Total	\$310.5	\$339.5	\$265.2	\$277.5	\$318.0	\$289.9	\$12.4

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

Does not include Internal Service Funds

For the FY2019 Budget, the Governor recommends \$289.9 million for purchased service expenses, of which \$60.4 million (20.8 percent) is general revenue. The FY2019 Budget recommendation reflects an increase of \$12.4 million from the FY2018 Budget as Enacted and a decrease of \$28.1 million from the Governor’s FY2018 Budget as Revised. Approximately \$228.0 million (78.7 percent) of the appropriation funds services in seven state departments.

Purchased Services

Department	FY2018 Enacted	FY2018 Governor	FY2019 Governor	FY2019 General Revenue
Office Health and Human Services	\$77.4	\$105.7	\$75.1	\$13.6
Elementary and Secondary Education	36.3	42.7	43.1	5.6
Transportation	38.8	43.4	49.7	-
Administration	13.2	13.2	7.9	2.6
Human Services	16.5	16.0	16.3	4.6
Office of Post Secondary Commissioner	4.9	5.2	2.0	0.2
Corrections	14.8	14.6	14.6	13.9
Health	9.3	9.4	9.9	1.4
Environmental Management	8.3	7.7	6.9	0.3
Children, Youth, and Families	4.2	4.7	4.9	3.1
Labor and Training	4.9	2.7	4.9	0.1
University of Rhode Island	18.3	18.5	19.3	2.1
Revenue	5.5	5.5	7.6	4.3
All Other Agencies	25.1	28.7	27.6	8.6
Total	\$277.5	\$318.0	\$289.9	\$60.4

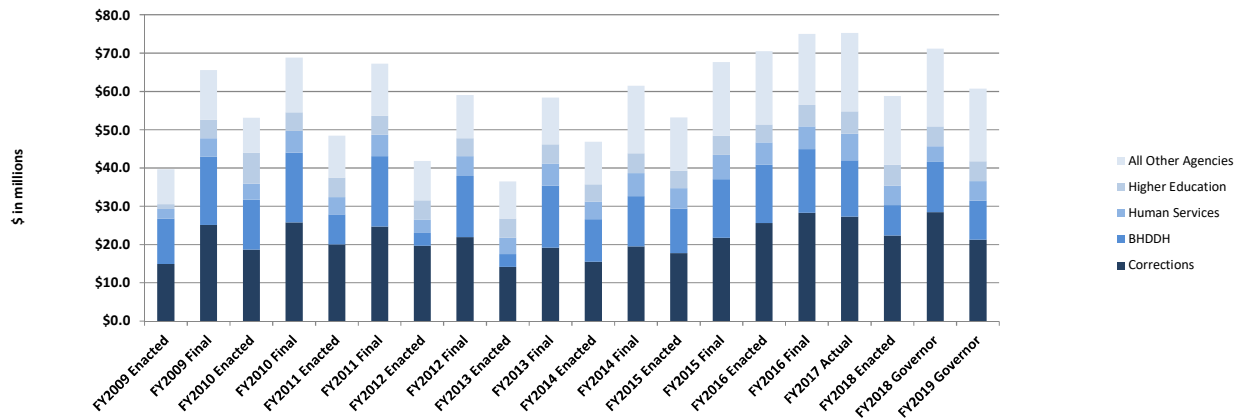
\$ in Millions

Does not include ISFs

OVERTIME

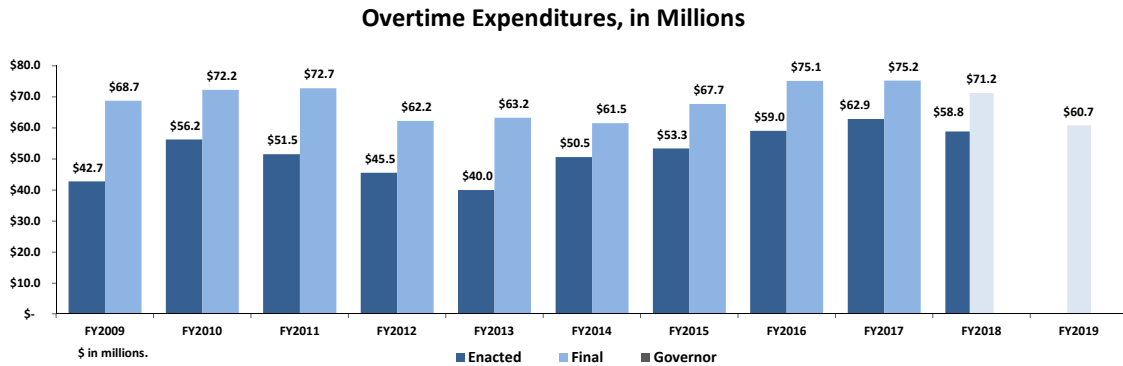
Overtime costs in FY2019 are projected to total \$60.7 million, \$1.9 million more than the FY2018 Budget as Enacted and \$10.4 million less than proposed in the Governor’s FY2018 Revised Budget. General revenue supports 63.1 percent of overtime expenses. 35.0 percent of the total FY2019 projected overtime expenditures for the State occur with the Department of Corrections, which is projected to decrease 5.0 percent in FY2019.

Overtime Costs



State agencies regularly over spend their overtime appropriation. Over the last seven fiscal years, overtime expenditures have exceeded enacted amounts by an average of \$16.4 million (33.1 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 FY2019 projected rates for individual and family health insurance are 5.0 percent higher than the rates for FY2018.

Health Insurance Rates Annual Employer Cost per Employee

	FY2001	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2018	FY2019	% Change
Individual	Actual*	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Enacted	Governor	Governor	FY19/FY18
Medical	\$2,772	\$5,970	\$6,020	\$6,558	\$6,559	\$7,062	\$6,967	\$7,525	\$7,358	\$7,601	\$8,363	\$8,363	\$8,781	5.0%
Dental	241	327	360	349	350	376	382	405	393	405	414	373	384	-7.2%
Vision	41	82	83	83	84	63	59	60	57	79	57	57	57	0.0%
Total	\$3,054	\$6,379	\$6,463	\$6,991	\$6,993	\$7,501	\$7,408	\$7,990	\$7,808	\$8,085	\$8,834	\$8,793	\$9,222	4.4%
Family														
Medical	\$7,772	\$16,736	\$16,877	\$18,386	\$18,386	\$19,799	\$19,531	\$21,093	\$20,626	\$21,307	\$23,445	\$23,445	\$24,617	5.0%
Dental	674	917	1,008	978	978	1,052	1,068	1,132	1,100	1,133	1,160	963	992	-14.5%
Vision	88	173	177	177	177	173	161	165	157	162	157	157	157	0.0%
Total	\$8,533	\$17,827	\$18,062	\$19,540	\$19,541	\$21,024	\$20,760	\$22,390	\$21,883	\$22,602	\$24,762	\$24,565	\$25,766	4.1%

Source: State Budget Office

State Employee Health Plan Costs

The FY2019 proposed total employer expenditure for state employee health plan costs is \$212.4 million, of which \$107.3 million is general revenue. This is \$12.0 million higher than the FY2018 Budget as Enacted, and \$19.4 million more than the Governor's proposed FY2018 Revised Budget.

State Employee Health Plan Total Costs

Health Plan	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2018	FY2019	FY19 to FY18	% Change
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Enacted	Governor	Governor	Change	FY19/FY18
Medical	\$148.6	\$145.9	\$155.2	\$162.1	\$157.5	\$162.3	\$174.7	\$188.0	\$182.2	\$201.7	\$13.8	-3.1%
Dental	9.2	9.2	9.3	9.8	9.7	9.6	8.4	10.9	9.3	9.2	(1.7)	-14.2%
Vision	1.6	1.5	1.4	1.4	1.4	1.3	1.3	1.5	1.5	1.4	(0.1)	-4.5%
Total	\$159.4	\$156.6	\$165.9	\$173.3	\$168.6	\$173.3	\$184.4	\$200.4	\$193.0	\$212.4	\$12.0	-3.7%

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 \$49,670 or less, 20.0 percent for employees earning \$49,670 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 resets the lowest salary threshold of \$47,741 by 2.0 percent as of April 6, 2014, (\$48,696), and adjust the lowest threshold again by 2.0 percent to \$49,670 on October 5, 2014.

Family Plan Co-share – Salary Ranges

FY2018	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%	\$148.65
25,000 - 34,999	13.5%	46,350 - 92,700	20.0%	\$48,670 - \$95,481	20.0%	198.19
35,000 - 44,999	13.5%	Over \$92,700	25.0%	Over \$95,481	25.0%	247.77
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%	\$70.92
45,000 - 74,999	20.0%	46,350 - 92,700	20.0%	Over \$95,481	25.0%	88.65
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 are \$250 for an individual plan and \$500 for a family plan. In addition, the agreement increased the point of service co-payments effective the first pay period after June 29, 2014, for medical appointments and service.

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
	Tier 2	12	20
	Tier 3	30	40

STATE EMPLOYEES AND TEACHERS ACTUARIAL VALUATION REPORT

Gabriel Roeder Smith and Company (GRS), actuary to the State Retirement Board, submitted the June 30, 2017, 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 FY2020. There is no impact to the FY2019 certified employer contribution rates. The GRS analysis reflects continuing drop in payroll growth in addition to decreasing inflation, payroll, and investment rate assumptions. The assumed investment return decreases from 7.5 percent to 7.0 percent; inflation decreases from 2.75 percent to 2.5 percent, and payroll from 3.25 percent to 3.0 percent.

Employer Contribution Rates	FY2019 Certified	FY2020 Certified	Change
State Employees	25.75%	26.39%	0.64%
Teachers - State Share	10.06%	9.84%	-0.22%
Teachers - Local Share	13.45%	14.77%	1.32%
Total Teachers	23.51%	24.61%	1.10%

Source: GRS June 30, 2017, Actuarial Valuation

Projected Employer Contribution	FY2019	FY2020	Change
State Employees	\$190.3	\$197.1	\$6.8
Teachers - State	107.8	107.2	(0.6)
Total State Cost	\$298.1	\$304.3	\$6.2
Teachers - Local	\$144.1	\$160.7	\$16.6
Total State and Local Cost	\$442.2	\$465.0	\$22.8

Source: GRS June 30, 2017, Actuarial Valuation

\$ in millions

Active Employee to Retiree Ratio

According to GRS, the ratio of active employees to retirees continues to negatively impact the State Retirement Fund. Beginning in 1999, the active employee ratios have decreased for state employees and teachers. The 2017 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	2017
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	11,152
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	11,078
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	1.0
Teachers	1999	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	13,310
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	11,211
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	1.2

Source: GRS Actuarial Report June 30, 2017

Fund Value

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.

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 increase in the Unfunded Actuarial Accrued Liability (UAAL).

According to GRS, the 2017 funded ratio is 52.9 percent for state employees and 54.8 percent for teachers. For state employees, the unfunded actuarial accrued liability (UAAL) increased from \$1,935.9 million to \$2,212.7 million and for teachers the UAAL increased from \$2,694.1 million to \$3,115.9 million. The increase in the UAAL is attributable to the decrease in the projected payroll, inflation, and investment rates.

ERSRI Value History	Funded	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%
2017	52.9%	54.8%

SUMMARY OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

The Unfunded Actuarial Accrued Liability (UAAL) payment for state employees is \$146.3 million in FY2018, reflecting a decrease of \$3.3 million from last year; \$154.1 million in FY2019, reflecting a decrease of \$3.8 million from last year; and \$162.4 million in FY2020. The following table illustrates the components of the UAAL payment and the remaining amortization period.

Purpose	State Employees				
	Remaining Balance as of June 30, 2017	FY2018 Amortization Payment	FY2019 Amortization Payment	FY2020 Amortization Payment	Amortization Years Remaining
FY1991 and FY1992 Deferrals	\$28.7	\$2.2	\$2.3	\$2.4	16
Original 2011 RIRSA Base	1,815.1	141.4	145.7	150.0	16
2014 Experience Study	(49.3)	(3.7)	(3.8)	(3.9)	17
2014 Mediation Settlement	118.1	8.9	9.1	9.4	17
2015 Experience Base	(34.8)	(2.5)	(2.6)	(2.7)	18
2016 Experience Base	44.2	-	3.4	3.5	19
2016 Assumption Change - FY20 Stagger	28.8	-	-	2.4	20
2016 Assumption Change - FY21 Stagger	61.7	-	-	-	20
2016 Assumption Change - FY22 Stagger	61.7	-	-	-	20
2016 Assumption Change - FY23 Stagger	61.7	-	-	-	20
2016 Assumption Change - FY24 Stagger	61.7	-	-	-	20
New Experience Base This FY	15.4	-	-	1.3	20
UAAL	\$2,212.7	\$146.3	\$154.1	\$162.4	

Source: GRS 2017 Actuarial Valuation

\$'s in millions

Totals may vary due to rounding.

The Unfunded Actuarial Accrued Liability (UAAL) payment for teachers is \$198.4 million in FY2018, reflecting a decrease of \$1.0 million from last year; \$205.9 million in FY2019, reflecting a decrease of \$2.1 million from last year; and \$221.1 million in FY2020. The following table illustrates the components of the UAAL payment and the remaining amortization period.

Teachers

Purpose	Remaining Balance as of June 30, 2016	FY2018 Amortization Payment	FY2019 Amortization Payment	FY2020 Amortization Payment	Amortization Years Remaining
FY1991 and FY1992 Deferrals - State	\$37.6	\$3.0	\$3.1	\$3.2	16
Original 2011 RIRSA Base - State	997.9	80.6	82.6	84.7	16
Original 2011 RIRSA Base - Local	1,534.1	109.2	111.9	114.7	20
2014 Experience Study - State	(16.6)	(1.3)	(1.3)	(1.3)	17
2015 Experience Study - Local	(25.0)	(1.8)	(1.8)	(1.9)	20
2014 Mediation Settlement - State	67.9	5.3	5.4	5.5	17
2015 Mediation Settlement - Local	102.5	7.3	7.4	7.7	20
2015 Experience Base	(51.2)	(3.9)	(3.9)	(4.1)	18
2016 Experience Base	31.4	-	2.5	2.6	19
2016 Assumption Change - FY20 Stagger	56.7	-	-	4.9	20
2016 Assumption Change - FY21 Stagger	80.2	-	-	-	20
2016 Assumption Change - FY22 Stagger	80.2	-	-	-	20
2016 Assumption Change - FY23 Stagger	80.2	-	-	-	20
2016 Assumption Change - FY24 Stagger	80.2	-	-	-	20
New Experience Base This FY	59.9	-	-	5.2	20
UAAL	\$3,115.9	\$198.4	\$205.9	\$221.1	

Source: GRS 2017 Actuarial Valuation

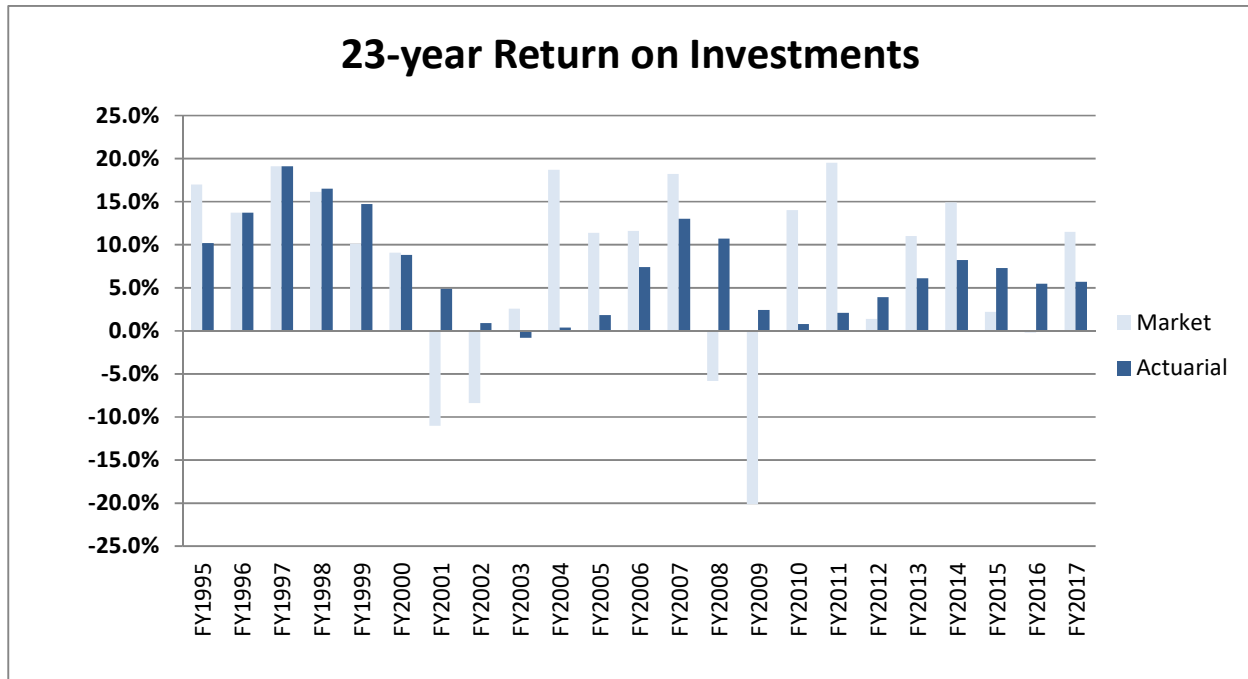
\$'s in millions

Totals may vary due to rounding

Analyst Note: The impact on contribution rates resulting from the approved changes to the assumed investment return rates, inflation rates, and payroll inflation rates in 2016 are uniformly reflected over a five-year "smoothing" period from FY2020 through FY2024.

RETURN ON INVESTMENTS

The market rate on the return on investments was 11.5 percent in FY2017, above the 7.0 percent projected rate of return that is adopted by the State Retirement Board. The actuarial rate of return was 5.7 percent based on a 5-year average smoothing rate.



- The FY2020 employer contribution rates increase but are lower than originally anticipated in the experience study.
- The 2017 investment performance was above the 7.0 percent expectation.
- The cost of living adjustments (COLA) limit still increases. For 2018, it is \$26,290 and increase by 1.51 percent to \$26,687 in 2019.
- Plans are projected to be 80.0 percent funded as of June 30, 2031.

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 was one new unit 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 2017 UAAL for all units combined is \$409.0 million compared to last year's figure of \$297.0 million, an increase of \$101.0 million, which is attributable to the change in payroll, investment, and inflation assumptions. The funded ratio for all MERS decreased from 83.0 percent to 78.6 percent in 2017. 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 12.23 percent for 2019 to 12.43 percent for FY2020, and for police and fire personnel the average employer contribution rate increased from 17.20 percent in 2019 to 19.31 percent for FY2020.

- According to the actuary, 64 units possess a funding ratio exceeding 80.0 percent, there were 71 last year and 26 units have a funding ratio over 100.0 percent, a decrease of 5 units from last year.

JUDICIAL RETIREMENT BENEFITS TRUST VALUATION REPORT

Joseph Newton of Gabriel Roeder Smith and Company (GRS) presented the June 30, 2017, actuarial valuation analysis of the retirement system covering judges. The actuarial valuation impacts the employer contribution rates approved by the Board (certified) for FY2020. There is no impact to the previously certified FY2019 employer contribution rate. The analysis does not include benefits for state judges hired before January 1, 1990, as they are funded on a pay-as-you-go basis from the State's general assets. A separate valuation is performed for these active and retired judges. Approximately 73.0 percent of the plan participants are active judges, who are contributing 12.0 percent of their salary to the Trust.

The GRS analysis increased the employer contribution rates reflecting the previously approved decreases of the inflation, payroll, and investment rate assumptions. At the conclusion of the presentation, the Board approved the employer contribution rates for FY2020.

	FY2019	FY2020
Certified Employer Contribution Rates	Certified	Certified
Judges	20.28%	21.30%

Source: GRS June 30, 2017, Actuarial Valuation

Membership	30-Jun-16	30-Jun-17	Change
Active	52	55	3
Retiree and Beneficiaries	20	20	0
Inactive	0	0	0
Total	72	75	3
Projected Payroll for Contributions	\$9.0	\$9.6	\$0.6
Unfunded Liability	\$0.9	\$4.9	\$4.0
GASB Funded Ratio	98.6%	93.3%	-5.3%

RHODE ISLAND JUDICIAL RETIREMENT FUND TRUST VALUATION REPORT

Although not required by state law, GRS provided an actuarial valuation for a Rhode Island Judicial Retirement Fund Trust (RIJFT), a pension trust fund for judges hired prior to 1990 and who are currently receiving benefits through a pay-as-you-go (pay-go) system. There has been no advance funding for this closed group of seven judges.

RIJFT	30-Jun-17
Total Pension Liability	\$20.4
Actuarially Appropriate Contribution	0.6
Net Pension Liability	\$19.8
Funded Ratio	3.2%

\$'s in millions

Source: GRS June 30, 2017, Actuarial Valuation

STATE POLICE RETIREMENT BENEFITS TRUST VALUATION REPORT

GRS presented the June 30, 2017, actuarial valuation summary regarding the retirement systems covering the State Police. The actuarial valuation impacts the employer contribution rates to be certified for FY2020. The Board approved the certified employer contribution rates for FY2020. The analysis reflects all recent pension changes enacted since 2008, but does not include benefits for State Police hired before July 1, 1987, as they are funded on a pay-as-you-go basis from annual general revenue appropriations.

	FY2019	FY2020
Certified Employer Contribution Rates	Certified	Certified
State Police	14.74%	18.48%

Source: GRS June 30, 2017, Actuarial Valuation

Membership	30-Jun-16	30-Jun-17	Change
Active	246	232	(14)
Retiree and Beneficiaries	56	71	15
Inactive	47	47	0
Total	349	350	1
Projected Payroll for Contributions	\$22.6	\$22.6	\$0.0
Unfunded Liability	\$11.7	\$24.7	\$13.0
GASB Funded Ratio	91.4%	84.1%	-7.3%

The GRS analysis increased the employer contribution rates reflecting the previously approved decreases of the inflation, payroll, and investment rate assumptions. At the conclusion of the presentation, the Board approved the employer contribution rates for FY2020.

STATE POLICE RETIREMENT FUND TRUST VALUATION REPORT

Public Law 2016, Chapter 142 authorized the creation of the State Police Retirement Fund Trust (SPRFT), a pension trust fund for State Police troopers hired prior to 1987 and 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.

SPRFT	30-Jun-17
Total Pension Liability	\$175.9
Actuarially Appropriate Contribution	16.0
Net Pension Liability	\$159.9

Funded Ratio **9.1%**

\$'s in millions

Source: GRS June 30, 2017, Actuarial Valuation

The FY2016 Budget as Enacted included an initial deposit of \$15.0 million came from Google forfeiture funds. The schedule continues with an appropriation of \$16.5 million in general revenue per year from FY2016 through FY2033, at which point the trust will be fully-funded.

TEACHER SURVIVOR BENEFIT PLAN VALUATION REPORT

GRS presented the June 30, 2017, 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 \$230 per year. The contribution is split equally between the member and the employer, i.e. each contributing \$115 per year.

Membership	30-Jun-16	30-Jun-17	Change
Active	7,028	7,121	93
Retirees and Beneficiaries	3,685	3,789	104
Survivors	517	573	56
Inactive nonretired vested	401	440	39
Inactive nonretired nonvested	1,182	1,176	(6)
Total	12,813	13,099	286

The GRS analysis increased the employer contribution rates reflecting the previously approved decreases of the inflation, payroll, and investment rate assumptions. Because the asset value for the TSBP is at 135.1 percent, exceeding the Plan's value of benefits, current member and employer contribution are sufficient; the Plan does not have an Annual Required Contribution (ARC) incurred by the employer. At the conclusion of the presentation, the Board approved the employer contribution rates for FY2020.

Unfunded Liability	(\$99.6)	(\$81.1)	\$18.5
GASB Funded Ratio	153.0%	135.0%	-18.0%

Source: GRS Actuarial Valuation June 30, 2017

Revenue

The Governor's FY2019 Budget increases general revenue collections by an estimated \$84.8 million above the November 2017 revenue estimate, excluding the annually enacted hospital license fee. The Governor includes \$182.0 million for the fee. New revenue initiatives include sports betting at the Lincoln and Tiverton casinos, restructuring and enhancements at the Department of Revenue, increases in excise taxes on cigarettes and other tobacco products, and shifting reserve funds from quasi-public agencies to general revenue.

Governor's Recommended Revenue Changes	FY2019
Hospital License Fee	\$182.0
Sports Wagering and Other Lottery	27.6
DOR Revenue Enhancements	14.8
Sales Tax Expansion	14.5
Departmental Fees	9.8
Transfers from Quasi-Public Agencies	8.0
Medical Marijuana Program Changes	5.1
Increase Excise Tax on Cigarettes	3.9
DMV Fees	3.1
Other Tobacco	2.3
Repeal Job Training Tax Credit	0.5
DBR Bank Examiners	0.3
Childcare Violation Fines (DCYF)	0.0
Delay in License Plate Reissuance	(1.8)
OHHS Initiatives	(3.2)
Total	\$266.8

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

Hospital License Fee

\$182.0 million

The hospital licensing fee is a provider tax that the State levies on hospitals. In past fiscal years, it has been used to generate state funds that are then matched with federal Medicaid funds and returned to hospitals for their care for the uninsured and indigent through the Disproportionate Share Hospital (DSH) program.

- It is calculated as a percent of gross patient services revenues, which includes revenue from patient care activity but excludes revenue from non-patient activity such as research, academic activity, and investment earnings.
- The fee is set in each year's budget for that year, so annual legislative action is required for the fee to continue.
- Hospitals pay the fee in a single payment in July of each fiscal year.
- The fee is imposed only on hospitals licensed pursuant to RIGL 23-17 with the exception of those hospitals whose primary services and patient beds are psychiatric in nature. Thus, Bradley and Butler Hospitals do not pay the fee.
- The federal government limits hospital licensing fees to 6.0 percent. Article 7 sets the rate at 5.856 percent.

Hospital Licensing Fee Revenue		
Fiscal Year	Rate	Revenue
2008	3.480%	\$73.9
2009	5.473%	121.5
2010	5.314%	124.9
2011	5.465%	135.8
2012	5.430%	138.0
2013	5.313%	138.5
2014	5.246%	145.9
2015	5.745%	155.3
2016	5.862%	169.1
2017	5.652%	168.0
2018	5.652%	181.0
2019	5.856%	182.0

\$ in millions

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. In FY2019 it is estimated to generate \$182.0 million.

Sports Wagering and Other Lottery Initiatives

\$27.6 million

The Budget includes \$27.6 million in projected revenue associated with several new proposed gambling initiatives, including the legalization of sports betting in Rhode Island.

Sports Betting: Article 4 of the Budget would authorize State-operated sports wagering at the Twin River and Tiverton Casinos, contingent upon federal law. The Department of Revenue's Lottery Division is charged with implementing and overseeing the program.

Sports betting is currently illegal in Rhode Island under the federal Professional and Amateur Sports Protection Act (PASPA). Only four states in the country are permitted to offer sports wagering – Delaware, Montana, Nevada, and Oregon. These states retained their sports betting program when the federal law passed in 1992.

New Jersey has a case pending before the U.S. Supreme Court challenging the constitutionality of PASPA (Court decision is expected in spring, 2018). If the court rules in New Jersey's favor, the national ban state-operated sports betting will end.

The Department of Revenue's Division of the Lottery would administer and oversee sports wagering in the event that it becomes legal. Wagering on collegiate sports involving a college or university located in Rhode Island, regardless of where the event takes place, would not be permitted.

The Office of Revenue Analysis (ORA) projects that sports wagering would yield \$23.5 million in FY2019. The following table summarizes the projection's methodology:

Sports Wagering FY2019 Revenue Estimate

Factors	Assumptions
Locations*	2
Estimated total handle	\$813.6
Estimated hold percentage	5.5%
Estimated total hold	\$44.7
State's share of revenue	61.0%
Est. full year state revenue	\$27.3
Starting date	October 1, 2018
Adjusted estimate, partial year	\$23.5

\$ in millions

*Lincoln and Tiverton

The "handle" is equal to the total amount of money wagered and the "hold" is the amount of money left after all winnings are paid out.

ORA utilized a study conducted by Oxford Economics for the American Gaming Association titled "Economic Impact of Legalized Sports Betting" in preparing its estimate. The study estimates that the sports betting handle for Rhode Island ranges between \$654.6 million and \$972.5 million.

Lottery and Gaming Pilot Authorization: Article 4 also permits the Lottery to undertake time-limited pilot programs for the purpose of identifying and evaluating potential new revenue opportunities.

According to the Division of the Lottery, there are a number of innovative new gaming opportunities that it is considering to pilot, including stadium gaming. Stadium gaming allows casino patrons to play multiple table style games simultaneously using interactive video terminal.

ORA estimates that a stadium gaming pilot and other gaming opportunities will generate \$4.1 million in general revenue in FY2019.

DOR Revenue Enhancements**\$14.8 million**

The Budget includes \$14.8 million in general revenue related to reorganization and enhancements at the Department of Revenue aimed at securing monies owed the State.

DOR Collections Unit: Through Article 4, the Budget establishes a collections unit within the Department of Revenue to assist state agencies in the collection of debts owed to the State.

As part of implementing the new unit, DOR would enter into agreements with any State agency attempting to collect delinquent debt. The debt must arise from a debtor failing to make timely payments pursuant to a written settlement agreements, final administrative order, or final judgement from a court or department. The referring agency is required to provide documentary support to the unit and must make specific notifications to the debtor. The unit may contract with out-side, private entities on a contingency basis to assist with the collection of debt.

Once referred, the debt will accrue interest at an annual rate determined by adding 2.0 percent to the prime rate effective the preceding October 1. The interest cannot exceed 21.0 percent or be less than 18.0 percent per year.

The Governor includes \$591,609 to fund the collection unit in FY2019, \$483,069 for 7.0 FTE positions and \$108,540 for contract services. The Budget Office projects this initiative to generate \$1.3 million in additional revenue.

Restructuring the Division of Taxation: In February 2018, the Division of Taxation, in conjunction with the Office of Management and Budget, undertook an analysis to identify improvements and efficiencies in terms of organization structure, revenue collection, and operations. The findings of this study supported Taxations existing, multi-phased effort to modernize its operations. A key recommendation focuses on greater collaboration across legal, audit, policy, and data analytics to identify opportunities to enhance revenue collection. Tax assessment functions, once siloed, are now able to be centralized because of the new integrated tax data system, STAARS. It has also been determined that excessive turnover revenue agents is a persistent drag on revenue collection.

Budget includes 22.0 new FTE positions that will support these revenue collection enhancements and improvements around discovery, collections, and audits. The study projected that these changes will result in \$13.5 million in general revenue.

Sales Tax Expansion**\$14.5 million**

The Budget includes \$14.5 million in general revenue related to the several changes to the sales and use taxes. These include subjecting “vendor-hosted prewritten computer software” to the State’s sales tax as well as certain security services.

Software as a service: The Budget includes \$4.8 million in sales tax general revenue in FY2019 from taxing “software as a service”.

Article 4 of the Budget modernizes the State’s sales and use tax relative to the purchasing, delivery, and use of software products and services. Historically, computer software was purchased on a hard disk or came loaded on a personal computer. This tangible aspect has given way to the downloading of products and other web-based delivery or housing platforms.

The Budget requires the collection of sales and use taxes on vendor-hosted prewritten computer software. This software includes accounting and invoicing platforms, sales tackers, planning, performance, and monitoring software, and webmail and electronic messaging.

Security services: The Budget includes \$9.7 million of sales tax revenue in FY2019 from the taxing of investigation, security guard, and armored car services. Investigation services related to private detective and investigation activity. Security guard services consist of services such as bodyguards, guard dog,

parking security, and patrol services. Armored car services involve the pickup and delivery of cash, receipts, or other valuable items. These services do not include security systems or locksmiths.

Departmental Fees

\$9.8 million

The Budget includes a net \$9.8 million in additional revenue from changes in various fee structures across several State agencies. The following table summarizes the fee changes:

FY2019 Departmental Fee Revenue Changes			
Department	Fee	Change	Revenue
Department of Business Regulation	Mutual Fund Registration	\$1,000 to \$1,500	\$4.6
	Insurance Claims Adjuster License	\$150 to \$250	3.0
Department of Revenue		Current Law = \$250	2.6
	Vehicle Registration Reinstatement		
Commerce	Wholesale Food Processor License	\$500 to \$300	(0.1)
	Frozen Dessert Processing License	\$160 to \$0.0	(0.1)
Food Safety License	Hairdresser Chair Fee	\$50 to \$0.0	(0.1)
	Food Safety Managers	3 years to 5 years	(0.1)
Total			\$9.8

\$ in millions

Mutual Fund Registration: Article 7 of the Budget includes \$4.6 million in general revenue in FY2019 associated with the increase in mutual fund registration fee. Rhode Island charges an initial and an annual renewal fee of \$1,000 to register a mutual fund if it is to be made available in Rhode Island. Article 7 increases these fees by \$500 for a total of \$1,500. According to the Department of Business Regulation (DBR), this increase would keep the fee in alignment with rates charged in other New England states. There are approximately 9,100 mutual funds registered to be sold in Rhode Island.

Insurance Claims Adjuster License: This Article 7 of the Budget includes \$3.0 million in general revenue in FY2019 associated with a \$100 increase in the insurance claims adjuster license fee. The current fee to maintain an insurance claims adjuster license in Rhode Island is \$150 every two years. The Governor recommends increasing the biennial fee to \$250. According to DBR, 49 states license the various classes of insurance claims adjusters, including independent, public, and company levels. There are approximately 60,000 insurance claim adjusters license in Rhode Island, a majority of who are not residents of the state.

Vehicle Registration Reinstatement: The Budget includes \$2.6 million in revenue from the enhanced collections of registration reinstatement fees on cars that have expired inspections stickers.

The penalty for operating a vehicle without a valid inspection sticker is a fine of \$85 and, under RIGL 31-38-2 and RIGL 31-38-3, may also include suspension of the vehicle's registration. The Division of Motor Vehicles (DMV), however, typically refrains from imposing the latter penalty. The DMV has never been able to determine all of the non-compliant vehicles at any one point in time. Violations are usually only discovered during routine traffic stops. With the advent of the Division's new IT system, DMV can now identify every expired sticker uniformly and accurately.

Analyst Note: Governor's Office indicated in November 2017 that it had requested that the DMV delay enforcement of the registration suspensions beginning January 1, 2018, at the request of the General Assembly.

Wholesale Food Processors License: The Budget reduces revenue by \$104,200 due to a proposed reduction in the fee for a wholesale food processor license. Article 6, Section 27 reduces the fee from \$500 to \$300.

Frozen Dessert Processing License: General revenue is reduced by \$80,000 as a result of the proposed elimination of the license required to process frozen desserts at retail. Businesses that are subject to this licensing regulation are already required to be registered as a food establishment.

Hair Dresser Chair Fee: The Budget reduces revenue by \$60,000 as a result of the proposed elimination of the \$50 fee hairdressers and barbers currently pay per chair or station.

Food Safety Managers: The Budget reduces general revenues in by \$60,000 by extending the recertification/renewal period Certified Food Safety Manager licenses from three to five years.

Transfers from Quasi-Public Agencies

\$8.0 million

The Governor transfers approximately \$8.0 million in reserves from two quasi-public agencies in FY2019 and \$17.5 million in FY2018 to support the General Fund.

Agency	Amount
Rhode Island Housing	\$5.0
Resource Recovery Corporation	3.0
Total	\$8.0

\$ in millions

Rhode Island Housing and Mortgage Finance Corporation: Article 1 of the Budget requires the Rhode Island Housing and Mortgage Finance Corporation (RIHMFC) to transfer \$5.0 million to the State by the end of FY2019. The FY2018 Budget as Enacted required the transfer of \$1.0 million from RIHMFC and the Governor's FY2018 Supplemental Budget requires another \$5.0 million more (\$11.0 million in total transfer over the two fiscal years).

RI Housing is a self-supporting agency that raises capital through the tax-exempt municipal market to fund loans and programs to help Rhode Islanders purchase homes and to finance housing development and preservation. Investors in RI Housing bonds rely heavily on credit ratings received from Standard & Poor's and Moody's Rating Services. According to the agency, any reduction to RI Housing's profitability could have a negative effect on the rating agencies' review. The rating agencies have noted that prior transfers required by the State limit RI Housing's ability to pay future debt service on bonds and put RI Housing at a risk for downgrade which could impair its ability to issue bonds in the future and result in higher interest rates for homebuyers and housing developers. Additionally, the transfer may limit RI Housing's ability to focus on its core mission of investing in housing production.

Rhode Island Resource Recovery Corporation: The Budget requires the Rhode Island Resource Recovery Corporation (RIRRC) to transfer \$3.0 million in landfill tip fee revenues to the State Controller for deposit in the General Fund by June 30, 2019. It also requires \$3.0 million in FY2018, for a total of \$6.0 million over the two years. According to the RIRRC, the 2017 State of Rhode Island Debt Affordability Study, issued by the Public Finance Management Board (5-3-2017) recommended that RIRRC refrain from the issuance of additional long-term debt. This recommendation may limit RIRRC's ability to raise capital and effectively requires RIRRC to self-fund future operations.

If enacted, the \$3.0 million forfeiture would impact the existing FY2017 audited (10-4-2017) unrestricted net position of \$27.3 million, which is expected to fund new landfill construction, heavy equipment, debt covenant requirements, and other capital investments required to provide long term disposal and recycling services to the state of Rhode Island. According to RIRRC, based on the current financial plan and projected corporate cash requirements, the corporation would be required to take financial measures to offset this forfeiture. Such measures would include one or more of the following actions: deferring necessary capital investments, increasing revenues through price increases, reducing operational costs, or receiving direct subsidies from the State.

Medical Marijuana Program Changes

\$5.1 million

The Governor includes \$5.1 million in revenue attributable to a series of changes to the medical marijuana program. The following table summarizes these changes:

Medical Marijuana Program/Revenue Changes	
Change	Revenue
Compassion Center Expansion	\$3.0
Manufacturing License	1.2
Acute Pain Eligibility	0.4
Out-of-State Cardholders	0.4
Total	\$5.1

\$ in millions

Compassion Center Expansion: The Budget attributes \$3.0 million in new general revenue to the expansion of the number of licensed medical marijuana compassion centers from 3 to 15.

Article 17 increases the fee for compassion center license from \$250 to \$10,000. New license/renewal fees increase from \$5,000 to \$30,000. The Budget Office assumes that there will be at least 100 applicants for the new center licenses. Licensing and fees from the new centers are estimated to generate \$1.9 million. Revenue from taxes on the sale of medical marijuana is expected to increase by \$1.1 million.

Manufacturing License: The Budget includes \$1.2 million in revenue from fees associated with a proposed new medical marijuana manufacturing license. Article 17 creates a new license permitting the “possession, manufacture, or processing of marijuana into marijuana products.” The license would have to be renewed annually. Licensees would only be permitted to sell their products to compassion centers or other licensed manufacturers.

Acute Pain: The Budget includes \$409,662 in general revenue from the expansion of eligibility within the medical marijuana program to include patients with acute pain. Departmental fees and other revenues from acute pain cardholders are projected to be \$103,180. Sales tax and surcharge revenue is estimated to increase by \$306,482.

Out-of-State Cardholders: The Budget includes \$388,961 in sales tax and surcharge revenue from purchases made by out-of-state medical marijuana card holders. Article 17 permits individuals who have been issued a valid medical marijuana card from a state other than Rhode Island to purchase medicine from a licensed compassion center. These individuals currently have legal protection to possess and use, but not to purchase.

Increase Excise Tax on Cigarettes

\$3.9 million

The Budget includes additional excise, floor, and associated sales tax revenue associated with a proposed \$0.25 per-pack increase in the cigarette excise tax.

Article 4 article increases the excise tax levied on cigarettes by \$0.25 per-pack of cigarettes, raising the total tax from \$4.25 to \$4.50 per pack of twenty, or to the equivalent of \$0.23 per cigarette. According to ORA, total retail price will increase by \$0.29, from \$10.27 to \$10.56 per individual pack. This amount is \$0.16 less than the total retail price in Massachusetts, and \$0.34 per pack below Connecticut. Floor stock tax is assessed at the same rate per pack of cigarettes.

Cigarette Tax Revenue Impact	
Revenue Item	FY2018
Cigarette Excise Tax	\$3.1
Cigarette Floor Tax	0.7
Sales and Use Tax	0.0
Total	\$3.9

\$ 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 \$	\$4.56	\$4.56	\$4.34		\$4.56		
Excise Tax in \$	4.25	4.50	3.51		4.35		
<i>Subtotal base price + Excise</i>	8.81	9.06	7.85		8.91		
Wholesale Markup	2.0%	0.18	0.18	2.0%	0.16	6.5%	0.58
Wholesale Cartage	0.75%	0.07	0.07	0.75%	0.06	0.0%	0.00
Retail Markup	6.0%	0.54	0.56	25.0%	2.02	8.0%	0.76
<i>Total Base Cost</i>	9.60	9.87	10.09		10.25		
Sales Tax	7.0%	0.67	0.69	6.25%	0.63	6.35%	0.65
Total Price per Pack	\$10.27	\$10.56	\$10.72		\$10.90		

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.

In determining the revenue estimate, ORA takes into consideration the elasticity of the price of cigarettes. The \$0.25 excise tax increase amounts to a 5.9 percent price increase. Applying elasticity from decreased demand as calculated from previous tax increases results in a net estimated revenue increase of 2.7 percent.

DMV Fees**\$3.1 million**

The Budget includes \$3.1 million attributable to licensing fee changes at the Division of Motor Vehicles within the Department of Revenue.

Duplicate Licenses: The fee to obtain a duplicate license currently costs \$25. In order to update information on license, such as a new address or a change in name, an individual must pay a \$5.00 fee. Article 8 of the Budget proposes merging the latter service with the duplicate license fee, effectively raising the fee to update licenses by \$20.

DMV Fee	Current Fee	Article 8 Fee	Change
Duplicate Licence Fee	\$25	\$25	\$0
Update Information Fee	5	25	20

As part of the State's sustainable transportation infrastructure priorities, both of the fees are statutorily required to be deposited in the RIHMA. Section 3 of Article 8 permanently eliminates this requirement and retains all revenue from these fees in the General Fund.

DMV Fee	Current Revenue	Article 8 Revenue	Change
Duplicate Licence Fee	\$506,450	\$506,450	\$0
Update Information Fee	100,540	502,700	402,160
total	\$606,990	\$1,009,150	\$402,160

Shifting these DMV fees to the General Fund represents a \$606,990 annual reduction to the Rhode Island Highway Maintenance Account under the current fee amount. General revenues are projected to increase by \$1.0 million.

REAL-ID: In an effort to improve security, the federal government is requiring all travelers to have a REAL ID compliant identification beginning on October 1, 2020. The DMV is planning to begin the recertification process for all Rhode Island driver's licenses and state-issued ID's in January 2019. This

process will involve the collection of a duplicate license fee for each license. This initiative is expected to generate \$2.1 million.

Other Tobacco

\$2.3 million

The Budget include \$2.3 million in revenues from proposed changes to excise taxes on tobacco products other than cigarettes.

Other Tobacco Revenue Changes	
Change	Impact
Purchasing from Licensed Entities	\$1.0
E-Cigarettes	0.7
Cigars	0.6
Total	\$2.3

\$ in millions

Source: Office of Revenue Analysis

Purchasing from Licensed Entities: The Budget includes \$1.0 million in general revenue as a result of a proposed mandate that manufacturers or importers wishing to sell or distribute tobacco products in Rhode Island do so only to a properly licensed entity. Currently this is required only for the sale and distribution of cigarettes.

E-Cigarettes: The Budget includes \$720,174 in new excise tax revenue from electronic cigarettes. Under Article 4 e-cigarettes are subjected to the “other tobacco products” (OTP) excise tax at the rate of 80.0 percent of the wholesale cost.

Cigars: The Budget attributes \$551,306 in new general revenue from a proposed increase of the maximum tax imposed on cigars sold in the State. The current maximum tax is set at \$0.50 per cigar. Article 4 raises it to \$0.80, effective July 1, 2018. According to the ORA, cigars with a wholesale cost of over \$0.625 per cigar are taxed at the maximum rate. In FY2017, 1.7 million cigars were taxed at this level. Cigars with a wholesale cost less than \$0.625 are taxed at the standard OTP rate of 80.0 percent of the wholesale.

Repeal Job Training Tax Credit

\$450,000

The Budget assumes \$450,000 in business corporation tax revenue as a result of the Governor’s proposed repeal of the State’s Job Training Tax Credit.

Article 11 imposes a sunset on the Job Training Tax Credit, beginning tax year 2018 no further credits will be issued, and credits remaining from previous years will still be valid until they are used or expire. This tax expenditure was created in 1996 and intended to provide qualifying employers with credit against their state tax obligations for expenses associated with training their employees. According to the Department of Labor and Training (DLT), the program is not frequently used and DLT has not updated the policies or processes needed to determine qualification for the credits.

DBR Bank Examiners

\$284,310

The Budget includes funding and authorization for 2.0 Bank Examiner FTE positions and 1.0 Insurance Examiner FTE position that are projected to generate \$284,210 in gross general revenue in FY2019. The annual personnel costs for a bank examiner and an insurance examiner is approximately \$75,000 and \$85,000, respectively. The positions will help the Department conduct the statutorily required exams and investigations to protect consumers from institutional insolvency. Examiners charge individuals and institutions for the time spent working directly on its examination and regulatory reviews. The three examiners are expected to be hired in late FY2018 and are estimated to bring in \$94,770 per position for a total of \$284,310 in general revenue FY2019.

Child Care Violation Fines (DCYF) \$5,500

The Budget includes \$5,500 of new departmental revenue attributed to the establishment of new administrative penalties for child care providers and placement agencies.

Article 15 requires DCYF to assess administrative penalties for child care licensing violations relating to child care centers, family child care homes, and group family child care homes. The new penalty structure is to be progressive, with numerous opportunities to comply. DCYF may assess administrative penalties on licensed child care providers that violate a rule, regulation, order, permit, license, or approval issued or adopted by the Director, or any law which the Director has the authority or responsibility to enforce. The provider has the right to an adjudicatory hearing and has 30 days to seek judicial review of the penalty in Family court. Penalties may not exceed \$500.

Delay License Plate Reissuance (\$1.8 million)

The Budget delays a statutorily-required license plate reissuance until January 1, 2020. 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 \$1.8 million in general revenue in FY2019.

OHHS Initiatives (\$3.2 million)

The Governor reduces general revenue by \$3.2 million due to proposed reductions in payment rates related to Medicaid and from other health and human services initiatives. The following table summarizes the impacts:

EOHHS Revenue Impacts	
Initiative	Revenue
Dual Eligibility	(\$307,736)
Elimination of State-Only Contracts	(53,890)
Elimination of Inpatient UPL	(281,284)
Freeze Hospital Rates	(309,050)
Modernize LTSS Eligibility	(222,700)
MCO Administrative Rate Reduction	(111,266)
MCO Medical Rate Reduction	(880,222)
MCO Profit Margin Rate Reduction	(409,468)
NEMT Transportation Reform	(190,377)
Reallocate Perry-Sullivan Funding	(124,000)
Revenue Maximization Initiative	(45,896)
Limit Nursing Home Rate Increase	(296,799)
Total	(\$3,232,688)

FY2018 SUPPLEMENTAL CHANGES**Reduction of the DMV Fee Transfer to RIHMA \$10.3 million**

The Governor reduces the planned transfer of Division of Motor Vehicle fees to the Rhode Island Highway Maintenance Account. Article 8 lowers the amount of fees to be transferred from 80.0 percent to 60.0 percent in FY2018. This change is estimated to generate \$10.3 million in general revenue in FY2018.

Transfers from Quasi-Public Agencies \$17.5 million

The Governor transfers approximately \$17.5 million in reserves from five quasi-public agencies to support the General Fund. The following table summarizes the transfers

Agency	Amount
Rhode Island Housing	\$5.0
Infrastructure Bank	5.0
Student Loan Authority	3.0
Resource Recovery	3.0
Bridge and Turnpike Authority	1.5
Total	\$17.5

\$ in millions

Fraud and Waste Initiative ***(\$5.0 million)***

The Budget assumes \$5.0 million in revenue associated with the State's fraud and waste reduction program. The Governor's revised FY2018 Budget reclassifies what was originally considered \$5.0 million in current year revenue as an expenditure savings instead.

Transfer from Twin River to Lottery ***\$2.0 million***

The Budget includes \$2.0 million from a transfer of funds from Twin River to the Lottery. The payment is offered as an offset to the loss of revenue associated with the delayed opening of the Twin River-Tiverton Casino.

Transfer of Surplus Fee Revenue from DBR ***\$1.6 million***

The Governor's revised FY2018 Budget transfers a total of \$1.6 million in restricted receipt revenue from surplus fees collected by the Divisions of Insurance Regulation and Commercial Licensing, Gaming, and Athletics.

Transfer of Water Resources Board Revenue ***\$1.1 million***

The Budget includes \$1.1 million in revenue from a one-time transfer of surcharge funds that had originally been collected by the now defunct Water Resources Corporate Board. The responsibilities of the board have since been transferred to the RI Infrastructure Bank. The surcharges are still permitted by law and their use and distribution are proscribed in statute.

Rhode Island Lottery ***\$612,793***

The Budget assumes a \$612,793 increase in the transfer to the general fund based on reduced expenditures at the Lottery.

Municipal Aid

For FY2019, Distressed Community Relief Aid and Library Aid are funded at the FY2018 Enacted level. The Budget includes an additional \$883,898 for the Payment in Lieu of Taxes (PILOT) program allowing for a full 27.0 percent reimbursement rate. Meal and Beverage Tax and Hotel Tax collections are projected to increase by a total of \$1.1 million for FY2019 based on historic collection rates.

Tables showing impacts by community are included at the end of this analysis.

Program	FY2017	FY2018 Enacted	FY2018 Revised	Change from Enacted		FY2019 Governor	Change from Enacted	
Payment in Lieu of Taxes	\$42.0	\$45.2	\$45.2	\$0.0	0.0%	\$46.1	\$0.9	2.0%
Distressed Communities	12.4	12.4	12.4	-	-	12.4	-	-
Motor Vehicle Excise Tax	10.0	36.0	24.5	(11.5)	-31.8%	44.7	8.7	24.3%
Municipal Incentive Aid	0.1	-	-	-	-	-	-	-
State Aid to Libraries								
Grant-in-Aid	9.4	9.4	9.4	-	-	9.4	-	-
Library Construction	2.2	2.2	2.2	(0.0)	(0.0)	2.2	0.0	0.6%
Property Revaluation Program	0.4	0.9	0.9	-	-	1.6	0.7	74.0%
Total Direct Aid	\$76.5	\$106.1	\$94.6	(\$11.5)	-10.8%	\$116.4	\$10.3	9.7%
Public Service Corporations Tax	\$13.6	\$13.6	\$13.2	(\$0.4)	-2.9%	\$13.2	(\$0.4)	-2.9%
Meals & Beverage Tax	26.4	28.9	27.8	(1.1)	-3.8%	29.7	0.8	2.9%
Hotel Tax	9.4	10.7	10.0	(0.7)	-6.7%	10.9	0.3	2.6%
Airport Impact Fees	1.0	1.0	1.0	(0.0)	-2.0%	1.0	-	-
Total Indirect Aid	\$50.3	\$54.1	\$51.9	(\$2.2)	-4.1%	\$54.9	\$0.7	1.3%
Total Aid	\$126.9	\$160.2	\$146.5	(\$13.7)	-8.5%	\$171.2	\$11.1	6.9%

\$ 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 FY2019, PILOT increases by \$883,898 from the FY2018 level, to \$46.1 million. Current law requires reimbursement at 27.0 percent of forgone tax revenue, but allows for a ratable reduction if the appropriation is less than this amount. The full reimbursement rate of 27.0 percent has been appropriated each years since FY2017.

Fiscal Year	PILOT Funding Trends		
	Total Funding	% Change	% Reimbursed
*2008	\$27.8	0.0%	27.0%
2009	27.6	-0.7%	25.2%
2010	27.6	-	23.9%
2011	27.6	-	21.1%
2012	33.1	20.0%	23.4%
2013	35.1	6.0%	22.7%
2014	35.1	-	22.0%
2015	40.1	14.2%	25.4%
2016	40.1	-	23.7%
2017	42.0	4.7%	27.0%
2018	45.2	7.7%	27.0%
2019	46.1	9.8%	27.0%

\$ in millions.

*In FY2008 the reimbursement rate was 26.95%

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 FY2018, \$12.4 million was appropriated and distributed to eight 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 FY2019, the Distressed Community Relief Fund is maintained at the FY2018 level of \$12.4 million. The City of Johnston qualified as a distressed community in FY2018 and received 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 is divided among the remaining eight distressed communities. In FY2019 Johnston is appropriated the full formula amount of \$1.1 million.

Municipality	FY2018	FY2019	Change
	Enacted	Budget	
Central Falls	\$225,398	\$217,757	(\$7,641)
Cranston	1,341,001	1,233,378	(107,623)
Johnston	601,333	1,065,944	464,611
North Providence	1,030,137	1,000,937	(29,200)
Pawtucket	1,539,903	1,507,940	(31,963)
Providence	5,797,634	5,606,831	(190,803)
West Warwick	924,370	904,159	(20,211)
Woonsocket	924,681	847,512	(77,169)
Total	\$12,384,458	\$12,384,458	\$0

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. All eight communities are currently participating.

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 remained in effect through FY2017.

Article 11 of the FY2018 Budget as Enacted decreased the motor vehicle excise tax each year from FY2018 through FY2023, fully eliminating the tax in FY2024.

The tax is reduced over a seven-year period by decreasing tax rate caps and assessment ratios, while raising exemption floors and exempting vehicles that are more than 15 years old. Additionally, to ensure taxpayer relief, the article removed the motor vehicle excise tax from the levy calculation related to the 4.0 percent cap on municipal property tax levy increases.

Additionally, the sales tax escalator calculation language that was in place from the 1998 motor vehicle excise tax phase-out language was changed. The language previously rounded the changes so that it could significantly and negatively impact the levy reimbursements to cities and towns. Article 11 changed the rounding of the sales tax received from the nearest tenth of one cent to the nearest thousandth of one cent,

reducing the impact of the rounding. Authority to make this calculation shifted from the Director of Administration to the Director of Revenue.

Fiscal Year	Total Funding	% Change
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	36.0	260.0%
2019	64.7	79.7%

\$ in millions.

In FY2019, municipalities will lose an estimated \$54.7 million in forgone motor vehicle excise tax levies; therefore, the Budget is increased by \$54.7 million in general revenue to reimburse municipalities for the lost tax revenue. By FY2024, the estimated cost of eliminating the motor vehicle tax is \$220.6 million in general revenue.

Fiscal Year	Assessment		Exemption Drop After		Levy	Aid	Prorated	Year-Over Year
	Ratio	Rate Cap	Floor	Age			Taxed Car	
FY2017	100%	N/A	\$500	25	\$220,611,139	\$0	766,195	-
FY2018	95%	\$60	1000	15	199,878,034	24,544,191	613,002	153,193
FY2019	90%	50	2000	15	179,672,945	44,748,948	602,716	10,286
FY2020	85%	35	3000	15	142,123,565	82,298,328	575,794	26,922
FY2021	80%	35	4000	15	121,162,053	103,259,840	528,202	47,592
FY2022	75%	30	5000	15	93,344,668	131,077,225	463,691	64,511
FY2023	70%	20	6000	15	58,784,400	165,637,493	402,070	61,621
FY2024	N/A	N/A	N/A	N/A	-	224,421,893	-	402,070

Source: Department of Revenue

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 FY2019 at the FY2018 level of \$9.4 million; however, distribution is based on qualifying data from the statutory reference year. Current law requires reimbursement of 25.0 percent of second prior year expenses, but allows for a ratable reduction if the appropriation is less than this amount. The FY2019 appropriation is a \$1.0 million less than required to meet the 25.0 percent threshold.

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 FY2019 the Budget includes \$2.2 million for Library Construction Aid, and for FY2018, the Budget also 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 began 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.

Fiscal Year	Grant in Aid	Library Aid		% Change
		Construction	Total Aid	
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	2.2	11.7	0.9%
2019	9.4	2.2	11.7	0.0%

\$ in millions.

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 \$1.6 million for the Property Revaluation program in FY2019, an increase of \$693,306 from the FY2018 Budget as Enacted, and is based on anticipated reimbursements. The following communities will be reimbursed for statistical updates in FY2019: Burrillville, Central Falls, East Providence, Jamestown, Johnston, Lincoln, New Shoreham, North Kingstown, North Smithfield, Smithfield, South Kingstown, Warren, Warwick, and West Warwick. Full revaluations are scheduled for Westerly, Little Compton, Providence, and Scituate.

Property Revaluation Program		
Fiscal Year	State Reimbursement	% Change
2008	\$0.7	-66.5%
2009	1.1	61.9%
2010	1.5	35.2%
2011	0.7	-53.1%
2012	0.9	25.3%
2013	1.6	79.0%
2014	0.5	-69.0%
2015	0.6	26.6%
2016	1.4	118.6%
2017	0.6	-59.6%
2018	0.9	-32.3%
2019	1.6	191.2%

\$ 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 FY2019 Budget provides \$13.2 million be distributed to municipalities on July 31, 2018. This is consistent with FY2018, but is subject to change based on receipt of final data in the spring.

Public Service Corporation		
Fiscal Year	Total Funding	% Change
2008	\$10.3	0.0%
2009	9.2	-11.1%
2010	10.2	10.9%
2011	11.4	11.8%
2012	11.8	3.5%
2013	12.7	7.6%
2014	13.2	3.9%
2015	14.3	8.3%
2016	13.0	-9.0%
2017	13.6	4.2%
2018	13.2	-2.9%
2019	13.2	0.0%

\$ in millions.

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 FY2018, the Office of Revenue Analysis anticipates \$27.8 million in collections, increasing to \$29.7 million in FY2019.

Meals & Beverage Tax		
Fiscal Year	Total Funding	% Change
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	27.8	2.0%
2019	29.7	6.9%

\$ in millions.

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

Hotel Tax		
Fiscal Year	Total Funding	% Change
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	10.0	-5.3%
2019	10.9	9.9%

\$ in millions.

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).

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 \$10.0 million for FY2018 and \$10.9 million for FY2019.

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 FY2018 and FY2019 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 FY2018 and FY2019. 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.

FY2016 Actual	1.0 Million Passengers	Distribution on Landings	All Airports and Communities to \$25,000	Total
Warwick T.F. Green	\$600,000	\$162,513	\$0	\$762,513
Block Island	-	38,261	-	38,261
Middletown-Newport Airport ¹	-	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
	\$600,000	\$400,000	\$4,174	\$1,004,173

¹ Located in Middletown

Municipal Road and Bridge Fund

The FY2014 Budget as Enacted transferred \$7.0 million of bond premium proceeds derived from the sale of 2013 general obligation bonds from the Rhode Island Capital Plan Fund (RICAP) to capitalize a Municipal Road and Bridge Revolving Fund. The FY2014 Revised Budget increased this amount by \$3.3 million, for a total of \$10.3 million. The FY2015 Budget included an additional \$5.0 million in funding made available from the sale of Tobacco Settlement Bonds, and the Clean Water Finance Agency (now the Rhode Island Infrastructure Bank) will contribute \$3.5 million from its board designated administrative fund to capitalize this program in FY2015. The Budget did not include any additional funding for the Municipal Road and Bridge Fund in FY2017 and FY2018.

These funds are available for municipalities to borrow for road and bridge projects. Loans began in FY2014, and future capitalizations combined with the revolved funds allow state-sponsored financing on an ongoing basis. This fund is administered by the Rhode Island Infrastructure Bank (RIIB). Applications are submitted to the Rhode Island Department of Transportation (RIDOT), based on regulations developed by RIDOT. RIDOT developed a project priority list based on 6 criteria:

- The extent to which the project generates economic benefits.
- The extent to which the project would be able to proceed at an earlier date.
- The likelihood the project will provide mobility benefits.
- The cost effectiveness of the project.
- The likelihood that the project will increase safety.
- The readiness of the project to proceed during the next calendar year.

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.

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 Governor level funds the Main Street RI Streetscape Program (Main Street RI) in FY2019, with \$500,000 in general revenue. Sixteen awards totaling \$1.9 million have been made to date and are listing in the following table:

Main Street RI Streetscape		
Recipient	Main Street RI Streetscape Project	Award
Central Falls	Building improvement - Dexter Street	\$300,000
Pawtucket	Municipal garage improvements	245,000
North Kingstown	Wickford Waterfront Vision.	204,400
Warren	Water Street lighting and street trees.	203,315
ONE Neighborhood	Bustops and pedestian safety issues in Olneyville	196,000
Providence	Decorative lighting in Downtown and improvements a	189,145
Westerly	Downtown sidewalks, crosswalks, and pedestrian sign.	140,210
Bristol	Wayfiner signage	80,000
The Providence	Wayfinding signage downtown Providence	76,000
East Providence	Landscaping, lighting, and façade upgrades in Watcher	75,000
Woonsocket	Landscaping installations and the creation of drop-off	70,000
Warwick	West Shore road crosswalks.	69,000
Jamestown	East Ferry landscaping, crosswalks, paving, and stone :	65,000
Bristol	Wood Street Improvements.	42,855
East Greenwich	Wayfinder signage downtown	32,400
Smithfield	Bus Shelters and Signage.	11,075
Total		\$1,999,400

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 12 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 \$200,000 in general revenue provided in FY2019 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.

FY2018 Revised Direct Municipal Aid to Cities and Towns

Municipality	FY2018 Enacted	Payment In Lieu of Taxes	Distressed Communities		Motor Vehicle Excise Tax	Library Grant-in-Aid	Library Construction Aid	Total FY2018 Municipal Aid	Change from FY2018
			Relief Fund						
Barrington	\$1,033,425	\$16,157	\$0		\$643,190	\$380,070	\$0	\$1,039,417	\$5,992
Bristol	1,907,123	1,035,981			418,032	187,103	282,400	1,923,516	16,393
Burrillville	1,223,829	97,322			759,723	170,118	261,561	1,288,724	64,895
Central Falls	685,999	25,295	225,398		424,734	27,075		702,502	16,503
Charlestown	204,684				166,072	50,815		216,887	12,203
Coventry	1,184,976				947,921	238,140		1,186,061	1,085
Cranston	10,643,168	5,287,952	1,341,001		3,463,187	582,746		10,674,886	31,718
Cumberland	1,330,247	135			943,785	285,364	207,771	1,437,055	106,808
East Greenwich	924,332	459,869			285,644	132,321	57,240	935,074	10,741
East Providence	2,390,434	243,053			516,914	415,613	61,766	1,237,346	(1,153,088)
Exeter	468,077				368,648	52,931	75,968	497,547	29,470
Foster	347,365				339,582	34,371		373,953	26,588
Glocester	507,070				399,418	77,938		477,356	(29,714)
Hopkinton	323,724				312,822	35,323		348,145	24,421
Jamestown	198,973				72,189	126,828		199,017	44
Johnston	2,449,283		601,333		1,792,809	124,168		2,518,310	69,027
Lincoln	824,007				648,266	203,414		851,680	27,673
Little Compton	79,428				46,640	35,067		81,707	2,279
Middletown	415,735				229,034	145,593	51,353	425,980	10,245
Narragansett	391,116				203,128	191,652		394,780	3,664
Newport	2,278,890	1,405,248			263,311	411,403	203,309	2,283,271	4,381
New Shoreham	167,199				31,058	74,303	64,335	169,696	2,496
North Kingstown	926,203	1,712			635,939	282,085	27,435	947,171	20,968
North Providence	3,052,363		1,030,137		1,592,253	202,114		2,824,504	(227,859)
North Smithfield	688,971				634,700	78,305		713,005	24,034
Pawtucket	5,735,550	554,958	1,539,903		3,072,376	409,155		5,576,392	(159,158)
Portsmouth	415,129				302,409	113,853		416,262	1,133
Providence	46,163,742	33,303,459	5,797,634		5,934,870	1,265,199		46,301,162	137,420
Richmond	282,117				248,574	26,001		274,575	(7,542)
Scituate	338,352				237,174	104,815		341,989	3,637
Smithfield	1,843,211	718,669			853,791	294,639		1,867,099	23,888
South Kingstown	888,824	204,036			483,828	218,810		906,674	17,850
Tiverton	653,388				216,859	123,043	321,483	661,385	7,997
Warren	418,998				374,205	56,598		430,803	11,805
Warwick	5,624,145	1,690,561			3,093,847	739,962	126,341	5,650,711	26,565
Westerly	1,553,760	161,199			852,374	318,791	253,767	1,586,131	32,371
West Greenwich	256,480				209,706	33,299		243,005	(13,475)
West Warwick	1,797,962		924,370		777,694	162,506		1,864,570	66,608
Woonsocket	2,903,406		924,681		1,715,119	186,880	166,898	2,993,578	90,172
Total	\$103,521,688	\$45,205,606	\$12,384,458		\$34,511,822	\$8,598,411	\$2,161,626	\$102,861,926	(\$659,763)

FY2019 Direct Municipal Aid to Cities and Towns

Municipality	FY2018 Enacted	Payment In Lieu of Taxes	Distressed Communities		Motor Vehicle Excise Tax	Library Grant-in-Aid	Library Construction Aid	Total FY2019 Municipal Aid	Change from FY2018
			Relief Fund						
Barrington	\$1,033,425	\$17,514	\$0		\$824,370	\$377,408	\$158,661	\$1,377,953	\$344,528
Bristol	1,907,123	1,335,274			509,577	192,571	287,588	2,325,010	417,887
Burrillville	1,223,829	98,273			1,111,454	173,440	253,920	1,637,087	413,258
Central Falls	685,999	895	217,757		559,678	26,487		804,817	118,818
Charlestown	204,684				243,681	51,117		294,798	90,114
Coventry	1,184,976				1,448,240	232,971		1,681,211	496,235
Cranston	10,643,168	5,403,870	1,233,378		6,025,451	599,627		13,262,326	2,619,158
Cumberland	1,330,247				1,369,021	279,091	216,196	1,864,308	534,061
East Greenwich	924,332	659,856			380,748	131,335	55,227	1,227,166	302,834
East Providence	2,390,434	244,237			1,653,876	418,643	59,934	2,376,690	(13,744)
Exeter	468,077				534,739	49,367	75,968	660,074	191,997
Foster	347,365				468,246	33,624		501,870	154,505
Glocester	507,070				582,819	78,446		661,265	154,195
Hopkinton	323,724				439,028	34,850		473,878	150,154
Jamestown	198,973				99,177	123,716		222,893	23,920
Johnston	2,449,283		1,065,944		2,571,705	120,586		3,758,235	1,308,952
Lincoln	824,007				842,552	202,908		1,045,460	221,453
Little Compton	79,428				62,951	34,306		97,257	17,829
Middletown	415,735				296,803	145,601	50,092	492,496	76,761
Narragansett	391,116				277,376	187,492		464,868	73,752
Newport	2,278,890	1,431,152			362,207	412,478	196,034	2,401,871	122,981
New Shoreham	167,199				43,379	84,344	61,897	189,620	22,421
North Kingstown	926,203	1,762			819,357	278,709	26,684	1,126,512	200,309
North Providence	3,052,363		1,000,937		2,564,952	197,946		3,763,835	711,472
North Smithfield	688,971				970,239	77,887		1,048,126	359,155
Pawtucket	5,735,550	575,928	1,507,940		5,016,724	390,645		7,491,237	1,755,687
Portsmouth	415,129				376,198	114,736		490,934	75,805
Providence	46,163,742	33,497,659	5,606,831		11,520,957	1,282,046		51,907,493	5,743,751
Richmond	282,117				360,344	24,913		385,257	103,140
Scituate	338,352				325,391	104,590		429,981	91,629
Smithfield	1,843,211	763,295			1,071,799	295,708		2,130,802	287,591
South Kingstown	888,824	207,011			622,687	213,881		1,043,579	154,755
Tiverton	653,388				294,968	122,624	315,268	732,860	79,472
Warren	418,998				534,788	56,679		591,467	172,469
Warwick	5,624,145	1,687,863			3,866,952	737,667		6,292,482	668,337
Westerly	1,553,760	164,915			1,255,504	315,893	253,767	1,990,079	436,319
West Greenwich	256,480				311,443	36,772		348,215	91,735
West Warwick	1,797,962		904,159		1,241,104	160,224		2,305,487	507,525
Woonsocket	2,903,406		847,512		2,818,968	197,081	165,235	4,028,796	1,125,390
Total	\$103,521,688	\$46,089,504	\$12,384,458		\$54,679,453	\$8,598,411	\$2,176,470	\$123,928,295	\$20,406,607

FY2018 Revised Indirect Local Aid to Cities and Towns

Municipality	FY2018 Enacted Indirect Aid	Public Service Corp. Tax	Meals and Beverage Tax	Hotel Tax	FY2018 Revised Indirect Aid	Change from FY2018 Enacted
Barrington	\$398,681	\$203,389	\$188,195	\$2,336	\$393,920	(\$4,761)
Bristol	834,380	279,397	517,538	58,580	855,515	21,135
Burrillville	415,804	202,015	206,566	-	408,581	(7,223)
Central Falls	379,393	242,093	129,868	388	372,349	(7,044)
Charlestown	334,418	97,097	183,541	72,799	353,437	19,019
Coventry	991,914	437,024	461,608	106,253	1,004,885	12,971
Cranston	3,045,623	1,008,961	1,920,027	22,163	2,951,151	(94,472)
Cumberland	959,182	426,317	508,193	933	935,443	(23,739)
East Greenwich	927,351	163,835	854,907	679	1,019,421	92,070
East Providence	1,729,858	590,502	1,061,411	47,754	1,699,667	(30,191)
Exeter	196,500	83,592	111,397	56	195,045	(1,455)
Foster	78,718	58,356	18,642	283	77,281	(1,437)
Glocester	211,253	123,645	78,469	2,875	204,989	(6,264)
Hopkinton	161,426	101,482	48,228	10,711	160,421	(1,005)
Jamestown	196,685	68,263	99,338	24,805	192,406	(4,279)
Johnston	1,031,654	363,489	659,032	8,968	1,031,489	(165)
Lincoln	1,275,208	267,304	835,263	116,941	1,219,508	(55,700)
Little Compton	115,800	43,776	72,314	24,132	140,222	24,422
Middletown	2,004,374	200,603	770,887	949,695	1,921,185	(83,189)
Narragansett	1,150,770	196,380	662,292	283,734	1,142,406	(8,364)
Newport	5,731,478	305,570	2,359,680	2,558,012	5,223,262	(508,216)
New Shoreham	1,133,930	11,319	378,479	563,383	953,181	(180,749)
North Kingstown	1,052,445	328,695	561,673	120,882	1,011,250	(41,195)
North Providence	795,368	403,417	371,704	1	775,122	(20,246)
North Smithfield	509,493	151,904	321,680	3,250	476,834	(32,659)
Pawtucket	1,855,553	891,950	913,377	4,603	1,809,930	(45,623)
Portsmouth	499,891	216,894	252,006	41,191	510,091	10,200
Providence	10,465,629	2,232,279	5,767,051	2,235,663	10,234,993	(230,636)
Richmond	259,345	95,248	150,112	4,534	249,894	(9,451)
Scituate	210,520	130,554	58,050	8,066	196,670	(13,850)
Smithfield	1,356,377	268,766	797,762	165,230	1,231,758	(124,619)
South Kingstown	1,536,007	382,004	906,858	186,986	1,475,848	(60,159)
Tiverton	453,131	197,617	237,172	1,560	436,349	(16,782)
Warren	533,487	131,578	314,031	3,809	449,418	(84,069)
Warwick	5,461,100	1,022,628	3,051,042	1,293,103	5,366,773	(94,327)
Westerly	1,997,590	283,383	932,932	699,339	1,915,654	(81,936)
West Greenwich	355,308	76,421	133,870	124,264	334,555	(20,753)
West Warwick	908,983	360,940	365,150	151,026	877,116	(31,867)
Woonsocket	1,165,900	514,881	540,229	51,023	1,106,133	(59,767)
Total	\$52,720,528	\$13,163,564	\$27,800,575	\$9,950,011	\$50,914,152	-\$1,806,375

FY2019 Direct Municipal Aid to Cities and Towns

Municipality	FY2018 Enacted	Payment In Lieu of Taxes	Distressed Communities		Motor Vehicle Excise Tax	Library Grant-in-Aid	Library Construction Aid	Total FY2019 Municipal Aid	Change from FY2018
			Relief Fund						
Barrington	\$1,033,425	\$17,514	\$0		\$824,370	\$377,408	\$158,661	\$1,377,953	\$344,528
Bristol	1,907,123	1,335,274			509,577	192,571	287,588	2,325,010	417,887
Burrillville	1,223,829	98,273			1,111,454	173,440	253,920	1,637,087	413,258
Central Falls	685,999	895	217,757		559,678	26,487		804,817	118,818
Charlestown	204,684				243,681	51,117		294,798	90,114
Coventry	1,184,976				1,448,240	232,971		1,681,211	496,235
Cranston	10,643,168	5,403,870	1,233,378		6,025,451	599,627		13,262,326	2,619,158
Cumberland	1,330,247				1,369,021	279,091	216,196	1,864,308	534,061
East Greenwich	924,332	659,856			380,748	131,335	55,227	1,227,166	302,834
East Providence	2,390,434	244,237			1,653,876	418,643	59,934	2,376,690	(13,744)
Exeter	468,077				534,739	49,367	75,968	660,074	191,997
Foster	347,365				468,246	33,624		501,870	154,505
Glocester	507,070				582,819	78,446		661,265	154,195
Hopkinton	323,724				439,028	34,850		473,878	150,154
Jamestown	198,973				99,177	123,716		222,893	23,920
Johnston	2,449,283		1,065,944		2,571,705	120,586		3,758,235	1,308,952
Lincoln	824,007				842,552	202,908		1,045,460	221,453
Little Compton	79,428				62,951	34,306		97,257	17,829
Middletown	415,735				296,803	145,601	50,092	492,496	76,761
Narragansett	391,116				277,376	187,492		464,868	73,752
Newport	2,278,890	1,431,152			362,207	412,478	196,034	2,401,871	122,981
New Shoreham	167,199				43,379	84,344	61,897	189,620	22,421
North Kingstown	926,203	1,762			819,357	278,709	26,684	1,126,512	200,309
North Providence	3,052,363		1,000,937		2,564,952	197,946		3,763,835	711,472
North Smithfield	688,971				970,239	77,887		1,048,126	359,155
Pawtucket	5,735,550	575,928	1,507,940		5,016,724	390,645		7,491,237	1,755,687
Portsmouth	415,129				376,198	114,736		490,934	75,805
Providence	46,163,742	33,497,659	5,606,831		11,520,957	1,282,046		51,907,493	5,743,751
Richmond	282,117				360,344	24,913		385,257	103,140
Scituate	338,352				325,391	104,590		429,981	91,629
Smithfield	1,843,211	763,295			1,071,799	295,708		2,130,802	287,591
South Kingstown	888,824	207,011			622,687	213,881		1,043,579	154,755
Tiverton	653,388				294,968	122,624	315,268	732,860	79,472
Warren	418,998				534,788	56,679		591,467	172,469
Warwick	5,624,145	1,687,863			3,866,952	737,667		6,292,482	668,337
Westerly	1,553,760	164,915			1,255,504	315,893	253,767	1,990,079	436,319
West Greenwich	256,480				311,443	36,772		348,215	91,735
West Warwick	1,797,962		904,159		1,241,104	160,224		2,305,487	507,525
Woonsocket	2,903,406		847,512		2,818,968	197,081	165,235	4,028,796	1,125,390
Total	\$103,521,688	\$46,089,504	\$12,384,458		\$54,679,453	\$8,598,411	\$2,176,470	\$123,928,295	\$20,406,607

Education Aid

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 families who income is below 185.0 percent of the federal poverty guidelines). 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.

In FY2019, the formula aid to the districts, charter schools, and state schools increases by \$11.0 million, categorical aid increases by \$707,500, and group home aid decreases by \$532,463. FY2019 represents the eighth year of the transition period; consequently, the Budget assumes the formula is fully phased in for those districts that received an increase in FY2018. Accordingly, communities that received an increase in FY2018 but have a decrease in FY2019 will get the full decrease in FY2019, while those that decreased in FY2018 and continue to do so in FY2019 will be phased in. The table to the right shows the impact to districts considered fully phased in.

Districts	FY2019 Formula Change		Difference
	Total Change in State Funding	If phased in divide by 3	
Burrillville	(430,872)	(143,624)	(287,248)
Coventry	(712,714)	(237,571)	(475,142)
East Providence	(165,470)	(55,157)	(110,313)
Jamestown	(4,603)	(1,534)	(3,069)
Johnston	(506,234)	(168,745)	(337,489)
Lincoln	(695,438)	(231,813)	(463,625)
Warwick	(816,176)	(272,059)	(544,117)
Total	(3,331,507)	(\$1,110,502)	\$2,221,004

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 Budget is based on enrollment data as of March 2017 with projected charter school enrollments and will be updated based on the March 2018 data.

Step 2 - Core Instruction Amount: The core instruction amount provides a base level of funding per pupil (\$9,422 in FY2008, a 2.8 percent increase from the FY2018 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 \$3,769 based on the FY2019 core instruction amount of \$9,422 ($\$9,422 \times 0.40 = \$3,769$), 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.

$$\text{Total Foundation Budget} = (\$9,422 \times \text{RADM}) + (0.40 \times \$9,422 \times \text{students in poverty})$$

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:

$$\text{State Share Ratio (SSR)} = \sqrt{\frac{\text{EWAV}^2 + \%PK - 6\text{poverty}^2}{2}}$$

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 look 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 adjusted the EWAV calculation to increase the State share of total education budget.

The distribution 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 FY2019.

FY2019 Governor's Education Aid Calculator¹

Districts	PK-12 RADM (Projected based on March 2017 Data)		Poverty RADM (Projected based on March 2017 Data)		Core Instruction Funding (C = \$9,422)		Student Success Factor Funding (F = 0.4*\$9,422 = \$3,769)		Total Foundation		% Poverty		State Share Ratio		State Share of Foundation Budget		FY2018 Enacted (excludes group home and categorical)		Change in State Funding		FY2019 (Year 8) formula Change if + is /; - if -	
	A	B	A*C=D	B*F=G	B*F=G	D+G=H	D+G=H	PK6	EWAV	I	H*J	K	J-K=L	J-K=L	M	N	O	P	Q	R	S	T
Barrington	3,355	169	\$3,161,810	\$636,927	\$3,247,737	5.6%	22.5%	16.4%	\$5,287,105	\$5,157,779	\$129,326	\$129,326	(430,872)	(430,872)								
Burrillville	2,310	745	21,764,820	2,807,756	24,572,576	34.4%	63.9%	51.3%	12,609,551	13,040,423	(430,872)	(430,872)										
Charlestown	861	188	8,112,342	708,534	8,820,876	24.7%	0.0%	17.5%	1,540,613	1,660,642	(120,029)	(120,029)										
Coventry	4,619	1,362	43,520,218	5,133,106	48,653,324	31.7%	56.7%	45.9%	22,348,193	23,060,907	(712,714)	(712,714)										
Cranston	10,163	4,172	95,755,786	15,723,434	111,479,220	43.5%	63.2%	54.3%	60,479,352	57,303,968	3,175,384	3,175,384										
Cumberland	4,463	943	42,050,386	3,553,978	45,604,364	23.7%	57.8%	44.2%	20,144,873	18,967,499	1,177,374	1,177,374										
East Greenwich	2,477	170	23,338,294	640,696	23,978,990	9.0%	14.9%	12.3%	2,951,511	2,535,361	416,150	416,150										
East Providence	5,212	2,675	49,107,464	10,081,540	59,189,004	52.3%	64.3%	58.6%	34,689,453	34,854,923	(165,470)	(165,470)										
Foster	266	57	2,506,252	214,822	2,721,074	21.8%	45.8%	35.9%	975,967	1,142,883	(166,916)	(166,916)										
Glocester	545	80	5,134,990	301,504	5,436,494	14.9%	54.0%	39.6%	2,153,432	2,389,577	(236,145)	(236,145)										
Hopkinton	1,116	255	10,514,952	961,044	11,475,996	24.6%	59.1%	45.3%	5,194,692	5,273,139	(78,447)	(78,447)										
Jamestown	629	59	5,926,438	222,359	6,148,797	10.3%	0.0%	7.3%	447,829	452,432	(4,603)	(4,603)										
Johnston	3,217	1,428	30,310,574	5,381,846	35,692,420	45.7%	53.3%	49.6%	17,719,732	18,225,966	(506,234)	(506,234)										
Lincoln	2,941	769	27,710,102	2,898,207	30,608,309	27.5%	46.2%	38.0%	11,636,573	12,332,011	(695,438)	(695,438)										
Little Compton	373	49	3,514,406	184,671	3,699,077	10.6%	0.0%	7.5%	277,258	397,073	(119,815)	(119,815)										
Middletown	2,207	720	20,794,354	2,713,536	23,507,890	35.1%	28.9%	32.1%	7,557,741	7,862,135	(304,394)	(304,394)										
Narragansett	1,287	294	12,126,114	1,108,027	13,234,141	24.9%	0.0%	17.6%	2,330,130	2,102,116	228,014	228,014										
Newport	2,122	1,357	19,993,484	5,114,262	25,107,746	67.8%	0.0%	47.9%	12,037,115	11,378,178	658,937	658,937										
New Shoreham	116	22	1,092,952	82,914	1,175,866	18.5%	0.0%	13.1%	153,821	122,100	31,721	31,721										
North Kingstown	3,863	847	36,397,186	3,192,174	39,589,360	25.4%	20.0%	22.9%	9,050,131	10,705,101	(1,654,970)	(1,654,970)										
North Providence	3,447	1,535	32,477,634	5,785,108	38,262,742	45.8%	67.4%	57.6%	22,047,442	21,512,305	535,137	535,137										
North Smithfield	1,687	298	15,894,914	1,123,102	17,018,016	21.3%	44.3%	34.8%	5,915,052	5,842,519	72,533	72,533										
Pawtucket	8,755	6,679	82,489,610	25,171,815	107,661,425	71.0%	87.5%	82.4%	88,731,729	88,188,641	543,088	543,088										
Portsmouth	2,338	372	22,028,636	1,401,994	23,430,630	17.7%	9.2%	14.1%	3,305,006	3,821,874	(516,868)	(516,868)										
Providence	1,178	195	11,099,116	734,916	11,834,032	18.8%	51.9%	39.0%	4,619,102	4,676,150	(57,048)	(57,048)										
Richmond	1,341	240	12,634,902	904,512	13,539,414	14.6%	24.0%	19.9%	2,689,474	3,548,200	(858,726)	(858,726)										
Scituate	2,382	360	22,443,204	1,356,768	23,799,972	16.8%	41.5%	31.7%	7,534,655	6,009,184	1,525,471	1,525,471										
Smithfield	3,136	572	29,547,392	2,155,754	31,703,146	20.0%	5.5%	14.7%	6,469,945	6,478,789	(8,844)	(8,844)										
South Kingstown	1,848	523	17,411,856	1,971,082	19,382,938	30.7%	38.6%	34.9%	6,759,687	6,456,229	303,458	303,458										
Tiverton	9,057	3,162	85,335,054	11,916,946	97,252,000	36.3%	40.5%	38.5%	37,400,570	38,216,746	(816,176)	(816,176)										
Warwick	2,837	1,007	26,730,214	3,795,182	30,525,396	39.0%	0.0%	27.6%	8,418,039	8,690,035	(271,996)	(271,996)										
West Warwick	3,440	1,827	32,411,680	6,885,598	39,297,278	54.9%	72.2%	64.1%	25,203,697	24,295,114	908,583	908,583										
Westerly	5,726	4,363	53,950,372	16,443,274	70,393,646	80.7%	91.0%	86.0%	60,541,585	59,367,500	1,174,085	1,174,085										
Woonsocket	3,199	1,089	30,140,978	4,104,223	34,245,201	16.350,939	11,276,666	14,194,635	(2,917,969)	(2,917,969)	(972,656)	(972,656)										
Bristol-Warren ²	1,639	241	15,442,658	908,281	16,350,939	4,220,363	4,949,253	4,220,363	(114,962)	(114,962)	(38,321)	(38,321)										
Exeter-West Greenwich ²	1,093	209	10,298,246	787,679	11,085,925	17.3%	51.3%	38.3%	4,243,883	4,623,247	(379,364)	(379,364)										
Foster-Glocester	2,489	2,207	23,451,358	8,317,742	31,769,100	89.0%	97.5%	93.3%	29,655,438	33,123,272	(3,467,834)	(3,467,834)										
Central Falls	130,209	60,515	\$1,226,829,198	\$228,068,932	\$1,454,898,130	\$804,230,690	\$808,187,070	\$525,999	\$525,999	\$525,999	\$525,999											
Charter School Total	9,461	6,621	89,141,542	24,953,225	114,094,767	89,669,353	82,748,545	6,920,808	7,125,136	7,125,136	7,125,136											
Davies	817	538	7,697,774	2,027,614	9,725,388	7,759,627	10,192,590	(2,432,963)	(810,988)	(810,988)												
Met School	799	570	7,528,178	2,148,216	9,676,394	6,841,276	8,582,211	(1,740,935)	(580,312)	(580,312)												
Urban Collaborative	140	132	1,319,080	497,482	1,816,562	1,576,234	1,494,741	81,493	48,256	48,256												
Total	141,426	68,376	\$1,332,515,772	\$257,695,469	\$1,590,211,241	\$910,077,179	\$911,205,157	(\$1,127,978)	\$11,041,192	\$11,041,192												

¹ Based on March 2017 enrollment updated for projected charter school growth. Will be updated for March 2018 data.

² 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 FY2019 is based on FY2017 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 local tuition rates for FY2019 were not available for this publication but should be provided in the enacted budget.

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.

Calculation	District A	District B
Per Pupil Expenditure:	\$8,000	\$8,000
Share Ratio:	70.0%	30.0%
Indirect Aid to Sending District:	\$400 (5.0% of \$8,000)	\$400 (5.0% of \$8,000)
State Share to Charter School:	\$5,320 (70.0% of (\$8,000 minus 5.0%))	\$2,280 (30.0% of (\$8,000 minus 5.0%))
District Share to Charter School:	\$2,280 (30.0% of (\$8,000 minus 5.0%))	\$5,320 (70.0% of (\$8,000 minus 5.0%))

WILLIAM M. DAVIES, JR. CAREER AND TECHNICAL HIGH SCHOOL AND THE METROPOLITAN REGIONAL CAREER AND TECHNICAL CENTER (MET)

In FY2011, the State paid the total tuition costs of students attending the Davies and Met Schools, while the local districts provided transportation. Pursuant to the new funding formula, the state payment to these state schools is calculated by the same method used to calculate school district and charter school payments. However, the formula requires local districts to pay tuition, but allows the district to charge the state schools for transportation costs. The local tuition costs are calculated by dividing the local appropriation to education from property taxes, net debt service and capital projects, by the district RADM 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.

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 FY2019 Budget includes \$3.6 million to fund group home beds. This is \$532,463 less than the FY2018 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.

District	FY2018 Enacted			Group Home Aid					FY2019 Governor Total Aid
	FY2018 Enacted	Number of Beds	Aid based on bed count	FY2019 Change from Enacted					
				FY2019 Number of Beds	FY2019 Number of Beds	Aid change due to bed count	Aid change due to RIGL 16-7-22(1)(ii)	Total Change	
Burrillville	\$80,233	8	\$136,000	8	-	\$0	\$1,615	\$1,615	\$81,848
Coventry	85,982	8	136,000	8	-	-	1,546	1,546	87,528
Cranston	40,942	4	68,000	4	-	-	(1,567)	(1,567)	39,375
East Providence ¹	475,998	34	740,000	39	5	85,000	(37,501)	47,499	523,497
Lincoln	105,292	9	153,000	9	-	-	2,574	2,574	107,866
Middletown	322,549	22	374,000	14	(8)	(136,000)	(2,640)	(138,640)	183,909
Newport	154,312	14	238,000	14	-	-	(4,847)	(4,847)	149,465
North Providence	153,801	16	272,000	16	-	-	(3,412)	(3,412)	150,389
North Smithfield	106,653	8	136,000	8	-	-	(2,444)	(2,444)	104,209
Pawtucket	294,434	47	799,000	40	(7)	(119,000)	69,706	(49,294)	245,140
Portsmouth	590,830	37	629,000	30	(7)	(119,000)	(5,883)	(124,883)	465,947
Providence	601,949	104	1,768,000	103	(1)	(17,000)	(15,989)	(32,989)	568,960
Smithfield	218,712	16	272,000	16	-	-	(13,528)	(13,528)	205,184
South Kingstown	249,723	16	272,000	8	(8)	(136,000)	2,266	(133,734)	115,989
Warwick	354,602	30	510,000	24	(6)	(102,000)	33,650	(68,350)	286,252
Woonsocket	47,695	8	136,000	8	-	-	(2,452)	(2,452)	45,243
Bristol-Warren	108,583	8	136,000	8	-	-	(7,165)	(7,165)	101,418
Exeter-West Greenwich	115,918	8	136,000	8	-	-	(2,392)	(2,392)	113,526
Total	\$4,108,209	397	\$6,911,000	365	(32)	(544,000)	11,537	(\$532,463)	\$3,575,746

¹ East Providence experienced the 5 bed increase in FY2018 bringing total aid to \$523,497.

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 pursuant to other methodologies intended 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 \$6.8 million in FY2019, consistent with the FY2018 Budget as Enacted.

Categorical	FY2019 Governor's Education Aid	
	Change from Enacted	Total Funding
Transportation	\$0.0	\$6.8
Early Childhood	1.1	7.4
High-Cost Special Education	-	4.5
Career & Tech. Schools	-	4.5
English Learners	-	2.5
Public School Choice Density	(0.4)	0.5
Regionalization Bonus	-	-
Total	\$0.7	\$26.2

\$ 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 \$7.4 million in FY2019, an increase of \$1.1 million over the FY2018 Budget as Enacted; however, the additional funding is provided from the Permanent School Fund. The additional funds are needed as a match to the fourth, and final year of the federal Pre-Kindergarten Expansion grant (\$4.9 million).

The Permanent School Funds, which are fees collected from auctioneer duties, are only available for one year. The \$1.1 million payment in FY2019 will exhaust much of the reserves in the account. The remaining balance and future collections will be used to provide \$300,000 annually to the Advance Course Network over the next five years.

Analyst Note: Since the Permanent School funds are only available for one year and FY2019 is the last year of the federal grant, in order to maintain the funding for the current 60 pre-kindergarten classrooms, the program will need an additional \$6.0 million from other funding sources in FY2020. It is not clear at this time if the United States Education Department would consider the funding gap a failure to provide the necessary federal match.

- 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 FY2019, level with the FY2018 Budget as Enacted.
- 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 FY2019, level with the previous year
- 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 FY2019, the per-pupil weight increases to \$942, to reflect 10.0 percent of the \$9,422 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 FY2019, 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 FY2019, the budget includes \$498,000 in density aid to be divided among eight qualifying communities: Central Falls, Charlestown, Cumberland, Lincoln, North Providence, Pawtucket, Providence, and Woonsocket. This represents a decrease of \$412,500 from the FY2018 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. This category has not been funded since FY2014, as no new regional districts have been formed.

The following table shows the education aid including the formula distribution, categorical aid, and group home aid.

FY2019 Governor's Education Aid¹

	FY2018 Enacted (excludes group home and categoricals)	FY2019 (Year 8) formula		High-cost Special Education (>\$65,954)			English Learners	Public School Choice Density	Stabilization Funding	FY2019 Aid
		Change	Transportation	Group Home Aid ²	Group Home Aid ²	Group Home Aid ²				
Barrington	\$5,157,779	\$129,326	\$96,001	\$93,435	\$0	\$897	\$0	\$0	\$5,477,438	
Burrillville	13,040,423	(430,872)	39,665	34,735	81,848	702	-	-	12,766,501	
Charlestown	1,660,642	(40,010)	-	-	-	-	3,550	-	1,624,182	
Coventry	23,060,907	(712,714)	8,735	49,063	87,528	1,676	-	-	22,495,195	
Cranston	57,303,968	3,175,384	779,881	401,376	39,375	79,418	-	-	61,779,402	
Cumberland	18,967,499	1,177,374	94,019	28,110	-	13,094	27,450	-	20,307,546	
East Greenwich	2,535,361	416,150	75,266	140,965	-	730	-	-	3,168,471	
East Providence	34,854,923	(165,470)	1,682	191,312	523,497	32,875	-	-	35,438,819	
Foster	1,142,883	(55,639)	18,645	44,451	-	-	-	-	1,150,340	
Glocester	2,389,577	(78,715)	6,603	22,310	-	-	-	-	2,339,775	
Hopkinton	5,273,139	(26,149)	-	-	-	-	-	-	5,246,990	
Jamestown	452,432	(4,603)	-	57,927	-	133	-	-	505,889	
Johnston	18,225,966	(506,234)	252,761	135,240	-	22,867	-	-	18,130,600	
Lincoln	12,332,011	(695,438)	-	169,588	107,866	1,907	13,400	-	11,929,334	
Little Compton	397,073	(39,938)	-	-	-	34	-	-	357,169	
Middletown	7,862,135	(101,465)	-	73,466	183,909	3,372	-	-	8,021,417	
Narragansett	2,102,116	228,014	-	33,212	-	-	-	-	2,363,342	
Newport	11,378,178	658,937	-	25,784	149,465	21,645	-	-	12,234,009	
New Shoreham	122,100	31,721	-	-	-	358	-	-	154,179	
North Kingstown	10,705,101	(551,657)	-	80,311	-	2,502	-	-	10,236,258	
North Providence	21,512,305	535,137	166,700	228,945	150,389	17,606	9,050	-	22,620,133	
North Smithfield	5,842,519	72,533	15,231	57,667	104,209	1,110	-	-	6,093,269	
Pawtucket	88,188,641	543,088	144,610	131,486	245,140	221,379	90,800	-	89,565,144	
Portsmouth	3,821,874	(172,289)	-	74,526	465,947	450	-	-	4,190,508	
Providence	245,114,202	2,319,084	289,475	788,599	568,961	1,483,082	252,950	-	250,816,352	
Richmond	4,676,150	(19,016)	-	-	-	-	-	-	4,657,134	
Scituate	3,548,200	(286,242)	34,248	96,755	-	-	-	-	3,392,961	
Smithfield	6,009,184	1,525,471	75,225	35,816	205,184	1,011	-	-	7,851,892	
South Kingstown	6,478,789	(609,615)	138,523	197,034	115,989	1,070	-	-	6,321,790	
Tiverton	6,456,229	303,458	-	110,435	-	1,272	-	-	6,871,394	
Warwick	38,216,746	(816,176)	5,021	348,357	286,252	12,452	-	-	38,052,652	
Westerly	8,690,035	(90,665)	-	198,036	-	2,012	-	-	8,799,418	
West Warwick	24,295,114	908,583	41,895	21,705	-	12,284	-	-	25,279,582	
Woonsocket	59,367,500	1,174,085	14,720	136,365	45,243	130,607	21,650	-	60,890,170	
Bristol-Warren ³	14,194,635	(972,656)	1,300,168	83,032	101,418	5,429	-	-	14,712,026	
Exeter-West Greenwich ³	4,949,253	(242,963)	947,749	143,574	113,526	945	-	-	5,912,083	
Chariho	114,962	(38,321)	1,743,693	76,971	-	464	-	-	1,897,770	
Foster-Glocester	4,623,247	(126,455)	458,043	92,296	-	347	-	-	5,047,478	
Central Falls	33,123,272	(1,155,945)	62,801	97,116	-	167,299	79,150	8,430,559	40,804,252	
District Total	\$808,187,070	\$5,259,099	\$6,811,360	\$4,500,000	\$3,575,746	\$2,241,028	\$498,000	\$8,430,559	\$839,502,863	
Charter School Total	82,748,545	7,125,136	-	-	-	225,687	-	-	90,099,368	
Davies	10,192,590	(839,488)	-	-	-	8,696	-	3,976,456	13,338,254	
Met School	8,582,211	(580,312)	-	-	-	11,931	-	1,340,060	9,353,891	
Urban Collaborative	1,494,741	48,256	-	-	-	7,596	-	-	1,550,593	
Total	911,205,157	\$11,012,691	\$6,811,360	\$4,500,000	\$3,575,746	\$2,494,939	\$498,000	\$13,747,075	\$953,844,969	

¹ Based on March 2017 enrollment updated for projected charter school growth. Subject to change based on March 2018 data.² Based on final 12/31/2017 report from Rhode Island Department of Education.³ Calculations based on component district data as required by the Superior Court decision in Town of Warren v. Bristol Warren Regional School District, et. al.

Source: Rhode Island Department of Education

The following table shows the difference in education aid relative to the FY2018 Budget as Enacted.

FY2019 Governor Education Aid - Change to FY2018 Budget as Enacted¹

Districts	FY2018 Enacted (includes group home and categorical)	FY2019 (Year 8) Formula Change	High-cost					English Learners	Public School Choice Density	Stabilization Funding	Total Change	FY2019 Education Aid
			Transportation	Special Education	Group Home ²							
Barrington	\$5,347,807	\$129,326	(\$2,247)	\$2,695	\$0	(\$143)	\$0	\$0	\$129,631	\$5,477,438		
Burrillville	13,185,861	(430,872)	9,143	718	1,615	35	-	-	(419,361)	12,766,500		
Charlestown	1,667,742	(40,010)	-	-	-	-	(3,550)	-	(43,560)	1,624,182		
Coventry	23,202,975	(712,714)	(4,155)	6,465	1,546	1,078	-	-	(707,780)	22,495,195		
Cranston	59,005,592	3,175,384	9,488	(425,303)	(1,567)	15,809	-	-	2,773,811	61,779,403		
Cumberland	19,188,664	1,177,374	(18,122)	(18,057)	-	1,138	(23,450)	-	1,118,883	20,307,547		
East Greenwich	2,739,941	416,150	3,142	8,945	-	293	-	-	428,529	3,168,470		
East Providence	35,519,125	(165,470)	(1,500)	39,456	47,499	(291)	-	-	(80,307)	35,438,818		
Foster	1,207,050	(55,639)	1,842	(2,912)	-	-	-	-	(56,709)	1,150,340		
Glocester	2,407,383	(78,715)	6,603	4,503	-	-	-	-	(67,609)	2,339,774		
Hopkinton	5,273,136	(26,149)	-	-	-	-	-	-	(26,149)	5,246,987		
Jamestown	473,751	(4,603)	-	36,732	-	8	-	-	32,138	505,889		
Johnston	18,638,808	(506,234)	(47,293)	43,702	-	1,616	-	-	(508,209)	18,130,599		
Lincoln	12,510,492	(695,438)	-	125,102	2,574	(796)	(12,600)	-	(581,158)	11,929,334		
Little Compton	397,113	(39,938)	-	-	-	(5)	-	-	(39,944)	357,169		
Middletown	8,262,828	(101,465)	-	3,766	(138,640)	(5,071)	-	-	(241,410)	8,021,418		
Narragansett	2,139,472	228,014	-	(4,012)	-	(131)	-	-	223,871	2,363,343		
Newport	11,589,919	658,937	-	(9,161)	(4,847)	(840)	-	-	644,089	12,234,008		
New Shoreham	142,067	31,721	-	(19,706)	-	96	-	-	12,111	154,178		
North Kingstown	10,749,543	(551,657)	-	38,708	-	(337)	-	-	(513,286)	10,236,258		
North Providence	22,019,145	535,137	4,915	54,881	(3,412)	416	9,050	-	600,987	22,620,133		
North Smithfield	6,025,062	72,533	(5,526)	3,342	(2,444)	302	-	-	68,207	6,093,269		
Pawtucket	89,154,022	543,088	26,818	(33,019)	(49,294)	8,529	(85,000)	-	411,122	89,565,144		
Portsmouth	4,476,100	(172,289)	-	11,535	(124,883)	45	-	-	(285,593)	4,190,508		
Providence	248,790,856	2,319,084	(5,441)	(5,620)	(32,989)	(42,989)	(206,550)	-	2,025,495	250,816,352		
Richmond	4,676,150	(19,016)	-	-	-	-	-	-	(19,016)	4,657,134		
Scituate	3,612,504	(286,242)	(2,575)	69,275	-	-	-	-	(219,542)	3,392,962		
Smithfield	6,341,204	1,525,471	(5,269)	3,745	(13,528)	267	-	-	1,510,687	7,851,892		
South Kingstown	6,955,454	(609,615)	18,019	92,100	(133,734)	(434)	-	-	(633,665)	6,321,789		
Tiverton	6,531,285	303,458	-	36,360	-	292	-	-	340,110	6,871,394		
Warwick	39,146,338	(816,176)	188	(209,912)	(68,350)	564	-	-	(1,093,686)	38,052,652		
Westerly	8,851,953	(90,665)	-	38,010	-	120	-	-	(52,535)	8,799,418		
West Warwick	24,376,899	908,583	(6,522)	3,675	-	(3,053)	-	-	902,684	25,279,583		
Woonsocket	59,646,576	1,174,085	(1,525)	87,902	(2,452)	2,534	(16,950)	-	1,243,594	60,890,169		
Bristol-Warren ³	15,727,352	(972,656)	(101)	(34,934)	(7,165)	(468)	-	-	(1,015,324)	14,712,028		
Exeter-West Greenwich ³	6,190,095	(242,963)	(73,446)	40,670	(2,392)	119	-	-	(278,012)	5,912,083		
Chariho	2,010,376	(38,321)	(49,381)	(25,113)	-	208	-	-	(112,607)	1,897,769		
Foster-Glocester	5,030,940	(126,455)	128,428	14,542	-	23	-	-	16,539	5,047,479		
Central Falls	40,320,646	(1,155,945)	14,517	39,582	-	(16,562)	(73,450)	1,675,464	483,606	40,804,252		
District Total	\$833,532,226	\$5,259,099	\$0	\$18,662	(\$532,463)	(\$37,628)	(\$412,500)	\$1,675,464	\$5,970,634	\$839,502,860		
Charter School Total	82,958,014	7,125,136	-	(18,662)	-	34,878	-	-	7,141,352	90,099,365		
Davies	13,367,825	(839,488)	-	-	-	(1,071)	-	810,988	(29,571)	13,338,254		
Met School	9,352,512	(580,312)	-	-	-	1,427	-	580,264	1,379	9,353,891		
Urban Collaborative	1,499,946	48,256	-	-	-	2,392	-	-	50,648	1,550,594		
Total	\$940,710,522	\$11,012,691	(\$0)	(\$0)	(\$532,463)	(\$0)	(\$412,500)	\$3,066,716	\$13,134,442	\$953,844,962		

¹ Based on March 2017 data updates. Subject to change based on March 2018 data update.

² Based on final 12/31/2017 report from the Department of Children, Youth and Families.

³ Calculations based on component district data as required by the Superior Court decision in *Town of Warren v. Bristol Warren Regional School District, et. al.*

Source: Rhode Island Department of Education

School 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 FY2019, 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 FY2019, the Budget provides \$80.0 million, level funded with the FY2018 Budget as Enacted. The Department projects expenditures of \$69.4 million in school housing aid, a decrease of \$1.5 million from the FY2018 Budget as Enacted; however, pursuant to law the surplus must be deposited into the School Building Authority Capital Fund.

School Bond Refinancing Incentive Estimated Savings Summary			
Municipality	Local Savings	State Savings	Total Savings
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
Total Savings	\$12,489,103	\$3,122,350	\$15,611,453

School Building Authority Capital Fund: Article 9 of the FY2016 Budget as Enacted designated the Department of Elementary and Secondary Education (Department) as the State's School Building Authority and charged the Department with implementing a system of state funding for school facilities, managing the school housing aid program, and developing a project priority system. The Authority oversees two distinct funding mechanisms for school facilities: the Foundation Program, as enumerated in RIGL 16-7-35 through 16-7-47, and the School Building Authority Capital Fund (Capital Fund), as created through the article. The FY2016 budget added 1.0 FTE position to the Department for a new construction manager to assist in developing procedures for the proposed Capital Fund. In FY2016, the Department received a one-time, pass-through appropriation of \$20.0 million in new general revenue to capitalize the Capital Fund, which is held in trust and administered by the Rhode Island Health and Education Building Corporation (RIHEBC).

For FY2019, the Budget provides \$10.6 million in general revenue to capitalize the Capital Fund, and increase of \$1.5 million over the FY2018 Budget as Enacted. Through Article 9, the FY2019 Budget also shifts the 3.0 FTE positions currently responsible for the administration of the school construction program from general revenue to a new school construction services restricted receipt account, and adds 1.0 FTE Director of School Construction Services. The new restricted receipt account, named the “School Construction Services”, will be funded by the Rhode Island Health and Education Building Corporation (RIHEBC) from the School Building Authority Capital Fund, fees generated from the origination of municipal bonds and other financing vehicles used for school construction, and its own reserves. There is no limit on the amount or type of expenses that will be funded. The Budget provides \$697,171 in this account to provide for the cost of the 4.0 FTE positions and about \$48,658 for non-personnel overhead expenses. The new position will help with the anticipated increase in school housing applications due to the recent release of the statewide facilities study and the proposed \$250.0 million bond authorization. Proceeds from the bond will be used to capitalize both the traditional school construction program and the School Building Capital Fund as determined by the School Building Authority.

Analyst Note: Currently, RIHEBC only charges municipalities for the out-of-pocket costs at closing, such as underwriters and bond counsel. The need to raise funds for the expenses of the School Building Authority may require the extension of the fee currently charged to non-profit borrowers to include municipalities. Furthermore, since fees charged to the borrower are generally tolled into the bond issuance, the expenses paid may accrue interest.

FY2018 Supplemental Budget

Expenditures by Source	FY2017 Final	FY2018 Enacted	FY2018 Governor	Change	% Change
General Revenue	\$3,672.5	\$3,767.7	\$3,806.7	\$39.0	1.0%
Federal Funds	2,977.4	3,134.1	3,222.0	87.9	2.8%
Other Funds	1,881.4	2,079.2	2,157.6	78.4	3.8%
Restricted Receipts	228.0	261.7	275.8	14.1	5.4%
Total	\$8,759.3	\$9,242.8	\$9,462.2	\$219.4	2.4%

Expenditures by Function	FY2017 Final	FY2018 Enacted	FY2018 Governor	Change	% Change
General Government	\$1,439.8	\$1,503.6	\$1,486.7	(\$16.9)	-1.1%
Health and Human Services	3,838.3	3,935.2	4,038.9	103.7	2.6%
Education	2,435.3	2,589.5	2,608.3	18.8	0.7%
Public Safety	545.5	591.6	617.6	26.0	4.4%
Natural Resources	84.6	108.8	115.8	7.0	6.4%
Transportation	415.8	514.1	595.0	80.9	15.7%
Total	\$8,759.3	\$9,242.8	\$9,462.2	\$219.4	2.4%

FTE Authorization **14,959.0** **15,160.2** **15,186.2** **26.0** **0.2%**

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

FY2018 opened with \$12.0 million in additional surplus funds above the budgeted surplus of approximately \$49.7 million. The November 2017 Revenue Estimating Conference identified \$10.3 million less in anticipated general revenue collections for FY2018. Decreases in revenue were compounded by an additional \$29.4 million in projected human services costs from the Caseload Estimating Conference.

The Governor's budget recommends a \$39.0 million increase in general revenue expenditures compared to the FY2018 Budget as Enacted. Increases are largely due to increased costs in several human service agencies: \$8.5 million in BHDDH; \$8.0 million in the Executive Office of Health and Human Services; and, \$4.5 million in DCYF. In addition, the Governor adds \$3.9 million to fund the arbitration award for the Rhode Island Brotherhood of Correctional Officers. Offsetting these increases is an \$8.4 million reduction in the Department of Administration, reflecting lower debt service expenses.

FY2018 Governor's Recommended General Revenue Changes	
Expenditures	Change to Enacted
Reappropriations from FY2017	\$10.3
Caseload Conference Changes	29.4
Other Expenditures Changes (department-wide)	(0.7)
Total	\$39.0
Revenues	
Additional Opening Surplus Funds	\$12.0
Revenue Conference Changes	(10.3)
Reappropriations from FY2016	10.3
Additional Transfer to Rainy Day Fund	(0.9)
Other Revenue Changes (department-wide)	28.0
Total	\$39.1
FY2018 Enacted Free Surplus	\$0.2
Additional Free Surplus	0.1
FY2018 Revised Free Surplus	\$0.3

\$ in millions

The remainder of this report provides an overview of the major changes proposed by the Governor to the FY2018 Budget as Enacted, organized by department.

DEPARTMENT OF ADMINISTRATION***Capital Asset Management and Maintenance Decentralized Service Charge Shift* (\$31.9 million)**

The Budget decreases general revenue expenditures by \$31.9 million to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2018 Revised Budget, these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

***Information Technology Decentralized Service Charge Shift* (\$22.1 million)**

The Budget decreases general revenue expenditures by \$22.1 million to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2018 Revised Budget, these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

***Personnel and Operating Savings* \$21.3 million**

The Department of Administration has a centralized account for statewide unspecified 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. The FY2018 Budget as Enacted included \$30.1 million in statewide general revenue savings to be identified in the current fiscal year. The Governor proposes that the Department's share of the FY2018 statewide savings be \$8.8 million in general revenue, reflecting decreased statewide savings of \$21.3 million (reflected as a positive number) as compared to the proposed FY2018 Budget as Revised.

***Centralized Service Charges* \$12.5 million**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2018 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear. In addition, there is an increase of \$51,331 in federal funds for centralized Information Technology Services, an increase of \$442,711 in restricted receipts for centralized Information Technology Services, \$97,296 for capital asset management and maintenance services, and \$45,346 for centralized Human Resource services, and \$89,174 in other funds for capital asset management and maintenance services.

Centralized Service Charges	Amount
Information Technology	\$3,650,566
Capital Asset and Management	7,704,535
Human Resources	1,149,427
Total	\$12,504,528

***Human Resources Decentralized Service Charge Shift* (\$8.1 million)**

The Budget decreases general revenue expenditures by \$8.1 million to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The

FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2018 Revised Budget, these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency.

Debt Service

(\$1.2 million)

The Governor recommends a revised appropriation of \$137.2 million in general revenue, \$1.2 million less than appropriated in the FY2018 Budget as Enacted for State debt service.

Row Labels	FY2018 Enacted	FY2018 Governor	Change
DHS - Debt Service	\$1,993,279	\$3,994,576	\$2,001,297
COPS - School for the Deaf	2,479,450	763,583	(1,715,867)
G.O. Bond New Bond Issue Projected Costs	1,564,323	-	(1,564,323)
BHDDH - Institute of Mental Health	1,122,011	1,864,079	742,068
DOA - Affordable Housing GO Bonds	7,278,557	6,647,439	(631,118)
All Other Items	123,965,445	123,901,098	(64,347)
Total	\$138,403,065	\$137,170,775	(\$1,232,290)

Division of Planning Personnel Funding Shift and Operating Transfer

(\$919,264)

The Budget reflects a shift of gas tax revenues to the Department of Administration to fund a portion of the Division of Planning's activities. As part of the \$25.0 million general revenue savings included in the enacted budget, the Governor proposes having the Department of Transportation (DOT) provide the state match for federal highway funds that Planning receives to the Metropolitan Planning Organization as required by FHWA. DOT will provide approximately \$500,000 from Gas Tax per year for 3-years resulting in \$509,094 in general revenue savings

In addition, the Governor transfers the Water Resources Board functions and 3.0 FTE positions from the Division of Planning to the Division of Public Utilities and Carriers. Article 3, Section 12 through 15 authorizes the transfer, as well as to amend general law to transfer the responsibilities of administering the Big River Management Area from the Water Resources Board to the Department of Administration. The transfer of the Board reduces general revenue expenses \$410,170 and transfers the funding source of the Water Resources Board from general revenue to restricted receipts

DEPARTMENT OF BUSINESS REGULATION

Centralized Service Charges

\$880,842

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2018 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$383,135
Capital Asset and Management	354,492
Human Resources	143,215
Total	\$880,842

Boards of Design Professionals Consolidation **\$362,455**

The Budget shifts \$362,455 in general revenue funding and 3.0 FTE positions from the existing Board of Design Professionals to the new Division of Building, Design, and Fire Professionals. The program includes the following independent boards:

- Board of Registration for Professional Engineers
- Board of Registration for Professional Land Surveyors
- Board of Examiners of Landscape Architects
- Board of Examination and Registration for Architects

RIREACH Medicaid Match (federal funds) **\$70,000**

The Budget includes a \$70,000 increase in federal funds in anticipation of Office of the Health Insurance Commissioner receiving an approval on its request for a federal Medicaid match on RIREACH general revenue expenditures. RIREACH is OHIC's consumer assistance program and provides a live consumer advocacy hotline answering consumer health insurance questions as well as guidance and support. The program also assists in processing insurance complaints and coverage appeals.

EXECUTIVE OFFICE OF COMMERCE

Rebuild RI **(\$3.0 million)**

The Governor shifts \$3.0 million in general revenue funding for the Rebuild RI Tax Credit program from FY2018 to FY2019. This shift aligns the current year budget with expected obligations. 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 and is capped at \$150.0 million.

Centralized Service Charges **\$306,701**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2018 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$21,405
Capital Asset and Management	261,626
Human Resources	23,670
Total	\$306,701

Quasi-Public Appropriations **\$250,000**

The Budget reduces the Rhode Island Commerce Corporation's base funding by \$250,000 in general revenue in FY2018 to better align with anticipated operational and personnel costs in the current year.

DEPARTMENT OF REVENUE**Centralized Service Charges****\$6.2 million**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2018 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$4,170,629
Capital Asset and Management	1,222,619
Human Resources	758,748
Total	\$6,151,996

Personnel – Taxation**(\$611,672)**

The Budget reduces salaries and benefits in the current year by \$611,672. The reduction reflects current staffing levels, turnover, and updated benefit rates.

Personnel – Municipal Finance**(\$173,955)**

The Budget reduces total personnel costs within the Division of Municipal Finance in FY2018 by \$173,955. This reduction is primarily associated with the elimination of 3.0 FTE positions within the Division. These include a vacant 1.0 Data Control Specialist and two positions that have never been filled, a 1.0 Supervisor Local Government Assistant and a 1.0 Programming Services Officer.

OFFICE OF THE LIEUTENANT GOVERNOR**Centralized Service Charges****\$20,793**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2018 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$20,793
Capital Asset and Management	-
Human Resources	-
Total	\$20,793

OFFICE OF THE SECRETARY OF STATE**RICAP – State Archives (other funds)****\$107,546**

The Office of the Secretary of State recommends establishing 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 in downtown Providence that is susceptible to severe flooding.

The FY2018 Revised Budget recommendation includes Rhode Island Capital Plan (RICAP) funding of \$107,546 for a feasibility study to identify and recommend options for a permanent facility. 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 Office of the Secretary of State requested \$49.3 million in RICAP funds spread over FY2019 to FY2023 (\$5.0 million in FY2019) for the new construction of a State Archives structure. However, the Governor does not recommend RICAP funding for FY2019 or beyond.

OFFICE OF THE GENERAL TREASURER

Centralized Service Charges

\$228,583

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2018 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear. In addition, there is an increase of \$8,199 in federal funds for centralized Capital Asset Management and Maintenance services, an increase of \$138,010 in restricted receipts for centralized Capital Asset Management and Maintenance services, \$2,198 for centralized Information Technology services, and \$9,648 in other funds for Capital Asset Management and Maintenance services

Centralized Service Charges	Amount
Information Technology	\$176,892
Capital Asset and Management	51,691
Human Resources	-
Total	\$228,583

BOARD OF ELECTIONS

Centralized Service Charges

\$126,184

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2018 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$54,382
Capital Asset and Management	71,802
Human Resources	-
Total	\$126,184

ETHICS COMMISSION***Centralized Service Charges*****\$45,406**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2018 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$45,406
Capital Asset and Management	-
Human Resources	-
Total	\$45,406

Legal Services**\$25,000**

The Budget increases general revenue expenditures by \$25,000 to cover anticipated increased legal costs impacting the agency including 2 matters filed in Superior Court. These matters include a challenge to the Commission's constitutional authority to enforce the state's code of ethics on municipal elected officials and a challenge on the Commission's regulatory authority.

OFFICE OF THE GOVERNOR***Centralized Service Charges*****\$85,599**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2018 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$85,599
Capital Asset and Management	-
Human Resources	-
Total	\$85,599

Contingency Fund**\$67,089**

The Governor's Office is annually appropriated general revenue for a contingency fund for unforeseen expenses. This is a discretionary spending account. The FY2017 Budget as Enacted included \$242,000 in general revenue. At the close of FY2017, the fund balance was \$172,487. The Governor reappropriated \$67,089 to FY2018 for a total amount of \$317,089. To date a total of \$135,655 is spent from the fund leaving a balance of \$181,434. The Governor includes \$250,000 in the contingency fund for FY2019.

COMMISSION FOR HUMAN RIGHTS***Centralized Service Charges*****\$38,980**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2018 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$38,980
Capital Asset and Management	-
Human Resources	-
Total	\$38,980

DEPARTMENT OF HUMAN SERVICES***Centralized Service Charges*****\$4.7 million**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2018 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$1,522,413
Capital Asset and Management	2,360,517
Human Resources	836,500
Total	\$4,719,430

Unified Health Infrastructure Project**\$ 2.4 million**

The Governor recommends adding \$2.4 million in general revenue (\$5.1 million all funds) to fund staffing associated with ongoing UHIP backlog and system issues. 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. As of October 2017 Deloitte Consulting, the primary software developer of UHIP, has credited the State \$58.6 million for delayed functionality of the system.

EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES***Caseload Changes******\$28.6 million***

The FY2018 Supplemental Budget increases general revenue costs by \$28.6 million to reflect the results of the November 2017 Caseload Estimating Conference. Increases include nursing facilities costs and increased enrollments in managed care organizations.

CHIP Reauthorization***(\$7.0 million)***

The November 2017 Caseload Estimating Conference impacts included \$7.0 million in state general revenues for the Children's Health Insurance Program (CHIP). CHIP had not been reauthorized by Congress in November, and Conference estimators are bound to estimating based upon current law. Congress has since reauthorized the program. The Budget reduces general revenue CHIP costs by \$7.0 million, and increases federal funding by an equivalent amount.

Eliminate GME***(\$4.0 million)***

The State has a Graduate Medical Education (GME) program that provides funding for Rhode Island's academic Level I trauma center hospitals that have a minimum of 25,000 inpatient discharges per year and provide at least 250 interns and residents per year. Currently, Rhode Island Hospital is the only hospital that qualifies for this funding. The FY2018 Budget as Enacted contains \$4.0 million in general revenue funding for the initiative; however, the Governor eliminates this payment in the supplemental budget recommendation. For FY2019 the program is proposed to be restructured.

Perry Sullivan***(\$3.0 million)***

In an effort to rebalance the State's long term care system in favor of home and community based services over nursing home services, the Long Term Care Service and Financial Reform Act of 2006 (commonly referred to as the Perry/Sullivan provision) requires savings from reduced nursing home usage to be reinvested to strengthen community-based alternatives.

The FY2018 Budget as Enacted includes \$3.0 million in general revenue funding (\$6.2 million all funds) in long-term care fee-for-service and Rhody Health Options programs. These funds have since been applied to pay for Home and Community Care wage increases that were enacted in FY2018, offsetting other general revenues.

IT Investment Fund- UHIP***(\$2.5 million)***

The FY2018 Supplemental budget shifts \$2.5 million in general revenue UHIP operating costs to the Information Technology Investment Fund.

Reappropriations***\$1.6 million***

The Budget includes \$1.6 million in general revenue reappropriations from FY2017. This includes \$360,057 for data analytics for services rendered but where invoices were delayed into FY2018; \$1.2 million for UHIP operating (non-personnel) expenses; and, \$95,000 in required state matching funds for a federal Medicaid Information Technology Architecture self-assessment as required under 42 CFR 433.

Shift DD Consent Decree***\$450,000***

The FY2018 Budget as Enacted includes \$450,000 in the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) to fund the work of the Consent Decree Monitor that oversees progress towards addressing issues related to employment services for adults with developmental disabilities. The Governor's budget transfers the contract and funding to EOHHS, citing "better monitoring". There is no change to the funding allocated for the monitor work, it merely shifts from BHDDH to EOHHS.

Analyst Note: The consent decree limits monitor costs to \$300,000 annually.

DEPARTMENT OF CHILDREN, YOUTH, AND FAMILIES

Centralized Service Charges

\$3.4 million

The FY2018 Budget as Enacted mandated the use of rotary accounts to address the centralized service billing costs associated with information technology, capital asset management and maintenance, and human resources. This increases expenditures by \$3.4 million in FY2018 for the Department of Children, Youth, and Families.

Centralized Service Charges	Amount
Information Technology	\$1,527,216
Capital Asset and Management	1,170,836
Human Resources	665,600
Total	\$3,363,652

Federal Claiming

\$3.0 million

The enacted budget included a general revenue savings target of \$4.0 million related to Medicaid claiming which the Department has not been able to fully achieve in FY2018. The Governor restores \$3.0 million of the funding, anticipating partial savings from Medicaid and Title IV-E claiming before the end of FY2018.

Residential Placements

\$1.7 million

The revised budget includes additional general revenue expenditures of \$1.7 million related to residential placements. This net increase is the result of increased investments in foster care, adoption, and guardianship, offset by savings in congregate care placements.

Personnel

(\$1.4 million)

The revised budget includes general revenue savings of \$1.4 million related to the elimination of 4.0 FTE positions, reallocation of staff between divisions, a declining census at the Training School, and the Voluntary Retirement Incentive.

Enhanced Family Support Services

(\$315,263)

The budget shifts utilization of family preservation services from the Preserving Families Network (PFN) at a per diem rate of \$85.90 to the Enhanced Family Support Services (EFSS) program at a per diem rate of \$32.58. The Department has identified similar outcomes for families provided by each program. This shift is projected to save \$315,263 in the remainder of FY2018.

DEPARTMENT OF HEALTH

Centralized Service Charges

\$2.2 million

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2018 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear. In addition, there is an increase of \$724,248 in federal funds for centralized Information Technology Services, an increase of \$1.7 million in restricted receipts for centralized Information Technology Services, and \$550,000 for centralized Human Resource services.

Centralized Service Charges	Amount
Information Technology	\$977,905
Capital Asset and Management	1,082,726
Human Resources	165,500
Total	\$2,226,131

DEPARTMENT OF BEHAVIORAL HEALTHCARE, DEVELOPMENTAL DISABILITIES, AND HOSPITALS

Centralized Service Charges

\$8.2 million

The FY2018 Budget as Enacted mandated the use of rotary accounts to address the centralized service billing costs associated with information technology, capital asset management and maintenance, and human resources. This increases expenditures by \$8.2 million in FY2018 for the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals.

Centralized Service Charges	Amount
Information Technology	\$1,985,993
Capital Asset and Management	5,259,297
Human Resources	977,334
Total	\$8,222,624

SIS-A Assessment Tool

\$5.3 million

The Budget includes additional general revenue expenditures of \$8.0 million related to a projected increase in costs for direct services. This is primarily related to reassessments using the SIS-A tool which resulted in higher utilization of the costliest service tiers. This increase in expenditures is partially offset by savings initiatives totaling \$2.7 million related to limiting use of the SIS-A tool to new clients and reducing tier levels for certain individuals.

Hospital Consolidation Delay

\$3.1 million

The enacted budget assumed savings related to the hospital consolidation project, of which \$3.1 million has not been achieved. The revised budget restores this funding. Most of the unachieved savings are related to overtime.

Residential Services

\$3.0 million

The revised budget restores \$3.5 million of unachieved general revenue savings related to residential services for developmentally disabled clients. This increase is offset by initiatives to rebalance residential services and place individuals in more appropriate, cost effective settings. Namely, the Department intends to reduce the group home census by 110 individuals before the end of FY2018. The Department also includes savings related to the partial closure of two RICLAS Special Care Facilities.

L9 Supplemental Authorization Revision and Reduction

(\$2.3 million)

The revised budget includes \$2.3 million in general revenue savings related to implementing more stringent standards for supplemental authorizations and reducing the number of individuals who receive services above their tier level.

Person-Centered Supported Employment Performance Program

(\$2.0 million)

The revised budget reduces general revenue expenditures by \$2.0 million within the Person-Centered Supported Employment Performance Program (PCSEPP), a performance-based contract for supported employment services to individuals in the Consent Decree target population. Based on projected utilization for the program, the Department projects a balance of unspent funds in PSCEPP for FY2018.

Movement of Court Monitor**(\$450,000)**

Funding for the Consent Decree Court Monitor is shifted from BHDDH to the Executive Office of Health and Human Services (EOHHS).

JCAHO Mitigation Plan**\$350,000**

Eleanor Slater Hospital was issued a preliminary denial of accreditation from the Joint Commission on Accreditation of Hospitals (JCAHO) due to deficiencies throughout the hospital, namely ligature risk. The Department submitted a mitigation plan in September 2017 and the Hospital's accreditation was reinstated. The Governor includes \$350,000 in the revised budget to support the mitigation plan.

GOVERNOR'S COMMISSION ON DISABILITIES**Centralized Service Charges****\$25,090**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2018 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$19,390
Capital Asset and Management	-
Human Resources	5,700
Total	\$25,090

OFFICE OF THE CHILD ADVOCATE**Personnel****(\$169,905)**

The FY2018 Revised Budget includes general revenue savings of \$169,905 related to personnel. The Office had a balance of federal funds at the beginning of FY2018, totaling \$117,749, and chose to reallocate the funds for personnel expenses, saving general revenue that would have otherwise been spent. The Office also began FY2018 with two vacant positions which were filled mid-year, resulting in turnover savings of \$41,444. One of these positions was filled at a lower pay grade, generating savings of \$10,712.

Centralized Service Charges**\$93,447**

The FY2018 Budget as Enacted mandated the use of rotary accounts to address the centralized service billing costs associated with information technology, capital asset management and maintenance, and human resources. This increases expenditures by \$93,447 in FY2018 for the Office of the Child Advocate.

Centralized Service Charges	Amount
Information Technology	\$25,715
Capital Asset and Management	67,732
Human Resources	-
Total	\$93,447

Contracted Services **\$30,000**

The Office requested the addition of 1.0 FTE to support an increase in workload. The additional staff member was anticipated to increase general revenue expenditures by \$43,382. Instead, the Governor recommends funding of \$30,000 to allow the Office to utilize a temp agency.

OFFICE OF THE MENTAL HEALTH ADVOCATE**Centralized Service Charges** **\$81,049**

The FY2018 Budget as Enacted mandated the use of rotary accounts to address the centralized service billing costs associated with information technology, capital asset management and maintenance, and human resources. This increases expenditures by \$81,049 in FY2018 for the Office of the Mental Health Advocate.

Centralized Service Charges	Amount
Information Technology	\$13,317
Capital Asset and Management	67,732
Human Resources	-
Total	\$81,049

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION**Textbook Reimbursement Adjustment** **(\$151,040)**

The State reimburses school committees for the cost of providing free English/language arts and history/social studies textbooks to students in grades kindergarten through 12th grade who reside in the community. The FY2018 Budget as Enacted provided \$240,000 in state funding for the reimbursement of costs for textbooks. The Budget reduces funding for this program by \$151,040 to reflect actual costs in FY2018.

Scholastic Aptitude Test (SAT) and PSAT **\$150,000**

The Budget includes an increase of \$150,000 in general revenue, \$650,000 in total, to make the Scholastic Aptitude Test (SAT) and the Preliminary Scholastic Aptitude Test (PSAT) free for all students in Rhode Island. In FY2017 the actual cost was \$530,000. While the test was voluntary, in FY2018 and FY2019 it will be used as a mandatory, statewide assessment required by the State's plan to meet the requirements of the federal Every Student Succeeds Act.

Teacher Retirement **\$139,942**

The State pays 40.0 percent of the employer's share of the teacher retirement contribution each year. The Budget adds \$139,942 in general revenue for a projected deficit in FY2018 due to updated wage growth projections based on actual wage data in FY2017.

Advanced Placement (AP) Tests **\$115,000**

The Budget includes \$115,000 in general revenue to provide subsidized rates to low-income students taking the AP test. This funding is only provided for reimbursements in FY2018 for tests taken in the 2016/2017 school year. Previously, this program was funded from a federal grant, which ended in FY2017. This program is discontinued in FY2019.

Centralized Service Charges **\$114,222**

The Budget increases general revenue expenditures by \$114,222 to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget

as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2018 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Group Home Aid

\$85,000

The Budget increases group home aid by \$85,000 to reflect the addition of five new beds in East Providence.

PUBLIC HIGHER EDUCATION

General Obligation Bond Debt Service

\$1.4 million

The Budget provides \$31.0 million in FY2018 for general obligation debt service for the three institutions, including URI (\$22.8 million), RIC (\$6.2 million, and CCRI (\$2.1 million). Relative to the FY2018 Budget as Enacted, this is an increase of \$107,338 at URI and \$1.3 million at RIC. The increase is due primarily to the issuance of \$40.0 million for higher education facilities projects in April 2017.

Voluntary Retirement Incentive

(\$1.0 million)

The State of Rhode Island is offering a voluntary retirement incentive (VRI) payment to state employees who are eligible to retire on or before December 31, 2017. The VRI is intended to achieve strategic and budgetary objectives by prioritizing the filling of the resulting vacancies while allowing the State to recognize the long-term service of its employees and provide them the flexibility to retire. Eligible employees who elect to retire within the designated enrollment periods will receive a one-time payment equal to two times the employee's current annualized longevity amount up to a maximum amount of \$40,000, at a total projected statewide cost of \$9.0 million. In addition, severance costs could exceed \$2.4 million statewide. The program is being offered in stages based on the individual employee's longevity entitlements. The last group of employees must submit a written notice of their election to retire on or before March 15, 2018. In FY2018, the general revenue share of the savings projected is \$1.0 million, including URI (\$366,777), RIC (\$364,551), and CCRI (\$314,554). The savings is projected to be achieved by either leaving retiree positions vacant or filling the position at a reduced rate of 50.0 to 75.0 percent.

Nursing Education Center

(\$337,529)

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 two schools took possession of their space in April 2017. Under the terms of the lease, the first rent payment was made in September 2017. The reduction in FY2018 reflects the adjustment of the enacted to budget to reflect actual costs.

RI Promise Scholarship Program

\$231,086

Article 3 of the FY2018 Budget established the Rhode program to provide students with two years of tuition and mandatory fees at the Community College of Rhode Island, less federal and all other financial aid available to the recipient. FY2019 represents the second year of the program and the increase will provide for two cohorts of students. In the first year of the program CCRI realized a 43.0 percent increase (477 students) in first-time, full-time students; however the budget only predicted a 25.0 percent increase in enrollment. Consequently, the FY2018 Revised Budget includes an additional \$231,086 to meet the current demand of the program.

IT Administrative Implementation Fund **(\$186,418)**

Since FY2000, the OPC has been appropriated a sum to finance IT-related acquisitions and enhancements at the institutions. Initially this funding was dedicated to standard maintenance agreements and routine software costs associated with the implementation of PeopleSoft systems at URI and RIC and the Banner/Oracle system at CCRI. Over time, the ongoing costs for these systems was absorbed into the operating budgets at the institutions and the IT Administrative Implementation Fund became a discretionary, competitively distributed funding pool for IT projects and system enhancements at the schools. The Budget reduces funding for the program by \$186,418, leaving a balance of \$500,000 for CCRI to build capacity and student service activities to support the 43.0 percent increase (477 students) in first-time, full-time student enrollment due to the RI Promise Scholarship Program.

Office of Postsecondary Education Personnel Savings **(\$151,517)**

In order to contribute toward the \$25.0 million statewide reduction in the FY2018 Budget as Enacted, the OPC agreed to manage state-financed operating expenditures and vacancy rates to achieve a \$100,000 base reduction in overall operating costs in the FY2018 Revised and FY2019 Budgets. In FY2018, an additional \$51,517 reduction due to a sizeable payroll surplus due largely to turnover savings achieved through hiring delays.

DEPARTMENT OF THE ATTORNEY GENERAL**Google Forfeiture Funds (federal funds)** **\$12.0 million**

The FY2018 Supplemental includes an increase of \$12.0 million in google forfeiture federal funds (a total of \$26.0 million) for the design and construction of a new customer service center in the Pastore Complex, the building is expected to be completed by May 2018. The funds are also used for the ongoing redesign and renovation of the Department's main headquarters at 150 South Main Street in Providence.

DEPARTMENT OF CORRECTIONS**Centralized Service Charges** **\$13.8 million**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2018 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$3,131,142
Capital Asset and Management	8,642,638
Human Resources	2,000,000
Total	\$13,773,780

MILITARY STAFF**Centralized Service Charges****\$797,273**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2018 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear. In addition, there is an increase of \$114,384 in federal funds for centralized Human Resource services.

Centralized Service Charges	Amount
Information Technology	\$35,199
Capital Asset and Management	749,899
Human Resources	12,175
Total	\$797,273

Quonset Fire Protection**\$481,604**

The Budget increases general revenue funded personnel costs by \$481,604. 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.

The federal government will no longer fund the injured-on-duty (IOD) costs for firefighters. There are 30.0 FTE positions assigned to the program. Presently, the Air National Guard has 6.0 firefighters on IOD status. Therefore, the State is required to fully fund the IOD costs from general revenue. Firefighter staffing levels must remain the same as per the federal agreement, so federal turnover cannot be utilized to supplant the State share.

DEPARTMENT OF PUBLIC SAFETY**Centralized Service Charges****\$1.2 million**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2018 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$204,533
Capital Asset and Management	128,692
Human Resources	860,875
Total	\$1,194,100

Operating and Personnel – E-911**(\$392,585)**

The Budget reduces operating and personnel general revenue expenditures in the current year by \$392,585. The reduction reflects personnel savings associated with the voluntary retirement incentive program and operating savings on computer equipment expenditures.

DEPARTMENT OF ENVIRONMENTAL MANAGEMENT**Centralized Service Charges****\$2.5 million**

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2018 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear.

Centralized Service Charges	Amount
Information Technology	\$1,902,575
Capital Asset and Management	-
Human Resources	587,900
Total	\$2,490,475

Clean Diesel Program**(\$749,493)**

The Budget eliminates funding for the Clean Diesel Program. 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 was not utilized in FY2017. Consequently, \$1.0 million in funding was shifted into FY2018. In FY2019, the program funding is eliminated.

The program is intended to reduce emissions from heavy-duty engines operating on state roads and help companies improve supply chain efficiency as described in the United States Environmental Protection Agency's SmartWay Program. In FY2018, the Budget reduces funding for the Clean Diesel Program by \$412,472 in general revenue, leaving \$587,021 to fund the program for the fiscal year. DEM received 33 applications totaling \$2.6 million, primarily for vehicle replacement, and will award \$500,000 in grants. An additional \$87,021 in salary and benefit costs related to program administration will be expended.

Voluntary Retirement Incentive**(\$497,707)**

The State of Rhode Island is offering a voluntary retirement incentive (VRI) payment to state employees who are eligible to retire on or before December 31, 2017. The VRI is intended to achieve strategic and budgetary objectives by prioritizing the filling of the resulting vacancies while allowing the State to recognize the long-term service of its employees and provide with the flexibility to retire. Eligible employees who elect to retire within the designated enrollment periods will receive a one-time payment equal to two times the employee's current annualized longevity amount up to a maximum amount of \$40,000, at a total projected cost of \$9.0 million. In addition, severance costs could exceed \$2.4 million. The program is being offered in stages based on the individual employee's longevity entitlements. The last group of employees must submit a written notice of their election to retire on or before March 15, 2018. In FY2018, the projected savings for DEM is \$497,707.

Minimum Wage Increase**\$73,262**

Article 14 of the FY2018 Budget as Enacted increased the minimum wage from \$9.60 to \$10.10 per hour effective October 1, 2017. This increase will impact the seasonal workers in DEM for March through June of 2018. The FY2018 Budget as Enacted included \$67,770 in general revenue for the increase; however, the budget provides an additional \$73,262 to cover the actual cost in FY2018 for a total of \$141,032. The minimum wage was last increased on January 1, 2016, from \$9.00 to \$9.60 per hour.

Beach Parking Fee Payments to Host Communities**(\$56,234)**

The Budget includes a decrease of \$56,234 (\$466,266 total) for beach parking fees paid to host communities based on actual receipts. Parking fees at State-owned beaches are collected through the sale of season passes and daily fees. The State retains the entire amount of revenue collected from the season passes; however, host communities are paid 27.0 percent of the fees collected through daily parking fees.

Beach Parking Fees - Reimbursements to Host Communities

Summer	South				Total
	Charlestown	Westerly	Narragansett	Kingstown	
2009	\$21,534	\$211,669	\$234,972	\$25,726	\$493,901
2010	23,801	238,226	266,054	29,866	557,947
2011	15,466	155,051	162,476	11,365	344,358
2012	22,915	181,980	204,614	27,851	437,360
2013	18,233	161,937	188,342	26,328	394,840
2014	18,244	171,464	185,084	29,053	403,845
2015	17,935	194,124	196,868	32,108	441,035
2016	29,099	221,114	214,462	37,742	502,417
2017	24,748	191,802	197,115	32,601	446,266

Foundry Expenses**\$46,290**

The Budget includes a net increase of \$49,290 for property taxes and utilities related to the Foundry building where DEM's main offices are located. Beginning in July 2016, DEM entered into a new lease for the Foundry building. Pursuant to the new agreement, responsibility for utility and property expenses are shifting between DEM and the landlord. The result is a net increase in FY2018 relative to the Budget as Enacted.

DEPARTMENT OF TRANSPORTATION**Highway Maintenance Account (other funds)****\$65.7 million**

The FY2018 Supplemental Budget includes an additional \$65.7 million in Highway Maintenance Account funding for transportation projects. Most of the increase is due to a carry forward of \$66.0 million in unspent funds from FY2017. The Highway Maintenance Account is used to fund programs that will eliminate structural deficiencies of the State's bridge, road and maintenance systems and infrastructure.

New Vehicles and Equipment (other funds)**\$11.2 million**

The Governor includes an additional \$11.2 million (\$18.0 million total) in gas tax funding for the purchase of new vehicles and heavy equipment as part of the RhodeWorks program. The increase is due to a delay in planned purchases from FY2017 to FY2018.

Truck Tolls (other funds)**\$4.0 million**

The Governor includes \$4.0 million in other funds attributed to toll gantry revenue that will be generated in FY2018. The gantries will charge a toll on tractor trailer trucks, vehicle class 8 or larger. The Department

anticipates a total of 12 toll gantries being operational by the end of FY2019, currently two toll gantries, located in Richmond and Hopkinton, are in the testing phase and are expected to be operational in April 2018, they will charge truck a one-way toll of \$3.25 and \$3.50. Revenue generated from the truck tolls will be used for bridge maintenance and improvements throughout the State.

Centralized Service Charges (other funds, federal funds)

\$3.7 million

The Budget increases general revenue expenditures to reflect the decentralization of statewide services provided by and previously centralized in the Department of Administration. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. In FY2018 these expenditures are reflected in each agency based on actual use, thereby showing the true costs associated with a particular program or agency. These do not reflect increases in spending on these areas by the agency; only a change in which agency the expenditures appear. Within the Department of Transportation, \$2.4 million of the centralized service charges are other funds and \$1.3 million are federal funds.



ARTICLES

Article 1: Relating to Making Appropriations in Support of FY2019

Article 1 outlines the appropriation amounts from all fund sources for FY2019. 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.
- 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 and Mortgage Finance Corporation 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, 2019: \$5.0 million from the Rhode Island Housing and Mortgage Finance Corporation, and \$3.0 million from Resource Recovery Corporation.

APPROPRIATIONS

Article 1 makes appropriations from general revenues and authorizes expenditures of federal funds, restricted receipts, and other funds for the fiscal year ending June 30, 2019.

Expenditures by Source	FY2017 Final	FY2018 Enacted	FY2019 Governor	Change to Enacted
General Revenue	\$3,672.5	\$3,767.7	\$3,829.3	\$61.6
Federal Funds	2,977.4	3,134.2	3,091.9	(42.3)
Other Funds	1,881.4	2,079.2	2,171.1	91.9
Restricted Receipts	228.0	261.7	285.5	23.8
Total	\$8,759.3	\$9,242.8	\$9,377.7	\$134.9

\$ 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 FY2019.

Article 1 establishes 16 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. There are three new accounts established pursuant to Article 7, Section 10 of the FY2018 Budget as Enacted that authorized the Governor to establish centralized accounts for each agency and allow the Department of Administration to draw upon these accounts for billable centralized services and deposit the funds into the rotary accounts under the Department of Administration. Reimbursements may only be made up to the expenditure cap for each account, as outlined below.

Internal Service Account	FY2018 Enacted	FY2019 Governor	Change
State Assessed Fringe Benefits	\$41,229,448	\$41,383,271	\$153,823
Administration Central Utilities	24,910,320	22,910,320	(2,000,000)
State Central Mail	6,838,505	6,539,120	(299,385)
State Telecommunications	3,244,413	3,602,419	358,006
State Automotive Fleet	12,510,602	12,549,973	39,371
Surplus Property	3,000	3,000	-
Health Insurance	251,804,700	251,953,418	148,718
State Fleet Revolving Loan Fund	-	273,786	273,786
Other Post-Employment Benefits	63,852,483	63,858,483	6,000
Capital Police	1,306,128	1,285,206	(20,922)
Corrections Central Distribution Center	6,784,478	6,769,493	(14,985)
Correctional Industries	7,581,704	8,050,590	468,886
Secretary of State Records Center	807,345	947,539	140,194
Human Resources Internal Service Fund	-	12,127,873	12,127,873
DCAMM Facilities Internal Service Fund	-	39,212,184	39,212,184
Information Technology Internal Service Fund	-	32,281,052	32,281,052
Total	\$420,873,126	\$503,747,727	\$82,874,601

FUND TRANSFERS

Article 1 requires transfers from several quasi-public be made to the State Controller by June 30, 2019, to support the General Fund. This includes an increase of \$5.0 million from Rhode Island Housing and \$3.0 million from the Rhode Island Resource Recovery Corporation:

Agency	FY2018 Governor Proposed	FY2018 Enacted	FY2018 Governor Revised	FY2018 Change to Enacted	FY2019 Governor Proposed	Total
Electric and Gas Distribution Company	\$0.0	\$12.5	\$12.5	\$0.0	\$0.0	\$12.5
Health and Educational Building	1.2	6.0	6.0	-	-	6.0
Narragansett Bay Commission	2.5	5.0	5.0	-	-	5.0
Infrastructure Bank	1.0	3.5	8.5	5.0	-	8.5
RI Housing	-	1.0	6.0	5.0	5.0	11.0
Quonset Development Corporation	-	1.0	1.0	-	-	1.0
Public Utilities Commission	-	0.3	0.3	-	-	0.3
RI Resource Recovery Corporation	6.0	-	3.0	3.0	3.0	6.0
RI Student Loan Authority	-	-	3.0	3.0	-	3.0
RI Turnpike and Bridge	2.6	-	1.5	1.5	-	1.5
Total	\$13.3	\$29.3	\$46.8	\$17.5	\$8.0	\$54.8

\$ in millions

Rhode Island Resource Recovery Corporation: The Budget requires the Rhode Island Resource Recovery Corporation (RIRRC) to transfer \$6.0 million in landfill tip fee revenues to the State Controller for deposit in the General Fund. The first \$3.0 million shall be forfeited by June 30, 2018 (Article 10, Section 7) and the second by June 30, 2019 (Article 1, Section 15). According to the RIRRC, the 2017 State of Rhode Island Debt Affordability Study, issued by the Public Finance Management Board (5-3-2017) recommended that RIRRC refrain from the issuance of additional long-term debt. This recommendation may limit RIRRC's ability to raise capital and effectively requires RIRRC to self-fund future operations.

If enacted, the \$6.0 million forfeiture would impact existing FY2017 audited (10-4-2017) unrestricted net position of \$27.3 million, which is expected to fund new landfill construction, heavy equipment, debt covenant requirements, and other capital investments required to provide long term disposal and recycling services to the state of Rhode Island. According to RIRRC, based on the current financial plan and projected corporate cash requirements, the corporation would be required to take financial measures to offset this forfeiture. Such measures would include one or more of the following actions: deferring necessary capital

investments, increasing revenues through price increases, reducing operational costs, or receiving direct subsidies from the State.

Rhode Island Housing and Mortgage Finance Corporation: Article 10 requires the Rhode Island Housing and Mortgage Finance Corporation (RI Housing) to transfer \$6.0 million to the State Controller by June 30, 2018, \$5.0 million more than the FY2018 Budget as Enacted. Article 1 requires the agency to transfer another \$5.0 million to the State by the end of FY2019.

RI Housing is a self-supporting agency that raises capital through the tax-exempt municipal market to fund loans and programs to help Rhode Islanders purchase homes and to finance housing development and preservation. Investors in RI Housing bonds rely heavily on credit ratings received from Standard & Poor's and Moody's Rating Services. According to the agency, any reduction to RI Housing's profitability could have a negative effect on the rating agencies' review. The rating agencies have noted that prior transfers required by the State limit RI Housing's ability to pay future debt service on bonds and put RI Housing at a risk for downgrade which could impair its ability to issue bonds in the future and result in higher interest rates for homebuyers and housing developers. Additionally, the transfer may limit RI Housing's ability to focus on its core mission of investing in housing production.

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 266.1 FTE positions from the FY2018 Budget as Enacted. Following are the changes included in the Governor's proposal:

Expense by Function	FY2018 Enacted	FY2019 Governor	Change to Enacted
General Government	2,365.9	2,490.9	125.0
Human Services	3,715.6	3,740.9	25.3
Education	3,924.9	3,970.4	45.5
Public Safety	3,210.0	3,212.0	2.0
Natural Resources	429.0	429.0	0.0
Transportation	775.0	795.0	20.0
Subtotal	14,420.4	14,638.2	217.8
<i>Higher Ed. Sponsored Positions</i>	<i>739.8</i>	<i>788.8</i>	<i>49.0</i>
Total FTE Positions	15,160.2	15,427.0	266.8

Major FTE changes include:

- **An increase of 79.0 FTE positions in the Department of Revenue:** The Governor adds positions in FY2019, including 32.0 FTE positions to implement the federally mandated Real ID compliance, 23.0 new FTE positions required to operate the Tiverton Casino, 22.0 FTE positions in Taxation to support enhanced revenue collections, and 7.0 FTE positions to staff the proposed Division of Collections. Offsetting the increases includes elimination of 3.0 FTE positions in the Municipal Finance division and 1.0 FTE position from the Lottery division.
- **An increase of 69.0 FTE positions in the Department of Business Regulation:** The Governor consolidates building, construction, and fire code regulatory functions into a division within the department. This includes 36.0 FTE positions from the Office of the State Fire Marshal, 26.0 FTE positions by transferring the Division of Construction Permitting, Approvals, and Licensing, consisting of the State Building Code Commission, Contractor's Registration Board, and the Fire Safety Code Board of Appeal to the new consolidated division. These are in addition to the 2.0 FTE licensing positions transferred from the Department of Health, and the 5.0 FTE positions added under the FY2018 Revised Budget request.

- **An increase of 43.5 FTE positions in Public Higher Education:** The Governor recommends an increase of 2.0 new grant-funded FTE positions dedicated to higher education attainment, student supports, and financial aid activities, as well as 2.0 new FTE positions at the Westerly Education Center to accommodate the growing demand for services. The increases are partially offset by the elimination of 3.0 FTE positions from the Division of Higher Education Assistance. The Budget also provides for 19.5 new FTE positions at the University of Rhode Island (URI) and 23.0 new FTE positions at Rhode Island College. Sponsored research positions increase by 49.0 FTE positions at URI.
- **A decrease of 29.0 FTE positions in the Department of Administration:** The Budget decreases the Department's FTE positions by 29, reflecting the transfer of the Water Resources Board functions and 3.0 FTE positions from the Division of Planning to the Division of Public Utilities and Carriers, and the transfer of the Division of Construction Permitting, Approvals, and Licensing, consisting of the State Building Code Commission, Contractor's Registration Board, and the Fire Safety Code Board of Appeal along with 26.0 FTE positions to a new consolidated division within the Department of Business Regulation.
- **An increase of 20.0 FTE positions in the Department of Transportation:** The Governor includes an additional 20.0 FTE positions in the FY2019 Budget. The new positions will include a number of highway and bridge maintenance operators and laborers, these new positions will help to further the Department's goal of relying less on outside contracts for maintenance services.
- **An increase of 12.0 FTE positions in the Department of Corrections:** The Governor recommends a net increase of 12.0 FTE positions within the Department of Corrections, which includes the addition of 3.0 Correctional Officer Trainer positions to assist with additional training requirements and an increased number of recruits; 16.0 Correction Officers; a transfer from the Department of Behavioral Health, Developmental Disabilities and Hospitals of 1.0 Substance Abuse Councilor to assist in the substance abuse program; 2.0 Clinical Mental Health Social Workers; and 6.0 FTE positions to assist with the Medication/Mediation Assisted Treatment (MAT) Program 2.0 Nursing positions and 4.0 Mental Health Clerks. These increases were slightly offset by reallocations within the Department leading to a net increase of only 12.0 FTE positions.
- **A decrease of 12.0 FTE positions in the Department of Public Safety:** There is a net decrease of 12.0 FTE positions within the Department consisting of transferring the Office of the State Fire Marshal and its 36.0 FTE positions to the Department of Business Regulation. This is offset by the addition of 30.0 State Police recruits, the addition of 2.0 Telecommunicator FTE positions to assist with the increase calls associated with the Next Generation 9-1-1 service, and 2.0 Screener positions.

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, 2020, June 30, 2021, June 30, 2022, and June 30, 2023. These amounts supersede appropriations provided for FY2019 within the FY2018 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 State Funds

This article adjusts or establishes new restricted receipt accounts as follows:

- Amends RIGL 16-59-9 to expand the use of the Westerly Higher Education and Industry Center restricted receipt account for additional Industry Centers that may be established throughout the state.
- Amends RIGL 35-3-15 to change the date when the Governor reports the reappropriation of unexpended funds from the previous fiscal year from August 15 to September 1.
- Authorizes the State Budget Officer to impose a 10.0 percent indirect cost recovery on Rhode Island Capital Fund appropriations to fund direct project management costs of state employees. This effectively reduces the amount of capital projects that can be done by 10.0 percent.
- Exempts three 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 Municipal Police Training Tuition and Fees; the School for the Deaf – School Breakfast and Lunch Program; and the School Construction Services account.
- Establishes a new restricted receipt account for the Atomic Energy Reactor fees to support the technical operations and maintenance of equipment.
- Establishes a new Performance Improvement Fund at the Department of Administration to support pay-for-success contracts.

FISCAL IMPACT

The initiatives within this article would reduce indirect cost recovery receipts by \$97,967, and is projected to shift \$3.7 million in general revenue personnel costs to other funds by shifting the funding source to Rhode Island Capital Fund appropriations for direct project management costs of state employees. The Department of Administration surveyed all agencies with RICAP capital projects to determine how much staff are working on project management activities for RICAP projects. The information gathered was the State Budget Office's basis for the \$3.7 million amount. The article also increases restricted receipt collections up to \$120,000 for Atomic Energy Reactor fees.

ANALYSIS AND BACKGROUND

This article addresses various restricted receipts accounts. The changes are explained in detail below.

Higher Education and Industry Centers

The article amends the title and expands the use of the Westerly Higher Education and Industry Center restricted receipt account for additional Industry Centers that may be established throughout the state. The title change removes *Westerly* to signify statewide expansion as the Governor proposes to replicate the existing center in northern Rhode Island. The restricted receipts provide for the personnel and operating costs for the centers and are generated from lease payments and occupancy fees charged for the use of the facility. Electric Boat began using the existing Westerly facility to train employees in January 2017. The facilities provide classroom and laboratory space for existing students in the area, as well as space for collaborative programs with local industries. The job skill centers are managed through the Office of the Postsecondary Commissioner.

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:

Municipal Police Training Tuition and Fees: Article 7 authorizes the Municipal Training Academy to charge tuition to new recruits and organize statewide physical training tests for which a fee would be assessed for each individual taking it. The Budget includes \$225,000 in additional restricted receipt revenue associated with the initiative. Currently, Brown University police are charged a tuition of \$4,000 per recruit. Passage of this article would forgo future general revenue collections by approximately \$22,500.

School for the Deaf – School Breakfast and Lunch Program: This is a new account similar to the school breakfast/lunch program at Davies. Cash receipts for full-price and reduced-price meals and federal reimbursements for reduced and free meals (and also the after-school meal program and the fresh fruit/vegetable program), will be placed into this account with the proceeds funding the contract used by School for the Deaf for their food service vendor (Aramark).

The National School Lunch and School Breakfast programs require the use of a segregated account now that School for the Deaf is newly designated as a stand-alone “School Food Authority” (SFA), instead of being melded into the North Providence LEA for SFA purposes. The School for the Deaf has budgeted \$57,500 in each year within the account, roughly equivalent to anticipated annual revenues. Passage of this article would forgo future general revenue collections by approximately \$5,750.

School Construction Services: Article 9 authorizes the creation of the School Construction Services restricted receipt account within the budget of Elementary and Secondary Education. This account will be financed by the Rhode Island Health and Education Building Corporation’s sub-allotments of fees generated from the origination of municipal bonds and other financing vehicles used for school construction and its own reserves. This account shall be utilized for the express purpose of supporting any departmental expenditures incurred in the administration of the school construction aid program. The Budget includes \$697,171 and 4.0 FTE positions from Elementary and Secondary Education (3 existing positions and one new “Director of School Construction Services”) to this funding stream. Passage of this article would forgo future general revenue collections by approximately \$69,717.

Rhode Island Capital Fund

Article 2 authorizes the State Budget Officer to impose a 10.0 percent indirect cost recovery on Rhode Island Capital Fund (RICAP) appropriations to fund direct project management costs of state employees. This effectively reduces the amount of capital projects that can be done by 10.0 percent and is projected to reduce general revenue expenses by \$3.7 million. The Department of Administration surveyed all agencies with RICAP capital projects to determine how much staff are working on project management activities for RICAP projects. The information gathered was the State Budget Office’s basis for the \$3.7 million amount.

Analyst Note: The total FY2019 recommended RICAP appropriation is \$168.3 million. Therefore passage of this article could potentially decrease available funds for RICAP projects by \$16.8 million.

Atomic Energy Commission Reactor Fees:

Section 4 establishes a new restricted receipt account for the Atomic Energy Reactor fees (the Rhode Island Nuclear Science Center) to support the technical operations and maintenance of equipment. Currently a total of \$8,000 in fees is projected to be deposited into the state general fund in FY2018 and for FY2019. Almost all of the fees received are paid for services rendered to the BioPhysics Assay Lab (BioPAL), a Worcester based analytical and research company. However, BioPAL has agreed to transfer the portion of their business that requires a nuclear reactor, to the Rhode Island Nuclear Science Center. Projected receipts from this action are \$100,000 to \$120,000. The account will not be exempt from the indirect cost recovery provisions of RIGL 35-4-27. Because of the timing to enact the Budget and because there would be a minimal increase in the collection of receipts, the Governor does not increase general revenues in FY2019. Lastly, language in the section stipulates that any amount in the account that is above \$200,000 on the last business day of the fiscal year, be transferred to the general fund.

Government Performance Improvement Fund

Section 5 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 FY2019.

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 each 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.

In addition to establishing the PFS 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 31st.

Reappropriation Reporting Period

Section 2 of the article amends RIGL 35-3-15 to change the date when the Governor reports the reappropriation of unexpended funds from the previous fiscal year from August 15 to September 1. According to the State Budget Office, the goal is to bring the reappropriation letter timing in line with the State Controller's release of the preliminary closing report. In recent years, final payables were still being determined after August, making it difficult to know if an agency had the funding for a reappropriation or not. By matching those two dates, the Budget Office will have better information to make decisions.

Article 3: Relating to Government Reform

This article makes several changes to the State's general laws regarding state offices, injured on duty firefighters, the Tobacco Settlement Finance Corporation Board, and the withholding of state funds to municipal units. Specifically, this article:

- Authorizes the transfer of the Division of Construction Permitting, Approvals, and Licensing, consisting of the State Building Code Commission, Contractor's Registration Board, and the Fire Code Board of Appeal along with 26.0 FTE positions to a new consolidated Building, Design, and Fire Professionals division within the Department of Business Regulation.
- Authorizes the transfer of the Office of the State Fire Marshal from the Department of Public Safety into a new consolidated Building, Design, and Fire Professionals division within the Department of Business Regulation.
- Clarifies in general law the 2015 legislative change that the Rhode Island Film Office is in the Rhode Island Council of Arts and not the Department of Administration.
- Amends RIGL 36-10-14 and 45-19-1 that apply to state employees receiving Injured on Duty (IOD) benefits. The amendment requires an IOD recipient's treating doctor or independent medical examiner (IME) to certify maximum medical improvement permanent disability from an injury. Either finding will require such recipient to apply for accidental disability pension benefit.
- Amends several sections of general law to allow the transfer of powers and duties of the Water Resources Board to the Division of Public Utilities and Carriers.
- Amends RIGL 42-133-6 regarding the board membership of the Tobacco Settlement Finance Corporation Board. The change removes members from the State Investment Commission and one general public member and replaces them with the State Budget Officer, the State Treasurer or designee, and the Director of Revenue or designee.
- Amends several sections of general law to expand which state funds may be withheld from a city or town that is delinquent in remitting funds owed to a state entity. This includes the local community proceeds of the hotel tax, the 1.0 percent local meals and beverage tax, and the CATV public service corporation tax. The article shortens the periods for which cities and towns are to pay any assessment made by a state or quasi government entity from 180 days to 90 days.

FISCAL IMPACT

Most of the statutory items selected for amendment have no direct savings attached to them. However, the changes to benefits for state employees receiving Injured on Duty (IOD) benefits is projected to save the State \$620,155 in FY2019 (\$288,169 in Military Staff and \$331,986 in the Department of Public Safety), and passage of the sections regarding the withholding of municipal taxes will result in general revenue savings of \$300,000 to the State Police budget in FY2019.

ANALYSIS AND BACKGROUND

Contractors' Registration Board: Section 1 provides statutory changes transferring the Contractors' Registration Board into a new consolidated Building, Design, and Fire Professionals division program within the Department of Business Regulation. This combines several building/construction regulatory responsibilities that are currently spread out across various State agencies. The program would bring together the staff and operations of:

- The Contractor's Licensing Board
- The Fire Code Safety Board of Appeal and Review

- The Office of the State Fire Marshal
- The Boards for Design Professionals

In addition, the section amends RIGL 5-65 to allow the Department of Business Regulation to efficiently license contractors, by eliminating the need for contractors to register “under oath,” thereby creating an opportunity to provide for electronic application possibilities.

Section 2 changes the name “Division of Design Professionals” into “Building, Design, and Fire Professionals division.”

Section 3 through Section 7 amend several sections of general law to effectuate the transfer of the Contractors’ Registration Board from the Department of Administration to the Department of Business Regulation and the Office of the Fire Marshal from the Department of Public Safety to the Department of Business Regulation.

Section 5 transfers the responsibility of amusement park rides from the Department of Administration to the Department of Business Regulation.

Section 8 amends RIGL chapter 42-14 to clarify duties, remove obsolete references, renames the Banking and Insurance Division the Financial Services Division and removes the position of administrator of Banking and Insurance to create Superintendents Banking and Insurance.

Analyst Note: The Governor’s Budget Amendment dated February 2, 2018, corrects a drafting error regarding the posting of hearing notices by the Department of Business Regulation. The amendment restores language requiring the posting of the in a generally circulated newspaper in the municipality affected by a regulation, and removes the “added” language that the posting just occur of the Department’s website.

Injured on Duty: Section 10 and 11 of the article amend RIGL 36-10-14 and 45-19-1 that apply to state employees receiving Injured on Duty (IOD) benefits under RIGL 36-10, shall be subject to the IOD provisions of RIGL 45-19-1(j). The amendment requires that when a treating doctor or independent medical examiner (IME) certifies that the patient has reached maximum medical improvement or permanent disability from an injury, the patient must apply within 60 days for an accidental disability pension benefit. The Governor projects that passage of this legislation will save the State \$620,155 in FY2019, of which \$288,169 is in Military Staff and \$331,986 is in the Department of Public Safety.

Water Resources Board: Section 12 through 15 authorizes the transfer of the Water Resources Board functions and 3.0 FTE positions from the Division of Planning to the Division of Public Utilities and Carriers, as well as to amend general law to transfer the responsibilities of administering the Big River Management Area from the Water Resources Board to the Department of Administration. Attorneys with the Division of Public Utilities and Carriers in anticipation of the transfer, have begun reviewing the myriad of statutory authority that delineates the authority of the Water Resources Board in anticipation that additional legislation will be drafted prior to concluding the 2018 legislative session. The transfer of the Board also transfers the funding source of the Water Resources Board from general revenue to restricted receipts.

Analyst Note: The Governor’s Budget amendment dated January 25, 2018, makes technical corrections to section 13 regarding the transfer of the Water Resources Board. The drafting of the original article used outdated general law language. The amendment uses the current law language and removes items that were older law language that was inadvertently added back into the proposed article.

Tobacco Settlement Finance Corporation: Section 16 amends RIGL 42-133-6 regarding the board membership of the Tobacco Settlement Finance Corporation Board. The change removes members from the State Investment Commission and one general public member and replaces them with the State Budget Officer, the State Treasurer or designee, and the Director of Revenue or designee.

Rhode Island Film Office: Section 17 amends RIGL 44-31.1-2 and 44-31.2-6 as a “housekeeping” action reflecting the 2015 legislative change that transferred the Rhode Island Film Office from the Department of Administration to the Rhode Island Council on the Arts.

Withholding Municipal Taxes: The article amends several sections of general law to expand which state funds may be withheld from a city or town that is delinquent in remitting funds owed to a state entity. This includes the local community proceeds of the hotel tax (RIGL 42-63.1-3), the 1.0 percent local meals and beverage tax (RIGL-44-18-18.1), and the CATV public service corporation tax (RIGL 44-13-13). The article shortens the periods for which cities and towns are to pay any assessment made by a state or quasi government entity from 180 days to 90 days. The State Budget Office anticipates passage of these sections regarding the withholding of municipal taxes will result in savings of \$300,000 to the State Police budget in FY2019.

The amount is based on the anticipated reimbursement from the Town of Exeter for State Police services. If the Town does not pay for the service, then this legislation would now give the State the ability to withhold state aid up to the amount owed by the Town. If this legislation does not pass, the State would still bill the Town, but if they do not pay, the State would have fewer options to recoup the funds, because current law does not apply to the state aid the Town currently receives.

Article 4: Relating to Taxes and Revenue

This article authorizes state-regulated sports betting and makes changes and adjustments to several of the State's tax laws and their enforcement. Specifically, Article 4:

- Authorizes sports betting in Rhode Island, contingent upon federal law.
- Permits the Lottery to undertake time-limited pilot programs, such as stadium gaming, for the purpose of identifying and evaluating potential new revenue opportunities.
- Clarifies that certain products and services are subject to the State's sales tax, including "vendor-hosted prewritten computer software"; investigation, guard, and armored car services; and marijuana seeds.
- Creates a new division within the Department of Revenue that would specialize in the management and collection of delinquent monies owed to the State.
- Increases the excise tax on cigarettes by \$0.25 per pack.
- Subjects electronic cigarettes to the other tobacco products (OTP) excise tax and raises the cigar tax.

FISCAL IMPACT

The general revenue impact of Article 4 on collections is summarized below. The revenues are partially offset by \$591,609 in expenses for the Department of Revenue's proposed collections unit.

Article 4 Fiscal Impact	
Change	Impact
Sports Wagering and Other Lottery Initiatives	\$27.6
Sales Tax Expansion	14.5
Increase Excise Tax on Cigarettes	3.9
E-Cigarettes and Other Tobacco Products	2.3
DOR Collections Unit	1.3
Total	\$49.6
<i>\$ in millions</i>	

ANALYSIS AND BACKGROUND

This article authorizes state-regulated sports betting and makes changes and adjustments to several of the State's tax laws and their enforcement.

Sports Wagering and Other Lottery Initiatives

Article 4 authorizes sports betting in Rhode Island, contingent upon federal law. State-operated sports wagering would be permitted at the Twin River and Tiverton Casinos. The Department of Revenue's Lottery Division is charged with implementing and overseeing the program.

Professional and Amateur Sports Protection Act: Sports betting is currently illegal in Rhode Island under the federal Professional and Amateur Sports Protection Act (PASPA). Only four states in the country are permitted to offer sports wagering – Delaware, Montana, Nevada, and Oregon. These states were allowed to grandfather in the form of sports betting that they had in place when the federal law was passed in 1992.

New Jersey has a case pending before the U.S. Supreme Court challenging the constitutionality of PASPA. The case is expected to be decided in the spring of 2018. If the court rules in New Jersey's favor, the national ban on states offering sports wagering will end. According to Rhode Island's Office of Management and Budget (OMB), four states - Connecticut, Mississippi, New Jersey, and Pennsylvania - have enacted legislation, and 10 other states have pre-filed bills that would permit sports betting in anticipation of the law being struck down.

Oversight of Sports Wagering: Article 4 specifies that the Department of Revenue's Division of the Lottery shall administer state-operated sports wagering in the event that it becomes legal. Sports betting would only be permitted at the State's two casino locations of Twin River and Tiverton. The article specifically prohibits wagering on collegiate sports involving a college or university located in Rhode Island, regardless of where the event takes place.

Revenue Projection Methodology: The Office of Revenue Analysis (ORA) projects that sports wagering would yield \$23.5 million in FY2019. The methodology for this projection is summarized in the following table:

Factors	Assumptions
Locations*	2
Estimated total handle	\$813.6
Estimated hold percentage	5.5%
Estimated total hold	\$44.7
State's share of revenue	61.0%
Est. full year state revenue	\$27.3
Starting date	October 1, 2018
Adjusted estimate, partial year	\$23.5

\$ in millions
*Lincoln and Tiverton

In preparing its revenue estimate, ORA utilized a study conducted by Oxford Economics for the American Gaming Association titled "Economic Impact of Legalized Sports Betting". The study systematically looked sports betting across the 50 states and its estimates for Rhode Island provide the foundation for ORA's calculations.

According to the study, estimates that the sports betting handle for Rhode Island, or total amount of money wagered, for location-based, limited sports wagering ranges between \$654.6 million and \$972.5 million.

The total amount of money wagered is known as the handle. After all winnings are paid, the amount of money left over is the hold.

Lottery and Gaming Pilot Authorization: Article 4 permits the Lottery to undertake time-limited pilot programs for the purpose of identifying and evaluating potential new revenue opportunities. Each pilot initiative will be required to have a periodic, subjective evaluation using measurable criteria to determine its ongoing revenue generating capacity.

According to the Division of the Lottery, there are a number of innovative new gaming opportunities that it is considering to pilot, including stadium gaming. Stadium gaming allows casino patrons to play multiple table style games simultaneously through the use of interactive video terminal.

Factors	Amount
Total amount wagered on sports in RI - top range	\$972.5
Total amount wagered on sports in RI - bottom range	654.6
Span (top range -bottom range)	317.9
<i>Est. handle = half the span + the bottom range</i>	<i>\$813.6</i>

Lowest annual hold % last 10 fiscal years - Nevada	4.4%
Highest annual hold % last 10 fiscal years - Oxford Study	6.5%
<i>Est. hold percentage (range mid-point)</i>	<i>5.5%</i>

Est. handle	\$813.6
Est. hold percentage	5.5%
Est. total hold	\$44.7
State share percentage	61.0%
<i>Est. full year state revenue</i>	<i>\$27.3</i>

Start Date	October 1, 2018
Est. percentage of wagering Oct. - June (Nevada)	86.0%
Adjusted estimate, partial year	\$23.5

\$ in millions

ORA estimates that a stadium gaming pilot and other gaming opportunities will generate \$4.1 million in general revenue in FY2019.

Article 4 states that in the 2012 and 2016 referenda, Tiverton and Twin River casinos received both statewide and local voter approval to offer “state-operated casino gaming.” According to the Office of Management and Budget, sports wagering or a stadium gaming pilot represent forms of state-operated casino gaming and therefore do not need further voter approval.

Sales Tax Expansion

Article 4 makes several changes to sales and use taxes. These include subjecting “vendor-hosted prewritten computer software” to the State’s sales tax as well as certain security services.

Software as a service: Article 4 modernizes the State’s sales and use tax relative to the purchasing, delivery, and use of software products and services. Historically, computer software was purchased on a hard disk or came loaded on a personal computer. This tangible aspect has given way to the downloading of products and other web-based delivery or housing platforms.

According to ORA, states are increasingly incorporating “Software as a Service” in their definitions of taxable services. ORA indicates that at least 14 other states, many of which are part of the interstate Streamline Sales Tax Agreement, tax SaaS.

This article requires the collection of sales and use taxes on vendor-hosted prewritten computer software. This software includes accounting and invoicing platforms, sales trackers, planning, performance, and monitoring software, and webmail and electronic messaging.

ORA utilized U.S. Census and Division of Taxation audit data to determine an estimate on the number of firms offering services. From this estimate, ORA’s modeling projects \$4.8 million in sales tax general revenue to be collected as a result of this initiative in FY2019.

Security services: Typically sales and use taxes are collected on tangible goods. According to ORA, the beginning in 2012, the State increased the number of services it collected taxes on, including taxi services, pet care, and room sellers.

Article 4 authorizes the collection of sale and use taxes on investigation, security guard, and armored car services. Investigation services related to private detective and investigation activity. Security guard services consist of services such as bodyguards, guard dog, parking security, and patrol services. Armored car services involve the pickup and delivery of cash, receipts, or other valuable items. These services do not include security systems or locksmiths. According to ORA, Massachusetts and Connecticut tax these services.

ORA utilized a Rhode Island specific sales tax simulation model to generate an estimate of the amount of economic activity attributable to the Investigation and Security category as defined by North American Industry Classification System (NAICS). ORA then calculated the percentage of that estimate that the investigation, and armored car services make up and applied the 7.0 sales tax rate to come up with its projection \$9.7 million in FY2019.

Seeds: Article 4 modifies the definition of food and food ingredients for purposes of sales tax by removing the exclusion of marijuana seeds or plants from the definition. ORA does not project a revenue impact regarding this exclusion.

Increase Excise Tax on Cigarettes

This article increases the excise tax levied on cigarettes by \$0.25 per pack of cigarettes, raising the total tax from \$4.25 to \$4.50 per pack of twenty, or to the equivalent of \$0.23 per cigarette. According to ORA, total retail price will increase by \$0.29, from \$10.27 to \$10.56 per individual pack. This amount is \$0.16 less than the total retail price in Massachusetts, and \$0.34 per pack below Connecticut. Floor stock tax is assessed at the same rate per pack of cigarettes. The additional excise, floor, and associated sales taxes from this change is estimated to generate an additional \$3.9 million in revenue.

Cigarette Tax Revenue Impact	
Revenue Item	FY2018
Cigarette Excise Tax	\$3.1
Cigarette Floor Tax	0.7
Sales and Use Tax	0.0
Total	\$3.9

\$ 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 \$	\$4.56	\$4.56	\$4.34		\$4.56		
Excise Tax in \$	4.25	4.50	3.51		4.35		
<i>Subtotal base price + Excise</i>	8.81	9.06	7.85		8.91		
Wholesale Markup	2.0%	0.18	0.18	2.0%	0.16	6.5%	0.58
Wholesale Cartage	0.75%	0.07	0.07	0.75%	0.06	0.0%	0.00
Retail Markup	6.0%	0.54	0.56	25.0%	2.02	8.0%	0.76
<i>Total Base Cost</i>	9.60	9.87	10.09		10.25		
Sales Tax	7.0%	0.67	0.69	6.25%	0.63	6.35%	0.65
Total Price per Pack	\$10.27	\$10.56	\$10.72		\$10.90		

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.

In determining the revenue estimate, ORA takes into consideration the elasticity of the price of cigarettes. The \$0.25 excise tax increase amounts to a 5.9 percent price increase. Applying elasticity from decreased demand as calculated from previous tax increases results in a net estimated revenue increase of 2.7 percent.

E-Cigarettes and Other Tobacco Products

Article 4 expands excise taxes on tobacco products other than cigarettes, including electronic cigarettes (e-cigarettes or e-cigs).

Other Tobacco Revenue Changes

Change	Impact
Electronic Cigarette Excise Tax	\$0.7
\$0.30 increase of the Cigar Tax	0.6
Required Purchase from Licensed Entities	1.0
Total	\$2.3

\$ in millions

Source: Office of Revenue Analysis

E-Cigarettes: This article establishes the following legal definition of electronic cigarettes under the other tobacco products under RIGL 44-20:

- A personal vaporizer, electronic nicotine delivery system, or an electronic inhaler which generally utilizes a heating element that vaporizes a liquid solution containing nicotine or nicotine derivative

- The liquid solution containing nicotine or nicotine derivative, or any combination thereof.

Under the article e-cigarettes are subjected to the “other tobacco products” (OTP) excise tax at the rate of 80.0 percent of the wholesale cost. Using e-cigarette revenue data from other states, ORA projects that excise taxes associated with e-cigarettes will generate \$720,174 in general revenue in FY2019.

Cigars: This article also increases the maximum tax imposed on cigars sold in the State. The current maximum tax is set at \$0.50 per cigar. Article 4 raises it to \$0.80, effective July 1, 2018. According to the ORA, cigars with a wholesale cost of over \$0.625 per cigar are taxed at the maximum rate. In FY2017, 1.7 million cigars were taxed at this level. Cigars with a wholesale cost less than \$0.625 are taxed at the standard OTP rate of 80.0 percent of the wholesale. ORA estimates increasing the maximum cigar tax will generate \$551,306 in new general revenue in FY2019.

Purchasing tobacco products from licensed entities: The article mandates that manufacturers or importers may sell or distribute tobacco products to an entity in Rhode Island only if that entity is licensed. Currently this is required only of the sale and distribution of cigarettes. ORA projects this initiative to generate \$1.0 million in general revenue in FY2019.

DOR Collections Unit

Article 4 establishes a collections unit within the Department of Revenue for the purpose of assisting state agencies in the collection of debts owed to the State.

The article authorizes DOR to initially implement a pilot unit as a precursor to a fully mobilized collection division. As part of the pilot DOR may enter in agreements with any State agency to collect any delinquent debt. The debt must arise from a debtor failing to make timely payments pursuant to a written settlement agreements, final administrative order, or final judgement from a court or department.

Agency referring a debt must:

- Notify the debtor of its intention and of the right to appeal that decision not less than 30 days before the transfer.
- Provide the unit with all of the relevant supporting documentation.
- Attest that it has complied with all applicable laws and regulations relating to the collection of the debt.

Once referred to the collection unit, the debt will accrue interest at an annual rate determined by adding 2.0 percent to the prime rate effective the preceding October 1. The interest cannot exceed 21.0 percent or be less than 18.0 percent per year.

Analyst Note: The upper limit on the interest rate is drafted two different ways within Article 4. Numerically it state the 21.0 percent rate, however, the language reads “twenty-two”.

Upon referral of a debt, the collection unit shall:

- Provide the debtor a “Notice of Referral” advising that the debt has been referred, that interest will accrue as describe above, and that if payment has not been received within 30 days of the notice, the debtor will be responsible to pay a fee of 12.0 percent of the amount of the outstanding debt (to be applied to the costs and expenses of the unit).
- Initiate any action that is available under State law for the collection of the debts, including referring the debt to a third party.

The collection unit may enter into contracts with any person or entity to be paid on a contingent, fee, or other basis, for services rendered to the collection unit where the contract is for the collection of debt.

Upon the receipt of payments toward debts, the collection unit shall disburse the proceeds as follows:

- To any third party contracted to assist in the collection of the debt.

- To the appropriate federal account to reimburse the federal government funds owed them by the State.
- 12.0 percent into a restricted receipt within DOR to defray costs associated with the collection.
- The balance to go to the referring agency.

The Governor includes \$591,609 to fund the collection unit in FY2019, \$483,069 for 7.0 FTE positions and \$108,540 for contract services. The Budget Office projects this initiative to generate \$1.3 million in additional revenue.

Article 5: Relating to Capital Development Program

This article submits a total of \$368.5 million in ballot referenda to Rhode Island voters for their approval. Proposed as three questions on the November ballot, the following projects are included.

November 2018 Bond Referenda	Amount
Rhode Island School Buildings	\$250.0
Higher Education Facilities	70.0
<i>University of Rhode Island Narragansett Bay Campus</i>	<i>\$45.0</i>
<i>Rhode Island College School of Education and Human Development</i>	<i>25.0</i>
Green Economy and Clean Water	48.5
Coastal Resiliency and Public Access Projects	5.0
Capital for Clean Water and Drinking Water	6.1
Wastewater Treatment Facility Resilience Improvements	5.0
Dam Safety	4.4
State Recreation Projects Program	10.0
State Bikeway Development Program	5.0
Brownfield Remediation and Economic Development	4.0
Local Recreation Projects	5.0
Access to Farmland	2.0
Local Open Space	2.0
Total	\$368.5

\$ in millions.

FISCAL IMPACT

The article permits \$368.5 million in bond referenda to be placed on the November 2018 ballot including, \$250.0 million for Rhode Island School Buildings, \$70.0 million in bonds for higher education, and \$48.5 million in bonds for the Green Economy. Assuming full issuance in bond year 1 and 5.0 percent interest, debt service payments begin in FY2020 at \$29.6 million. Total debt service over the life of the bonds would be \$591.4 million, including \$222.9 million in interest payments.

ANALYSIS AND BACKGROUND

Rhode Island School Buildings

The Governor recommends a \$250.0 million bond for the construction, renovation, and rehabilitation of the State's public schools. The referendum allows the State to issue \$250.0 million in notes over a five-year period but not more than \$100.0 million in notes in any one year. The bond proceeds will fund the foundational school housing aid program and the School Building Authority Capital Fund with the allocation between the two programs to be determined by the School Building Authority. Assuming full issuance in bond year 1 and 5.0 percent interest, debt service payments begin in FY2020 at \$20.1 million. Total debt service over the life of the bond would be \$401.2 million, including \$151.2 million in interest payments. *More detailed information on the proposed program can be found under Article 9 Relating to School Construction and Education in this publication.*

Higher Education Facilities

- **University of Rhode Island Narragansett Bay Campus:** The Governor recommends a \$45.0 million bond referendum to fund repairs and construct new facilities on the University of Rhode Island's Narragansett Bay Campus in support of the ongoing and evolving educational and research needs for

the marine disciplines at the Campus. The Bay Campus has grown to a 6.9 acre oceanfront campus with 60 structures and a large vessel pier. The majority of the buildings were constructed between the late 1960's and the 1980's. In 2015, the University created a Master Plan Report for the Narragansett Bay Campus. The report evaluates all existing buildings and site conditions, and establishes priority projects for a comprehensive renewal of the campus to meet current and future programmatic needs. This project will address the renovations and replacements identified in the Master Plan. Assuming full issuance in bond year 1 and 5.0 percent interest, debt service payments begin in FY2020 at \$3.6 million. Total debt service over the life of the bond would be \$72.2 million, including \$27.2 million in interest payments.

- **Rhode Island College School of Education and Human Development:** The Governor recommends a \$25.0 million bond referendum to renovate Horace Mann Hall which houses the School of Education and Human Development at Rhode Island College. The structure was built in 1969 and is approximately 46,000 square feet. The project includes the reconfiguration of offices and the Tech Center; an addition to the west end of the building; a new elevator; and, window replacement. The existing facility is not energy efficient or able to support modern classroom technology. Assuming full issuance in bond year 1, as shown in the voter pamphlets, and 5.0 percent interest, debt service payments begin in FY2020 at \$2.0 million. Total debt service over the life of the bond would be \$40.1 million, including \$15.1 million in interest payments.

Green Economy

The Governor recommends a \$48.5 million general obligation bond authorization be placed on the November 2018 ballot for environmental and recreational purposes. Assuming full issuance in bond year and 5.0 percent interest, debt service payments begin in FY2020 at \$3.9 million. Total debt service over the life of the bond would be \$77.8 million, including \$29.3 million in interest payments. The bond proceeds would be allocated as follows:

- **Coastal Resilience and Public Access Projects:** The referendum provides \$5.0 million for matching grants, of up to 75.0 percent of project costs, to public and non-profit entities to restore and/or improve the resiliency of vulnerable coastal habitats, as well as river and stream floodplains. The funds will leverage support for local programs to improve community resiliency and public safety during increased flooding, major storm events, and environmental degradation.
- **Capital for Clean Water and Drinking Water:** The referendum provides \$6.1 million infrastructure improvements including wastewater treatment upgrades and storm water quality improvements to combined overflow abatement projects. The funds will provide the state match to recapitalize the Clean Water and the Drinking Water revolving funds at the Rhode Island Infrastructure Bank (RIIB). The revolving funds are capitalized by federal Environmental Protection Agency (EPA) grants, with the State providing a 20.0 percent match, generally through general obligation bond proceeds. Other funding is available from RIIB revenue bonds and revolved capital. The revolving funds were last capitalized with state funds from the proceeds of the 2012 general obligation bond. The funding for the state match of the Clean Water Fund is projected to have a deficit of \$859,678 in FY2019. The Drinking Water Fund was depleted in FY2017 and has been capitalized with RIIB proceeds as a interim solution. According to RIIB, the investment of \$6.1 million is projected to leverage approximately \$36.0 million in federal funds.
- **Wastewater Treatment Facility Resilience Improvements:** The referendum includes \$5.0 million to provide matching grants, for up 50.0 percent of project costs, for resiliency improvements to wastewater treatment facilities vulnerable to increased flooding, major storm events, and environmental degradation.
- **Dam Safety:** The referendum provides \$4.4 million for repairing and/or removing state-owned dams. The dam safety project allows the Department of Environmental Management (DEM) to complete

engineering studies, designs and repairs to “high-hazard” State-owned dams which, if they were to fail, would cause significant property damage and potential for loss of life. The State owns 10 high hazard and four significant hazard dams. During the past 11 years, the Department completed repairs to the Stillwater Dam in Smithfield, the Olney Pond Dam in Lincoln Woods, the Bowdish Lake Dam at the George Washington Management Area, and the upper J.L. Curran Dam in Cranston. More recently, the Department began construction on the lower J.L. Curran Management Area in Cranston and the Wyoming Pond Upper Dam in Hope Valley. The reconstruction of the Trestle Trail culvert replacement and the Silver Spring Dam reconstruction project are next on the priority list. Other dams in need of repair include the Browning Mill Pond Dam in Hopkinton and Burlingame Reservoir Dam in Gloucester.

- **State Recreation Projects Program:** The referendum provides \$10.0 million for capital improvements to state recreational facilities, including Fort Adams State Park. The DEM manages over 50 buildings and 25 miles of roads, in addition to water supply systems and other infrastructure elements, in State Parks and Management Areas.
- **State Bikeway Development Program:** The referendum provides \$5.0 million for the State to design, repair, and construct bikeways, including the East Bay bike path. In November 2016, the voters approved \$10.0 million in general obligation bonds to design and construct bikeways, including the completion of the Blackstone River Bikeway, and the South County Bikeway. These funds have been obligated and the 2018 funds will build on this program.
- **Brownfield Remediation and Economic Development:** The referendum provides \$4.0 million for grants, matching up to 80.0 percent of project costs, to public, private and/or non-profit entities for brownfield remediation projects. According to the Department of Environmental Management (DEM), brownfields comprise between 100,000 and 120,000 acres of land across the State, much of it in prime commercial or industrial locations within urban areas. The clean-up and re-purposing of these sites will remove hazards, attract jobs, and protect the urban environment. The federal Environmental Protection Agency estimates that brownfield clean-up increases adjacent property values by 2.0 to 3.0 percent. Voters approved \$5.0 million in general obligation bond for brownfield remediation projects in November 2014 and again in November 2016. DEM awarded \$3.8 million of these grant funds to support 14 projects across the State. Another round of awards was held in the spring of 2016 to award the remaining \$1.3 million. The 2016 bond funds are being used to grow this program as will the 2018 bonds if approved by voters.
- **Local Recreation Projects:** The referendum provides \$5.0 million for grants matching up to 80.0 percent of project costs to municipalities for the acquisition, development, or rehabilitation of local recreational facilities such as sports fields, tennis courts, and playgrounds. The grant applications will be evaluated and ranked by the State Recreation Resources Review Committee, which is comprised of state and local government officials and representatives of non-profit agencies. DEM exhausted the remaining \$4.0 million in 2014 bond funds for grant awards in 2016. In FY2016, voters approved \$2.0 million in general obligation bonds. The new bond proceeds would be used to continue the program in FY2019.
- **Access to Farmland:** The referendum includes \$2.0 million to protect the State’s working farms through the State Farm Access Program and the purchase of Development Rights by the Agricultural Land Preservation Commission.
- **Local Open Space:** The referendum provides \$2.0 million for matching grants, for up to 50.0 percent of project costs, to municipalities, local land trusts, and nonprofit organizations for the acquisition of fee-simple interest, development rights, or conservation easements on open space and urban parklands. Applications are reviewed by the Governor’s Natural Heritage Preservation Commission. In the 30-year history of this program, over 160 conservation projects preserving over 10,000 acres of land have been acquired including Sunset Farms in Narragansett, Weetamoe Woods in Tiverton, Glacier Park in

Westerly, and Mount Hope Farm in Bristol. In November 2016, voters approved \$4.0 million in general obligation bonds.

Article 6: Relating to Licensing

This article changes the administration, fees, and structure of various licensing provisions in the State that impact businesses. The stated purpose is to alleviate inefficient, disparate, duplicative, and confusing regulation. Specifically, Article 6:

- Transfers the oversight and licensing authority of various licenses from the Department of Health (DOH) to the Department of Business Regulation (DBR).
- Eliminates the fee to file a mobile home complaint with the DBR.
- Eliminates the requirement that applicants wanting to open a business transporting household goods must prove present or future public convenience and necessity.
- Permits the use of electronic signatures by officials when issuing licenses and certifications.
- Eliminates notarization requirements on various health-related professional licenses
- Aligns sales permit and litter permit fee renewal dates.
- Changes the recertification/renewal period for Certified Food Safety Managers from three years to five.
- Removes the requirement to get a separate license for retail frozen dessert processing for businesses who are already registered as a food establishment.

FISCAL IMPACT

The regulatory overhaul proposed under Article 6 combines for a \$140,000 reduction in overall general revenue. This fiscal impact of the changes are summarized in the following table:

Article 6 Fiscal Impact	
Item	General Revenue Impact
Transfer of Licensing Authority to DBR	\$200,000
Transfer of Licensing from DOH	(200,000)
Frozen Dessert Processor License Fee Elimination	(80,000)
Licensing Period for Certified Food Safety Managers	(60,000)
Total	(\$140,000)

The article transfers the administration of various licensing from DOH to DBR and shifts 2.0 FTE positions, including 1.0 Beauty Shop Inspector and 1.0 Health Services Licensing Aid II.

In addition to the changes associated with Article 6, the Governor also recommends making two fee changes by regulation that combine for a \$164,200 reduction in general revenue. These changes include the reduction of the wholesale food processor fee from \$500 to \$300, and the elimination of the \$50 chair/station fee for hair dressing salons.

ANALYSIS AND BACKGROUND

Article 6 makes numerous changes to the regulation, licensing, and administration of certain businesses and professions.

Alcoholic Beverage Licensing

Article 6 amends the statutes governing the licensing and administration of the alcoholic beverage industry. These changes include:

- Permits the use of electronic signatures for all licenses related to alcoholic beverages.

- Permits alcohol and brewpub manufacturers, rectifiers, Class A, B, and C Alcohol Wholesalers, distillery, winery, and brewery agents, to pay their annual license fees directly to the General Treasurer as opposed to the Division of Taxation, who under current law simply turns the funds over to the Treasurer.
- Eliminates the requirement to post a bond by Class A, B, and C Alcohol Wholesaler licensees. According to the Department of Business Regulation, there has never been an instance when a bond has been used.
- Eliminates the \$1.00 fee for a Class G retailer (railroad car, marine vessel, or airline) to obtain a duplicate license.

Transfer of Professional Licensing and Oversight from DOH to DBR

The Governor transfers the regulatory administration of certain licensed professions from the Department of Health's Division of Professional Regulation to the Department of Business Regulation's Division of Commercial Licensing. These professions include barbers, hairdressers, cosmeticians, manicurists, estheticians, opticians, speech pathologists, audiologists, interpreters of the deaf, hearing aid dealers and fitters, electrologists, funeral directors and embalmers, music therapists, and athletic trainers.

As part of this reorganization, the Budget shifts \$195,068 in general revenue from DOH to DBR along with 2.0 FTE positions. These include 1.0 Beauty Shop Inspector and 1.0 Health Services Licensing Aid II.

In addition to the shift in oversight, several other changes are made to the regulation of these professions. For the categories of professions, these include:

Barbers, Hairdressers, Cosmeticians, Manicurists, and Estheticians:

- Repeals the application of local zoning laws. Currently these professions must receive a zoning certificate that is signed and sealed by the municipality in order to receive a license to operate a salon.
- Eliminates a duplicate statutory requirement that licensing fees be deposited as general revenues.
- Permits electronic notice of license renewal rather than mail.
- Removes an internal appeal for license actions and deferring to the administrative procedures act.
- Eliminates the requirement that applicants for have a high school degree or equivalent.
- Increases the number of instruction hours required to qualify for a hairdresser and cosmetology license from 1,200 to 1,500.

Analysts Note: The General Assembly reduced the number of hours of instruction required to obtain a hairdresser and cosmetology license from 1,500 to 1,200 in 2017. Article 6 reverses this.

Electrologists

- Removes the requirement of criminal conviction as a prerequisite to a penalty for unlicensed practice.
- Clarifies that the revocation of a license due to habitual intoxication or drug addiction must be based on the extent to which it impairs the licensee's ability to engage in the practice of the profession.
- Clarifies that revocation and/or suspensions are subject to the administrative procedures act.

Funeral Director/Embalmer

- Reduces funeral establishment inspections from twice a year to once.
- Permits electronic notification of license renewal requirements.
- Eliminates the requirement that complaints must be notarized and adds "a member of the public" as an entity that is authorized to file a complaint.

Opticians

- Removes the requirement that applications for an optician license be sworn by affidavit.

Hearing Aid Dealers/Fitters

- Removes criminal conviction as a penalty for violations.
- Adds certified mail to the methods of notice to consumers.
- Removes the requirement for notices to licensees be delivered by certified mail.
- Removes the requirement of a departmental seal for subpoenas.
- Removes the requirement for a set number of board of examiners meetings.

Athletic Trainers

- Removes obsolete initial board appointment requirements.
- Removes the requirement for a set number of board of examiners meetings.

Interpreters for the Deaf

- Removes the requirement for a set number of board of examiners meetings.
- Removes the requirement for an annual report by the board of examiners.
- Removes the requirement that the board of examiners adopt the state seal to authenticate its proceedings.
- Removes the requirement that applications for licenses be verified by oath.
- Removes the 30-day time period for responses from the department to the board of examiners.

Elimination of Oath/Notarization Requirements

In addition to the amendments to oath and notarization requirement outlined above, Article 6 removes similar requirements for numerous professional licenses administered by the Department of Health. According to the Budget Office, these changes would allow DOH to provide initial licensure online. The professional licenses addressed by the article are:

- Veterinarians
- Chiropractic physicians
- Nurses
- Optometrists
- Acupuncturists and practitioners of Oriental medicine
- Physical therapists and physical therapist assistants
- Occupational therapists
- Psychologists
- Mental health counselors
- Marriage and family therapists
- Applied behavior analysts

Miscellaneous Regulatory Changes

Article 6 also consolidates or eliminates elements of secondary business regulation. These changes include:

- Removes the requirement of a separate license for retail frozen dessert processing for businesses that are already registered as a food establishment. Elimination of this requirement results in an estimated \$80,000 reduction in general revenue.
- Changes the recertification/renewal period for Certified Food Safety Managers from three to five years. Extending the period is estimated to reduce general revenues in FY2019 by \$60,000.
- Eliminates the \$25 fee to file a mobile home complaint with the DBR.
- Eliminates the requirement that applicants wanting to open a business transporting household goods must prove present or future public convenience and necessity.
- Permits the Division of Taxation to align sales and permit fee renewable dates related to shows and events.

Article 7: Relating to Fees

This article increases or establishes various fees. Specifically, Article 7:

- Increases the fee for annual the license registration and renewal to sell mutual funds in Rhode Island from \$1,000 to \$1,500.
- Increase the two-year claims adjuster license fee from \$150 to \$250.
- Authorizes the State to collect a Hospital Licensing Fee and increases the current rate of 5.652 to 5.856 percent in net patient services revenue.
- Authorizes the Municipal Police Training Academy to charge tuition and fees.

FISCAL IMPACT

The fiscal impact of Article 7 is summarized in the following table:

Article 7 Fiscal Impact	
Item	General Revenue Impact
Hospital License Fee	\$182.0
Mutual Fund Registration Fee Increase	4.6
Insurance Claims Adjuster License Fee Increase	3.0
Total	\$189.6
Article 7 Fiscal Impact	
Item	Other Fund Changes
Municipal Police Academy Tuition and Fees	\$0.25
Total	\$0.25

\$ in millions

The reauthorization of the hospital operating license fee is estimated to generate \$182.0 million in general revenue, \$1.0 million more than the FY2018 Budget as Enacted.

The \$500 increase in the mutual fund registration and renewal fee is estimated to generate \$4.6 million in general revenue in FY2019.

The \$100 increase in the biennial registration fee for insurance claims adjusters is estimated to generate \$3.0 million in general revenue FY2019.

The new Municipal Police Training Academy tuition and fees combined is projected to generate \$253,024 in new restricted receipt funds in FY2019.

ANALYSIS AND BACKGROUND

This article raises several registration and license fees, provides the annual reauthorization of the fee for operating a hospital in the State, and authorizes the charging of tuition and fees at the Municipal Police Training Academy.

Hospital License Fee

The hospital licensing fee is a provider tax that the State levies on hospitals. In past fiscal years, it has been used to generate state funds that are then matched with federal Medicaid funds and returned to hospitals for their care for the uninsured and indigent through the Disproportionate Share Hospital (DSH) program.

- It is calculated as a percent of gross patient services revenues, which includes revenue from patient care activity but excludes revenue from non-patient activity such as research, academic activity, and investment earnings.
- The fee is set in each year's budget for that year, so annual legislative action is required for the fee to continue.
- Hospitals pay the fee in a single payment in July of each fiscal year.
- The fee is imposed only on hospitals licensed pursuant to RIGL 23-17 with the exception of those hospitals whose primary services and patient beds are psychiatric in nature. Thus, Bradley and Butler Hospitals do not pay the fee.
- The federal government limits hospital licensing fees to 6.0 percent. Article 7 sets the rate at 5.856 percent.

Hospital Licensing Fee Revenue		
Fiscal Year	Rate	Revenue
2008	3.480%	\$73.9
2009	5.473%	121.5
2010	5.314%	124.9
2011	5.465%	135.8
2012	5.430%	138.0
2013	5.313%	138.5
2014	5.246%	145.9
2015	5.745%	155.3
2016	5.862%	169.1
2017	5.652%	168.0
2018	5.652%	181.0
2019	5.856%	182.0

\$ in millions

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. In FY2019 it is estimated to generate \$182.0 million.

Mutual Fund Registration Fee Increase

Rhode Island charges an initial and an annual renewal fee of \$1,000 to register a mutual fund to be sold in Rhode Island. The Governor recommends increasing these fees to \$1,500. According to the Department of Business Regulation (DBR), this increase would keep the fee in alignment with rates charged in other New England states. Initial fees range from \$500 in Connecticut to \$2,500 in Massachusetts. Renewals range from \$500 in Connecticut to \$1,500 in Vermont. There are approximately 9,100 mutual funds registered to be sold in Rhode Island. This increase is projected to generate \$4.6 million in general revenue in FY2019.

Insurance Claims Adjuster License Fee Increase

The current fee to maintain an insurance claims adjuster license in Rhode Island is \$150 every two years. The Governor recommends increasing the biennial fee to \$250. According to the Department of Business Regulation (DBR), 49 states license the various classes of insurance claims adjusters, including independent, public, and company levels. Massachusetts and Connecticut charge \$200 and \$300, respectively. There are approximately 60,000 insurance claim adjusters license in Rhode Island, a majority of who are not residents of the state. This increase is projected to generated \$3.0 million in general revenue in FY2019.

Municipal Police Training Academy Tuition and Fees

Article 7 authorizes the Rhode Island Municipal Police Training Academy to charge tuition to incoming recruits to fund the costs associate with the school. These funds would be deposited into a restricted receipt account. Since its establishment in 1969 the Academy has primarily been funded by general revenues. Over the last three fiscal years, the General Assembly has appropriated an average of \$262,000 in general revenue per year.

The Academy trains and certifies municipal law enforcement officers for all municipalities, except for the City of Providence. It runs two to three classes and 80 to 100 professional development workshops annually. 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.

The Academy also collects \$4,000 per recruit in user fees for the training of campus police officers for Brown University. These funds, approximately \$20,000 annually, are currently deposited as General Revenues.

Recruits must have conditional offers of employment from municipal police departments to enter the Academy. To receive conditional offers of employment from local police departments, recruits must pass a swim test, fitness assessment, medical evaluation, psychiatric evaluation, written exam, criminal background investigation, and an oral interview.

Article 7 authorizes the Municipal Police Training Academy to conduct a statewide physical training test and to charge a fee, to be established by rules and regulations and to be deposited into the new restricted receipt account.

The Governor includes \$253,024 in restricted receipts for tuition and fees in FY2019. General revenues are reduced by the same amount.

Article 8: Relating to Division of Motor Vehicles

Article 8 makes a number of changes affecting the Division of Motor Vehicles (DMV). The article delays the reissuance of license plates one year; merges fees relating to duplicate licenses and routine information changes; and reduces the phased-in transfer of DMV fees to the Highway Maintenance Account.

FISCAL IMPACT

This article is projected to have the following fiscal impacts in the FY2019 Budget and the FY2018 Supplemental Budget:

- Delaying the reissuance of license plates saves \$3.0 million in general revenue expenditures in the FY2019 budget; funding for the initiative shifts from FY2019 to FY2020. Under current law, individuals are charged \$6.00 above the regular registration fee per license plate. The delay also would result in a projected loss of \$1.8 million in general revenue.
- Duplicate license and information update fees are merged together instead of being two distinct fees. This change results in a \$20.00 fee increase to update information on an individual's license. The article exempts money generated by the new merged fee category from the required transfer of DMV fees to the Rhode Island Highway Maintenance Account (RIHMA). The fee increase and exemption combine for a projected general revenue increase of \$3.1 million.
- The revised FY2018 Budget includes a \$10.3 million increase attributable to a proposed delay in the transfer of DMV fees to the RIHMA. Under current law, 80.0 percent of applicable DMV fees are supposed to be transferred to the RIHMA in FY2018. Article 8 holds back an additional 20.0 percent in the general fund, only transferring 60.0 percent.

ANALYSIS AND BACKGROUND

Delay License Plate Reissuance

The article delays the license plate reissuance from January 1, 2019, to January 1, 2020. Funding for the initiative shifts from FY2019 to FY2020, resulting in a \$3.0 million reduction in expenditures in FY2019. Under current law, individuals are charged \$6.00 above the regular registration fee per license plate. Delaying the reissuance also results in a loss of approximately \$2.0 million in revenue in FY2019.

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 is the 6th time that this requirement has been postponed: 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 changed it to July 1, 2016; the FY2017 Budget as Enacted changed it to April 1, 2017; the FY2018 delayed it until January 1, 2019, and the FY2019 Budget changes it again to January 2020.

Reduction in Highway Maintenance Account Funding

The Transportation Investment and Debt Reduction Act of 2011 created the Rhode Island Highway Maintenance Account (RIGL 39-18.1-4) 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 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.

Fee Deposit Schedule: Article 8 adjusts, for the second consecutive year, the phase-in schedule for transferring of all vehicle license and registration fees from the general fund to the RIHMA. The transfer of these fees to the RIHMA is part of the sustainable transportation funding reforms adopted by the General Assembly in the FY2015 Budget as Enacted. The original schedule called for 25.0 percent of the fees to be transferred during FY2016, 75.0 percent during FY2017, and all fees in FY2018 and beyond.

Changes to the RI Highway Maintenance Account Fee Deposit Schedule

Fiscal Year	Original Law % of fees deposited	Current Law % of fees deposited	Article 8 % of fees deposited
FY2016	25%	25%	25%
FY2017	75%	50%	50%
FY2018	100%	80%	60%
FY2019	100%	100%	100%

The enacted FY2018 Budget as Enacted retained 25.0 percent more of the fees in FY2017 for the general fund and 20.0 percent more in FY2018. The complete transfer of funds was delayed until FY2019. This resulted in a \$13.0 million reduction in funding to the RIHMA in FY2017.

Article 8 article reduces transfers to the RIHMA in the FY2018 Supplemental Budget from 80.0 percent to 60.0 percent; resulting in a \$10.3 million reduction in funding to the RIHMA in FY2018. The combined impact on the RIHMA over two fiscal years is a loss of \$23.3 million.

The RIHMA is further impacted by this article by exempting duplicate license and updated information fees as describe below.

Duplicate License / Updated Information Fees

The fee to obtain a duplicate license currently costs \$25. In order to update information on license, such as a new address or a change in name, an individual must pay a \$5.00 fee. This article merges the latter service with the duplicate license fee, effectively raising the fee to update licenses by \$20.

DMV Fee	Current Fee	Article 8 Fee	Change
Duplicate Licence Fee	\$25	\$25	\$0
Update Information Fee	5	25	20

As part of the State's sustainable transportation infrastructure priorities, both of the fees are statutorily required to be deposited in the RIHMA pursuant to the phase-in described above. Section 3 of the article permanently eliminates this requirement and retains all revenue from these fees in the General Fund.

DMV Fee	Current Revenue	Article 8 Revenue	Change
Duplicate Licence Fee	\$506,450	\$506,450	\$0
Update Information Fee	100,540	502,700	402,160
total	\$606,990	\$1,009,150	\$402,160

Shifting these DMV fees to the General Fund represents a \$606,990 annual reduction to the Rhode Island Highway Maintenance Account under the current fee amount.

Article 9: Relating to School Construction and Education

This article is intended to improve the condition of public school buildings in Rhode Island. The article also expands the eligibility for admission to the School for the Deaf to include students who are not deaf or hard of hearing, directs the fully-transitioned, state funding formula aid for those students to the School for the Deaf, and requires the payment of a local tuition for those students.

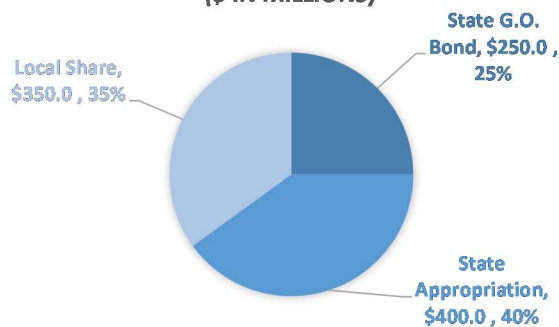
FISCAL IMPACT

The fiscal impact of the article is indeterminable at this time. The increased incentives for school construction will likely result in a greater State cost for school construction projects; however, fiscal impact depends on the districts applying for aid and the projects proposed. Both of these factors are unknown at this time.

In order to provide increased State funding for school construction projects, Question 1 on the 2018 ballot referenda, as provided in Article 5 of the Governor's Budget, provides funds for the construction, renovation, and rehabilitation of the State's public schools. Pursuant to language of the article, the State cannot issue more than \$250.0 million in notes over a five-year period and not more than \$100.0 million in notes in any one year.

To fund the \$1.0 billion in construction proposed over the next five years, the Governor proposes \$400.0 million in ongoing traditional school construction appropriations at the current level of \$80.0 million annually; \$250.0 million in voter approved, state, general obligation bond proceeds, and \$350.0 million in local bond proceeds. According to the School Building Authority, of the \$400.0 million in ongoing, annual appropriations, only \$110.0 million is available for new projects since \$290.0 is obligated for completed and currently projected projects through the traditional reimbursement program.

\$1.0 BILLION IN SCHOOL CONSTRUCTION OVER 5 YEARS (\$ IN MILLIONS)



Expanding eligibility for admission to the School for the Deaf to include students who are not deaf or hard of hearing will likely increase costs for certain school districts; however, which districts will be impacted and how much costs will increase is unknown.

ANALYSIS AND BACKGROUND

School Construction

On September 13, 2017, through Executive Order 17-09, the Governor established the Rhode Island School Building Taskforce. The Taskforce was charged with reviewing the *State of Rhode Island Schoolhouses Report* and recommending a plan to address the deficiencies identified in that report while ensuring taxpayer investments in school construction are efficient and sustainable. On December 13, 2017, the Taskforce submitted a report detailing the recommendations on how the State, municipalities, and school districts can ensure that public schools in Rhode Island are warm, safe and dry, and equipped with 21st century learning environments. The specific recommendations include:

- Increasing the state share ratio for high priority projects to encourage districts to undertake more school repair and construction projects.
- Submitting a referendum to voters in the 2018 and 2022 ballots for authorization to issue \$250.0 million in general obligation bonds for public school construction and repair over five years, with no more than \$100.0 million issued in any one year, as well as prioritizing bond proceeds to fast-track emergency repairs on a pay-as-you-go basis.
- Shifting the state share of housing aid to a pay-as-you-go basis instead of a reimbursement model.
- Introducing policies to reduce costs and protect assets.
- Conducting a LEAN review of the current school construction approval practices at RIDE to ensure an efficient and timely process, and increasing School Building Authority staffing levels.
- Having RIDE work with the Department of Environmental Management to streamline the environmental approval process for large school construction projects.
- Ensuring that school buildings are regularly and properly maintained to prevent deterioration and reduce the need for costly repairs.

Article 9 is the Governor's response to the recommendations of the Taskforce and includes the following changes to the current school construction program.

Minimum Share Ratio: The article increases the minimum share ratio for charter schools from 30.0 percent to 35.0 percent; however, the minimum share ratio for traditional districts remains unchanged at 35.0 percent. The Taskforce report did not mention charter schools and only recommended the use of expiring incentives.

Analyst Note: The use of the term "local education agency" implies that the minimum share ratio is for charter schools, since traditional districts currently have a minimum share ratio of 35.0 percent. Neither the article nor the current language in the statute define the term "local education agency"; the term as used in Rhode Island is intended to include traditional school districts, public charter schools, and state schools. It is unclear how this amendment interacts with RIGL 16-7-41.1, which provides for eligibility for reimbursement under the school construction program, or 16-77.1-5, which provides for facility support for charter public schools.

Pursuant to GBA, dated March 16, 2018, the article was amended to correct the starting date of the minimum share ratio increase for charter schools from 2012 to 2018.

Increases Share Ratio Incentives: The article temporarily expands incentives through the school housing aid share ratio to encourage municipalities to address school building deficiencies, while keeping current incentives such as regional school districts and energy conservation. However, a district cannot receive a combined total of more than 20 incentive percentage points for projects that commence construction by December 30, 2023, nor can a district's share be decreased by more than half of its regular share ratio. Each of the new incentives require that 25.0 percent of project costs or a minimum of \$250,000 be specifically directed for the incentivized purpose.

Analyst Note: The intent is for the incentives to be 5.0 percentage points. However, this clarification was not made in the March 16, 2018, budget amendment.

Pursuant to GBA, dated March 16, 2018, the new incentives are contingent on approval of the \$250.0 million general obligation bond in the November 2018 ballot. Furthermore, the new incentives are amended to provide a five-year window between commencement and completion such that all the incentives that must commence by December 30, 2022, must be completed by December 30, 2027. Those commencing by 2023 must be completed by 2028.

Also, the amendment clarifies that all the incentive points are subject to the cap parameters discussed above.

- **Health and Safety:** The article provides a share ratio increase of 5.0 percent for health and safety projects as defined by the School Building Authority, so long as the project commences by December 30, 2022.

Analyst Note: Pursuant to GBA, dated March 16, 2018, health and safety projects specifically include school security upgrades.

- **Educational Enhancement:** A state share ratio increase of 5.0 percent is provided for the enhancement of teaching science, technology, engineering, arts, and math, as well as early childhood education, career and technical education, and technology enabled facilities, so long as the project commences by December 30, 2022.

Analyst Note: Under current regulation, furniture, fixtures, equipment, and technology are not eligible for reimbursement, unless the project is new construction. (RIDE School Construction Regulations 1.07-3 and RIGL 16-7-44.1)

- **Facilities Condition Index:** A 5.0 percent increase is provided for the replacement of a facility that has a facilities condition index of 65.0 percent or higher, so long as the project commences by December 30, 2023. "Facilities condition index" is defined as the cost to fully repair the building divided by the cost to replace the building as defined by the School Building Authority.
- **Increased Utilization of Facilities:** The article provides a 5.0 percent increase for new construction or renovation that increases the functional utilization of a facility from less than 60.0 percent to more than 80.0 percent, so long as the project commences by December 30, 2023. Functional utilization is defined as the ratio of the student population within a school facility to the capacity of the facility to adequately serve students, as defined by the School Building Authority.
- **Decrease Overcrowding:** A 5.0 percent increase is provided for projects that decrease the functional utilization of any facility from more than 120.0 percent to between 85.0 and 105.0 percent, so long as the project commences by December 30, 2023.
- **Consolidation:** A 5.0 percent increase is available for the consolidation of two or more buildings within or across districts into one building, so long as the project commences by December 30, 2023.
- **Projects Approved Prior to January 1, 2017:** Projects approved prior to January 1, 2017, that have not commenced construction as of January 1, 2018, are not eligible to receive the new incentives in the article; however, they are eligible to receive a total of five combined incentive points, so long as a program manager and commission agent has been employed. Any project previously approved that is withdrawn or resubmitted is not eligible for any incentive points.

Analyst Note: The intent is to provide an additional five percentage points to the current share ratio automatically and not necessarily tied to the new incentives provided in the article, and any withdrawn/resubmitted projects would not even be eligible for current-law incentives.

Pursuant to GBA, dated March 16, 2018, clarification was provided that the five points are in addition to what was awarded at the time of approval.

The Taskforce recommended applying the new bonuses to projects approved in the last five years that have not broken ground.

Analyst Note: Pursuant to GBA, dated March 16, 2018, the 4.0 percent incentive for regional career and technical center buildings was extended to any future career and technical buildings created under RIGL 16-45-6.1(c). It may be noted that the original article did add Coventry to list locations for qualified regional career and technical centers.

Expands Costs Eligible for School Construction Aid: The article expands reimbursement eligibility to include financing for projects funded through the Rhode Island Infrastructure Bank, swing space for

students if the district can demonstrate that no other option is available, and costs associated with the remediation of brownfield sites up to \$1.0 million.

Expands Project Eligibility for School Construction Aid: The proposal expands reimbursement eligibility to include facilities that are for combined use with municipalities, or for-profit or non-profit agencies so long as the facility is “primarily used for public elementary or secondary education”. The project still has to be under the care and control of the school committee and located on school property.

Analyst Note: The article does not define “primarily used”, nor are any restrictions or guidelines provided relative to other uses of the property. The article does not change the current law requirements that the facility must be under the care and control of the school committee and located on school property. It is unclear how this will impact charter schools. Currently, charter schools must own the entire property where the project is proposed in order to qualify for aid. Projects on leased property do not qualify.

The Taskforce recommended that school facilities be available for community uses when appropriate, so long as the community use does not interfere with Pre-K through 12 use.

Cost Savings Proposals: In an effort to reduce project costs, the article proposes the following changes:

- **Certification of Prime Contractor:** Any project in excess of \$10.0 million, subject to inflation, requires the use of a prime contractor that has been certified by the School Building Authority. The article charges the Authority with developing a certification, which will be valid for a maximum of two years, and review process for prime contractors. The process must include, at a minimum, the contractor’s history of completing projects on time and on budget, compliance with environmental and safety regulations, the maintainability of prior completed projects, and the use of women and minority owned subcontractors.

Analyst Note: Pursuant to GBA, dated March 16, 2018, the prime contractors will be “prequalified” instead of “certified”; furthermore, architects and engineers will be prequalified but not required.

“Subject to Inflation” is defined as the base rate multiplied by the percentage of increase in the Producer Price Index (PPI) for Nonresidential Building Construction as published by the United States Department of Labor, Bureau of Labor Statistics determined as of September 30 of the prior calendar year.

- **Owner’s Program Manager and Commissioning Agent:** For any project exceeding \$1.5 million, subject to inflation, the School Building Authority will assign an owner’s program manager and a commissioning agent, the cost of which will be paid by the Authority. The Taskforce recommended that the cost be shared between the State and the district based on the district’s share ratio.

Asset Protection Proposals: In an effort to encourage the maintenance and repair of schools, the article proposes the following changes:

- **Statewide Maintenance Standards:** The article requires the School Building Authority to develop a maintenance checklist for all school buildings that is in accordance with national best practices. The standards must include minimum annual spending requirements for maintenance and/or capital reserve funds dedicated exclusively to annual maintenance. Districts are required to adhere to the annual spending requirements beginning June 30, 2019.

Analyst Note: Under current regulation, a school district applying for school housing aid is required to have an asset protection plan for every school in the district, not just those for which aid is sought. Also, the district must have spent at least 50.0 percent of its asset protection budget pursuant to its asset protection plan in each of the previous three years prior to application. If a district fails to maintain compliance with the asset protection regulations, it may be prohibited from receiving school housing aid for at least one year and is subject to review by the Rhode Island Department of Education (RIDE) to determine district compliance. (RIDE School Construction Regulations 1.11-1) The Taskforce recommended increasing the 50.0 percent threshold in current regulation to 66.7 percent, and requiring minimum annual spending of 3.0 percent of the replacement value of the building in accordance with national best practices.

- **Statewide Building Standards:** The article requires the School Building Authority to develop facility standards for all school buildings and requires districts to adhere to the standards beginning June 30, 2021.

Analyst Note: The article is silent as to the enforcement of the maintenance and building standards.

Sale of Newly Constructed School: The article provides that if a newly constructed school is sold to a private entity within 30 years of construction, a portion of the sale proceeds equal to the housing aid reimbursement rate for that project will revert to the State.

Analyst Note: The reversion provided in the article only applies to new construction and not to renovation projects. Currently, the school construction regulations provide that where a building which has received school construction payments is closed and the building has not remained in service for 50 years, RIDE may recapture a portion of the housing aid reimbursement at its discretion. (RIDE School Construction Regulations 1.14)

School Building Authority: Pursuant to the enabling statute, the RIDE is the School Building Authority. In addition to the statewide maintenance and building standards, as well as the certification requirements for prime contractors, the article makes the following changes to the Authority:

- **Monthly Progress Reports:** The article requires the Authority to collect, maintain, and make publicly available monthly progress reports of ongoing school construction projects that include the cost and time schedule of each project.

Analyst Note: Pursuant to GBA, dated March 16, 2018, the progress reports are required quarterly, instead of monthly.

- **Retention of Services:** The article enables the Authority to retain the services of consultants, construction managers, program managers, architects, engineers, and experts.
- **Expenses Incurred:** The article requires the Rhode Island Health and Educational Building Corporation (RIHEBC) to pay for the expenses of the Authority from the School Building Authority Capital Fund, fees generated from the origination of municipal bonds and other financing vehicles used for school construction, and its own revenues. The Taskforce acknowledged that the School Building Authority would likely need to increase staff; however, no recommendation was made as to how to fund the costs of current or additional staff.

Analyst Note: In addition to retention of services enumerated in the article, the Governor’s Budget shifts the cost of \$486,833 in salaries and benefits for 3.0 FTE positions currently responsible for the administration of the school construction program to the School Building Authority Capital Fund, and adds a new FTE position. The Capital Fund is administered by RIHEBC. Article 2 of the Governor’s FY2019 Budget establishes that the School Construction Services restricted receipt account is exempt from the indirect cost recovery, but does not provide detail about the purpose or location of the fund. Also, there is no definition or obvious limits on the term “expenses” and the expenses of the Authority would potentially include other operating costs such as materials, rent, utilities, etc.

It should also be noted that proceeds from the proposed bond authorization will be used to fund the Capital Fund and any fees charged to the borrower are generally rolled into the bond issuance; consequently, expenses paid from the fund may accrue interest.

- **Advisory Board:** The membership of the School Building Advisory Board is expanded to include the Commissioner of the Elementary and Secondary Education and the chair of RIHEBC.

Analyst Note: Pursuant to GBA, dated March 16, 2018, the General Treasurer may appoint a designee to the Advisory Board. This amendment was suggested by the Department based on current practice. Also, the amendment specifies that at least one of the four public members must represent the Rhode Island League of Cities and Towns.

School Building Authority Capital Fund: The article empowers the Authority to use funds from the Capital Fund to support the traditional necessity school housing aid program; however, the funds have to be given on a pay-as-you-go basis and offered to the LEAs based on each LEA’s proportionate share of the total state necessity school housing aid awarded to projects in that year.

Efficient Buildings Fund: The article allows for interest payments on bonds issued through Efficient Building Fund at the Rhode Island Infrastructure Bank (RIIB) to be reimbursed through the school construction program, as is currently provided for bonds issued through the RIHEBC. However, the projects must be “predominately” energy or environmental in nature.

Analyst Note: The article does not define “predominately”. Under current law RIGL 16-7-40(b)9(i), in order to qualify for the increased share ratio for energy conservation, 75.0 percent of the project must be specifically directed to that end. Also, this language does not match the language in 2017-S-0652 Sub Aa which was drafted to avoid causing a downgrade in RIHEBC’s rating.

School for the Deaf

The article expands eligibility for enrollment in the Rhode Island School for the Deaf to include students who are not deaf or hard of hearing; however, the sending district for the hearing students will be charged the local share of education funding as if the student is attending a charter or state school.

Currently, the State provides approximately 99.0 percent of the funding at the School for the Deaf. Sending districts are assessed a tuition to cover services that are additional to the core deaf and hard of hearing education program, such as, counseling or nursing services. The tuition charged is based on a graduated tuition schedule correlating to the varying needs of the student.

Pursuant to the article, the sending district for hearing students will pay a local tuition as currently paid to charters and state schools. The local share is calculated by dividing the local appropriation to education from property taxes, net debt services and capital projects, by the district resident average daily membership (RADM) and subtracting the per-pupil local tuition reduction. In FY2018, local tuition rates averaged about \$10,214 and varied from \$3,159 in Central Falls to \$15,949 in Little Compton. (New Shoreham at \$35,315 was excluded from this calculation.)

Article 10: Relating to Making Revised Appropriations in Support of FY2018

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 FY2018. The Governor's budget includes \$39.0 million in additional general revenue spending compared to the FY2018 Budget as Enacted.

APPROPRIATIONS

The article increases the total FY2018 appropriations by \$219.5 million, the bulk of which is attributable to an increase in federal fund expenditures of \$87.8 million. General revenue expenditures increase by \$39.0 million. The article outlines funding changes at the program level by fund for each department.

Expenditures by Source	FY2017 Final	FY2018 Enacted	FY2018 Governor	Change to
				Enacted
General Revenue	\$3,672.5	\$3,767.7	\$3,806.7	\$39.0
Federal Funds	2,977.4	3,134.2	3,222.0	87.8
Other Funds	1,881.4	2,079.2	2,157.7	78.5
Restricted Receipts	228.0	261.7	275.8	14.1
Total	\$8,759.3	\$9,242.8	\$9,462.3	\$219.5

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

INTERNAL SERVICE ACCOUNTS

Article 10 authorizes the State Controller to establish 15 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. There are three new accounts established pursuant to Article 7, Section 10 of the FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for each agency and allow the Department of Administration to draw upon these accounts for billable centralized services and deposit the funds into the rotary accounts under the Department of Administration.

Internal Service Account	FY2018 Enacted	FY2018 Governor	Change
State Assessed Fringe Benefits	\$41,229,448	\$38,441,994	(\$2,787,454)
Administration Central Utilities	24,910,320	22,910,320	(2,000,000)
State Central Mail	6,838,505	6,585,595	(252,910)
State Telecommunications	3,244,413	3,553,922	309,509
State Automotive Fleet	12,510,602	12,312,184	(198,418)
Surplus Property	3,000	3,000	-
Health Insurance	251,804,700	252,129,967	325,267
State Fleet	273,786	273,786	-
Other Post-Employment Benefits	63,852,483	63,852,483	-
Capital Police	1,306,128	1,079,922	(226,206)
Corrections Central Distribution Center	6,784,478	7,118,058	333,580
Correctional Industries	7,581,704	8,010,370	428,666
Secretary of State Records Center	807,345	940,491	133,146
Human Resources	-	12,012,230	12,012,230
DCAMM Facilities	-	37,286,593	37,286,593
Information Technology	-	32,179,344	32,179,344
Total	\$421,146,912	\$498,690,259	\$77,543,347

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 26.0 FTE positions from the FY2018 Budget as Enacted. Following are the changes included in the Governor's proposal:

FTE Position Authorization

Expense by Function	FY2018 Enacted	FY2018 Governor	Change to Enacted
General Government	2,365.9	2,369.9	4.0
Human Services	3,715.6	3,724.6	9.0
Education	3,924.9	3,925.9	1.0
Public Safety	3,210.0	3,222.0	12.0
Natural Resources	429.0	429.0	0.0
Transportation	775.0	775.0	0.0
Subtotal	14,420.4	14,446.4	26.0
<i>Higher Ed. Sponsored Positions</i>	<i>739.8</i>	<i>739.8</i>	<i>0.0</i>
Total FTE Positions	15,160.2	15,186.2	26.0

FTE changes include:

- **An increase of 13.0 FTE positions in the Department of Health:** There is an increase of 13.0 FTE positions within the Department of Health. These additional positions are related to drug overdose prevention and intervention and are mostly funded through federal and restricted receipts.
- **An increase of 12.0 FTE positions in the Department of Corrections:** There is a net increase of 12.0 FTE positions within the Department of Corrections. The following positions are added in the FY2018 Supplemental Budget and the FY2019 Budget: 3.0 Correctional Officer Trainer positions to assist with additional training requirements and an increased number of recruits; 16.0 Correction Officers; a transfer from the Department of Behavioral Health, Developmental Disabilities and Hospitals of 1.0 Substance Abuse Councilor to assist in the substance abuse program; 2.0 Clinical Mental Health Social Workers; and 6.0 FTE positions to assist with the Medication/Mediation Assisted Treatment (MAT) Program 2.0 Nursing positions and 4.0 Mental Health Clerks. These increases were slightly offset by reallocations within the Department leading to a net increase of only 12.0 FTE positions.
- **An increase of 5.0 FTE positions in the Department of Business Regulation:** The Governor adds positions in FY2018, including 1.0 Senior Management & Methods Analyst FTE position in Central Management, 2.0 Bank Examiner FTE positions in Banking Regulation, 1.0 Insurance Examiner in Insurance Regulation, and in the Commercial Licensing, Racing, and Athletics division, 1.0 Pari-Mutual Operations Specialist and 1.0 Legal Counsel for the medical marijuana program. The latter two will be funded by restricted receipts.
- **A decrease of 4.0 FTE position in the Department of Revenue:** The Budget includes a decrease of 4.0 FTE positions reflecting the elimination of 3.0 FTE positions in the Municipal Finance division and 1.0 FTE position from the Lottery division.
- **A decrease of 4.0 FTE position in the Children, Youth, and Families:** The Budget eliminates 4.0 Chief Caseworker Supervisor positions.
- **An increase of 3.0 FTE positions in the Public Utilities Commission:** The Governor transfers the Water Resources Board functions and 3.0 FTE positions from the Division of Planning to the Division of Public Utilities and Carriers. The positions are: 1.0 General Manager (currently vacant), 1.0 Staff Director, and a 1.0 Supervising Civil Engineer. The action also transfers the funding source for the Water Resources Board from general revenue to restricted receipts.

- **An increase of 1.0 FTE position in the Office of the Postsecondary Commissioner:** The Budget includes an increase of 1.0 FTE position reflecting a net change in the authorized FTE level. This is the result of adding 2.0 FTE positions at the Westerly Education Center and the addition of 2.0 FTE positions in the Office of the Commissioner for student support and financial aid activities. Offsetting the increases is a reduction of 3.0 FTE positions in the Division of Higher Education Assistance due to the expected transfer of the Federal Family Education Loan guaranty agency operations to a successor entity.

TRANSFERS FROM QUASI-PUBLIC AND STATE AGENCIES

Article 10 requires transfers from several quasi-public be made to the State Controller by June 30, 2018, to support the General Fund. This includes an increase of \$5.0 million each from the Rhode Island Infrastructure Bank and from the Rhode Island Housing, as compared to the FY2018 Budget as Enacted:

Agency	FY2018 Governor Proposed	FY2018 Enacted	FY2018 Governor Revised	FY2018 Change to Enacted	FY2019 Governor Proposed	Total
Electric and Gas Distribution Company	\$0.0	\$12.5	\$12.5	\$0.0	\$0.0	\$12.5
Health and Educational Building	1.2	6.0	6.0	-	-	6.0
Narragansett Bay Commission	2.5	5.0	5.0	-	-	5.0
Infrastructure Bank	1.0	3.5	8.5	5.0	-	8.5
RI Housing	-	1.0	6.0	5.0	5.0	11.0
Quonset Development Corporation	-	1.0	1.0	-	-	1.0
Public Utilities Commission	-	0.3	0.3	-	-	0.3
RI Resource Recovery Corporation	6.0	-	3.0	3.0	3.0	6.0
RI Student Loan Authority	-	-	3.0	3.0	-	3.0
RI Turnpike and Bridge	2.6	-	1.5	1.5	-	1.5
Total	\$13.3	\$29.3	\$46.8	\$17.5	\$8.0	\$54.8

\$ in millions

Article 11: Relating to Workforce Development

This article makes the following changes to the Department of Labor and Training regarding workforce development:

- Codifies the Real Jobs Rhode Island (RJRI) program into law.
- Establishes additional funding for the RJRI program by altering the Job Development Assessment formula to include additional funding, up to the interest earned by the Employment Security Fund, in the Job Development Fund (JDF) and directing less funding, equal to the additional amount put into the JDF, into the Employment Security Trust Fund.
- Establishes a restricted receipt account entitled “misclassification task force and workplace fraud unit”.
- Eliminates the issuance of new Job Training Tax Credits as of January 1, 2018.
- Expands the State Work Immersion Program.

FISCAL IMPACT

The Governor includes \$450,000 in general revenue based on the estimated increase in general revenue receipts in the first year after the elimination of the Job Training Tax Credit Program.

The article establishes a formula in the Unemployment Insurance tax laws to enable the Department to adjust the Job Development Assessment on an annual basis allowing the interest earned by the Employment Security (ES) Fund to be invested into the Real Jobs Rhode Island (RJRI) program. The interest earned in 2017 by the Employment Security Fund was \$7.0 million; therefore, the Governor increases restricted receipt resources in RJRI by \$7.0 million in FY2019.

ANALYSIS AND BACKGROUND

Real Jobs Rhode Island

This article alters the Real Jobs Rhode Island (RJRI) program in two ways:

Codifies Program into Law: The Real Jobs Rhode Island Program, created in 2015, has served over 325 employers and nearly 2,000 workers by investing in sector-based intermediaries who serve as RJRI partners. The RJRI model shifts focus from traditional workforce development programs, which were focused on supply-side training programs, to a sector-based, demand-driven model allowing employers to design their own training programs based on their needs. Codifying the program into law provides employers continuity and predictability; this stability may also encourage employers who are contemplating participating.

Provides additional funding for RJRI: Since 1989 Rhode Island employers have paid a Job Development Assessment (JDA) to support workforce development activities, the JDA is collected with the State’s payroll and unemployment insurance taxes and has been altered over the years the by the legislature. Under current law the JDA is 0.21 percent of taxable wages, 0.19 percent is dedicated to job training programs operated by the Governor’s Workforce Board (GWB) and 0.02 percent is dedicated to costs associated with administering the State’s Unemployment Insurance (UI) and employment service programs. These base amounts are not proposed to change.

Section 2 of this article modifies the JDA to allow the Department to divert an amount, up to the Employment Security Fund’s investment earnings for the prior calendar year, to the Job Development Fund (JDF) during the next calendar year. This adjustment would hold both employers and employees harmless as it does not increase employer’s total unemployment tax liability but rather alters where the funds are deposited. Less money would be deposited into the Employment Security Trust Fund and more would be

directed towards the Job Development Fund. The amount of revenues deposited into the JDF would vary each year based on the amount of interest earned by the UI Trust Fund.

The adjusted job development assessment would be computed by dividing the amount of interest earned by the Employment Security Fund in the prior calendar year by 110.0 percent of the taxable wages in the prior calendar year and adding this percentage to the base job development assessment (currently 0.21 percent). The new adjusted job development assessment would be in effect during the next ensuing calendar year.

The graphic below illustrates the adjusted JDA for 2019 under the article as projected by the Senate Fiscal Office using the methodology outlined in the legislation and estimated 2017 taxable wages and interest earned by the Employment Security (ES) Fund.

2019 Adjusted Job Development Assessment

$$\left(0.21\% \right) + \left(\frac{\text{2017 Interest}}{110\% \text{ of 2017 Taxable Wages}} \right) = \text{Adjusted Job Development Assessment}$$

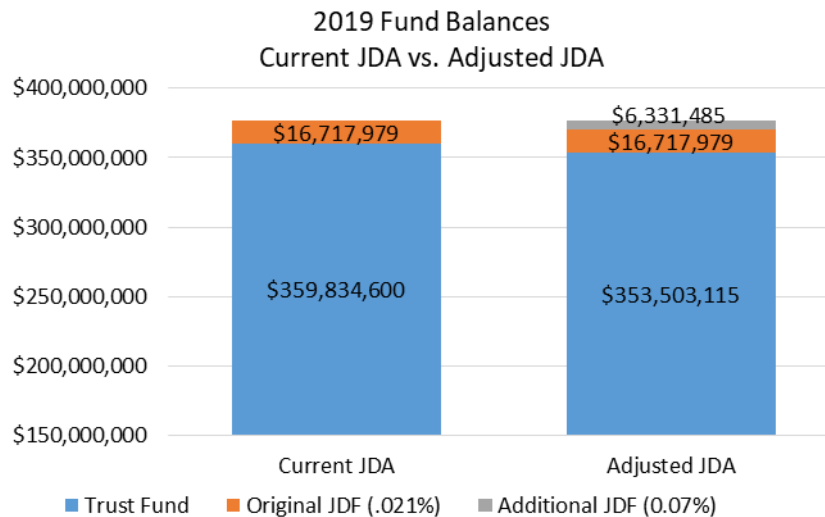
$$\left(0.21\% \right) + \left(\frac{\$6,964,633}{(110\% \times \$7,960,942,475)} \right) = 0.28\%$$

Estimate created by Senate Fiscal Office

The following graphics illustrate the difference in the Job Development Fund (JDF) in 2019 under the article. If the JDA is adjusted to 0.28 percent, instead of the current 0.21 percent, approximately \$6.3 million of additional funding would be deposited in the JDF instead of the Trust Fund, the total balance of both funds together would remain the same.

Fund	Current JDA (0.21%)	Adjusted JDA (0.28%)	Difference
Trust Fund	\$359,834,600	\$353,503,115	(\$6,331,485)
JDF	16,717,979	23,049,464	6,331,485
Total	\$376,552,579	\$376,552,579	\$0

Totals may vary due to rounding.



*Based on estimated figures.
Totals may vary due to rounding*

Analyst Note: The Governor included an additional \$7.0 million in the Budget due to the change in the JDA formula, based on the interest earned by the Employment Security Fund in 2017. The Senate Fiscal Office estimated an additional \$6.3 million, based on the methodology included in the legislation and information provided by the Department.

Misclassification Task Force and Workplace Fraud Unit

The article amends Section 1 to create a new restricted receipt account entitled “misclassification task force and workplace fraud unit”. Currently funding for this Unit is distributed among multiple accounts, the creation of a dedicated restricted receipt account would allow the Department to more easily track costs. Revenues for this fund are collected through penalties and fines paid by employers for the misclassification of employees, along with other applicable violations. Any additional revenues, after expenses for the unit are paid, shall be paid into the state’s general fund on an annual basis.

Job Training Tax Credit

The article imposes a sunset on the Job Training Tax Credit, beginning tax year 2018 no further credits will be issued, credits remaining from previous years will still be valid until they are used or expire. This tax credit was created in 1996 and intended to provide qualifying employers with credit against their state tax obligations for expenses associated with training their employees. Currently the program is not frequently used and the Department has not updated the policies or processes needed to determine qualification for the credits.

State Work Immersion Program

The Governor’s Workforce Board (GWB) State Work Immersion Program, established in FY2014, was intended to allow job seekers to obtain temporary, paid, work experience that provides meaningful learning opportunities and increases the employability of the participant. Employers are incentivized to participate by being reimbursed a percent of the wages paid to participants.

This article provides greater flexibility within the Program by including secondary school students and participants in eligible training schools, allowing them to gain meaningful work experience. It also removes the minimum age requirement of 18, allowing younger students to participate. Lastly, the article removes the tiered reimbursement structure, allowing the GWB to decide the best way to reimburse the employers. Employers would be eligible to receive up to 75.0 percent of the participant’s wages during their work experience.

Article 12: Relating to Economic Development

This article expands or adjusts various economic development incentives managed by the Commerce Corporation. Specifically, the article:

- Expands the existing performance reporting requirements for CommerceRI's economic development incentive programs.
- Permanently authorizes 12 economic development incentive programs.
- Raises the limit on the amount of micro lending that can take place under the Small Business Assistance Program.
- Creates a new program to support the development of "pad-ready" site locations for manufacturing facilities.
- Expands access to the Rebuild Rhode Island Tax Credit program for small businesses and manufacturers.
- Creates a Refundable Investment Tax Credit to incentivize Rhode Island manufacturers to invest in 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 \$100,000 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.
- Establishes a Technical Assistance for Municipal Zoning and Permitting 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.

FISCAL IMPACT

The Governor includes \$300,000 in general revenue in FY2019 for the new Refundable Manufacturing Tax Credit Program and \$200,000 each for the new Manufacturing Site Readiness Program and the Local Zoning and Permitting Assistance program under the Main Street Rhode Island Streetscape Improvement incentive.

ANALYSIS AND BACKGROUND

This article refines, expands, and establishes several economic development incentives and programs primarily in support of Rhode Island's manufacturing sector. It also permanently authorizes the suite of incentives originally enacted in FY2016.

Permanent Authorization of Incentives

In 2015 the Governor proposed, and the General Assembly enacted, a suite of 12 new economic development incentive programs. The purpose of these incentives, as stated in Article 19 of the FY2016 Budget as Enacted, is to *"promote the economic viability of the Rhode Island economy...and to provide and promote and encourage the preservation, expansion and sound development of new and existing industry, business, commerce, agriculture, tourism, recreational, and renewable energy facilities, promoting thereby the economic development of the state"*.

From FY2016 through the FY2018 Budget as Enacted, \$104 million has been appropriated to fund these incentives. As originally proposed by the Governor, these programs were not required to report on their performance or financial impact. To ensure better accountability the General Assembly amended the proposal requiring that the Executive Office of Commerce (EOC) provide it with detailed annual reports

on each incentive. Each of the incentives was authorized for three years, having a sunset date of December 31, 2018. The continuation of these incentives beyond that date was therefore subject to General Assembly review and approval.

Article 12 proposes to permanently authorize the incentives by eliminating the sunset provisions placed on them by the General Assembly. The specific incentives are Rebuild RI, Rhode Island Tax Increment Financing, Tax Stabilization Incentive, First Wave Closing Fund, I-195 Redevelopment Project Fund, Small Business Assistance Fund, Wavemaker Fellowship program, Main Street Rhode Island Streetscape Improvement Fund, Innovation Initiative, Industry Cluster Grants, High School, College, and Employer Partnerships, and the Qualified Jobs Incentive.

Analyst Note: According to tax policy experts, periodic reauthorization serves an important public purpose. Many of the economic development incentives take the form of tax expenditures. Tax expenditures are provisions of the tax code such as credits which benefit specific activities or groups of taxpayers. They are designed to encourage specific governmentally-desired activities and therefore can be, in effect, alternatives to direct spending on the same public policy objectives. Unlike discretionary spending programs, however, tax expenditures are not generally subjected to the appropriation process. Absent a sunset provision, policymakers could avoid seriously reviewing the impact of the tax expenditures after their initial enactment.

Accountability of Incentives

Article 12 provides some overall reporting requirements for Commerce’s economic development incentive programs. The article directs the corporation to assess the “performance, effectiveness, and economic development impact” of the programs and to annually report this analysis to the General Assembly and Director of the Office of Management and Budget by January 1 of each year. It does not specify how performance, effectiveness, or economic development impact will be measured. The table to the right summarizes the *current* reporting requirements for each incentive as established by the General Assembly.

Small Business Micro-Lending

Article 12 amends the Small Business Assistance Program by raising the level of “micro-lending” permitted under the incentive.

The Small Business Assistance Program was established in FY2016 to help small businesses under (200 employees) gain access to capital. It was also meant to provide more operating flexibility than the traditional Small Business Loan Fund, which is subject to federal regulations from the U.S. Economic Development Administration. The Commerce Corporation partners with private lending institutions to administer the applications and program. The loans may be used to

- Provide additional capital to businesses
- Provide direct lending for subordinated and mezzanine debt (debt that is associated with acquisitions and buyouts where it may be used to prioritize new owners ahead of existing owners in case of bankruptcy, or be used to convert a debt into a stock option)

Economic Development Incentive Annual Reporting Requirements		
Incentive	Due	Reporting Items
Rebuild RI	1-Aug	approved applicants total FTEs total project costs total material costs total RI products purchased additional reasonable info
	1-Sep	recipient name/address credit amount economic/fiscal impact
TIF	1-Sep	approved applicants approved amount
	1-Jan	economic/fiscal impact
Tax Stabilization	1-Sep	approved applicants approved amounts
First Wave	30-Jun	commitment disbursement use of funds economic/fiscal impact
I-195	30-Jun	commitment disbursement use of funds economic/fiscal impact
Small Business Assistance	30-Jun	commitment disbursement use of funds economic/fiscal impact
Wavemaker	no date specified	taxpayers receiving awards schools attending employer
Main Street RI Streetscape	30-Aug	commitment disbursement use of funds economic/fiscal impact
Innovation Initiative	30-Aug	total amount of awarded matching funds awarded total amount approved description of services other info
Industry Cluster	30-Aug	number of grants amount of grants recipient name/address recipient activities other info
School Partnerships	30-Aug	number of grants amount of grants matching funds
New Qualified Jobs	1-Aug	approved applicants total jobs NAICS for each job salary of each job address of new employer
	1-Sep	name amount

- Provide collateral support and enhancement

The program has received \$5.5 million in general revenue since it was established and has obligated \$5.4 million. The Budget includes \$500,000 for the Small Business Assistance Program.

The maximum grant to any one business is capped at \$750,000 while up to 10.0 percent of the funds may be used for “micro loans” of \$2,000 to \$25,000. Article 12 raises micro-lending cap to 25.0 percent, or \$125,000 of the amount budgeted for FY2019.

New “Pad-Ready” Site Program

Article 12 establishes a new Manufacturing Site Readiness program for the purposes of supporting the development of an inventory of vetted, pad-ready sites within the State capable of supporting manufacturing facilities. A fund is also created to finance due diligence at a qualifying property, including surveys, environmental assessments, etc.

- **Manufacturing Site Readiness Fund:** The article establishes a Manufacturing Site Readiness Fund within the Commerce Corporation out of which it is authorized, within available appropriations, to award grants that pay for the due diligence and feasibility analysis for the development of sites to a “pad-ready” condition. The article clarifies that the fund be capitalized with monies appropriated in the state budget, from federal or private sources, or any other source. The FY2019 Budget includes \$200,000 for the fund.
- **Manufacturing Site Readiness Program:** Commerce is authorized to develop and administer the pad-ready site program. The agency is directed initially put out a request for “expressions of interest” in order to solicit developer participation and identify initial qualifying properties. A qualifying property is defined by the article as one that is capable of supporting large-scale economic development and including, but not limited to, manufacturing, industrial, and distribution uses.
 - **Application Review:** These properties would be subject to the Commerce Corporation’s review to determine suitability for funding. This review may consider aspects such as location, size, and suitability for development; existence of liens and encumbrances; zoning for industrial use and/or host community support for rezoning; site conditions; existing due diligence; cost to develop a pad-ready site, and willingness of property owner to commit to development.
 - **Authorized Uses:** Under the article, the Commerce Corporation is authorized to provide grants to fund the due diligence necessary to determine site potential and improvement costs. Funds may be used to pay for costs associated with site and/or topographic surveys, wetland determinations, phase 1 environmental site assessments, applicable zoning review, utility availability studies, and preliminary site engineering.
 - **Rules and Reporting:** The article permits the Commerce Corporation to adopt guidelines, directives, criteria, rules, and regulations for the program. The agency must report to the General Assembly on the commitment, disbursement, and use of the funds allocated under the program no later than 60 days after the end of the fiscal year (early August).

Analysts Note: Article 12 does not define pad-ready or manufacturing readiness. Although the program is titled Manufacturing Site Readiness. The definition of a “qualifying property” includes, but is not limited to, manufacturing, industrial, and distribution uses.

Rebuild RI Expansion

Article 12 expands access to the Rebuild Rhode Island Tax Credit (Rebuild RI) program for small businesses, particularly manufacturers and those businesses located within areas designated by Commerce Corporation’s Main Street Streetscape Improvement program.

Through Rebuild RI, Commerce Corporation grants tax credits to qualifying applicants as an incentive to develop commercial and residential real estate. Developers apply for these credits to the Commerce Corporation board, and if approved, may redeem these credits against certain state business tax liabilities.

The program has received \$38.5 million in general revenue appropriations since established in FY2016 and has obligated \$83.8 million between FY2018 and FY2025.

A company must demonstrate the following in order to qualify to the credit:

- Commit at least 20.0 percent of the total project cost in capital or equity investments at a qualified business facility at which it will employ at least 25 full-time employees in retained full-time jobs after construction, or any additional number of jobs deemed appropriate by the Commerce Corporation.
- Demonstrate a financing gap through an inability to obtain any other public or private funding, and that, without the tax credit, the project will not be accomplished.
- Demonstrate that the real estate project is a new or rehabilitated development, residential project, mixed use project, or located in a Hope Community.

Currently, projects must be a:

- Commercial development consisting of at least 25,000 square feet and employ 25 full-time employees after construction or any number of new employees as the secretary deems appropriate.
- Multi-family residential development consisting of at least 20,000 square feet with 20 residential units in a Hope Community; or, mixed use development consisting of at least 25 square feet.
- Total project cost must be greater than \$5.0 million, with the exception of projects in a Hope Community or designated redevelopment area.

Article 12, however, exempts Rebuild RI projects that involves a manufacturer or a qualified small business project from the above three conditions. A qualified small business project is defined as a commercial project located within one block of a project awarded funding under the Main Street Rhode Island Streetscape Improvement Fund Act (Main Street RI), or as determined by the Commerce Corporation to be located in a local business district consistent with the purposes of Main Street RI.

Article 12 also adjusts the annual limit amounts on the taking of the tax credits. Currently, tax credits are allowable to be taken by the taxpayer only once the project is placed into service. The credits may be taken in up to five annual increments. No more than 30.0 percent of the total credits may be taken in one year and no less than 15.0 percent. Article 12 exempts projects with a financing gap of less than \$500,000 from these annual maximum and minimum limits.

New 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 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 \$100,000 for any one business in any given tax year. Payment of redeemed tax credits are made from new account within the Commerce Corporation and is contingent upon state budget appropriation. The Governor recommends \$300,000 in general revenue in FY2019.

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.

- Make application to the Commerce Corporation *prior* to making the investment that would give rise to the requested tax credit. When considering an application, the 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; and the number of jobs resulting.

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.

Local Zoning/Permitting Assistance

The article expands the existing Main Street RI Streetscape Improvement Program, administered by the Commerce Corporation, to include a new technical assistance component for the purpose of improving 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 \$200,000 of general revenue for FY2019.

Qualified Jobs Incentive Act Accessibility

Article 12 modifies the eligibility requirements to qualify for tax credits under Qualified Jobs Incentive Act in favor of manufacturers. Businesses seeking Qualified Jobs Incentive Act tax credits must demonstrate the creation of a minimum number of new full time jobs based on a graduated scale depending on the number of existing full time employees (FTEs) the business employs at the time of application.

Article 12 allows all manufacturers, regardless of size, to qualify for the tax credit, by creating the minimum number of new jobs. This number must be at least 10.0 percent of existing FTEs or at least 100 FTEs.

Article 13: Relating to Medical Assistance

This article makes several changes to the financing and delivery of the Medicaid program, including:

- Implements co-payments for adult inpatient hospital visits, non-emergency ER visits, non-preventative physical health-related office visits, and for prescription drug coverage. Co-payments could not exceed 5.0 percent of “countable income” in any plan year.
- Maintains hospital inpatient and outpatient rates at FY2018 levels.
- Allows for automation of asset verification and amendment to transfer of asset provisions related to long-term services and supports.
- Increases nursing home rates by a maximum of 1.0 percent.
- Eliminates the hospital inpatient upper payment limits payments.
- Expands RItE Share eligibility and allows adult children with disabilities to remain on their parents’ commercial health insurance coverage beyond age 26.
- Amends the Graduate Medical Education (GME) program to reduce state-only program funding and restructures the program to focus on mental health and substance use treatment at all teaching hospitals.

FISCAL IMPACT

This article reduces general revenue expenditures by \$23.7 million (\$56.0 million all funds) in FY2019.

Initiative	GR Savings	AF Savings
Medicaid Co-Payments	\$3.2	\$10.9
Freeze Hospital Inpatient and Outpatient Rates	5.3	15.5
LTSS Asset Verification	2.5	5.2
Nursing Facility Rates	3.9	7.9
Inpatient UPL Elimination	5.6	14.1
RItE Share Expansion	0.7	1.4
Graduate Medical Education	3.3	2.5
Totals	\$24.4	\$57.5

\$ in millions

ANALYSIS AND BACKGROUND

Medicaid Co-Payments: The Governor proposes co-payments for adult inpatient hospital visits, non-emergency ER visits, non-preventative physical health-related office visits, and for prescription drug coverage. Adults with a disability determination by the Social Security Administration, the Office of Rehabilitative Services, and the Medical Assistance Review Team (MART) are exempt from the co-payments. According to EOHHS, many states have co-payments for certain Medicaid services, generally limited to not more than 5.0 percent of annual income.

In managed care settings, managed care organizations (MCOs) stop billing once the threshold is reached. In fee-for-service settings, most states require enrollees to present receipts to prove co-pay limits are reached. The Governor’s proposal would limit co-payments to 5.0 percent of “countable” income in a plan year. This is the maximum co-payment as allowed by the federal government.

List of the co-pays included:	Utilization	Co-Pay Charged	Co-Pay Collection	Reduced Utilization	Cost per Service	Utilization Savings	Total Savings
Generic prescription drugs	1,854,721	\$2.50	\$4,636,803	233,676	\$28.65	\$6,693,888	\$12,039,677
Brand prescription drugs	177,247	4.00	708,987				
Non-emergent ED use	31,692	8.00	253,533	3,169	478.44	1,516,268	1,769,801
Inpatient hospital visits	29,576	3.00	88,729	n/a			88,729
Non-preventative physical health office visits	442,674	3.00	1,328,022	n/a			1,328,022
Total Savings			\$7,016,073			\$8,210,156	\$15,226,229

General Revenue Savings

\$3,246,719

The proposal is slated to begin on July 1, 2018, and the Budget includes funding for 2.0 FTE positions to implement the program. The Budget includes \$3.2 million in general revenue savings (\$15.2 million all funds) from the initiative.

Freeze Hospital Inpatient and Outpatient Rates: Hospitals are reimbursed by Medicaid on a fee-for-service basis and by MCOs for inpatient, outpatient, and emergency services. 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. Increases may not exceed the CMS Prospective Payment System Hospital Price Index, an inflation-based index. The article maintains current rates for inpatient and outpatient services for FY2019.

Fiscal Year	Inpatient Rate Change	Outpatient Rate Change
FY2013	2.7%	1.9%
FY2014	0.0%	0.0%
FY2015	0.0%	0.0%
FY2016	-2.5%	-2.5%
FY2017	3.0%	1.9%
FY2018	2.4%	2.4%
<i>FY2019 (proposed)</i>	<i>0.0%</i>	<i>0.0%</i>

The November 2017 Caseload Estimating Conference adopted hospital payment figures that were based on estimated 2.8 percent increases for inpatient services and 1.8 percent for outpatient services. The Budget assumes \$5.3 million in general revenue savings (\$15.5 million all funds) from the initiative.

LTSS Automated Asset Verification: Asset verification is a key component to Medicaid eligibility determination. The Office proposes to automate asset verification functions related in long-term services and supports (LTSS) settings. The Office indicates that the current process is manual and caseworkers lack sufficient tools in the field to accurately verify information. The Office plans to purchase and implement an electronic asset verification system, resulting in savings for nursing homes and other LTSS spending.

The Budget assumes \$2.5 million in general revenue savings (\$5.2 million all funds) in FY2019. The estimate assumes that 102 nursing home members and 98 home and community-based services members would be found ineligible each year, equating to approximately 2.0 percent.

LTSS Resource Testing: The Budget amends the law to eliminate “loopholes” related to the treatment of annuities as it relates to asset and income testing. This includes testing for “asset transfers”, or when a Medicaid applicant or beneficiary transfers a liquid financial resource for less than it is worth in the five years preceding the application. Federal law requires that these types of transfers disqualify an applicant for a penalty period before being eligible for Medicaid-funded long-term care. The Budget includes \$539,648 in general revenue (\$1.1 million all funds) savings in FY2019 from the initiative.

Nursing Facility Rates: Each October nursing homes are to receive an inflation-based rate increase, tied to the national nursing home inflation index. The November 2017 Caseload Estimating Conference adopted nursing homes payments assuming a 2.75 percent increase in FY2019. The Budget reduces this scheduled increase to 1.0 percent, saving an estimated \$2.6 million in general revenues (\$5.4 million all funds).

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. Rates were frozen for FY2018.

Adopted Rate			
Date	Change	Index Rate Change	Difference
10/1/2012	3.1%	3.1%	0.0%
10/1/2013	0.0%	2.9%	-2.9%
10/1/2014	0.0%	3.5%	-3.5%
4/1/2015	3.2%	0.0%	3.2%
8/1/2015	-2.5%	0.0%	-2.5%
10/1/2015	0.0%	3.2%	-3.2%
10/1/2016	3.3%	3.3%	0.0%
10/1/2017	0.0%	2.8%	-2.8%
10/1/18 (proposed)	1.0%	2.8%	-1.8%
Totals	8.1%	21.6%	-13.5%

Inpatient Upper Payment Limit (UPL) Elimination: Upper Payment Limit (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, thereby maximizing available federal funds. This article eliminates UPL payments for hospital inpatient services.

UPL payments are not required under federal law. The Executive Office of Health and Human Services proposes that the elimination of inpatient UPL comes at a time when there is less uncompensated care due to the Affordable Care Act, and that the impact to hospitals is minimized because of this.

The proposal saves \$5.6 million in general revenue funding (\$14.1 million all funds) in FY2019.

Hospital	Current Inpatient UPL
Butler	N/A
Kent	\$965,243
Memorial	\$263,733
Women and Infants	\$5,553,158
Care New England	\$6,782,134
Bradley	N/A
Miriam	\$779,268
Newport	\$278,763
Rhode Island Hospital	\$4,047,209
Lifespan	\$5,105,240
Roger Williams	\$645,602
St. Joseph	\$921,944
Prospect- CharterCARE	\$1,567,546
Landmark	\$424,487
South County	\$125,508
Westerly	\$59,274
Rehab	N/A
Other	\$609,269
Totals	\$14,064,189

RItE Share Expansion: The article expands RItE Share eligibility and allows adult children with disabilities to remain on the parents' commercial health insurance coverage beyond age 26. RItE Share is a premium assistance program for those eligible for Medicaid and who have access to employer-sponsored commercial insurance, but for whom the share of those monthly premiums is unaffordable. Under the program, Medicaid pays the eligible member's share of the premiums, if cost effective. This shifts costs from Medicaid plans to employer-sponsored plans.

Under the initiative, EOHHS will expand on processes to identify those with Medicaid eligibility, including disabled persons, who have access to employer-sponsored health coverage. EOHHS indicates that as many as one-third of disabled and Medicaid eligible persons may have access to employer-sponsored insurance.

The Budget assumes \$673,617 in general revenue savings (\$1.4 million all funds) from the initiative. Of note, the RI Bridges system does not currently support RIte Share functionality.

Graduate Medical Education: The state has a Graduate Medical Education (GME) program that provides funding for Rhode Island's academic Level I trauma center hospitals that have a minimum of 25,000 inpatient discharges per year and provide at least 250 interns and residents per year. Currently, Rhode Island Hospital is the only hospital that qualifies for this funding. The FY2018 Budget as Enacted contains \$4.0 million in general revenue funding for the initiative; however, the Governor eliminates this payment in the supplemental budget recommendation.

For FY2019, the Budget amends the GME program to reduce state-only program funding and restructures the program to focus on mental health and substance use treatment at all teaching hospitals. The Budget saves \$3.3 million in general revenues as compared to the FY2018 enacted budget. The \$750,000 in remaining general revenue funding would be matched by federal funds in FY2019.

The program amendment removes the inpatient discharge and intern and resident training requirements, thereby expanding the number of hospitals that may be eligible to participate.

Analyst Note: The Governor submitted a budget amendment on February 1, 2018, that removes the Level I trauma center requirement, and further clarifies that this funding pool shall be used to support graduate medical education programs and research in areas including, but not limited to, mental health and substance abuse.

Article 14: 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: a Medicaid State Plan Amendment, either a Category II or Category III amendment to the terms and conditions of Rhode Island's Section 1115 Comprehensive Demonstration, changes to state rules and/or regulations, as well as contractual changes that have a significant impact to the EOHHS' medical assistance appropriation.

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 Governor's budget request that do not require statutory action, but rather require regulatory changes or substantial contractual changes within the State's Medicaid managed care organizations. This article grants EOHHS the authority to undertake all actions, regulatory and/or contractual, required to realize the funding levels included in Article 1. Article 13 includes language for the statutory changes needed to implement several of the associated initiatives.

FISCAL IMPACT

The article includes a total fiscal impact of \$51.7 million in general revenue savings (\$128.4 million all funds). This article seeks authority for a number of other initiatives that also require statutory changes. For these initiatives the fiscal impact is also noted in Article 13.

Initiative	GR Savings	AF Savings
Freeze Hospital Inpatient and Outpatient Rates	\$5.4	\$15.5
Reduction in Nursing Facility Cost of Living Adjustment	2.6	5.4
Reduction to MCO Administrative Component	1.9	5.6
Reduction to MCO Medical Component	14.9	44.0
Reduction to MCO Profit Margin	6.9	20.5
Eliminate Retroactive Eligibility	2.3	4.8
LTSS Automated Asset Verification	2.5	5.2
LTSS Resource Transfers	0.5	1.1
Restructure Rhody Health Options	7.3	15.4
Rlte Share Expansion	0.7	1.4
Non-Emergency Transportation	3.8	9.5
Community First Choice Expansion	3.0	-
Health Home Alternative Payments	-	-
BH Link	-	-
Federal Financing Opportunities	-	-
Totals	\$51.7	\$128.4

\$ 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:

Payment Rate Adjustments: The article seeks authority to freeze rates for in-patient and out-patient hospital services; reduces nursing facilities payment increase to 1.0 percent; and reduces rates for Medicaid managed care plan administration.

- Freeze Hospital Inpatient and Outpatient Rates:** Hospitals are reimbursed by Medicaid on a fee-for-service basis and by MCOs for inpatient, outpatient, and emergency services. 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. Increases may not exceed the Centers for Medicare and Medicaid Services (CMS) Prospective Payment System Hospital Price Index, an inflation-based index. The article maintains current rates for inpatient and outpatient services for FY2019.

Fiscal Year	Inpatient Rate Change	Outpatient Rate Change
FY2013	2.7%	1.9%
FY2014	0.0%	0.0%
FY2015	0.0%	0.0%
FY2016	-2.5%	-2.5%
FY2017	3.0%	1.9%
FY2018	2.4%	2.4%
<i>FY2019 (proposed)</i>	<i>0.0%</i>	<i>0.0%</i>

The November 2017 Caseload Estimating Conference adopted hospital payment figures that were based on estimated 2.8 percent increases for inpatient services and 1.8 percent for outpatient services. The Budget assumes \$5.3 million in general revenue savings (\$15.5 million all funds) from the initiative. Article 13 contains statutory language for the initiative.

- Reduction in Nursing Facility Cost of Living Adjustment:** Each October nursing homes are to receive an inflation-based rate increase, tied to the national nursing home inflation index. The November 2017 Caseload Estimating Conference adopted nursing homes payments assuming a 2.75 percent increase in FY2019. The Budget reduces this scheduled increase to 1.0 percent, saving an estimated \$2.6 million in general revenues (\$5.4 million all funds). Article 13 contains statutory language for the initiative.

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. Rates were frozen for FY2018.

Date	Adopted Rate		Difference
	Change	Index Rate Change	
10/1/2012	3.1%	3.1%	0.0%
10/1/2013	0.0%	2.9%	-2.9%
10/1/2014	0.0%	3.5%	-3.5%
4/1/2015	3.2%	0.0%	3.2%
8/1/2015	-2.5%	0.0%	-2.5%
10/1/2015	0.0%	3.2%	-3.2%
10/1/2016	3.3%	3.3%	0.0%
10/1/2017	0.0%	2.8%	-2.8%
<i>10/1/18 (proposed)</i>	<i>1.0%</i>	<i>2.8%</i>	<i>-1.8%</i>
Totals	8.1%	21.6%	-13.5%

- Managed Care Organizations (MCOs):** The article seeks authority to reduce administrative rates paid to MCOs by 2.5 percent in FY2019. The Budget includes \$1.9 million in general revenue savings (\$5.6 million all funds) in FY2019.

EOHHS indicates that managed care administrative costs have risen by 65.0 percent since FY2014, while enrollments have increased by 49.0 percent. Spending on MCO administration has increased from \$77.7 million in FY2014 to an anticipated \$128.2 million in FY2019. The Office indicates that the reduction will be an “incentive to MCOs to improve their operational efficiency and to work closely with Medicaid to identify areas of potential improvement to administrative processes.”

The historical trends and any savings underlying this initiative exclude any assumption of impact on Rhody Health Options. This program is addressed in a separate initiative.

The changes require negotiations with MCOs and CMS as contracts will need to be amended. Further, EOHHS has an obligation per 42 CFR 438.6 to develop its rates in accordance with generally accepted actuarial principles and practices and the proposed cuts could challenge the actuarial soundness of EOHHS payments to the MCOs.

Analyst Note: The Governor submitted a budget amendment on February 1 that makes two additional changes to MCO payments. EOHHS would reduce the medical component of MCO plan rates, and eliminate the risk margin component of MCO rates.

MCO Medical Component: *The proposal would cut MCO medical component rates by a combined 3.75 percent, which includes a 1.0 percent “quality withhold” and a 2.75 percent base reduction to the rates. The State plans to establish benchmarks for lowering expenditures for high Medicaid utilizers, reduce cesarean births, and reduce emergency room utilization. The Budget includes \$14.9 million in general revenue savings (\$44.0 million all funds) from the initiative.*

MCO Risk Margin: *The Budget would eliminate the 1.5 percent profit margin component of MCO rates that is intended to mitigate risks of insurance market operation. The margin is a mechanism for MCOs to maintain and/or enhance reserves. The Budget includes \$6.9 million in general revenue savings (\$20.5 million all funds) from the initiative.*

Both initiatives will require negotiations with the MCOs and CMS as EOHHS will need to amend existing contracts and maintain the standard of actuarial soundness.

Eliminates Retroactive Eligibility: The article eliminates retroactive coverage for specified Medicaid beneficiary categories. Currently long-term care applicants can apply for up to three months of retroactive coverage. EOHHS indicates that the purpose of the retroactivity is to ensure that applicants are not bankrupted by medical costs incurred during a time period when they may have been too sick to apply for Medicaid benefits. Most states do not offer retroactive coverage.

EOHHS estimates that as many as 90.0 percent of new applicants for long-term services and supports apply for and receive retroactive coverage. The Budget assumes that 20.0 percent of these cases would continue because of a proposed hardship exemption that would still allow retroactive coverage in certain instances. The Budget assumes \$2.3 million in general revenue savings (\$4.8 million all funds) from the initiative.

LTSS Automated Asset Verification: Asset verification is a key component to Medicaid eligibility determination. The Office proposes to automate asset verification functions related in long-term services and supports (LTSS) settings. The Office indicates that the current process is manual and caseworkers lack sufficient tools in the field to accurately verify information. The Office plans to purchase and implement an electronic asset verification system, resulting in savings for nursing homes and other LTSS spending.

The Budget assumes \$2.5 million in general revenue savings (\$5.2 million all funds) in FY2019. The estimate assumes that 102 nursing home members and 98 home and community-based services members would be found ineligible each year, equating to approximately 2.0 percent of daily census. Article 13 contains statutory language for the initiative.

LTSS Resource Testing: The Budget amends the law to eliminate “loopholes” related to the treatment of annuities as it relates to asset and income testing. This includes testing for “asset transfers”, or when a Medicaid applicant or beneficiary transfers a liquid financial resource for less than it is worth in the five years preceding the application. Federal law requires that these types of transfers disqualify an applicant for a penalty period before being eligible for Medicaid-funded long-term care. The Budget includes \$539,648 in general revenue (\$1.1 million all funds) savings in FY2019 from the initiative.

Restructure Rhody Health Options: The article restructures the delivery system for individuals with both Medicare and Medicaid eligibility (dual eligible) who have chronic or disabling conditions. EOHHS plans to redesign the delivery system with performance incentives to reduce administrative and risk share costs. The Budget includes \$7.3 million in general revenue savings (\$15.4 million all funds) from the initiative. Also proposed are \$625,000 in additional expenditures associated with the program redesign.

RIte Share Expansion: The article expands RIte Share eligibility and allows adult children with disabilities to remain on the parents' commercial health insurance coverage beyond age 26. RIte Share is a premium assistance program for those eligible for Medicaid and who have access to employer-sponsored commercial insurance, but for whom the share of those monthly premiums is unaffordable. Under the program, Medicaid pays the eligible member's share of the premiums, if cost effective. This shifts costs from Medicaid plans to employer-sponsored plans.

Under the initiative, EOHHS will expand on processes to identify those with Medicaid eligibility, including disabled persons, who have access to employer-sponsored health coverage. EOHHS indicates that as many as one-third of disabled and Medicaid eligible persons may have access to employer-sponsored insurance.

The Budget assumes \$673,617 in general revenue savings (\$1.4 million all funds) from the initiative. Of note, the RI Bridges system does not currently support RIte Share functionality. Article 13 contains statutory language for the initiative.

Non-Emergency Medical Transportation: The article reduces reimbursement and removes state restrictions to align with Title XIX for the non-emergency medical transportation (NEMT) program. EOHHS plans to restructure the NEMT program to incentive cost-effective transportation solutions, including making changes to vendor payment methods, rate cuts, and other rebates.

The State's current NEMT vendor, Logisticare, has a contract that runs through December 31, 2018. The proposed changes would begin January 1, 2019. According to EOHHS, Logisticare has operating margins approaching 20.0 percent. The Budget includes \$3.8 million in general revenue savings (\$9.5 million all funds) from the initiative.

Implementation of Community First Choice: The article further supports the redesign of the delivery system for beneficiaries receiving long term care services and supports. It promotes the transition of Medicaid beneficiaries to community-based services wherever appropriate by seeking waiver authority to promote the Community First Choice (CFC) option for seniors and people with physical disabilities and for intellectually or developmentally disabled people living with families or independently. EOHHS estimates that for the targeted population nursing homes cost \$63,833 per year compared to \$33,250 for home and community-based settings (HCBS). The CFC option provides additional funding to support transitions by providing enhanced federal financial participation for certain HCBS expenditures.

Based on an estimated transition of 26 members per month beginning in October 2018, EOHHS estimates \$3.0 million in general revenue savings from reduced nursing home costs and increased HCBS costs to be shifted to federal fund sources.

Health Home Alternative Payments: The article includes authorizing language for EOHHS to develop, in collaboration with the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH), a health home for providing person-centered planning and a value-based alternative payment system for individuals with developmental disabilities. Health homes aim to coordinate all aspects of care, including psychiatry, primary care, specialty care, medication, hospital discharge and wellness needs. Health homes do not provide actual care services, but instead coordinate care management and provide assessments and referrals.

The article language authorizes the two departments to work together to develop a plan, however no budget savings are attached to the initiative. It is anticipated that savings will be realized as health homes received the enhanced federal Medicaid match rate.

BH Link: The article promotes, in coordination with BHDDH, the development of community-based alternatives to emergency department visits for addiction and mental health emergencies. Called BH Link, the program will refer and divert patients when appropriate and subject to protocols and agreements with first responders.

BHDDH has issued a request for proposals and is negotiating with the prospective service provider. BHDDH anticipates BH Link being operational by July 1, 2018, using existing Medicaid billing codes. The State Plan Amendment, if accepted by CMS, would create a bundled encounter rate for future billing.

The article language authorizes the two departments to work together to develop a plan, however no FY2019 budget savings are attached to the initiative.

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 2019.

Article 15: Relating to Children and Families

This article changes the powers and duties of the Department of Children, Youth and Families (DCYF), the regulation of child care facilities, and the administration of the child care assistance program. The article provides for a voluntary extension of care (VEC) program that qualifies for federal Title IV-E funding, allows DCYF to implement penalties on child care providers, and requires the implementation of regulations for visual lead inspections of foster homes. The article also provides child care support for qualified parents attending a Rhode Island institution of higher education, and establishes a tiered rate system for licensed child care providers caring for children ages one week to three years of age.

FISCAL IMPACT

The initiatives in this article are estimated to increase general revenue expenditures by \$1.6 million (\$2.7 million all funds) in FY2019. This estimate does not include the \$5,500 in annual revenue projected for the implementation of child care violation fines.

Initiative	FY2019 Expenditure Impact	
	General Revenue	All Funds
Voluntary Extension of Care	(\$1,568)	\$915,062
Visual Lead Inspections	(110,000)	110,000
Child Care Supports	200,000	200,000
Tiered Child Care Incentive Payments	1,500,000	1,500,000
Total	\$1,588,432	\$2,725,062

Source: Rhode Island Office of Management and Budget

ANALYSIS AND BACKGROUND

Voluntary Extension of Care

The article allows for voluntary extension of care (VEC) for foster youth between the ages of 18 and 21, which supports increased federal funding to administer the program. A voluntary placement agreement for extension of care is a written agreement between the young adult and DCYF.

Currently, DCYF care and custody of a child expires on their eighteenth birthday, unless they have a developmental delay or a Serious Emotional Disturbance (SED); these children can remain in care until age 21. At least six months prior to the child's eighteenth birthday, the Rhode Island Family Court requires DCYF to provide a detailed description of the transition services being delivered to the child, such as housing, health insurance, an education and/or employment plan, access to available mentors, and continuing support services including workforce supports and employment services. Otherwise, DCYF must provide a detailed explanation as to the reason the services were not provided.

DCYF currently funds services for youth exiting care through the Consolidated Youth Services (CYS) contract with Foster Forward. The Youth Establishing Self-Sufficiency (YESS) aftercare program provides individualized services and supports to young adults, ages 18 to 21, who have been closed to the Court and DCYF. By assisting former foster youth in crafting their plan for self-sufficiency, and identifying and utilizing relevant community-based resources, YESS prepares participants to live independently by their 21st birthday. Participants receive assistance identifying safe and affordable housing, finding employment opportunities, enrolling in an educational program, and creating a household budget. The YESS program also provides funds to help pay for housing and other living expenses. The proposed VEC program would involve the termination of the YESS contract.

To qualify for the proposed VEC program, a young adult must:

- Be between the ages of 18 and 21 years and have either been in the custody of the Department on their eighteenth birthday pursuant to an abuse, neglect, or dependency petition, or been a former foster child who was adopted or placed in a guardianship at or after age 16.
- Be participating in at least one of the following:

- A high school diploma or General Education Diploma (GED) program;
- A secondary education program or program leading to an equivalent credential;
- A job training program or an activity designed to remove barriers to employment;
- A job where the young adult is employed for at least 80 hours per month; or
- Be incapable of doing any of the foregoing due to a medical condition that is regularly documented in the case plan.

Within 180 days of signing a voluntary placement agreement, the Department must petition the Court to make an initial determination of whether remaining in foster care is in the best interests of the young adult. The participating young adult may terminate the extended care status at any time and request a reinstatement of such status at any time prior to their 21st birthday. The Department must file a motion for good cause with the Court in order to terminate the legal supervision and responsibility for care and placement of the young adult. The Court may terminate legal supervision of the young adult at any time.

The Court must conduct a permanency hearing within one year after the execution of a voluntary placement agreement and annually thereafter. At the permanency hearing, the Department shall present a written case plan for approval by the Court that details the services, care, and placement the young adult will receive to assist in the transition to independence and successful adulthood. The young adult should be present at each permanency hearing, except for good cause. A young adult in the VEC program may request a guardian ad litem or court-appointed counsel, which will be appointed at the discretion of the Court with the cost of the counsel paid by the State.

Analyst Note: According to the Department, a “guardian ad litem” is a licensed attorney the Court appoints to investigate what solutions would be in the “best interest of the child.” A “court-appointed counsel” represents the child in Court proceedings, but may not focus on what is in the “best interest” and instead may adhere to how their client would like to proceed in their case.

In the case of a young adult who has executed a voluntary placement agreement for extension of care, the permanency plan must address the goal of preparing the young adult for independence and successful adulthood, including, but not limited to, the following:

- Housing assistance to obtain supervised independent living, shared living arrangements, or extended foster care;
- Education, vocational assessment, job training, and employment planning to transition the young adult to self-sufficiency;
- Assistance in obtaining educational goals;
- A job, or employment/vocational skills;
- Supports to assist the young adult in assessing available services such as applying for public benefits, obtaining important documents (such as an ID card, driver’s license, or birth certificate), attending to physical and mental health needs, and maintaining relationships with individuals including acquiring information about relatives.

Periodic formal reviews must be held at least once every 180 days to assess the progress and case plan of each young adult under the care and responsibility of the Department. The Court must review the permanency plan at least once a year and the Department must conduct an administrative review within 180 days of the Court hearing. The young adult is expected to participate.

Analyst Note: It is unclear from the language of the article who is responsible for conducting the periodic formal reviews.

At the administrative review and permanency hearing, the Department and Court must ascertain whether:

- The young adult still meets the eligibility requirements;
- The Department has made reasonable efforts to finalize a plan that prepares the young adult for transition to independence;
- The young adult is safe in their placement and continued care is appropriate;
- The young adult has received the appropriate services to achieve goals documented in the case plan;
- Progress has been made to achieve independence on a projected date.

The Court may order any department of the State to take action to ensure the young adult receives the support and care necessary to achieve independence and a successful adulthood.

This section of the article is projected to slightly decrease general revenue expenditures and increase federal fund expenditures by \$915,062 due to increased federal reimbursements.

Pathways and Workforce Training Programs

The article expands the Governor's Workforce Board Advisory Committee to include DCYF. Pursuant to current law, the Workforce Board supports and oversees statewide efforts to develop and expand career pathways that enable individuals to secure employment in a specific industry or occupational sector and to advance within that sector. The Advisory Committee, comprised of representatives from business, labor, and government, assists the Workforce Board in these efforts.

Analyst Note: The Governor's Budget Amendment dated March 12, 2018, adds another section to Article 15. The new section allows DCYF and the Department of Labor and Training (DLT) to work collaboratively with the Governor's Workforce Board to provide vocational assessments and job training services to youth in the VEC program. The amendment further requires DCYF, DLT, and the Governor's Workforce Board to track the movement of VEC participants into the workforce and provide an annual report to the Governor.

Establishment of Administrative Penalties for Child Care Providers and Placement Agencies

The article requires DCYF to assess administrative penalties for child care licensing violations relating to child care centers, family child care homes, and group family child care homes. In so doing, the Director of DCYF must utilize a progressive penalty structure unless there is a danger to public health, safety, or welfare, or a determination that a child care provider has committed a serious breach of law or regulation. The progressive penalty structure may include written notice of noncompliance, education and training, assessment of fees, and suspension or revocation of license.

The article also empowers the Director of DCYF, or her duly authorized agent, to assess an administrative penalty on a licensed child care provider that violates a rule, regulation, order, permit, license, or approval issued or adopted by the Director, or any law which the Director has the authority or responsibility to enforce. When seeking an administrative penalty, the Director must serve written notice to the provider either by service, in hand, or by certified mail with return receipt. The provider has the right to an adjudicatory hearing where the burden is on the Director to prove the allegation by a preponderance of the evidence. The provider has 30 days to seek judicial review of the penalty in Family Court.

Analyst Note: The Governor's Budget Amendment dated March 12, 2018, clarifies the circumstances under which DCYF can administer a penalty and requires the Department to conduct a risk and safety analysis prior to imposing a penalty. This clarification was requested by the child care provider community.

Pursuant to the definitions provided in the section, unless otherwise specified by statute, an administrative penalty may not exceed \$500; however, the section delineating limitations on amount of the administrative penalty limits the amount of the penalty to \$1,000 per violation unless otherwise authorized by statute.

Analyst Note: The Governor's Budget Amendment dated March 12, 2018, corrects the amount of the maximum penalty to be \$500 in both places.

The Director must promulgate rules and regulations before any administrative penalties can be imposed. This section of the article is projected to increase general revenues by \$5,500.

Lead Inspection of Child Care Facilities and Foster Homes

The article amends the Lead Poisoning Prevention Act so that 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, schoolyards, public playgrounds, and shelters are removed from this section.

Foster homes would be subject to a visual lead inspection, pursuant to regulations promulgated by the Director of DCYF, to assess the presence of potential lead hazards in the home. The Department of Health will review the results of the inspections and ensure that owners receive the information need to remediate the lead hazards identified through the inspection. The article does not require remediation of the identified hazards; however, RIGL 23-24.6-17 requires the Director of the Department of Health to promulgate lead hazard reduction regulations. According to DCYF, the amendment is intended to allow homes to be licensed while remediation is in progress in order to help address the licensing backlog of foster families and bring Rhode Island in line with the federal standards. DCYF will be able to keep more children with foster families and increase state federal reimbursements; consequently, this section of the article is projected to shift \$110,000 in general revenue expenditures to federal funds.

Child Care Assistance

The article amends the Rhode Island Works Program to provide child care support to families with parents enrolled at a Rhode Island institution of higher education who need child care assistance in order to attend. The article also expands the income eligibility for child care support to families participating in qualified education, work immersion, or other job-readiness programs to include families at or below 180.0 percent of the federal poverty level. This section is projected in increase general revenue expenditures by \$200,000.

Child Care Rates

The minimum state subsidy rates for licensed child care centers and family child care homes providing care for infants and toddlers, ages one week to three years, would be changed to a tiered system reflective of the quality rating the provider has achieved within the State's Quality Rating system. The Department of Human Services (DHS) will establish rates based on the 2015 market survey. The market rate survey is a local survey conducted every two years by the Department of Labor and Training.

Analyst Note: The Governor's Budget Amendment dated March 12, 2018, removes the language specifying the use of a market rate survey from 2015 and clarifies that subsidy rates established by DHS will be based on the most recent survey. It also specifies that the rates established by Article 15 only apply to full-time child care.

Pursuant to the article, no rate would be below \$193 for licensed child care centers or \$169 for family child care homes. The rate for providers achieving a rating of five out of five stars through the quality rating system would be paid a rate at least equivalent to the 75th percentile of the market rate. The tiered system is intended to incentivize best practices in childcare. The article does not change the current rates for children over the age of three years. This section of the article is projected to increase general revenue expenditures by \$1.5 million.

Rhode Island's Tiered Quality Rating and Improvement System (TQRIS) is BrightStars. A TQRIS is used by states to assess, improve, and communicate the level of quality in child care programs. Through the star rating system, BrightStars helps child care providers learn and apply best practices, and helps families access quality child care, early learning, and school-age programs. The Rhode Island Association for the Education of Young Children manages BrightStars and Rhode Island KIDS COUNT coordinates and supports the evaluation of BrightStars.

The following table shows the change in weekly rates to licensed child care centers and family child care homes based on the proposed tiered rating system. The Department of Human Services provided the rates based on a Statewide Survey of Child Care Rates in Rhode Island from 2015. Family child care homes earning three stars and above will be reimbursed at rates greater than 75.0 percentile of the market rate to incentivize family child care homes to accept more children. However, their reimbursement will still be less than that of licensed child care centers.

Base Reimbursement Rates		New Rates with BrightStars Rating System			Change in Rates from Base				Closest Percentile		
Centers	Family	Rating	Centers	Family	Centers		Family		Rating	Centers	Family
\$193.64	\$169.95	1 Star	\$198.23	\$173.34	\$4.59	2.4%	\$3.39	2.0%	1 Star	19.0%	56.0%
193.64	169.95	2 Star	202.81	177.86	9.17	4.7%	7.91	4.7%	2 Star	24.0%	70.0%
193.64	169.95	3 Star	215.42	189.16	21.78	11.2%	19.21	11.3%	3 Star	41.0%	77.0%
193.64	169.95	4 Star	221.16	193.68	27.52	14.2%	23.73	14.0%	4 Star	49.0%	78.0%
193.64	169.95	5 Star	239.50	209.50	45.86	23.7%	39.55	23.3%	5 Star	75.0%	87.0%

Source: Rhode Island Department of Human Services

Article 16: Relating to Debt Management Act Joint Resolutions

This article serves as a joint resolution for the issuance of up to \$19.8 million in debt required pursuant to RIGL 35-18-1, commonly known as the Kushner Act, to finance an array of projects at the University of Rhode Island (URI). The projects, total costs, financing instruments, annual amounts, and total debt are summarized below.

Revenue Bonds	Proposed Debt Authorizations			
	Department	Principal	Interest	Total Debt
Repaving, Hardscape & Landscape	URI (RIHEBC)	\$11.0	\$6.7	\$17.7
Utility Infrastructure Upgrade Phase I	URI (RIHEBC)	6.5	3.9	10.4
Fire Safety & Protection Phase II	URI (RIHEBC)	2.3	1.4	3.7
Total		\$19.8	\$12.0	\$31.8

\$ in millions

FISCAL IMPACT

The article authorizes \$19.8 million in Rhode Island Health and Educational Building Corporation (RIHEBC) revenue bonds, authorized at up to 5.0 percent interest over 20 years, yielding a total debt service of \$31.8 million that will be financed primarily through University of Rhode Island unrestricted institutional revenue and auxiliary fee revenues.

Project	Department	Total Cost	Annual	Final
Repaving, Hardscape & Landscape	URI (RIHEBC)	\$17.7	\$0.9	2038
Utility Infrastructure Upgrade Phase I	URI (RIHEBC)	10.4	0.5	2038
Fire Safety & Protection Phase II	URI (RIHEBC)	3.7	0.2	2038
Total		\$31.8	\$1.6	

\$ in millions

ANALYSIS AND BACKGROUND

Repaving, Hardscape and Landscape

This article provides for the issuance of Rhode Island Health and Educational Building Corporation (RIHEBC) revenue bonds totaling \$11.0 million for repaving and reconstruction of major parking facilities, internal roadways, and walkways and associated infrastructure on the University's Kingston, Narragansett Bay, and W. Alton Jones Campuses. A recent Transportation and Parking Master Plan recommends the redevelopment of campus roadways into "complete streets" allowing safe travel for pedestrians, cyclists, vehicles and other modes of travel. The execution of this Master Plan will improve the campus' environmental impact and serve the objectives of both the University and the local communities. The total debt service is not expected to exceed \$17.7 million assuming an interest rate of 5.0 percent over 20 years. The University's unrestricted general revenues, and university parking services auxiliary will support the project.

Utility Infrastructure Upgrade Phase I

This article provides for the issuance of Rhode Island Health and Educational Building Corporation (RIHEBC) revenue bonds in the amount of \$6.5 million for the engineering and construction of upgrades and component replacements to five municipal-level Kingston Campus utility systems. Studies commissioned by the University have concluded that replacement of components and reconfiguration was advisable for each system to ensure necessary steam, water, sanitary, and electrical support for the next 20 to 40 years. This project is the first phase in a phased implementation plan to upgrade and improve the reliability of the University's Kingston Campus structure. The total debt service is not expected to exceed \$10.4 million assuming an interest rate of 5.0 percent over 20 years. Revenues derived from the University's unrestricted general revenues will support the project.

Fire and Safety Protection- Auxiliary Enterprise Buildings Phase II

This article provides for the issuance of Rhode Island Health and Educational Building Corporation (RIHEBC) revenue bonds in the amount of \$2.3 million for the installation of upgraded fire alarm and sprinkler systems, as well as life safety improvements in auxiliary enterprise buildings, in accordance with the State Fire Code. The University completed extensive fire safety improvements in academic and administrative during Phase I. Phase II seeks to continue these improvements throughout auxiliary buildings. The total debt service is not expected to exceed \$3.7 million assuming an interest rate of 5.0 percent over 20 years. The Debt service will be financed from URI's auxiliary enterprise revenues.

Article 17: Relating to Edward O. Hawkins and Thomas C. Slater Medical Marijuana Act

This article proposes a number of changes to the regulation of medical marijuana. Specifically, Article 17:

- Increases the number of compassion centers from 3 to 15, increases the Compassion Center licensing application fee from \$250 to \$10,000, and increases fee for license renewal from \$5,000 to \$30,000.
- Shifts oversight of caregivers and authorized purchasers from the Department of Health (DOH) to the Department of Business Regulation (DBR).
- Lowers the limit on the number of plants patients may from 24 to 16. Caregivers are reduced from a maximum of 48 plants to 36. The amount of marijuana a patient is allowed to possess increases from 2.5 ounces to 3.0.
- Allows a medical practitioner to enter a patient into the program to treat “acute pain”, in addition to the current chronic pain standard. Medical practitioners would be required to be licensed in Rhode Island and be subject to DOH oversight.
- Permits Connecticut and Massachusetts patients to purchase in Rhode Island.
- Establishes a new medical marijuana manufacturing and processing license to be issued by the DBR. The DBR is permitted to create additional licenses by regulation to support the industry including transportation, delivery, research and development, and disposal.

FISCAL IMPACT

The general revenue impact of Article 17 is summarized in the following table:

Fiscal Impact of Article 17	
Change	Impact
Fees from Compassion Centers	\$1,675,000
Surcharge/Sales Tax from New Compassion Centers	1,728,486
Fees from Manufacturing & Other Licenses	1,545,000
Reciprocity with Connecticut/Massachusetts	389,961
Surcharge/Sales Tax from Acute Pain Licenses	283,745
Fees from Acute Pain Licenses	160,743
Indirect Cost Recovery *	-
DBR Expenditures	(394,394)
Total	\$5,388,541

** According to the Office of Management and Budget, the restricted receipt revenue derived from the Article 17 changes, generates a projected \$338,074 in indirect cost recovery funding to the General Fund. According to the Budget Office this amount is not included in its projected revenue from the article because of an overstated carry-forward amount related to the medical marijuana program that was incorporated into the November 2017 REC estimate.*

ANALYSIS AND BACKGROUND

Article 17 makes significant changes to the medical marijuana program that, according to the Budget Office, are designed to shift the supply of medical marijuana away from the less regulated, individual growers, towards more regulated licensees.

Shift of Licensing and Regulation Oversight

The article shifts the administration of primary caregiver registration under State's medical marijuana program from DOH to DBR's marijuana regulation division. DOH will continue to manage the patient cardholder process.

The Governor includes \$394,394 for 3.0 Licensing Aides FTE positions and additional operating funds to support the work associated with the transferred DOH activity and the overall expansion of regulatory responsibilities under this article.

Changes to Application and Renewal Processes

This article removes the requirement of submitting a qualifying patient's medical records as part of the patient application process. The proposed required written certification would be determined by DOH regulations and *may* include medical records. It also permits the renewal of qualifying patient identification cards in accordance with regulations promulgated by DOH without the statutory criteria required of new applications.

Newly Created Licenses

The number of licensing categories expands under Article 17, bringing more activities associated with medical marijuana under the regulatory purview of the State. These new categories include:

Manufacturing licenses: The article establishes manufacturing license that permits the "possession, manufacture, or processing of marijuana into marijuana products."

Manufacturing licenses would expire after one year, although renewals will be determined per DBR regulations. Licensed manufacturers may:

- Acquire marijuana from licensed cultivators or compassion centers;
- Possess, manufacture, or process marijuana into marijuana products in accordance with DBR regulations; and
- Transfer or deliver manufactured marijuana products to licensed compassion centers or other licensed manufacturers.

Revenue Projections for Changes to the Medical Marijuana Program

Compassion Center Application/License Revenue	Assumption
New Compassion Centers	12
New Applications	100
Fee for New Application	\$10,000
Fee for New License	\$30,000
Fee for Existing Cultivator Licence	\$80,000
Existing Compassion Centers seeking to be Cultivator	3
<i>Subtotal</i>	<i>\$1,675,000</i>
Manufacturer and Other New Commercial Licenses Revenue	
<i>New Manufacturers</i>	
≤ 1,000 sq. ft.	36
1,000 - 2,500 sq. ft.	15
2,501 + sq. ft.	15
Test Lab & Other	5
Existing Compassion Center seeking to be Manufacturer	3
<i>Applications</i>	
≤ 1,000 sq. ft.	\$1,000
1,000 - 2,500 sq. ft.	\$2,500
2,501 + sq. ft.	\$5,000
Test Lab & Other	\$1,000
<i>Licenses</i>	
≤ 1,000 sq. ft.	\$15,000
1,000 - 2,500 sq. ft.	\$22,500
2,501 + sq. ft.	\$30,000
Test Lab & Other	\$3,000
<i>Subtotal</i>	<i>\$1,545,000</i>
Acute Pain Patient License Revenue	
Fee for Acute Pain License (assumes \$20 fee)	\$20
Number of Prescriptions	\$16,074
Surcharge/Sales Tax per Acute Pain Licensee	\$35
Ounces per month	1.6
<i>Subtotal</i>	<i>\$444,488</i>
New Compassion Center Surcharge Revenue	
Surcharges from New Compassion Centers	\$628,541
Sales taxes from New Compassion Centers	1,099,946
<i>Subtotal</i>	<i>\$1,728,487</i>
Connecticut and Massachusetts Reciprocity Revenue	
Connecticut Licensee Revenue	\$88,984
Massachusetts Licensee Revenue	300,977
<i>Subtotal</i>	<i>\$389,961</i>
Miscellaneous	
DBR Operations and Personnel	(\$394,394)
Indirect Cost Recovery	(338,074)
<i>Subtotal</i>	<i>(\$732,468)</i>
Total	\$5,050,467

Licensed manufacturers shall:

- Sell manufactured marijuana products only to licensed compassion centers or other licensed manufacturers;
- Be licensed to manufacture at a single location unless a manufacturer license is held by a compassion center approved prior to July 1, 2018; and
- Abide by DOH regulations pertaining to product labeling, manner of testing, reasonable inspections by DBR and DOH per regulations and RI General Laws.

Licensed manufacturers shall not:

- Be primary caregiver cardholders;
- Hold a cooperative cultivation license; or
- Grow, cultivate, sell, or dispense medical marijuana unless also issued a cultivator license or compassion center registration.

A manufacturer's failure to comply with DBR regulations shall cause the manufacturer to lose protections from arrest and prosecution under the statute. Although, if compliant, a manufacturer is protected from prosecution, searches (except by DOH and DBR), seizures, and other civil or criminal penalties solely for acting in accordance with this chapter.

DBR may restrict the number, types, and classes of medical marijuana licenses through regulations and shall promulgate regulations relating to manufacturer licenses that include, but are not limited to, form and content of licensing and renewal applications, minimum requirements for oversight of licensed manufacturers, record keeping, security requirements, procedures for suspending, revoking or terminating the license, and application and license fees. DBR may also promulgate regulations governing the amount of marijuana that a manufacturer may possess.

Applicants for manufacturer licenses are disqualified if they previously have been convicted of a felony drug offense or pled nolo contendere and received probation.

Testing lab licenses: This article provides for the issuance of licenses for medical marijuana testing laboratories, which are third-party analytical testing laboratories licensed by DOH to collect and test samples of medical marijuana pursuant to DOH regulations.

New "Other Supporting Medical Marijuana Licenses": DBR will have the authority to promulgate regulations to create additional types of commercial medical marijuana licenses (e.g. for businesses to engage in marijuana destruction, delivery, disposal, research and development, transportation, etc., but not licenses that allow for the retail sale of medical marijuana to registered card holders.)

DBR shall promulgate regulations relating to additional marijuana licenses that include, but are not limited to, form and content of licensing and renewal applications, minimum requirements for oversight of license holders, record keeping, security requirements, procedures for suspending, revoking or terminating the license, application and license fees.

The Budget Office estimates that the new manufacturer and related licenses will result in \$1.5 million in new revenue. This estimate assumes at least 36 new manufacturers in the less than 1,000 sq. ft. category, 15 each of the 1000 sq. ft. and 2,501+ sq. ft. categories, and 5 testing lab licenses.

Compassion Centers

Compassion centers may no longer cultivate or manufacture marijuana and/or related supplies without a separate cultivator or manufacturing license. The number of compassion centers in Rhode Island will be increased from 3 to 15 for the stated purpose of affording convenience to patients from underserved areas, shifting the supply of medical marijuana from less regulated home grows to regulated licensees, and,

according to DBR, will make medicine more affordable and creating parity between the State's ratio of patients per dispensary (currently 6,000 per dispensary) with the rest of the country (1,400 per dispensary).

The article codifies the regulatory requirements promulgated by DBR pertaining to compassion centers that include, but are not limited to, minimum requirements for: security and surveillance, workplace safety and sanitation, product safety and testing, inventory tracking and monitoring, secure transport and transfer of medical marijuana, odor mitigation, product packaging and labeling, advertising, testing, and destruction of marijuana.

This article also increases the amount a compassion center can give to any one patient during a 15 day period from 2.5 to 3.0 ounces of dried useable marijuana.

The application for compassion center licenses will now be to DBR and the cost will increase from \$250 to \$10,000. New license or renewal fee will increase from \$5,000 to \$30,000. Based on the number cultivator licenses that the State originally received (100), the Budget Office assumes that at least 100 applications will be made for the 12 new center licenses. The estimated fiscal impact from these changes is \$1.7 million.

The Budget Office also makes several assumptions regarding revenue from sales tax and surcharges from the new centers. The medical marijuana market is estimated to be \$28.5 million in Rhode Island and the existing three centers comprise 23.0 percent of this. Since 2015 the average year-over-year growth has been 50.0 percent. In estimating the sales tax and surcharge revenue the Budget Office assumes a lower 20.0 percent growth factor. Based on these assumptions, the estimated revenue is \$1.7 million.

Possession and Cultivation Limits

- **Patients:** After July 1, 2018, the article reduces the amount patients may possess from 12 mature marijuana plants and 12 immature plants to 8 mature plants and 8 immature marijuana plants, as well as 3 ounces (up from 2.5 ounces) of dried usable marijuana or its equivalent. Plants must be stored indoors. Marijuana plants and products must be grown, stored, manufactured, and produced according to DBR regulations.
- **Primary caregivers:** After July 1, 2018, the article reduces the amount primary caregivers may possess from 12 mature marijuana plants and 12 immature plants to 8 mature plants and 8 immature marijuana plants, as well as 3 ounces (up from 2.5 ounces) of dried usable marijuana or its equivalent for each qualified patient cardholder to whom connected with through the DBR registration process. The maximum amount any primary caregiver may possess (regardless of number of connected patient cardholders) is 16 mature marijuana plants and 16 immature plants and 6 ounces of dried usable marijuana or its equivalent. DBR has promulgated rules regarding the amount of wet marijuana a primary caregiver may possess. Plants must be stored indoors. Marijuana plants and products must be grown, stored, manufactured, and produced according to DBR regulations.

Subsection (f) of RIGL 21-28.6-4, which provides that patient and caregiver cardholders are currently allowed to possess a reasonable amount of unusable marijuana, including up to 12 seedlings, is deleted.

- **Authorized purchasers:** This article increases the amount authorized purchasers may possess from 2.5 to 3 ounces of dried usable marijuana if purchased from a compassion center.

Additional Expansions

- **Acute Pain:** Eligibility is expanded to permit practitioners to treat patients with a "debilitating medical condition" that includes "acute pain." However, patients whose debilitating medical condition is acute pain will be issued a patient registration card valid only for the period of time determined by the recommending practitioner, and which will be valid for no more than six months. Such patients are neither eligible to obtain grow tags nor have the legal protections to grow, cultivate, manufacture, or process marijuana unless they also hold a valid primary caregiver registration card. Acute pain patients must also only lawfully obtain marijuana and marijuana products from compassion centers and are ineligible to appoint or register with a primary caregiver.

In determining the fiscal impact of this eligibility expansion, the Budget Office makes certain assumptions. It uses a 2016 DOH clinical study that shows 44.0 percent of patients prescribed opioids were inclined to substitute medical marijuana for pain management. According to the Budget Office of the 182,663 opioid prescriptions written in 2016, 80,372, or 44.0 percent, would possibly switch to marijuana. For its revenue estimate, the Budget Office uses 20.0 percent of the prescriptions, or 16,074. Revenue from acute pain card issuance deposited into a DOH restricted receipt is projected to yield \$160,743. The Budget Office also projects \$283,745 in sales tax and surcharge revenue.

- **Out-of-state sales:** Current Rhode Island law recognizes the rights of medical marijuana cardholders from other States in terms of possession, however, compassion centers are prohibited from selling to them. The article removes these restrictions. The Budget Office estimates that the nearby Connecticut market would yield \$88,984 in new general revenue in FY2019 and Massachusetts will yield \$300,977.
- **Licensed cultivator:** The article expands the definition of licensed cultivator to include an “entity” licensed by DBR to cultivate. The addition does not define “entity,” but references RIGL 43-3-6 and purports to include “co-partnerships and bodies corporate and politic.”
- **Affirmative defense and dismissal:** The article provides additional protections to patients who are prosecuted as long as they are compliant with DBR regulations not yet specified.
- **Cooperation with law enforcement:** This article permits DOH and DBR to verify to law enforcement not only whether a registry identification card is valid, but also whether a cardholder is compliant with provisions of the chapter or regulations of DOH and DBR.

Additional Restrictions

- **Eligible practitioners:** Under this article individuals who are licensed in Rhode Island with authority to prescribe drugs pursuant to RIGL 37-5 are the medical practitioners permitted to provide qualifying patients with written certification under the State’s medical marijuana program.
- **Sharing among patients and caregivers:** The article deletes subsection (p) of RIGL 21-28.6-4, which provides that a qualifying patient or primary caregiver can give marijuana to another qualifying patient or caregiver to whom they are not connected, provided no consideration is paid and lawful limits are not exceeded.
- **Medical marijuana emporiums:** Medical marijuana emporiums are defined as “establishments whether for-profit or nonprofit, where sale, distribution, transfer or use of medical marijuana or medical marijuana products occurs to, by, or among registered patients, registered caregivers, authorized purchasers or anyone else defined by future DBR regulations and are deemed illegal in Rhode Island.” The definition does not include compassion centers.
- **Patient/primary caregiver relationships:** A patient who grows for himself shall not appoint a primary caregiver unless the patient is able to demonstrate a necessity to do so. A primary caregiver may not assist more than one patient unless the additional patient is an immediate family member or the additional patient is able to demonstrate the necessity of appointing the caregiver in accordance with DBR regulations.

Other definition changes

- **Seedling:** This term is replaced with “immature marijuana plant.”
- **Usable marijuana definition:** The article removes the requirement that leaves be “dried.”

Article 18: Relating to Effective Date

This article provides that the Act will take effect on July 1, 2018, except as otherwise provided herein.



APPENDIX

Summary Tables

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GENERAL REVENUE BUDGET SURPLUS

Opening Surplus	FY2016 Audited	FY2017 Audited	FY2018 Enacted	FY2018 Governor	FY2019 Governor
Free Surplus	\$168,038,072	167,818,206	\$49,716,066	\$61,660,230	\$268,461
Adjustment to Opening Surplus	-	-	-	-	-
Reappropriated Surplus	6,890,273	7,848,853	-	10,338,899	-
Subtotal	\$174,928,345	\$175,667,059	\$49,716,066	\$71,999,129	\$268,461
Revenues					
Enacted/Actual/Estimated	\$3,663,592,637	\$3,684,357,619	\$3,834,722,506	\$3,834,722,506	\$3,681,600,000
November Revenue Estimate	-	-	-	(10,322,506)	-
Governor Changes	-	-	-	28,013,132	266,758,008
Total Revenues	\$3,663,592,637	\$3,684,357,619	\$3,834,722,506	\$3,852,413,132	\$3,948,358,008
To Cash Stabilization Fund	(\$114,948,921)	(\$115,565,275)	(\$116,533,157)	(\$117,422,201)	(\$118,458,794)
Total Available Resources	\$3,723,572,060	\$3,744,459,404	\$3,767,905,414	\$3,806,990,060	\$3,830,167,675
Expenditures					
Actual/Enacted	\$3,547,905,001	\$3,672,460,275	\$3,767,715,656	\$3,767,715,656	\$0
Governor	-	-	-	(691,236)	3,829,280,172
Reappropriations	-	-	-	10,338,899	-
November Caseload Estimate	-	-	-	29,358,280	-
Total Expenditures	\$3,547,905,001	\$3,672,460,275	\$3,767,715,656	\$3,806,721,599	\$3,829,280,172
Total Surplus	175,667,059	71,999,129	189,758	268,461	887,503
Transfer to Other Funds	-	-	-	-	-
Reappropriations	(7,848,853)	(10,338,899)	-	-	-
Free Surplus	\$167,818,206	\$61,660,230	\$189,758	\$268,461	\$887,503

ALL FUNDS EXPENDITURES

General Government	FY2017 Final	FY2018 Enacted	FY2018 Governor	Change from Enacted	FY2019 Governor	Change from Enacted
Administration	\$349,483,495	\$359,226,084	\$317,631,216	(\$41,594,868)	\$298,453,464	(\$60,772,620)
Business Regulation	14,129,016	15,606,183	16,214,659	608,476	24,530,291	8,924,108
Executive Office of Commerce	73,418,290	58,598,372	58,003,215	(595,157)	62,814,751	4,216,379
Labor and Training	421,847,081	429,907,376	448,471,413	18,564,037	454,104,250	24,196,874
Revenue	471,375,964	525,371,718	524,687,839	(683,879)	582,477,370	57,105,652
Legislature	38,325,853	42,252,464	47,064,142	4,811,678	44,635,033	2,382,569
Lieutenant Governor	1,059,509	1,084,217	1,047,496	(36,721)	1,039,971	(44,246)
Secretary of State	9,942,148	9,350,797	9,525,372	174,575	10,301,762	950,965
General Treasurer	42,002,140	42,764,450	43,340,030	575,580	42,674,171	(90,279)
Board of Elections	1,969,669	1,548,735	1,689,751	141,016	5,315,517	3,766,782
Ethics Commission	1,604,233	1,665,873	1,733,293	67,420	1,770,560	104,687
Office of the Governor	5,008,393	5,397,554	5,540,199	142,645	5,545,728	148,174
Commission for Human Rights	1,557,320	1,690,102	1,737,997	47,895	1,808,026	117,924
Public Utilities Commission	8,014,894	9,136,343	9,974,412	838,069	10,661,405	1,525,062
Total	\$1,439,738,004	\$1,503,600,268	\$1,486,661,034	(\$16,939,234)	\$1,546,132,299	\$42,532,031
Human Services						
Office of Health and Human Services	\$2,433,340,843	\$2,541,841,896	\$2,594,918,120	\$53,076,224	\$2,477,269,162	(\$64,572,734)
Children, Youth, and Families	222,662,113	209,049,728	214,081,089	5,031,361	209,152,279	102,551
Health	154,376,396	169,645,421	170,044,686	399,265	173,291,532	3,646,111
Human Services	626,727,849	614,682,222	629,570,505	14,888,283	633,824,402	19,142,180
BHDDH	398,887,449	397,090,236	427,179,214	30,088,978	400,743,927	3,653,691
Governor's Commission on Disabilities	669,120	842,190	867,672	25,482	877,295	35,105
Governor's Commission on the Deaf	493,573	627,910	565,882	(62,028)	591,467	(36,443)
Office of the Child Advocate	612,107	926,120	1,045,722	119,602	1,071,346	145,226
Office of the Mental Health Advocate	540,899	549,563	628,771	79,208	639,764	90,201
Total	\$3,838,310,347	\$3,935,255,286	\$4,038,901,661	\$103,646,375	\$3,897,461,174	(\$37,794,112)
Education						
Elementary and Secondary Education	\$1,338,608,386	\$1,402,573,543	\$1,412,064,822	\$9,491,279	\$1,433,886,695	\$31,313,152
Public Higher Education	1,089,836,235	1,180,099,008	1,189,079,314	8,980,306	1,199,276,623	19,177,615
Council on the Arts	2,905,499	3,072,310	3,126,037	53,727	3,113,746	41,436
Atomic Energy Commission	1,242,298	1,304,373	1,379,671	75,298	1,471,110	166,737
Higher Education Assistance Authority	-	-	-	-	-	-
Historical Preservation & Heritage Comm.	2,666,742	2,490,767	2,612,478	121,711	2,586,290	95,523
Total	\$2,435,259,161	\$2,589,540,001	\$2,608,262,322	\$18,722,321	\$2,640,334,464	\$50,794,463
Public Safety						
Attorney General	\$31,812,737	\$44,129,197	\$57,089,092	\$12,959,895	\$40,796,506	(\$3,332,691)
Corrections	218,099,098	235,700,265	248,607,210	12,906,945	246,423,505	10,723,240
Judiciary	116,364,697	122,006,254	121,163,608	(842,646)	120,895,770	(1,110,484)
Military Staff	16,305,158	38,177,942	38,396,333	218,391	27,660,424	(10,517,518)
Emergency Management Agency	15,729,042	18,454,652	19,182,981	728,329	20,390,187	1,935,535
Public Safety	135,574,868	120,977,086	121,216,956	239,870	123,084,682	2,107,596
Public Defender	11,572,721	12,140,826	11,926,561	(214,265)	12,401,872	261,046
Total	\$545,458,321	\$591,586,222	\$617,582,741	\$25,996,519	\$591,652,946	\$66,724
Natural Resources						
Environmental Management	\$78,673,037	\$103,951,092	\$108,549,149	\$4,598,057	\$103,471,012	(\$480,080)
Coastal Resources Management Council	5,968,407	4,836,869	7,254,344	2,417,475	6,256,164	1,419,295
Total	\$84,641,443	\$108,787,961	\$115,803,493	\$7,015,532	\$109,727,176	\$939,215
Transportation						
Transportation	\$415,815,151	\$514,065,072	\$595,043,313	\$80,978,241	\$592,433,211	\$78,368,139
Grand Total	\$ 8,759,222,427	\$ 9,242,834,810	\$ 9,462,254,564	\$219,419,754	\$ 9,377,741,270	\$134,906,460

GENERAL REVENUE EXPENDITURES

General Government	FY2017 Final	FY2018 Enacted	FY2018 Governor	Change from		
				Enacted	FY2019 Governor	
Administration	\$217,802,032	\$216,198,914	\$185,759,136	(\$30,439,778)	\$183,043,234	(\$33,155,680)
Business Regulation	9,864,377	10,815,093	10,958,638	143,545	17,166,351	6,351,258
Executive Office of Commerce	54,708,755	33,057,819	29,808,525	(3,249,294)	37,314,974	4,257,155
Labor and Training	7,010,095	8,094,063	8,975,670	881,607	9,690,749	1,596,686
Revenue	110,837,271	143,622,132	147,980,937	4,358,805	177,275,361	33,653,229
Legislature	36,925,853	40,522,507	45,419,385	4,896,878	42,914,338	2,391,831
Lieutenant Governor	1,059,509	1,084,217	1,047,496	(36,721)	1,039,971	(44,246)
Secretary of State	9,478,005	8,911,319	8,958,301	46,982	9,861,104	949,785
General Treasurer	2,653,651	2,698,692	2,876,681	177,989	2,967,632	268,940
Board of Elections	1,969,669	1,548,735	1,689,751	141,016	5,315,517	3,766,782
Ethics Commission	1,604,233	1,665,873	1,733,293	67,420	1,770,560	104,687
Office of the Governor	5,008,393	5,397,554	5,540,199	142,645	5,545,728	148,174
Commission for Human Rights	1,247,603	1,258,074	1,292,590	34,516	1,310,456	52,382
Total	\$460,169,445	\$474,874,992	\$452,040,602	-\$22,834,390	\$495,215,975	\$20,340,983
Human Services						
Office of Health and Human Services	\$944,892,151	\$964,299,956	\$978,479,417	\$14,179,461	\$935,907,193	(\$28,392,763)
Children, Youth, and Families	159,769,535	145,855,862	152,586,787	6,730,925	148,637,206	2,781,344
Health	25,499,235	24,893,123	26,419,356	1,526,233	28,009,223	3,116,100
Human Services	90,573,454	91,113,618	100,592,486	9,478,868	103,702,154	12,588,536
BHDDH	182,335,174	176,448,622	191,626,281	15,177,659	179,401,491	2,952,869
Governor's Commission on Disabilities	418,544	454,938	478,907	23,969	492,557	37,619
Governor's Commission on the Deaf	421,448	498,710	436,682	(62,028)	511,467	12,757
Office of the Child Advocate	470,981	781,499	787,881	6,382	923,704	142,205
Office of the Mental Health Advocate	540,899	549,563	628,771	79,208	639,764	90,201
Total	\$1,404,921,420	\$1,404,895,891	\$1,452,036,568	\$47,140,677	\$1,398,224,759	(\$6,671,132)
Education						
Elementary and Secondary Education	\$1,113,255,421	\$1,161,071,396	\$1,161,389,084	\$317,688	\$1,179,752,845	\$18,681,449
Public Higher Education	198,362,974	220,882,593	220,768,994	(113,599)	228,029,183	7,146,590
Council on the Arts	1,906,356	1,945,056	1,963,360	18,304	1,989,693	44,637
Atomic Energy Commission	956,464	982,157	1,021,021	38,864	1,053,231	71,074
Higher Education Assistance Authority	-	-	-	-	-	-
Historical Preservation & Heritage Comm.	1,131,750	1,121,134	1,123,154	2,020	1,187,291	66,157
Total	\$1,315,612,964	\$1,386,002,336	\$1,386,265,613	\$263,277	\$1,412,012,243	\$26,009,907
Public Safety						
Attorney General	\$25,379,778	\$26,194,751	\$26,146,061	(\$48,690)	\$27,152,722	\$957,971
Corrections	212,327,677	218,300,828	229,927,179	11,626,351	233,022,846	14,722,018
Judiciary	97,047,499	98,964,477	98,820,554	(143,923)	100,183,074	1,218,597
Military Staff	2,571,436	2,634,057	3,909,160	1,275,103	3,674,200	1,040,143
Emergency Management Agency	1,847,848	1,734,470	1,917,262	182,792	2,108,891	374,421
Public Safety	100,470,169	100,279,086	100,907,421	628,335	101,563,958	1,284,872
Public Defender	11,511,842	12,043,006	11,825,576	(217,430)	12,300,887	257,881
Total	\$451,156,249	\$460,150,675	\$473,453,213	\$13,302,538	\$480,006,578	\$19,855,903
Natural Resources						
Environmental Management	\$38,207,990	\$39,304,184	\$40,435,079	\$1,130,895	\$41,222,720	\$1,918,536
Coastal Resources Management Council	2,392,189	2,487,578	2,490,523	2,945	2,597,897	110,319
Total	\$40,600,178	\$41,791,762	\$42,925,602	\$1,133,840	\$43,820,617	\$2,028,855
Grand Total	\$3,672,460,257	\$3,767,715,656	\$3,806,721,598	\$39,005,942	\$3,829,280,172	\$61,564,516

FTE POSITIONS

	FY2017 Actual	FY2018 Enacted	FY2018 Governor	Change from Enacted	FY2019 Governor	Change from Enacted
General Government						
Administration	708.7	696.7	696.7	-	667.7	(29.0)
Business Regulation	100.0	101.0	106.0	5.0	170.0	69.0
Executive Office of Commerce	16.0	17.0	17.0	-	17.0	-
Labor and Training	409.5	428.7	428.7	-	428.7	-
Revenue	523.5	533.5	529.5	(4.0)	612.5	79.0
Legislature	298.5	298.5	298.5	-	298.5	-
Lieutenant Governor	8.0	8.0	8.0	-	8.0	-
Secretary of State	59.0	59.0	59.0	-	59.0	-
General Treasurer	87.0	89.0	89.0	-	89.0	-
Board of Elections	12.0	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	51.0	51.0	54.0	3.0	57.0	6.0
Total	2,344.7	2,365.9	2,369.9	4.0	2,490.9	125.0
Human Services						
Office of Health and Human Services	178.0	285.0	285.0	-	295.0	10.0
Children, Youth, and Families	628.5	616.5	612.5	(4.0)	619.5	3.0
Health	503.6	493.6	506.6	13.0	504.6	11.0
Human Services	937.1	981.1	981.1	-	981.1	-
BHDDH	1,352.4	1,319.4	1,319.4	-	1,319.4	-
Office of the Child Advocate	7.0	8.0	8.0	-	8.6	0.6
Governor's Commission on the Deaf	4.0	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	-
Total	3,618.6	3,715.6	3,724.6	9.0	3,740.2	24.6
Education						
Elementary and Secondary Education	325.1	325.1	325.1	-	327.1	2.0
Public Higher Education	3,551.0	3,567.0	3,568.0	1.0	3,610.5	43.5
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 & Heritage Comm.	15.6	15.6	15.6	-	15.6	-
Total	3,908.9	3,924.9	3,925.9	1.0	3,970.4	45.5
Public Safety						
Attorney General	235.1	235.1	235.1	-	235.1	-
Corrections	1,423.0	1,423.0	1,435.0	12.0	1,435.0	12.0
Judiciary	723.3	723.3	723.3	-	723.3	-
Military Staff	92.0	92.0	92.0	-	92.0	-
Emergency Management	29.0	32.0	32.0	-	32.0	-
Public Safety	615.6	611.6	611.6	-	599.6	(12.0)
Public Defender	93.0	93.0	93.0	-	95.0	2.0
Total	3,211.0	3,210.0	3,222.0	12.0	3,212.0	2.0
Natural Resources						
Environmental Management	400.0	400.0	400.0	-	400.0	-
Coastal Resources Management Council	29.0	29.0	29.0	-	29.0	-
Total	429.0	429.0	429.0	-	429.0	-
Transportation						
Transportation	701.0	775.0	775.0	-	795.0	20.0
Higher Education Sponsored Research						
Office of Higher Education	1.0	1.0	1.0	-	1.0	-
CCRI	89.0	89.0	89.0	-	89.0	-
RIC	82.0	76.0	76.0	-	76.0	-
URI	573.8	573.8	573.8	-	622.8	49.0
Total	745.8	739.8	739.8	-	788.8	49.0
Grand Total	14,959.0	15,160.2	15,186.2	26.0	15,426.3	266.1

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